FINANCE COMMITTEE MONTHLY MEETING
THURSDAY, April 12, 2012
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING:	Peter J. Basso Mary Beyer Halsey Arthur Hock
STAFF ATTENDING:	Harold Bartlett Jay Ayd Brenda Cachuela David Chapin Joyce Diepold Vicky Dobbins Patrick Fleming Allen Garman Tom Gugel Shelly Holland Chuck Markakis Delores Ragsdale Gayle Seward John Sales Kitty Sarvinas Dennis Simpson Deborah Sharpless Valerie Smith, Esq. Larry Schwager Chris Thompson Alison Williams
OTHERS ATTENDING:	Glen Anstead, RAFFA David Fleming – MDOT June Hornick - MDOT Michael Krawiec, RAFFA Ed McGovern, RAFFA Seth Zarney, RAFFA

At 9:00 a.m. Committee Chairman Jack Basso called the meeting of the Finance Committee to order.

APPROVAL: MEETING MINUTES – February 9, 2012

Upon motion by Member Arthur Hock and seconded by Member Mary Halsey, the open and closed session minutes of the March 8, 2012 Finance Committee were unanimously approved.

UPDATE - SERVER MALFUNCTION

Jay Ayd gave a brief presentation on the recent hardware failure.

The symptoms of the malfunction started around 11:00 a.m. March 27, 2012 and the hardware failed at 7:30 p.m. that evening. The hardware was replaced and attempted recovery could not be performed. The hardware failure prevented a return to service. On March 28, 2012, management was briefed and file recovery operations were started. The file recovery contractor completed their assessment and determined the files could be recovered to the point in time of the failure.

The root cause analysis is being lead by MDOT's Chief Information Officer. In response to Mr. Basso's inquiry, Mr. Ayd said the cost of the recover was $40,000. Mr. Basso also suggested that we arrange for a Task Order for any future file recovery services that may be needed.

UPDATE – IT PROJECTS

Deb Sharpless introduced members of the Division of Finance Staff to the Members and indicated that they had been working on a number of finance-related IT projects that are in the planning or implementation phase. Ms. Sharpless also introduced Delores Ragsdale, IT Project Manager and the personnel from RAFFA, a consulting firm that has been working with the Finance Staff.

Ms. Sharpless then introduced Gayle Seward, MDTA Senior Financial Analyst, who briefed the Members on the IT Projects currently under way. Ms. Seward started with the projects that are part of the Core Financial System.

First was the “Capital Assets System,” which will provide a platform to add, modify and dispose of capital assets. Accounting entries for capital assets and associated depreciation will be generated by the system and uploaded to Dynamics SL. This will eliminate an audit finding critical of Finance’s continued use of excel spreadsheets to determine asset values and depreciation using spreadsheets. The automated process will save time and reduce the potential for human error in computation and processing to Dynamics SL. Acquisition of the software is in progress.

Next was the Chart of Accounts. This project will allow Finance to structure the accounts of the agency to meet its business needs. The “natural” (major) account titles will reflect current and potential future Balance Sheet and Income Statement needs. Subaccount structure will be standardized to aid in reporting. This will eliminate the manipulation of the system to account for Construction in Progress. The streamlining will improve financial reporting capabilities and reduce the time needed to create and validate reports. A Finance team has been meeting biweekly since January 2012 to develop logical account groupings for a revised Chart of Accounts. This effort will be expanded to include other stakeholders this summer.

Another project is the “Project Controller.” This Dynamics SL core module provides for project level accounting. It also provides for structured accumulation of Construction in Progress data by project which is needed. This will satisfy auditors and facilitate transfer of completed assets to the Capital Assets system. The accounting structure for this system will be integrated with the natural account/subaccount restructuring in the Chart of Accounts project.

The final part of the Core Financial System is the "Purchasing/Contract Management" system. Finance has reviewed software products that may be linked with Dynamics SL to establish contract budgets, commitments, and draw-downs against budgets as expenditures occur. These modules relate to Project Controller and the Chart of Accounts since there is a link between contracts, project task, and the subaccount structure in Dynamics SL. The functionality provides for the ability to input, track, manage and report on contract limits and balances, and will enhance internal control over contracts. It also ensures that vendors are not paid in excess of contract limits. The accounting structure for this system will be integrated with the natural account/subaccount restructuring in the Chart of Accounts project.

Ms. Seward then discussed the Other Finance Systems. Toll Revenue Intergration Import Program Demonstration (TRIIP) is an interface that will allow revenue transactions from the Vector system (ACS) to flow to Finance through and automated process. On a daily basis toll revenue will be reported by date, location and number of axles and impact on balance sheet accounts on a daily basis. The information will be reviewed by Finance and posted in Dynamics SL at detailed level through the interface. This will permit Finance to timely generate revenue reports by date, location and number of axles. Testing is planned for May and full implementation is planned for Fiscal year 2013.

Investment accounting software is being implemented in two phases. Phase 1 provides the ability to enter investments in the SunGard system. The system computes market value, gains and losses, accrued interest, amortization, and accretion. Manual spreadsheets were eliminated, saving time and minimizing the risk of human error. This system automates diversification limits testing and the calculation of portfolio total return performance, providing timely, critical information to the investment manager. The implementation is complete and the system is populated and produces automated reports not previously available. Phase II is the interface between the SunGard investments system and Dynamics SL. It will allow automation of entries to record investments, gains and losses, accrued interest, amortization and accretion in the accounting system. The manual effort to create journal entries will be eliminated and the potential from human error will be minimized. Implementation is in progress.

The next project is the document-scanning. All payment documents, journal entries, accounts receivable documents purchasing, card documents, and W-9's will be scanned into a database to facilitate retrieval and research. It reduces the amount of time needed to find documents and eliminates issues related to "lost" documents, expedites processing of completed work to off-site storage and eliminates the need for staff to retrieve documents for auditors. The implementation is in progress. Payment documents, journal entries and accounts receivable are being scanned. W-9 and purchasing card documents infrastructure will be ready by the end of fiscal year 2012.

Lastly the purchasing card system will provide for credit card transactions to be entered one time and data needed by other systems processed through an interface. The current business process requires that purchasing card data be entered and printed multiple times. This system will reduce the time and resources required for data input. Using a single repository for purchasing card data will also facilitate analysis and quality control. This process is in a preliminary planning stage.

Toll Revenue Intergration Import Program (TRIIP) Demonstration

Messers. Ed McGovern, Michael Krawiec and Seth Zarney of RAFFA, presented a demonstration of the Interface between Vector (ACS) and Dynamics SL (MDTA's Accounting System) The TRIIP Import Module for Dynamics SL is a system that imports large text file extracts from MDTA's electronic toll systems into the accounting system in a summary format for accounting purposes. The system also provides validation summaries that are flexibly set up in the system to allow users to see summaries that mirror reports from the feeding system. The system provides validation on all data points and flexible set up options and reporting. Finally, it creates summary entries in General Ledger to represent the daily toll revenue.

Mr. Basso commended the staff from the Division of Finance for all their hard work and efforts. Ms. Halsey asked about Solomon Security Access. Ms. Halsey was assured that the systems include robust security capabilities that allow for the proper segregation of duties. There is an annual user access review. Mr. Hoch asked about hacking the system. Mr. Ayd explained the measures taken to prevent hacking.

UPDATE – CASH BALANCES AND SPENDING

Mr. Allen Garman gave a brief review of the recent history of bond financings since 2007 and the impact on cash balances available for capital spending and reserve funding requirements. Mr. Garman also discussed the implications for the timing of future financings presented by the remaining bond proceeds, excess operating income generation and capital spending projections.

Beginning in 2007, the Authority sold seven bond issues totaling approximately $3 billion to finance its capital program. In 2010, MDTA received $140 million of MEDCO bond proceeds as compensation for the sale of the Seagirt Marine Terminal. These financing activities, along with associated capitalized interest and growth in required reserves, resulted in higher sustained investment balances that rose from less than $600 million in 2007 to current levels near $1 billion. For the twelve months ended in March 2012, account available for capital spending declined by $218 million.

MDTA's formal Debt Policy requires maintenance of $350 million in unrestricted cash in order to support and maintain the agency's double-A credit ratings. Any cash in excess of this level will be used for capital spending once existing bond proceeds have been exhausted. The final TIFIA loan draw of $132 million is likely to occur in December 2013. Spending this fiscal year-to-date through March is 80% of projections compared with FY09 through FY11 spending in the range of 67% to 79%.

Mr. Basso asked about the difference between the Projected and Actual spending. Mr. Dennis Simpson stated that favorable construction contract bids, delays associated with bid protests and weather contributed to expenditures lower than projected.

UPDATE – BWI SERIES 2012 BOND SALES

June Hornick, Deborah Sharpless and Alison Williams provided a report to the Finance Committee on the results of two MDTA bond issues for the Baltimore Washington International Thurgood Marshall Airport. After Ms. Hornick thanked the MDTA for taking the lead in this endeavor they gave a brief summary of the Bond Sale which occurred on April 11, 2012 for the refunding of the Series 2002A and 2002B Airport Parking Revenue Bonds by the refunding Parking Bonds (the "Series 2012 Refunding Bonds") and the new PFC Revenue Bonds Series 2012A (the "PFC Bonds"), as required by MDTA Resolution 12-02 (the "Resolution") approved by the Members at the Meeting on February 23, 2012. The bond issues were well received in the market, and the requirements of the Resolution were met.

The Series 2012 Refunding Bonds were successfully sold to Citigroup using an internet based competitive bidding process called *Parity* that resulted in the Authority receiving bids from seven (7) investment-banking firms. The par amount of the Series 2012 Refunding Bonds will be $190,560,000 with a final adjusted true interest cost of 3.083% and a net premium of $26,068,096. Citigroup will resell these bonds to the public and institutional investors and the proceeds from the sale will be used to refund (refinance all of the maturities of the Series 2002A and 2002B Bonds in the amount of $201,175,000. The results exceeded the 3% Net Present Value (NPV) savings benchmark in MDTA's Debt Management Policy. This transaction will generate NPV savings of $27.6 million. The bonds were well received in the market.

The PFC Bonds were successfully sold to Citigroup using *Parity* and the Authority received bids from six (6) investment-banking firms. Citigroup again bid the lowest TIC and was awarded the sale. The par amount of the PFC Bonds will be $50.9 million with a TIC of 3.731%. The PFC Bonds will be resold to the public and institutional investors. The proceeds of these bonds will be used to finance a B/C connector at BWI Marshall Airport to enhance security and ease passenger flow due to the merger of Southwest and AirTran Airlines.

Mr. David Fleming noted that the Fitch rated the PFC Bonds "A" but on a negative watch due to MAA's plan to issue additional PFC debt this summer. The Maryland Aviation Administration will evaluate financing plans to address any concern about future ratings.

UPDATE – FY 2012 3RD QUARTER BUDGET VS ACTUAL

Ms. Chris Thompson gave a brief overview of the status of spending against the FY 12 Operating Budget. As of March 31, 2012, 60% of the budget has been spent. The target for spending at this time is 73% based on nineteen of the twenty-six payrolls being posted. Ms. Thompson said that the analysis in the Finance Committee's handout materials includes any variances greater that plus or minus 5% for each division and for each budget line item. There are seven Responsibility Centers (RC) with spending above 73% and two of them, the Hatem Bridge Police and Port Police are over 78% (including equipment). There are no line items except insurance over the 68% spending rate. Typically, for the past several years, under spending has occurred in personnel costs, publicly and advertising, IT equipment and EZ-Pass costs. This same trend continues this year. However, the personnel costs appear to be within target. We do have a negative balance in the personnel "burden" clearing account of almost $4.0 million (meaning that the burden expense we have applied to the divisions and projects is higher than our actual burden). This balance is distributed at year-end to RCs and projects.

Publicity and advertising, IT equipment (including net work management and applications development), are expected to be under budget. Heating fuel costs could possibly be low due to the mild winter and Gas and Electric is showing signs of being under budget due to energy efficiency savings and the mild winter.

Most new vehicles on order for MDTA are expected to be received this year, except for six Caprices' for the Police. These will need to be deferred to FY13 because of an extended lead time of 6 months. Some vehicle expenses are already overrun due to high gas prices and additional repairs to an aging fleet and replacement deferrals.

Mr. Basso told Ms. Thompson the report was excellent.

UPDATE – TRAFFIC AND REVENUE

Ms. Deborah Sharpless reported that the revenues from the fixed fee facilities for the month of March were $33.9 million, which is up $8.5 million from the previous year. Revenues for the fiscal year-to-date were $263.4 million, which is up $34.0 million from the previous year. Fiscal year-to-date revenues were $3 million above or 1.1% above the current Jacobs' revenue forecast.

Mr. Tom Gugel reported that transactions for the month of March were 9.7 million, down 0.1 million from the previous year. Fiscal year-to-date system transactions were 87.5 million, down 0.6 million from the previous year. Fiscal year-to-date system transactions are 3.5 million or 4.2% above the current Jacobs transaction forecast.

Mr. Basso said that the T&R looked good overall and the ICC is doing as expected.

UPDATE: LEGISLATIVE SESSION

Patrick Fleming provided a review of the 2012 legislative session. Of the 27 bills introduced that directly affected the MDTA 3 passed – SB 820, which codified the MDTA's regulatory process for public notice and hearing of MDTA toll increases; HB 575/SB 542, which will allow the MDTA, along with other state and local entities, to participate in the Local Government Investment Pool; and HB 537/SB 783, which expanded existing collective bargaining rights under Title 3 of the State Government Article to cover MDTA employees along with employees of the Comptroller, the State Retirement Agency, and the Maryland Department of Education. The state employee collective bargaining law does not allow for binding arbitration. There was a discussion about HB 1375 MDTA's departmental bill pertaining to toll collection. This bill did not pass. Member Halsey asked that a briefing document be prepared for the full Authority Board explaining what occurred with respect to HB 1375 during legislative session and what our next steps will be since it did not pass this session. Mr. Fleming noted that it is likely that a special session will be called in order to address budget issues that were never resolved during the regular legislative session. It is not anticipated that the MDTA will be affected by the special session but staff will continue to monitor the situation.

There being no further business, the meeting of the Finance Committee was adjourned by general consensus at 10:24 a.m.