

FINANCE COMMITTEE MONTHLY MEETING
WEDNESDAY, JULY 18, 2012
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Peter Jack Basso
Mary Beyer Halsey (Via Telephone)
Arthur Hock

STAFF ATTENDING: Harold Bartlett
Allen Garman
Beverly Hill
Doug Hutcheson
Cheryl Jordan
Dave LaBella
Kitty Sarvinas
Deborah Sharpless
Valerie Smith, Esq.
Cheryl Sparks
Alison Williams

OTHERS ATTENDING: David Fleming – MDOT
June Hornick – MDOT
David Greenwood – CDM-Smith

At 10:55 a.m., Committee Chairman Jack Basso called the meeting of the Finance Committee to order.

Ms. Deb Sharpless explained that we would be taking the topics of the meeting in reverse order.

Update – Traffic and Revenue

Ms. Deb Sharpless reported that the system revenues for the month of May were \$34.7 million, which is up \$6.7 million from the previous year. Revenues for the fiscal year-to-date were \$370.2 million, which is up \$58.3 million from the previous year. Fiscal year-to-date revenues were \$3.1 million or 0.8% above the current Jacobs' revenue forecast.

Ms. Sharpless also reported that transactions for the month of May were 10.4 million which is down 0.1 million from the previous year. Fiscal year-to-date system transactions were 118.2 million, which is down 1.0 million from the previous year. Fiscal year-to-date system transactions are 5.9 million or 5.2% above the current Jacobs' transaction forecast.

Update – Bond Counsel Contracts

Ms. Valerie Smith, Principal Counsel, updated the Members on the results of the solicitation and award of the new contracts for special bond counsel ("Bond Counsel") to assist MDTA and the Office of the Attorney General ("OAG").

Ms. Smith reported that Attorney General Douglas Gansler executed Bond Counsel Contracts with two law firms, McKennon, Shelton, and Henn LLP, whose bond team will be led by managing partner Paul D. Shelton, and Whitford, Taylor and Presont LLP, whose bond team will be led by partner Deborah H. Diehl. Each contract is for a period of three years with two, one-year renewal options.

Ms. Smith also explained under Section 6-106 of the State Government Article of the Maryland Code, the Maryland Attorney General has the authority, with the approval of the Governor, to employ assistant counsel outside the OAG if necessary to carry out the legal business of the State. Under this provision, the Attorney General solicits contracts with law firms having nationally recognized bond attorneys to assist those State agencies that issue bonds.

Recommend for Approval – Extra Work Authorization (EWA) for Financial Advisor Services

Ms. Beverly Hill requested the Committee recommend approval by the full MDTA Board of an Extra Work Authorization to extend the terms of MDTA's contract with Davenport & Company LLC and the PFM Group to provide Financial Advisor Services to MDTA in the critical areas of debt and treasury management.

Ms. Hill explained that this is a contract for a five-year term from October 1, 2007 to September 30, 2012 with a total value of \$2,750,000. This request is to extend the current contract until December 31, 2012. Total expenditures through June 30, 2012 are \$1,270,956, leaving a remaining balance of \$1,479,044, which is sufficient to fund the financial advisor services needed under contract.

Recommend for Approval – Investment Management Policy

Mr. Allen Garman presented the revised Investment Management Policy to the Members and requested the Committee's approval to forward it to the full MDTA Board for approval. The revised language will specify how MDTA monies are to be invested in the Maryland Local Government Investment Pool (MLGIP).

Mr. Garman told the Members that at MDTA's request, legislation was passed that revised Article 95-22G of the Annotated Code of Maryland to permit MDTA to invest in the MLGIP. The MLGIP is a short-duration bond fund managed like a prime money market mutual fund, with oversight by the State Treasurer's Office and an Advisory Committee consisting of various State and county investment managers. MDTA's Investment Management Policy has been redrafted to include the MLGIP as a permitted investment, with a maximum exposure of 30% of total assets under management. The exposure limit is set at the same level as other permitted money market mutual funds.

Mr. Jack Basso asked if MDTA's participation would benefit the pool. Mr. Garman responded affirmatively that participation will beneficially reduce pool investor concentration and may potentially lower overall expenses for all participants by increasing assets under management through fee reducing breakpoints.

Recommend for Approval – Investment Banking RFP – 1 Year Renewal Option

Ms. Alison Williams presented a request to the Committee Members that the last remaining One-Year Renewal Option be exercised under the Investment Banking Request for Proposal agreement as the current term expires in September 2012. Ms. Williams also requested that the Committee recommend approval of the renewal option by the full MDTA Board.

The current team of underwriters under the agreement consists of Bank of America/Merrill Lynch, Citigroup, Goldman Sachs, Loop Capital Markets and M&T Securities. Ms. Williams explained that if the one year option is approved, this team of investment banking firms will be available in the event that MDTA has the need for a negotiated bond sale in the coming year. Since BWI is planning to request that MDTA issue another series of Passenger Facility Charge (PFC) revenue (conduit) bonds, the investment banking team may be needed to act as underwriters and to assist with the sale. MDOT finds this group of firms acceptable for that purpose. The team has worked together well over the term of the engagement from 2008-2012.

Mr. Hock asked if at the end of the contract, MDTA would be re-evaluating and possibly use other banks and form a new team. Ms. Sharpless said that the contract would be re-evaluated, and a decision will be made at that time.

Recommend for Approval – Funding of Reserves – BWI Rental Car Facility Bonds

Ms. Alison Williams and Ms. June Hornick presented this item to the Committee Members and requested they recommend approval by the full MDTA Board to explore and implement the cash funding of the Debt Service Reserve Fund (DSRF) for the BWI Airport Consolidated Rental Car Facility Bonds, Series 2002 from pledged revenues of the Rental Car Facility.

The DSRF was originally satisfied with a surety bond from the MBIA Insurance Corporation (MBIA). Although the surety bond is still in place, the value of the bond is questionable, since the National Public Finance Guaranty (NPFNG), successor to MBIA, is rated Baa2 with a negative outlook. The DSRF requirement is \$9.1 million.

Based upon advice from bond counsel, McKennon Shelton & Henn LLP, the terms of the Rental Car Bond documents do not require the cash funding of the DSRF in this situation. However, rating agency Moody's cited the lack of a DSRF as a credit weakness, which could put downward pressure on the rating of the bonds given the weakness of the surety funded DSRF. Ms. Williams and Ms. Hornick are working on a plan to shore up at least half of the DSRF requirement with cash, which would be viewed as a positive in the next Moody's review (expected in April 2013).

The documents for the Rental Car Bonds have no provision for moving funds from the Facility Improvement Fund to the DSRF. The plan is to move excess revenue from the Revenue Fund, after required deposits to the Bond Fund, before those funds are moved to the Facility Improvement Fund. MDTA staff, MAA and MDOT representatives are analyzing the cash flows to determine the appropriate amount or percentage to transfer each month as well as the ability to stop the transfers if the NPFNG rating improves or another credit facility can be reasonably obtained. Once a transfer determination is made, discussions with the Trustee will occur, and an agreement will be reached for a start date to commence funding the DSRF. The funding plan will increase the security for the bondholders; therefore, it is anticipated that no bondholder consent will be required.

*** At 11:35 a.m., Ms. Mary Beyer Halsey called in and joined the meeting.*

Ms. Deborah Sharpless and staff recapped the items covered prior to Ms. Halsey joining the meeting.

At this juncture, Mr. Basso asked the Committee Members to vote on the minutes and items that had previously been discussed.

Minutes – June 19, 2012

Action: Upon motion by Member Mary Beyer Halsey and seconded by Member Arthur Hock, the Open minutes of the June 19, 2012 Finance Committee were unanimously approved.

Funding of Reserves for BWI Rental Car Series 2002

Action: Ms. Mary Beyer Halsey made a motion that the planned funding of DSRF for BWI Rental Car Series 2002 Bonds be recommended for approval by the MDTA Board. Mr. Arthur Hock seconded the motion and it was unanimously approved.

Investment Policy Revisions

Action: Mr. Hock made a motion that the amendments to the Investment Policy permitting investment in the MLGIP be recommended for approval by the MDTA Board. Ms. Halsey seconded the motion and it was unanimously approved.

Extra Work Authorization (EWA) for Financial Advisor Services

Action: Mr. Hock made a motion that the EWA be recommended to the MDTA Board for approval. Ms. Halsey seconded the motion and it was unanimously approved.

Investment Banking RFP – Exercise of One Year Renewal Option.

Action: Mr. Hock made a motion that the one-year option be recommended for approval to the MDTA Board, with the option to negotiate sale of the bonds at a variable or fixed rate if that is in the best interest of MDTA. Ms. Halsey seconded the motion, which was unanimously approved.

Recommend for Approval - Resolution No. 12-03 for BWI PFC Bonds, Series 2012B

Ms. Williams and Ms. Hornick presented this item to seek the adoption of an authorizing Resolution for MDTA staff and advisors to commence work on the Maryland Aviation Administration (MAA) financings for BWI Marshall Airport. Resolution 12-03 authorizes the

planning and sale of revenue bonds for the purpose of financing PFC projects at BWI to enhance runway safety and other improvements.

MAA, with the approval of the Secretary of Transportation ("MDOT"), has asked the MDTA to issue revenue bonds for the purposes listed above. The revenue bonds would be secured solely by revenues generated at BWI Marshall Airport and not by tolls, fees or any other revenues of the MDTA.

MAA has two major improvement projects important to the overall safety and efficiency of the BWI Marshall Airport: 1) construction of a secure connection between Concourse A/B and Concourse C to facilitate passenger traffic (the B/C Connector), and 2) completion of the Runway Safety Area and Pavement Management Program improvements as defined by the Federal Aviation Administration (FAA). The first project is being partially financed by the MDTA's Passenger Facility Charge Revenue Bonds Series 2012A sold on April 11, 2012 and closed on April 25, 2012. The Resolution presented today covers the second project at a total cost of approximately \$344 million. The maximum bond amount requested is \$245 million (as approved by the General Assembly budget chairs for MDOT's Nontraditional Debt).

Resolution 12-03 follows the recent practice of authorizing the planning and sale of one or more series of bonds by providing flexibility to the Executive Secretary, Chief Financial Officer and the financing team, subject to the following parameters: the pare amount of the bonds may not exceed \$245 million; the true interest cost must be less than 5.5% (if fixed rate); the bond sale must occur by January 31, 2013, the final maturity rate must be within 30 years: and the Executive Secretary will report the sale results at the first post-sale MDTA Board meeting. The Series 2012B Bonds will likely be sold on a negotiated basis, although the feasibility of a competitive sale continues to be evaluated. The bond sale is tentatively scheduled for October 24, 2012, pending FAA approval, with a tentative closing date of November 14, 2012. Authority staff, MAA and MDOT staff will confer with the financial advisors on possibly selling some portion of the bonds as variable rate.

Action: Mr. Hock made a motion that the Resolution12-03 be recommended, with the option of using variable rates if in the best interest of MDTA, for approval to the MDTA Board. Ms. Halsey seconded the motion and it was unanimously approved.

I-95 Express Toll Lanes Update

Chief Engineer Doug Hutcheson and Project Manager Dave Labella discussed a potential early opening of the southbound ETLs before full project completion in 2014.

There being no further business, the meeting of the Finance Committee was adjourned by general consensus at 12:05 p.m. following a motion by Mr. Hock and seconded by Ms. Halsey.