

FINANCE COMMITTEE MONTHLY MEETING
THURSDAY, FEBRUARY 20, 2014
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING:

Jack Basso
Mary Beyer Halsey
Arthur Hock

STAFF ATTENDING:

Yaw Berkoh
David Chapin
Alisha Durgam
Donna DiCerbo
Allen Garman
Bruce Gartner
Jaelyn Hartman
Sherita Harrison, Esq
Colonel Michael Kundrat
Manik Panduwawala
John Sales
Kitty Sarvinas
Deb Sharpless
Dennis Simpson
Alison Williams
Eric Willison

OTHERS ATTENDING:

Thomas Gianni, Chief, Maryland Highway Safety
Office
Dana Gigliotti, Deputy Chief, Maryland Highway
Safety Office
Chuck Gomer, Davenport & Company (by phone)
Roland Kooch, Jr., Davenport & Company (by
phone)
Steven Kantor, First Southwest (by phone)
Scott McIntyre, First Southwest (by phone)
Jamie Traudt, Davenport (by phone)
Greg Warner, First Southwest (by phone)

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

Approval – Meeting Minutes – January 21, 2014 Open and Closed Session

Member Basso called for the approval of the Open and Closed Minutes of the January 21, 2014 Finance Committee. Member Arthur Hock made a motion to approve the minutes, and Member Mary Halsey seconded the motion. The minutes were unanimously approved as submitted.

Recommend for Approval – Revenue Bonds Board Policy

Ms. Alison Williams discussed certain changes to the Revenue Bonds Board Policy, including delegating authority for Finance staff to annually review the Policy. and requested a recommendation for approval of the Revenue Bonds Board Policy from the Finance Committee to the full MDTA Board at its next meeting.

The Revenue Bonds Board Policy contains procedural functions for the conduct of bond sales and closings, which are unlikely to change. The financial standards upon which the Policy is based are found in the Debt Management Policy. The Debt Management Policy has an annual review requirement by the Finance Committee in accordance with recommendations by the National Government Finance Officers Association (GFOA) regarding policy content. Therefore, Finance staff recommends that the annual review requirement at the Board level in the Revenue Bonds Board Policy be removed. The Chief Financial Officer (CFO) and the Finance Division accept responsibility to review the Policy at least annually and recommend changes to the MDTA Board as needed. Finance staff does not recommend any other changes at this time, except the title change for the Executive Secretary to Executive Director.

Member Halsey would like the Members to be advised when the Policy is reviewed. Ms. Sharpless said it could be done as an update item each year.

Member Basso called for a motion to recommend approval of this item to the full MDTA Board at the next scheduled meeting with the requirement that the Finance staff provide annual updates of its review to the Finance Committee. Member Halsey made the motion, and Member Hock seconded the motion, which was unanimously approved.

Recommend for Approval – Preparation of Financial Forecast Board Policy

Mr. David Chapin reviewed the Preparation of Financial Forecasts Policy and is seeking a recommendation for approval from the Finance Committee to the full MDTA Board at its next meeting.

The Policy contains procedural functions for the formulation of MDTA's financial forecasts. The financial standards upon which the Policy is based are found in the Debt Management Policy. The Debt Management Policy has an annual review requirement by the

Finance Committee in accordance with recommendations by the GFOA regarding policy content. The Policy does not require annual review by the MDTA Board; however, periodic reviews of the Policy take place to ensure the Policy still meets current needs.

Finance staff has reviewed this Policy and does not recommend any material changes that alter the original intent of the Policy. Minor changes to correct certain formatting and typographic errors are suggested, along with the title change for the Executive Secretary to Executive Director.

Mr. Chapin said that an update will be given when Finance staff reviews the Policy, indicating who and how often the Policy will be reviewed. This report will be given when the Financial Forecast is presented.

Member Basso called for a motion to recommend approval of this item to the full MDTA Board at the next scheduled meeting. Member Halsey made the motion, and Member Hock seconded the motion, which was then unanimously approved.

Recommend for Approval – Contract No. 2014-0001 Sludge and Debris Removal from Sumps/Low Points at the Fort McHenry Tunnel and Baltimore Harbor Tunnel

Ms. Alisha Durgam requested a recommended approval of Contract No. 2014-0001, Sludge and Debris Removal from the Finance Committee to the full MDTA Board at its next scheduled meeting. Approval of this contract is contingent upon the approval of the Board of Public Works (BPW).

The purpose of this solicitation is to establish a contract for furnishing equipment, operator(s), and personnel to remove liquids/debris/sludge from the East Portal pump room, West Portal pump room, and two (2) Low Point sumps inside the Fort McHenry Tunnel and pump rooms and sumps of the Baltimore Harbor Tunnel. This is a fixed price contract.

After advertising this project on November 22, 2013, four (4) bids were received on January 7, 2014, and one (1) bid was rejected. It is recommended that the lowest bid from Triumvirate Environmental Inc. should be accepted as it is the lowest responsive and responsible bid. The Notice-to-Proceed (NTP) for the Contract is anticipated for March 2014, and the term is for three (3) years with one (1), two (2) year renewal option.

Member Halsey asked if it was necessary to have Triumvirate do this work instead of MDTA employees. Ms. Alisha Durgam indicated that it was necessary due to environmental concerns.

Member Basso asked about the minority business enterprise (MBE) goals as none were indicated in the presentation. Ms. Donna DiCerbo said that this contract had been advertised twice before resulting in unsuccessful procurements. Due to the limited subcontractable

opportunities, no MBE goals were recommended in any of the solicitations. The first solicitation was advertised as a Small Business Reserve (SBR) contract. The solicitation received no bids. The second solicitation removed the SBR designation. All bids exceeded the available funds.

Member Hock asked if we have ever used this firm before. Ms. Durgam said that MDTA has not used previously used this firm, but reference checks were conducted and positive feedback was received.

Member Basso called for a motion to recommend approval of this item to the full MDTA Board at the next scheduled meeting. Member Halsey made the motion, and Member Hock seconded the motion, which was then unanimously approved.

Update – Strategic Highway Safety Program

Mr. Thomas J. Gianni, Chief, and Dana Gigliotti, Deputy Chief, of the Maryland Highway Safety Office were introduced to provide a briefing on Maryland's Strategic Highway Safety Plan (SHSP), including the collaboration with the Maryland Transportation Authority.

The SHSP is a statewide, comprehensive plan that provides a coordinated framework for reducing fatalities and serious injuries on all public roads. It is a data-driven multidisciplinary approach involving the four Es of highway safety – Engineering, Enforcement, Education and Emergency Medical Service.

The SHSP established statewide goals and objective and is based on the underlying philosophy of Toward Zero Deaths – a nationally accepted attempt to reduce the number of traffic fatalities and serious injuries by one-half by 2030. To work toward this goal, the SHSP set interim annual targets for fatality and reduction through 2015. Six emphasis areas were established with specific strategies within each emphasis area intended to help attain these goals.

Colonel Michael T. Kundrat, Chief of Police, advised the Finance Committee of the Maryland Transportation Authority Police Department's partnership with Maryland's Highway Safety Office and strategies as it relates to the SHSP.

Update – Annual Update on Certain Conduit Debt Financings

Ms. Williams provided the Finance Committee with an update on certain conduit debt issuances relating to the Maryland Aviation Administration (MAA), Department of General Services (DGS) and the Washington Metropolitan Area Transit Authority (WMATA) that have not been reviewed by the Finance Committee members within the last year.

Ms. Williams explained that two of the three conduit debt issues for MAA have been reviewed by the Finance Committee recently. Therefore, only an overview of the Airport Parking Revenue Refunding Bonds is being provided at this time.

The Airport Parking Revenue Refunding Bonds were sold competitively for \$190.6 million on April 11, 2012, to refund the outstanding Series 2002 A&B Airport Parking Revenue Bonds. All of the outstanding Series 2002 A&B Bonds (\$201.2 million) were redeemed on April 25, 2012. This resulted in net present value savings of \$427.6 million. Debt service coverage has remained strong since the 2002 Bonds were issued, exceeding 2 times coverage each year. The parking revenues from all of MAA's parking facilities at Baltimore/Washington International Thurgood Marshall Airport are pledged to the bondholders. After providing for debt service and any administrative costs relating to this debt, excess parking revenues are returned to MAA by the bond trustee on a monthly basis.

In 2005, Metrorail Parking Projects Bonds backed by lease payments from WMATA were issued to fund construction of parking facilities at the College Park, Largo and New Carrollton Metrorail stations in Prince George's County. WMATA assess a parking surcharge of \$0.75 per day for the parking facilities. There is no required debt service rate covenant; however, annual parking surcharge revenue collections have been declining resulting in a lower debt service coverage ratio trend. The coverage ratio in FY 2013 was 1.18.

In 2005, Calvert Street Parking Garage Bonds backed by lease payments from DGS were issued to fund construction of a State employee parking garage in Annapolis. As required in the bond documents, DGS continues to annually certify that it has budgeted and requested sufficient appropriations to meet its rental obligations.

Update – Cash Flow & Capital Spending

Mr. Allen Garman provided a quarterly update on the implications of cash flow projections on future financing needs and reported on capital spending versus projections.

Capital spending for fiscal year-to-date through January totaled \$214.7 million, or 88%, of the spending projections based on the Final FY 2014-2019 Consolidated Transportation Program. Spending for the Intercounty Connector (ICC), Express Toll Lanes and Other Projects totaled 78%, 97%, and 89% of projections, respectively. Over the prior four fiscal years, capital spending has ranged from 59% to 82% of projections, averaging 71%.

With the full depletion of Series 2010 bond proceeds last June, capital projects funding shifted to the cash funded Capital account. MDTA received the final \$21 million installment of the State's \$265 million commitment to the ICC financing.

To date, \$384 million has been drawn on the \$516 million TIFIA loan. MDTA intends to first spend down a portion of unrestricted cash and then draw the remaining \$132 million available in fiscal 2015. No other financings are likely needed through fiscal 2019.

Update – Investment Committee Report

Mr. Garman and Mr. Chuck Gomer (Davenport) reported on activities of the Investment Committee for the quarter ended December 31, 2013. Issues reviewed included market conditions, portfolio strategies, total return performance, and trade allocations.

Mr. Garman discussed drivers that may influence portfolio performance in coming months, including the economy, fiscal policy, and Federal Reserve monetary policy. Mr. Garman and Mr. Gomer explained that the short-duration positioning of the portfolios during much of 2013 was a drag on performance, but the Investment Committee intends to maintain portfolio durations near 85% of the respective benchmarks near term.

Mr. Garman noted that the three positions of the two downgraded municipal issuers were sold with positive holding period returns. Mr. Garman also highlighted a recent total return swap trade in the General account.

Update – Video Toll and Citations Project

Ms. Deb Sharpless updated the Finance Committee on the issues and activities underway to support the implementation of the video toll and citation process approved under House Bill 420.

Some of the activities that took place in January 2014 included: implemented new Notice of Toll Due (NOTD) for new video toll transactions, issued 120,000 citations, discussed with Chairman Smith noticing for transactions prior to June 30, 2013, and resolved electronic process arrangements with the Motor Vehicle Administration (MVA) and Central Collection Unit (CCU). In February, MDTA continued to issue NOTDs and provide briefings for legislators and testimony to the General Assembly.

The activities that will occur from March through July are: training court liaison staff; deployment of the updated court process module; hearings for citations contested to court; deployment and implementation of the process for mail returned without a forwarding address; and completion and deployment of the MVA and CCU process module.

Update – Traffic and Revenue

Ms. Jaclyn Hartman reported that the system revenues for the month of January were \$39.4 million, which is up \$9.3 million versus the previous year. Revenues for the fiscal year-to-date were \$330.4 million, which is up \$90.1 million versus the previous year. Fiscal year-to-date revenues are \$6.9 million, or 2.1%, above the current Jacobs Base Case revenue forecast.

Ms. Hartman also reported that the system transactions for the month of January were 8.1 million, which is down 0.6 million versus the previous year. Fiscal year-to-date system transactions were 66.5 million, which is down 0.9 million from the previous year. Fiscal year-to-date system transactions are 2.7 million, or 4.2%, above the current Jacobs Base Case transaction forecast.

Monthly revenue for the ICC was \$3.1 million in January 2014, and 1.5 million transactions took place.

There being no further business, the meeting of the Finance Committee adjourned at 10:48 a.m., following a motion by Member Hock and seconded by Member Halsey.