

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY JULY 21, 2015
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Jack Basso
Rev. Dr. William Calhoun, Sr.
Randall Nixon

STAFF ATTENDING: Alisha Bennett
Percy Dangerfield
Donna DiCerbo
Allen Garman
Bruce Gartner
Chantelle Green
Sherita Harrison, Esq.
Jaclyn Hartman
Carroll Hicks
Kelly Melhem
Major Joseph Ruff
Kitty Sarvinas
Deborah Sharpless
Dennis Simpson
Cheryl Sparks

OTHERS ATTENDING: Michael Leahy, Esq.

At 9:05 a.m., Member Jack Basso, Chair of the Finance Committee, called the Finance Committee Meeting to order.

Member Basso introduced and welcomed the new members of the Finance Committee: Member Dr. William Calhoun, who transferred from the Capital Committee, and new Member Randall Nixon, who was just appointed by Governor Hogan. Michael Leahy, Esq. has also been appointed by Governor Hogan, but at the time of the meeting, he had not been sworn in to office. Because Mr. Leahy had not yet been sworn in as a Board member, he abstained from voting throughout the meeting.

Approval – Meeting Minutes – June 11, 2015

Member Basso called for approval of the Open Meeting Minutes of the June 11, 2015 Finance Committee meeting. No changes were noted. Member Calhoun made a motion to approve the minutes and Member Nixon seconded the motion. The minutes were unanimously approved as submitted.

Approval – Request to Transfer Equipment

Mr. Percy Dangerfield requested approval from the Finance Committee to present a transfer of equipment to the State Highway Administration (SHA) via means of a money offset agreement, to the full MDTA Board at its next scheduled meeting.

Mr. Dangerfield stated that the silk screen print machine with accessories was purchased by MDTA in 2007 and has a current value of \$40,000. SHA expressed an interest in obtaining this machine from MDTA because SHA has personnel trained in the use of this machine and more frequently mass produces highway signs. The Department of General Services (DGS) approved the donation/transfer of this machine as required by the State's disposal process.

MDTA makes payments to SHA periodically for material testing for construction contracts. A memorandum of understanding (MOU) is under development between MDTA and SHA to transfer the silk screen printing machine to SHA in exchange for MDTA receiving a \$40,000 credit from SHA for future materials testing costs. As MDTA pays SHA more than \$40,000 in a year for materials testing, the recovery of cost will take place during fiscal year 2016. SHA also agreed to produce signs on the machine for MDTA if needed. SHA will hire a company to remove the machine from MDTA property.

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

Approval – Contract No. 20120025 Sweeper Dirt Disposal from Mechanical Road Sweeping Operations

Ms. Alisha Bennett requested a recommended approval from the Finance Committee to modify Contract No. 20120025, Sweeper Dirt Disposal from Mechanical Road Sweeping Operations, to the full MDTA Board at its next scheduled meeting.

The contract for the disposal of waste materials generated through the MDTA's routine road sweeping operations at and around various facilities was awarded in the not-to-exceed amount of \$200,000.00 to Clean Venture Inc. for a three year term beginning on September 1, 2013. This was a fixed price, indefinite quantity contract.

At the time this contract was developed, the MDTA averaged 573 tons of sweep dirt annually and the MDTA is currently averaging 905 tons annually. The opening of the ICC and increased street sweeping efforts to support stormwater pollution prevention measures has increased usage. Due to the unanticipated and variable nature of this type of work, an additional \$65,000.00 is needed for this contract to allow for the continuation of service. MDTA is also reducing the base contract term by eight months because the total funds required for continuation of services for the base term would have been significant enough to warrant a new procurement. The vendor agreed to this modification. MDTA will seek approval by the Board of Public Works of this modification.

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

Approval – Contract No. 20150019 Janitorial Services – Point Breeze Complex

Mr. Carroll Hicks requested a recommended approval from the Finance Committee to present Contract No. 20150019, Janitorial Services – Point Breeze Complex, to the full MDTA Board at its next scheduled meeting.

This is a fixed price contract to provide all labor, materials, equipment, supervision and incidental materials necessary to ensure the satisfactory performance and efficient janitorial services. The MDTA solicited pricing from the Maryland Works Program for these services. Pricing for this contract was approved by the Pricing and Selection Committee as fair market value on June 18, 2015. The National Center on Institutions & Alternatives, Inc. (NCIA) is the incumbent for the current services and the MDTA is satisfied with the janitorial services NCIA has provided thus far.

The contract has a base term of three years valued at \$390,120.48 with one two-year renewal option valued at \$260,080.52. The total contract term is five years with a total value of \$650,201.30. MDTA will seek approval from the Board of Public Works.

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

**Member Basso said that due to a scheduling conflict, the Video Toll and Citation Program agenda item will be taken next.

Update – Video Toll and Citation Program

Ms. Deborah Sharpless provided a brief overview of the Video Toll and Citation Program to the new Members and then provided an update on the most recent implementation activities. Within

the next few weeks, a press release will be issued and letters will be mailed advising Maryland residents with outstanding tolls of referrals to the Maryland Motor Vehicle Administration for vehicle registration non-renewal and suspension. The determination of non-renewal or suspension depends on the amount of tolls and fees outstanding.

MDTA continues to address the backlog of court cases. MDTA and the District Courts have a good working relationship and work together on potential improvements to streamline the process and automate processes.

In the future, referrals of non-Maryland residents to the State's Central Collections Unit will take place. Reciprocity agreements are under development with other states to aid enforcement for out-of-state residents. Although Maryland has the enabling statute to enter into such agreements, some states lack the statutory authority. Member Calhoun asked which states already have agreements. Ms. Sharpless indicated that Maine, New Hampshire and Massachusetts currently have an agreement and that Maryland, Pennsylvania, Delaware and Virginia are working on an agreement.

Member Basso commended the staff for its work on the implementation of the Video Toll and Citation program. Member Nixon noted that we are becoming a cashless society and toll payment methods should address that. Ms. Sharpless noted that alternative payment options are being explored and will be discussed more in the future.

Update – Implementation of the Toll Reduction

Mr. Bruce Gartner noted that the Toll Reduction was implemented on July 1, 2015. Staff was on hand at the Bay Bridge to address any issues with the handling of the new toll rates in the tolling system but there were no issues.

Ms. Cheryl Sparks explained that public awareness and outreach was an important part of the implementation effort. The growth of social media has provided MDTA many benefits. Large numbers of people can be reached through Facebook and Twitter and there is no charge. Ms. Sparks then introduced Ms. Kelly Melhem, who reviewed the creative campaign used to advise drivers of the upcoming changes.

The Communications Division ensured that all legal notices of upcoming changes were provided to drivers and additional outreach efforts were made through billboards, social media and MDTA's Outreach Team. The Outreach Team attends numerous community and public events to provide information and sell E-ZPass transponders. Since the announcement of the Toll Reduction, the Outreach Team has been selling out of E-ZPass On The Go transponders at events.

Mr. Leahy asked about the feedback from the public on the Toll Reduction. Ms. Sparks said that it was mostly positive; however, commuters have questioned why there were no changes to the commuter rates. Ms. Sparks noted that commuters continue to receive substantial discounts of

65% from cash toll rates and that these are among the most generous commuter discounts available nationwide.

Member Calhoun asked if the toll rate reductions have resulted in increased usage. Mr. Gartner noted that transponder sales have increased, but enough time has not yet elapsed to gauge the impact on traffic. Ms. Jaclyn Hartman explained that preliminary information on the revenue and traffic impact will be available at the August meeting.

Update – Overview of Decision Aids for Bond Refunding

Ms. Hartman introduced Mr. Allen Garman and noted that Mr. Garman's presentation was previously presented at an International Bridge, Tunnel and Turnpike Association conference in April and was well received.

Mr. Garman provided an overview of the decision making process for the timing of bond refundings, including tools to aid management. He discussed shortcomings of commonly used rules of thumb such as net present value savings targets and stressed the importance of considering the value of the call option by utilizing calculations of Refunding Efficiency. Mr. Garman also discussed the implications of advance refunding escrow negative arbitrage, yield curve roll, and future interest rate environments.

Update – Update on Conduit Debt Refunding (Calvert Street Bonds)

Ms. Hartman explained that MDTA can issue conduit debt for revenue-producing transportation facilities. In 2005, MDTA issued conduit debt for the construction of the Calvert Street Parking Garage in Annapolis for State employees on behalf of the Department of General Services (DGS).

In May, the Board approved Resolution 15-02 authorizing a refunding of the Calvert Street bonds based on a potential refunding opportunity and a request from DGS. Refunding options for a competitive sale and a negotiated sale (via direct loan private placement option) were simultaneously pursued. In June, a request for proposals was issued to 15 banks. The bid received by TD Bank, N.A. was deemed the most advantageous to the State.

The loan is for \$18.0 million at an interest rate of 2.62% and 17 year maturity to match the maturity of the outstanding bonds. Closing is scheduled for August 5, 2015. The action will generate net present value savings of \$2.3 million, or 13.1%. Utilizing the private placement option provided savings in time and issuance costs and allowed MDTA to lock in a competitive rate.

As required by Resolution 15-02, the official reporting of the results will occur at the next Board meeting. Member Basso commended Ms. Hartman and staff on the good work and providing savings to the State.

Update – Quarterly Update on the Finance Division

Ms. Hartman briefed the Members on the status of the Finance Division. It was a productive year for the Finance Division. All five of the Division's FY 2015 goals were substantially completed. During FY 2015, several new IT projects under development for several years came to completion; MDTA received recognition from the Government Finance Officers Association (GFOA) for its FY 2014 Comprehensive Annual Financial Report (CAFR); a comprehensive training program was developed for new employees; and work continues on staff development and the Nice Bridge project.

In FY 2016, the Finance Division plans to further reduce the Operating Budget in compliance with the Toll Reduction package. In addition, efforts will continue to update and improve business practices, IT systems and documentation to remain current. In addition, the Finance Division will develop a dashboard to provide statistics at a glance and develop an action plan for succession planning.

Member Calhoun said that he is very interested in the people side of things and sees a vast improvement in that area. He asked who evaluates the Finance Division's progress. Ms. Hartman and Mr. Gartner noted the Executive Director and Deputy Executive Director review the progress of all divisions, independent auditors routinely evaluate the Division's processes and work, and the GFOA evaluates MDTA's annual CAFR.

Update – Traffic and Revenue

Ms. Hartman provided an update on the in-lane toll revenue and transaction trends for all facilities. Ms. Hartman noted that system-wide toll revenues for the month ending June 30, 2015, were \$60.0 million, which is up \$2.8 million, or 4.9%, from the previous year. Fiscal year-to-date system-wide toll revenues were \$660.9 million, which is up \$38.8 million, or 6.2%, from the previous year.

System-wide transactions for the month ending June 30, 2015, were 13.0 million, which is up 1.1 million, or 8.9%, from the previous year. Fiscal year-to-date system-wide transactions were 144.4 million, which is up 10.5 million, or 7.8%, from the previous year.

Closed Session

At 11:00 a.m., upon motion by Member Nixon and seconded by Member Calhoun, the Members voted unanimously to move into closed session under Section 3-305(b)(9) of the General Provisions Article, Annotated Code of Maryland, to discuss the status of the on-going collective bargaining negotiations between the State and the Fraternal Order of Police and to consider the various terms and conditions presently being negotiated. Members Basso, Calhoun and Nixon were in attendance for the closed session. Mr. Leahy excused himself from the closed session

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since he had not yet been sworn in as a Member. The following staff was present during the closed session discussion: Bruce Gartner, Jaclyn Hartman, Sherita Harrison, Esq., Percy Dangerfield, Major Joseph Ruff and Cheryl Sparks.

At 11:25 a.m., a motion was made by Member Calhoun and seconded by Member Nixon, which was unanimously approved, to adjourn the Closed Session and return to Open Session.

No actions were taken during the closed session.

There being no further business, the meeting of the Finance Committee adjourned at 11:26 a.m., following a motion by Member Calhoun and seconded by Member Nixon.