

FINANCE COMMITTEE MONTHLY MEETING
WEDNESDAY, AUGUST 10, 2016
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING:

Jack Basso
Randall Nixon, Esq.
John Von Paris

STAFF ATTENDING:

Yaw Berkoh
Milt Chaffee
Percy Dangerfield
Joyce Diepold
Donna DiCerbo
Trudy Edwards
Allen Garman
Chantelle Green
Jaclyn Hartman
Sherita Harrison, Esq.
Meshelle Howard
Cheryl Jordan
John O'Neill
Cheryl Lewis-Orr
Kelly Melhem
Lt. Michelle Mount
Alison Williams
Brian Wolfe

OTHERS ATTENDING:

Mitch Brigulio, Davenport
Claude Gregory, Financial & Realty Services, LLC
Kayla MacEwen, First Southwest/Hilltop
Jamie Traudt, Davenport
Greg Warner, First Southwest/Hilltop

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

Approval – Open Meeting Minutes from July 19, 2016 Meeting

Member Basso called for the approval of the open meeting minutes from the meeting held on July 19, 2016. Member Randall Nixon, Esq. requested a change to the minutes to clarify a comment about the Great Depression. Member Nixon made the motion to approve the minutes contingent on the change; Member Von Paris seconded the motion, and the motion passed unanimously.

Approval – Contract No. J01B6400031 – PowerDMS Software as a Service Subscription

Lt. Michelle Mount requested a recommended approval from the Finance Committee to present Contract No. J01B6400031, PowerDMS Software as a Service Subscription, to the full MDTA Board at its next scheduled meeting.

PowerDMS is a proprietary document management solution uniquely designed to accommodate the assessment and certification processes of law enforcement agencies seeking accreditation from the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA). The MDTA Police currently possess CALEA accreditation in Law Enforcement, Training and Communication.

This Contract fits the Sole Source criteria as stated in COMAR 21.05.05.02 (1) and (2), (1) when only one source exists which meets the requirements and (2) when the compatibility of equipment, accessories, or replacement parts is the paramount consideration. There are no other providers of a similar product in the industry.

This Contract contains no Minority Business Enterprise (MBE) or Veteran-Owned Business Enterprise (VSBE) participation goals and, as a sole source contract, was not designated as a Small Business Reserve. The term of the contract is for five years beginning on September 4, 2016 through September 3, 2021. The total amount of the contract is \$75,150, paid annually at \$15,030 per year. As the total value of the contract exceeds the delegated authority of Resolution 15-01 dated January 23, 2015, the MDTA will seek the approval of the Department of Information Technology.

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

Approval – Contract No. 20130003 – Financial Consulting and Management Services

Ms. Joyce Diepold requested a recommended approval from the Finance Committee to present the renewal of Contract No. 20130003, Financial Consulting and Management Services, to the full MDTA Board at its next scheduled meeting.

The scope of work includes providing financial advice and related services. The original contract term was from November 18, 2013 through November 17, 2016, with one two-year renewal option. The original contract value for the two-year renewal option was \$1,000,000; however, this request seeks a recommended approval to exercise a time-only renewal option for a term of November 18, 2016 through November 17, 2018, since spending on the contract has been under budget.

The contract was originally approved by the Board of Public Works (BPW) on November 6, 2013. The overall MBE goal established for the contract was 30%, with sub-goals of 7% African American, 4% Asian, and 12% Women Owned. The VSBE goal was 0.05%. SC&H has achieved 11.80% MBE participation and 0.64% VSBE participation to date. They have submitted a revised MBE plan and are committed to achieving the established goal.

This contract renewal exceeds the delegated authority of the Executive Director pursuant to Resolution 15-01 dated January 23, 2015; therefore, it will be presented for BPW approval on September 21, 2016.

Members Basso and Nixon cited the low MBE participation as a concern. 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 Von Paris seconded the motion, which was unanimously approved.

Approval – Contract No. 20120001 A and B – Financial Advisor Services

Ms. Alison Williams requested a recommended approval from the Finance Committee to present Contract No. 20120001A with Davenport & Company, LLC and Contract No. 20120001B with Hilltop Securities, Inc. (formerly First Southwest), for Financial Advisor Services to the full MDTA Board at its next scheduled meeting.

The scope of work includes providing financial consulting and management services expertise in critical areas on a task order basis. The original contract term for each contract is from November 15, 2012 through November 14, 2016, with a base not-to-exceed (NTE) value of \$1,666,666.67 with one two-year renewal option valued at \$833,333.33 for a total NTE Contract value of \$2,500,000.00. The contract was originally approved by BPW on November 14, 2012. This request seeks a recommended approval to exercise a time-only Renewal Option for a term of November 15, 2016 through November 15, 2018, since spending under this Contract has been under budget.

The overall MBE participation goal established for the Contract was 5%, However, Contract B made a commitment of 10%. Davenport & Company, LLC (Contract A) has achieved 6.82% MBE participation to date. Hilltop Securities, Inc. (Contract B) has achieved 0% MBE participation to date, but are committed to achieving the established goal through a recently issued task.

This contract renewal exceeds the delegated authority of the Executive Director pursuant to Resolution 15-01 dated January 23, 2015; therefore, it will be presented for BPW approval on September 21, 2016.

Members Basso and Nixon cited the low MBE participation as a concern. Ms. Williams explained that an ongoing task was recently shifted from Davenport to Hilltop Securities to provide an opportunity for MBE participation. Additionally, Mr. Greg Warner and Ms. Kayla MacEwen of Hilltop Securities, Inc. introduced their MBE participation partner, Claude Gregory of Financial & Realty Services LLC to the Board Members.

Member Nixon 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 Von Paris seconded the motion, which was unanimously approved.

Approval – Debt Policy

Ms. Williams requested a recommended approval from the Finance Committee to present recommended changes to the Board Policy on Debt Management to the full MDTA Board at its next scheduled meeting.

The Board Policy on Debt Management establishes the guidelines for the process by which MDTA issues and manages debt and provides guidance to the Board and staff to ensure that a sound debt position and strong credit quality is maintained. Annual review of the Debt Management Policy is required. The Policy was reviewed by Finance staff, MDTA's Office of the Attorney General, and the financial advisors. Several changes are recommended to address two important areas of compliance: 1) MDTA's disclosure of financial information to bondholders, and 2) best practices when financial advisors are engaged by MDTA to provide municipal advice as a fiduciary. In addition, other limited technical changes are also recommended.

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 Von Paris seconded the motion, which was unanimously approved.

Approval – Investment Policy

Mr. Allen Garman requested a recommended approval from the Finance Committee to present recommended changes to the Board Policy on Investment Management to the full MDTA Board at its next scheduled meeting.

The Board Policy on Investment Management established guidelines for the safeguarding and management of MDTA's cash and investments. The Investment Committee recommends increasing the single-issuer Federal Agency Obligations exposure limitation from 35% to 50%. The current self-imposed 35% limitation was added to the policy in 2011, concurrent with an

increase in the total permissible agency exposure to 100% from 80%. Previously, no limitation was placed on single-issuer agency exposure.

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 Von Paris seconded the motion, which was unanimously approved.

Approval – Masonville Agreement

Ms. Jaclyn Hartman requested a recommended approval from the Finance Committee to present an agreement to terminate MDTA's leasehold interest in the Masonville Auto Terminal and delegation of authority to the Executive Director to execute the agreement to the full MDTA Board at its next scheduled meeting.

In April 1998, MDTA, the Maryland Department of Transportation, and the Maryland Port Administration (MPA) entered into an agreement regarding the financing, construction, and operation of Phase I of the Masonville Auto Terminal (Masonville Agreement). Pursuant to the terms of the Agreement, MDTA financed the construction of the terminal; MPA designed, constructed, managed, and operated the terminal; and MDOT made annual payments of principal and interest to MDTA.

In consideration of MDTA's \$20 million investment in the Masonville Terminal, the Masonville Agreement provided for an interest rate of 5.5% and repayment through 20 annual installments of approximately \$1.7 million through FY 2020. As a condition precedent to the financing and construction of the Masonville Terminal, MPA was required to grant MDTA a leasehold interest in the land (Masonville Lease).

In May 2016, the MPA requested a final invoice from MDTA to pay off the remaining balance of the Masonville Agreement. On June 17, 2016, MPA submitted final payment of \$5,866,172 to MDTA. That amount represents the full and sufficient payment of all sums and obligations due to MDTA under the Masonville Agreement. As such, MDTA is able to release its leasehold interest in the Masonville Terminal. Both the Agreement and the Lease allow for early termination and MPA concurs with this action.

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 Von Paris seconded the motion, which was unanimously approved.

Update – Cash Flow and Capital Spending

Mr. Allen Garman reviewed the implications of cash flow projections on future financing needs and reported on capital spending versus projections. Cash spending for the capital program for fiscal 2016 totaled \$240.6 million, or 86%, of the spending projections based on the Final FY 2016-2021 Consolidated Transportation Program. Spending for the Intercounty Connector (ICC), I-95 Express Toll Lanes (ETL) and Other Projects totaled 40%, 149%, and 86% of

projections, respectively. No new-money financings are likely needed through fiscal 2021, though refinancing transactions for economic savings are possible beginning in 2017.

Update – Investment Committee Report

Mr. Allen Garman presented to the Finance Committee the activities of the Investment Committee for the period ended June 30, 2016. Mr. Garman and Mr. Greg Warner from Hilltop Securities reviewed market conditions, portfolio strategies, total return performance and dealer trade allocations. They also discussed certain market drivers that may influence portfolio performance in the coming months, including the economy, fiscal policy, and Federal Reserve monetary policy.

Update – Traffic and Revenue

Ms. Cheryl Lewis-Orr noted that system-wide toll revenues for the month ending July 31, 2016, and fiscal year-to-date were \$59.7 million, which is up \$0.8 million, or 1.3%, from the previous year. When comparing fiscal year-to-date system-wide toll revenues to the Base Case revenue forecast, system-wide toll revenues exceed the forecast by \$0.8 million, or 1.3%.

System-wide transactions for the month ending July 31, 2016, and fiscal year-to-date were 14.5 million, which is down 0.1 million, or 0.4%, from the previous year. When comparing fiscal year-to-date system-wide transactions to the Base Case transaction forecast, system-wide transactions exceed the forecast by 0.9 million, or 6.4%.

Update – Fort McHenry Presentation and Tour

Mr. Brian Wolfe presented information to the Finance Committee concerning the history and building of the Fort McHenry Tunnel. The Members were then given a tour of the Fort McHenry Tunnel East Vent Building.

There being no further business, the meeting of the Finance Committee adjourned at 11:22 a.m., following a motion by Member Nixon and seconded by Member Von Paris.