

FINANCE COMMITTEE MONTHLY MEETING  
TUESDAY, AUGUST 12, 2014  
POINT BREEZE HEADQUARTERS BUILDING  
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Katrina Dennis, Esq.  
Mary Beyer Halsey  
Arthur Hock

STAFF ATTENDING: Joyce Diepold  
Patrick Fleming  
Rebecca Freeberger  
Bruce Gartner  
Allen Garman  
Sherita Harrison, Esq.  
Jaclyn Hartman  
Uchenna Ifeagwazi  
Will Pines  
Kitty Sarvinas  
Dennis Simpson  
Genevera Smith  
Alison Williams

OTHERS ATTENDING: John Bannon – First Southwest FA (by phone)  
Dave Brayshaw – First Southwest FA (by phone)  
David Fleming – MDOT  
Chuck Gomer – Davenport FA (by phone)  
Robert J. Healy, PE – RK&K  
Ryan Higgins – First Southwest FA (by phone)  
June Hornick – MDOT  
Steve Kantor – First Southwest FA (by phone)  
Roland Kooch – Davenport FA (by phone)  
Jodie Misiak – MDOT  
Jamie Traudt – Davenport FA (by phone)  
Jim Walsh – MAA  
Merrilyn Williams – MAA

At 9:00 a.m., Member Mary Halsey, Acting Chair of the Finance Committee, asked for a motion to call the Finance Committee Meeting to order. Member Katrina Dennis made the motion, and Member Art Hock seconded the motion; and the motion was unanimously passed.

**Approval – Meeting Minutes – July 10, 2014 Open and Closed Sessions**

Member Halsey called for the approval of the Open and Closed Minutes of the July 9, 2014 Finance Committee meeting. Member Dennis made a motion to approve the minutes, and Member Hock seconded the motion. The minutes were unanimously approved as submitted.

**Update - Introduction of Morgan State University Graduate Student Interns**

Ms. Jaclyn Hartman introduced Ms. Genevera Smith and Ms. Uchenna Ifeagwazi. Ms. Smith and Ms. Ifeagwazi are graduate students at Morgan State University who are interning in the Finance Division for the next year. Each of the interns introduced themselves to the Committee.

**Recommend for Approval – Board Resolution 14-07**

Ms. Alison Williams explained that the adoption of an authorizing Resolution by the Maryland Transportation Authority (MDTA) will allow staff and advisors to commence work on the Maryland Aviation Administration's (MAA) financing for Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport). The Resolution authorizes the planning and sale of revenue bonds for the purpose of financing Passenger Facility Charge (PFC) eligible projects pending approval by the Federal Aviation Administration (FAA).

MAA, with the approval of the Secretary of Transportation, asked the MDTA to issue fixed rate revenue bonds in the estimated amount of \$40.0 million. The revenue bonds will be secured solely by revenues generated at BWI Marshall Airport and not tolls, fees or any other revenues of the MDTA. Public Financial Management (PFM) will be the primary Financial Advisor under its contract with the Maryland Department of Transportation for this bond sale as they have provided support on all of the past PFC Revenue Bond issuances.

Mr. James Walsh gave an overview of the D/E Connector project that the bonds will partially fund. The project includes construction of a secure connection between Concourses D and E at a total cost of \$125 million. The remainder of the project will be funded through pay-as-you-go PFC revenues and the Transportation Trust Fund. Construction will begin December 2014 and will last for two years. Mr. Walsh also provided an update on the B/C Connector project funded with PFC bonds issued by MDTA in 2012.

Ms. Merrilyn Williams provided an update on the runway safety area projects that were also funded with PFC bonds issued by MDTA in 2012. The runway safety projects and spending of the bond proceeds will be complete by December 2015 and will meet the FAA mandated completion date.

Ms. June Hornick presented the information on the financing terms. The following parameters are required and set forth in the Bond Resolution:

1. Not to Exceed Par Amount - \$40 million;
2. True Interest Cost – 6% or less;
3. Bond Sale Date – no later than January 31, 2015;
4. Final Maturity Date – within 30 years; and
5. Report of Sale Results – at the first post-sale MDTA meeting.

Member Halsey noted that a summary of the sale results will be presented to the Board at the meeting following the sale date. Member Halsey called for a motion to recommend adoption of this resolution. Member Hock made the motion, and Member Dennis seconded the motion, which was unanimously approved.

### **Recommend for Approval – Debt Management Policies – Annual Review**

Ms. Williams reviewed the changes that were recommended by staff during the annual review of the Debt Management Policy and requested a recommendation for approval from the Finance Committee to the MDTA Board.

There are several changes recommended by Finance staff that are technical corrections or clarifications, specifically as follows:

1. Global title change to Executive Director;
2. GARVEE Bonds clarification in Policy Statement No. 12 in order to conform with the original funding plan in statute that refers to the \$750 million limit as bonds *issued*, and not bonds outstanding;
3. Variable rate debt clarification in Policy Statement No. 18 to refer to the 15% limit as applying to toll revenue-backed debt *at the time of issuance* and not at any time, which is consistent with the Debt Management Policy of the State Treasurer's Office, and to add that conduit debt limits on variable rate debt will be determined on a case by case basis; and
4. Name change to the Division of Procurement in Policy Statement No. 27.

Member Halsey called for a motion to recommend approval of this item to the full MDTA Board at the next scheduled meeting. Member Dennis made the motion, and Member Hock 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.

Capital spending for fiscal 2014 totaled \$324.63 million, or 78%, of the spending projections based on the Final FY 2014-2019 Consolidated Transportation Program. Spending for the Intercounty Connector (ICC), I-95 Express Toll Lanes (ETL) and Other Projects totaled 64%, 90%, and 79% of projections, respectively. Over the past six fiscal years, capital spending has ranged from 59% to 82% of projections, averaging 73%.

Net of spending, investment income, and excess operating income, MDTA's aggregate cash balances available for capital spending fell by \$18.5 million in July.

With the full depletion of Series 2010 bond proceeds in mid-2013, funding for capital projects shifted to the cash-funded Capital account. 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 under the loan in fiscal 2015. No other financings are likely needed through fiscal 2020.

#### **Update – Investment Committee Report**

Mr. Garman and Mr. Chuck Gomer (Davenport) reported on activities of the Investment Committee for the quarter ended June 30, 2014. They reviewed issues including market conditions, portfolio strategies, total return performance, and dealer 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 the total return performance implications of the portfolios' short-duration positioning during trailing twelve-months. The Investment Committee intends to maintain portfolio durations near 85% of the respective benchmarks near term. Member Halsey noted that over half of the portfolio is invested in federal agencies and that gains can be realized by selling and reinvesting investments instead of holding them to maturity. Member Halsey requested additional information about the federal agency holdings at the next quarterly investment report.

Mr. Garman also reviewed recent realized gains in the Matched Funded Capital account and future opportunities for portfolio repositioning.

#### **Update – Overview of Bridge Types**

Mr. Will Pines and Mr. Robert Healy (RK&K) presented information in basic terminology on various bridge types, the advantages and disadvantages of each, considerations for span length and cost, and performance-based criteria as it relates to bridge aesthetics.

Bridge types include:

1. Girder Bridges;
2. Segmental Concrete Bridges;
3. Truss Bridges;
4. Arch Bridges;
5. Cable-stayed Bridges;
6. Suspension Bridges; and
7. Movable Bridges.

Many factors can make a bridge aesthetically pleasing; however, it should be noted that bridge aesthetics is dependent on a user's perspective (i.e. diver, boater, hiker/biker) and beauty is in the eye of the beholder. To determine bridge type and aesthetics, one can use prescriptive or performance criteria. Prescriptive criteria are common with design-bid-build and some design-build projects. Prescriptive criteria is used when the bridge owner has a clear idea of the desired outcome and aesthetics are non-negotiable. In this model, the owner works closely with the selected designer to review criteria and then the owner ultimately makes the final bridge type decision. Performance criteria is commonly used for most design-build and public-private partnership projects and are ideal when other factors (i.e., cost, schedule, or innovation) are considered the highest priorities in a Best Value selection. Using this method, the owner develops the performance criteria to meet its needs and the designer, contractor and developer determine the final bridge type and aesthetic features to meet the criteria.

### **Update – ETL Opening Activities**

Mr. Dennis Simpson updated the Finance Committee on the issues and activities underway to support the opening of the ETL. This is a regular monthly update on the ETL until its opening. Opening of the ETL is currently scheduled for December 6, 2014, with a seven day toll-free period followed by tolling beginning on December 12, 2014. The grand opening event will be held on the MD 43 interchange, which will give a view of ETL lanes but not impede traffic in I-95.

Activities for August and September include continuing construction progress and developing the brochures and educational video for the ETL. The website is being updated and the materials for the opening announcement are being prepared. Expected activities for October and November include completion of all construction activities and finalizing the communications and outreach plans.

### **Update – Video Toll and Citation Program**

Mr. Bruce Gartner briefed the Finance Committee on the activities that have taken place to support the implementation of the video toll and citation process approved in House Bill 420 of the 2013 Legislative Session.

There is a significant backlog of cases for the courts to deal with. MDTA staff is working with the courts to address this backlog and additional staff attorneys may be hired. Those violators who did not appear for court or did not pay will be referred to the Motor Vehicle Administration (MVA) to flag their vehicle registration for non-renewals.

Activities for August include after action reviews for the early court dates and image server problems, an additional 13 court dates to hear 1,170 cases, completion of development of the NIXIE (bad address), and resolving timing for referrals to MVA and the Central Collections Unit (CCU). Future activities include deployment of the NIXIE, MVA and CCU modules.

### **Update – Traffic and Revenue**

Ms. Joyce Diepold reported that the system revenues for the month of July were \$52.9 million, which is up \$0.3 million versus the previous year. Revenues for the fiscal year-to-date were \$52.9 million, which is up \$0.3 million versus the previous year. Fiscal year-to-date revenues are \$2.0 million, or 4.0%, above the current Jacobs Base Case revenue forecast.

Ms. Diepold also reported that the system transactions for the month of July were 10.6 million, which is up 0.2 million from the previous year. Fiscal year-to-date system transactions were 10.6 million, which is up 0.2 million from the previous year. Fiscal year-to-date system transactions are 0.7 million, or 7%, above the current Jacobs Base Case transaction forecast.

Monthly revenue on the ICC for July was \$3.7 million and 1.7 million transactions were recorded.

Member Halsey asked why the ICC numbers were still being separated from the Legacy Facilities. Ms. Hartman explained that revenues and transactions for the ICC were initially reported separately due to the accelerated ramp-up of traffic and revenue growth in the early years of the opening of the new facility that would have distorted growth at the other facilities and that separate traffic and revenue projections were made for the ICC from the rest of the facilities. Reporting ICC traffic and revenue separately from the other facilities is not the long term plan and will be revisited in the near future.

There being no further business, the meeting of the Finance Committee adjourned at 11:31 a.m., following a motion by Member Dennis and seconded by Member Hock.