

FINANCE COMMITTEE MONTHLY MEETING  
WEDNESDAY, OCTOBER 14, 2015  
POINT BREEZE HEADQUARTERS BUILDING  
BALTIMORE, MARYLAND

OPEN SESSION

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

STAFF ATTENDING: Milt Chaffee  
Donna DiCerbo  
Joyce Diepold  
Luther Dolcar  
Chantelle Green  
Jim Harkness  
Sherita Harrison, Esq.  
Carroll Hicks  
Bob Jordan  
Cheryl Lewis Orr  
Kitty Sarvinas  
Kataw Say  
Larry Schwager  
Dennis Simpson  
Deborah Sharpless  
Cheryl Sparks  
Chris Thompson

OTHERS ATTENDING Joel Eshleman – CliftonLarsonAllen  
Chuck Kelly – CliftonLarsonAllen  
Keith Novak – CliftonLarsonAllen  
Janie Tiedeman – AECOM

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

**Approval – Open Meeting Minutes from September 8, 2015 and September 14, 2015 Meetings**

Member Basso called for the approval of the open meeting minutes from the September 8, 2015 and September 14, 2015 meetings. Member Michael Leahy made the motion, and Member Randall Nixon seconded the motion; and, the motion was passed unanimously.

**Update – Independent Auditor’s Report for the FY 2015 Financial Statements, SSAE16 Audit, and Single Audit Report**

Ms. Deborah Sharpless introduced Mr. Joel Eshleman, Mr. Chuck Kelly, and Mr. Keith Novak from CliftonLarsonAllen to present the results of the FY 2015 Financial Statement Audit, the SSAE 16 Audit and the Single Audit Report. Mr. Novak noted that MDTA received an unmodified opinion for the FY 2015 Financial Statements Audit, which is the highest rating possible, and no material weaknesses were noted in MDTA’s controls. Mr. Novak provided an overview of the audit process which was followed by a review of MDTA’s fiscal 2015 financial position from Mr. Kelly.

Mr. Kelly indicated that MDTA’s FY 2015 net position increased by \$175.2 million compared to FY 2014. He further stated that the increase is net of the impact of the implementation of GASB Statement No. 68, which resulted in a decrease to MDTA’s beginning FY 2015 net position of \$168.4 million. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligations for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits.

Next, Mr. Kelly discussed the results of the SAS 114, including the qualitative aspects of accounting practices and the implications of GASB Statement No. 68 and 71 on MDTA’s Net Position. He also indicated that no difficulties were encountered when performing the audit and that there were no corrected or uncorrected misstatements.

Following Mr. Kelly’s presentation, Mr. Eshleman reviewed the control objectives and complementary user entity controls that were part of the SSAE 16 audit. While there were no qualifications noted in the SSAE 16 audit, there was an increase in the number of exceptions in FY 2015 over the prior year. The exceptions noted related to the creation and retention of documentation related to controls performed. Ms. Sharpless indicated that staff would update the Audit Committee on the status of addressing the auditor’s exceptions.

Finally, Mr. Eshleman presented the results of the Complementary User Entity Controls testing which was followed by a presentation regarding the results of the Single Audit by Mr. Novak. No findings were noted as a result of the testing and an unmodified audit opinion was issued.

Member Basso thanked the Auditors and Ms. Sharpless noted the hard work of the Finance Division staff as well.

**Approval – Contract No. MT-3037 – Janitorial Services – William Preston Lane, Jr. Memorial Bridge (Bay Bridge) Administration and Police Buildings**

Mr. Carroll Hicks requested a recommended approval from the Finance Committee to present Contract No. MT 3037-0000, Janitorial Services – William Preston Lane, Jr. Memorial Bridge (Bay Bridge) Administration and Police Buildings, 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 of janitorial services for the Administration and Police buildings at the Bay Bridge. 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 September 23, 2015. The National Center on Institutions & Alternatives, Inc. (NCIA) is the incumbent for the current services and MDTA is satisfied with the janitorial services NCIA has provided thus far.

The contract has a base term of three years valued at \$330,576.54 with one 2-year renewal option valued at \$220,384.36. The total contract term is five years with a total value of \$550,960.90. This contract requires the approval of 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 Rev. Dr. William Calhoun made the motion, and Member Nixon seconded the motion, which was unanimously approved.

#### **Approval – Contract No. 20150015 – NETA Electrical Testing at Various Facilities**

Mr. Kataw Say requested a recommended approval from the Finance Committee to present Contract No. 20150015, NETA Electrical Testing at Various Facilities, to the full MDTA Board at its next scheduled meeting.

This is a fixed-price contract to provide testing and inspection services and repairs of electrical equipment at various MDTA Facilities. The contract was designated as a Small Business Preference. MDTA solicited competitive sealed bids for these services. Three bids were received and the lowest responsive and responsible bidder, Harford Electrical Testing Company, was selected for award. Harford Electrical Testing Company has satisfactorily performed work on prior MDTA projects. This contract has a base term of two years valued at \$367,000.00 with no renewal options. The contract requires the approval of the Board of Public Works.

Member Leahy inquired about the type of testing to be performed under the contract. Mr. Say indicated that the testing would include substations, switching gear, transformers, and other types of electrical devices.

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

**Update – All-Electronic Tolling Legislative Follow Up Study**

Mr. Dennis Simpson provided the Finance Committee with an update of a study that was undertaken in response to Chapter 397 of 2014. Chapter 397 requires MDTA to conduct a study of all-electronic tolling (AET) that includes an analysis of (1) AET in other states; (2) electronic toll collection interoperability; (3) alternative payment methods and specified toll rates; (4) issues and factors that must be addressed before AET becomes effective at specified facilities; (5) revisions to MDTA's initial AET proposal; and (6) proposed legislation, if required, related to the implementation of AET. The report must be submitted to certain legislative committees and local elected officials by January 1, 2016.

Mr. Simpson indicated that approximately one dozen toll agencies have implemented AET. These states include Virginia, Texas, Colorado, Florida, California, and Massachusetts. The majority of the states surveyed charge higher rates for video toll transactions than for transponder tolls. Additionally, states reported that transponders or "sticker tags" were generally free to customers that pre-load funds. While most of the tolling agencies use sticker tags, all of the agencies with transponder programs use video tolling.

Regarding interoperability, Mr. Simpson stated that the Moving Ahead for Progress in the 21st Century Act (MAP -21) requires national toll interoperability by July 6, 2016. While there are multiple interoperability initiatives underway, including the Alliance for Toll Interoperability, there is a high degree of uncertainty regarding whether the July 6 deadline is achievable.

Next, Mr. Simpson discussed alternative payment methods and specified toll rates. The discussion included a brief overview of MDTA's cost per transaction by payment method. Additionally, Mr. Simpson briefed the committee on an alternative payment method option that allows customers to pre-register to post-pay their video account. Under this alternative, when an account is opened, the vehicle owner's license plate would be registered and attached to a debit/credit card account. The debit/credit card would only be charged after a toll is incurred (as opposed to on a recurring basis). Given that the account is pre-registered, this alternative payment method would eliminate the need for MDTA to seek out the registered owner of the vehicle to collect payment.

Mr. Simpson also discussed the challenges associated with collecting unpaid tolls from registered truck owners. MDTA is currently pursuing multiple options, including the continued development of Reciprocal Violation Enforcement agreements with neighboring states such as Delaware, Virginia, and Pennsylvania.

Mr. Simpson noted that there are several issues that must be addressed before MDTA transitions to AET. These include: (1) making the E-ZPass website more user friendly; (2) making it more convenient for customers to obtain a transponder; and (3) establishing Reciprocity Violation Enforcement agreements with other states to expand MDTA's ability to collect unpaid tolls from out-of-state residents.

Mr. Simpson concluded his remarks by indicating that MDTA is unaware of any enabling legislation that would be required to implement the current AET proposal. While MDTA's initial proposal was to implement AET at the Thomas J. Hatem Memorial Bridge and the Francis Scott Key Bridge in 2015, MDTA plans to delay AET implementation until after the execution of the third generation tolling system contract. MDTA plans to present the results of the study to the General Assembly by January 1, 2016.

### **Update – FY 2016 1<sup>st</sup> Quarter Budget vs Actual**

Ms. Chris Thompson began the briefing by indicating that as of September 30, 2015, 16% of the budget has been spent as compared to the targeted spending level of 21% (based on 5.5 of 25 payrolls being posted). No Responsibility Centers (RC) exceeded expected spending levels by more than 5%.

Spending in several of the RCs was addressed. Out of 50 RCs, 12 are under budget by more than 5%, primarily in the Administrative areas. Ms. Thompson further explained that the expenditures for the Maryland State Police are less than 1% because MDTA is awaiting receipt of the first quarter bill for law enforcement services for the John F. Kennedy Memorial Highway.

Primary areas of underspending include contractual payroll, travel, replacement equipment, and fixed charges. Reasons for underspending include the timing of delivery of certain equipment or of required services and invoices that have not yet been received.

Member Basso commented that the budget appears to be underspent for the first quarter. Member Calhoun indicated that he was pleased with MDTA's level of spending for the first quarter of the fiscal year.

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

Ms. Sharpless provided an update on the Video Toll and Citation program. Ms. Sharpless noted that the civil penalty waiver program begins on October 16, 2015, and that this is the final chance for customers to pay off their obligations before MDTA refers toll violators to the Maryland Motor Vehicle Administration (MVA) and Central Collection Unit (CCU). Going forward, MDTA will continue to work with MDTA, MVA and CCU to verify and/or refine processes and public messaging on referrals. Additionally, MDTA staff is also working on a plan to reduce the court backlog and is hoping that the waiver program will help.

### **Update – Traffic and Revenue**

Ms. Cheryl Lewis-Orr stated that this month's materials included traffic and revenue figures for both August and September; however, only September would be presented. Ms. Lewis-Orr noted that system-wide toll revenues for the month ending September 30, 2015, were

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\$52.2 million, which is up \$0.1 million, or 0.3%, from the previous year. Fiscal year-to-date system-wide toll revenues were \$169.8 million, which is down \$0.7 million, or 0.4%, from the previous year.

System-wide transactions for the month ending September 30, 2015, were 12.4 million, which is up 1.0 million, or 8.8%, from the previous year. Fiscal year-to-date system-wide transactions were 41.3 million, which is up 4.5 million, or 12.3%, from the previous year.

There being no further business, the meeting of the Finance Committee adjourned at 10:33 a.m., following a motion by Member Leahy and seconded by Member Nixon.