

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY, NOVEMBER 10, 2015
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Jack Basso
Rev. Dr. William Calhoun, Sr.
Michael Leahy, Esq. (Via Phone)
Randall Nixon, Esq.

STAFF ATTENDING: Milt Chaffee
David Chapin
Percy Dangerfield
Joyce Diepold
Allen Garman
Chantelle Green
Jim Harkness
Sherita Harrison, Esq.
Jaclyn Hartman
Cheryl Lewis-Orr
Chief Michael Kundrat
Jeannie Marriott
John O'Neill
Major Joseph Ruff
Kitty Sarvinas
Dennis Simpson
Deborah Sharpless
Cheryl Sparks
Christina Thompson

At 9:03 a.m., Member Jack Basso, Chair of the Finance Committee, called the Finance Committee Meeting to order.

Approval – Open Meeting Minutes from October 14, 2015 Meeting

Member Basso called for the approval of the open meeting minutes from the meeting held on October 14, 2015. Member Rev. Dr. William Calhoun, Sr. made the motion, and Member Randall Nixon seconded the motion; and, the motion was passed unanimously.

** Member Michael Leahy joined the meeting via telephone at 9:08 am.

Update – Fiscal 2015 Closeout of Key Financial Metrics

Ms. Jaclyn Hartman provided the Finance Committee with a review of the Maryland Transportation Authority's (MDTA) financial closeout for fiscal 2015 as compared to the January and July 2015 financial forecasts.

Ms. Hartman stated MDTA's financial position had improved in comparison to the forecasts due to fiscal 2015 toll revenues being higher than forecasted and spending in the operating and capital budgets being less than expected. These combined actions increased MDTA's cash balance and improved debt coverage ratios. Ms. Hartman noted that this improved financial position is for fiscal 2015 and does not take into account the impacts of the toll reductions that began in fiscal 2016.

Approval – Fiscal 2017 Preliminary Operating Budget

Ms. Christina Thompson requested a recommendation for approval from the Finance Committee to the full MDTA Board of the fiscal 2017 Preliminary Operating Budget. The Preliminary Budget is submitted to the Maryland legislature in January of each year. The Trust Agreement requires the approval of a final budget on or before July 1 of each year.

The fiscal 2017 budget amounts to \$279.4 million, which represents an increase of \$3.0 million, or 1.1%, compared to MDTA's fiscal 2016 budget. This amount includes \$24.4 million in reimbursement from the Maryland Department of Transportation for costs incurred for law enforcement services at the Port of Baltimore and the Baltimore/Washington International Thurgood Marshall Airport.

Mandated changes to the budget include a \$1.7 million increase in salaries and benefits and a \$0.5 million reduction in workers' compensation expenses. Discretionary expenses include an additional \$6.0 million for MDTA's facilities renewal fund to maintain and preserve the agency's roadways and bridges and \$2.6 million for information technology contractual services required for development and implementation of the operations system replacement project.

Reductions totaling \$7.9 million were made to the budget. These include: a \$2.8 million reduction in personnel expenses due the net reduction of 12 positions, a \$1.5 million reduction in bridge and tunnel insurance, and a \$1.5 million reduction in E-ZPass Service Center costs and credit card reciprocity fees.

Ms. Hartman noted that minor changes to the budget may be necessary to reflect the outcome of the fiscal 2016 collective bargaining agreement with the Fraternal Order of Police as well as other minor changes for rate changes from the Department of Budget and Management.

Member Basso stated that the fiscal 2017 budget shows a balance of fiscal restraint and investing in the facilities. Member Basso then called for a motion to recommend the approval of this item

to the full MDTA Board at its next scheduled meeting. Member Calhoun made the motion, and Member Michael Leahy seconded the motion, which was unanimously approved.

Approval – Final Fiscal 2016-2021 Consolidated Transportation Program

Ms. Jeanne Marriott requested a recommendation for approval from the Finance Committee to the full MDTA Board of the Final Fiscal 2016-2021 Consolidated Transportation Program (CTP). The final six-year CTP increased by \$46.0 million from the draft CTP, which includes the rollover of \$38.6 million in unspent funds from fiscal 2015. This increase is comprised of a \$186.9 million increase in projects offset by a \$140.9 million decrease in reserves.

The \$46.0 million increase in project costs was primarily the result of (1) a \$156.0 million increase in the six-year CTP costs for all projects except the ICC, ETL and reserves; (2) a \$140.9 million reduction in allocated and unallocated system preservation reserves; and (3) a \$30.8 million shift in the ICC and ETL budgets from the FY 2015 to the FY 2016-2021 time period.

Highlights of changes to the Final Fiscal 2016-2021 CTP include: (1) an increase of \$45.7 million to fund 15 new system preservation projects; (2) an increase of \$120.8 million to add construction funding for 12 projects; (3) a net increase of \$3.6 million in five projects to reflect actual bids received; (4) a net decrease of \$9.6 million for 38 projects that were completed or deleted; (5) a net increase of \$26.3 million for changes to project budgets for 105 projects; and (6) a decrease of \$140.9 million in the allocated and unallocated reserves.

Ms. Deborah Sharpless noted that when this item was presented to the Capital Committee, Member Hellmann requested a briefing for the Capital Committee on how the capital program is built. Member Basso concurred with that request and asked whether the Capital Committee had any other concerns or questions about the CTP as presented. Ms. Sharpless replied there was nothing additional. Member Basso noted the capital program presented was a good one.

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 Calhoun seconded the motion, which was unanimously approved.

Approval – Financial Forecast

Mr. David Chapin presented the Financial Forecast reflecting the proposed Final Fiscal 2016-2021 CTP and the fiscal 2017 Preliminary Operating Budget to the Finance Committee and requested a recommendation for approval from the Finance Committee to the full MDTA Board. The financial forecast (with any subsequent adjustments) is submitted to the Maryland legislature in January and July of each year.

The forecast shows that MDTA will remain above its financial goals and its Trust Agreement rate covenant throughout the forecast period without the need for toll increases or debt issuances.

Additionally, the forecast adheres to the Budget Reconciliation and Financing Act of 2015. Mr. Chapin noted that the current forecast reflects an overall improvement compared to the previous forecast. Ms. Hartman noted that minor changes to the forecast may be necessary if changes to the fiscal 2017 operating budget are needed as noted above.

Member Leahy noted the drawdown of MDTA's cash balance over the six-year forecast period. Mr. Chapin concurred and noted that even with the drawdown, the cash remains above minimum requirements. Member Basso stated that overall MDTA is in a good financial position.

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 – Video Toll and Citation Program

Ms. Deborah Sharpless provided an update on the Video Toll and Citation program. Ms. Sharpless noted that the civil penalty waiver program will be ending soon. Despite some early adjustments that were required to meet phone and website demand, the program has gone well. Following the end of the waiver program, the process of referring unpaid and uncontested citations to the Motor Vehicle Administration and the State's Central Collections Unit will begin. In addition, MDTA continues to work with the Maryland Judiciary to reduce the volume of the District Court case backlog. Backlogs in several jurisdictions have been eliminated or nearly eliminated.

Update – Traffic and Revenue

Ms. Cheryl Lewis-Orr noted that system-wide toll revenues for the month ending October 31, 2015, were \$55.0 million, which is down \$0.9 million, or 1.7%, from the previous year. Fiscal year-to-date system-wide toll revenues were \$225.3 million, which is down \$1.1 million, or 0.5%, from the previous year. When comparing fiscal year-to-date system-wide toll revenues to the Base Case revenue forecast, system-wide toll revenues exceeded the forecast by \$4.1 million, or 1.8%.

System-wide transactions for the month ending October 31, 2015, were 12.9 million, which is up 0.9 million, or 7.4%, from the previous year. Fiscal year-to-date system-wide transactions were 54.7 million, which is up 5.9 million, or 12.2%, from the previous year. When comparing fiscal year-to-date system-wide transactions to the Base Case transaction forecast, system-wide transactions exceeded the forecast by 2.6 million, or 5.1%.

Ms. Hartman noted that the annual update to MDTA's traffic and revenue report recently took place. The update shows minimal change in the expected impact of the fiscal 2016 toll reductions. The annual revenue reduction is currently estimated at \$52.1 million.

Approval – Fiscal 2016 Collective Bargaining Agreement with MDTA Police

Ms. Hartman requested a recommendation for approval from the Finance Committee to the full MDTA Board for a collective bargaining agreement reached between the State and the Fraternal Order of Police Lodge #34. Ms. Hartman stated that the final agreed upon package is a one year agreement that includes: (1) a “disparity pay fix” for 79 employees who have a perceived disparity in pay resulting from recent changes in pay scales; (2) a one-step increase for all members effective April 1, 2016; (3) a shift differential increase from \$1.50 to \$2.00 per hour; (4) the reinstatement of a fitness bonus of \$1,000 per year; (5) the reinstatement of an education bonus to provide annual compensation of \$125 to \$500 depending on degree attainment; and (6) the expansion of the Take Home Vehicle program to include members of the Crisis Negotiation Team and Marine Unit, as well as Detachment Officers of the Year. Ms. Hartman noted that due to the delayed effective dates of certain provisions, the cost of the package for bargaining unit members is \$1.0 million in fiscal 2016. The fully annualized cost in fiscal 2017 is \$2.2 million.

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 Calhoun left the meeting at 10:11 a.m. ***

Approval – Disposition of the Intermodal Container Transfer Facility

Mr. Dennis Simpson and Ms. Hartman requested a recommendation for approval from the Finance Committee to the full MDTA Board to declare the Intermodal Container Transfer Facility (ICTF) as excess land and transfer it to the Maryland Port Administration (MPA) for \$14.2 million. Following a public-private partnership (P3) for the Seagirt Marine Terminal in 2010, MDTA retained ownership of the ICTF. In recent months, MDTA and MPA have been in negotiations regarding the disposition of the facility. The proposed agreement provides for the transfer of the ICTF from MDTA to MPA for a one-time payment of \$14.2 million. Ms. Hartman noted that the transfer provides many benefits to the State, MDTA, and MPA.

Closed Session

At 10:33 a.m., upon motion by Member Leahy and seconded by Member Nixon, the Members voted unanimously to move into Closed Session under § 3-305(b)(1)(i) and (ii) and (b)(4) of the General Provisions Article of the Annotated Code of Maryland, to discuss matters related to the compensation and benefits packages for certain MDTA Police command staff; and to discuss a proposal from a current business located in Maryland that wants to expand its operations in the State, which expansion impacts current MDTA assets.

Members Basso, Leahy, and Nixon were in attendance for the Closed Session regarding the local business proposal and the compensation and benefits package for certain MDTA Police

command staff. The following staff was present during the closed session discussion on the local business proposal: Milt Chaffee, Chantelle Green, Jaclyn Hartman, Sherita Harrison, Esq., Deborah Sharpless, and Dennis Simpson. The following staff was present during the closed session discussion on the terms of the collective bargaining agreement: Milt Chaffee, Percy Dangerfield, Chantelle Green, Jaclyn Hartman, Sherita Harrison, Esq., and Chief Michael Kundrat.

At 10:43 a.m., a motion was made by Member Nixon and seconded by Member Leahy, which was unanimously approved, to adjourn the Closed Session and return to Open Session.

No action was taken during the Closed Session.

Open Session

Approval – Disposition of the Intermodal Container Transfer Facility

Member Basso called for a motion to recommend approval from the Finance Committee to the MDTA Board to declare the ICTF as excess land and to transfer the property to MPA for \$14.2 million. Member Nixon made the motion, and Member Leahy seconded the motion, which was unanimously approved.

Approval – Compensation and Benefits Package for Command Staff

Member Basso then called for a motion to extend a 4% pay increase to certain command staff and to reinstitute the educational and fitness bonus for the command staff. Member Nixon made the motion, and Member Leahy seconded the motion, which was unanimously approved.

There being no further business, the meeting of the Finance Committee adjourned at 10:47 a.m., following a motion by Member Leahy and seconded by Member Nixon.