

FINANCE COMMITTEE MONTHLY MEETING  
WEDNESDAY, NOVEMBER 12, 2014  
POINT BREEZE HEADQUARTERS BUILDING  
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Jack Basso  
Katrina J. Dennis (via telephone)  
Mary Beyer Halsey  
Arthur Hock

STAFF ATTENDING: Yaw Berkoh  
David Chapin  
Joyce Diepold  
Patrick Fleming  
Allen Garman  
Bruce Gartner  
Chantelle Green  
Sherita Harrison, Esq.  
Jaclyn Hartman  
Doug Hutcheson  
Cheryl Lewis-Orr  
Miles Kress  
Jeanne Marriott  
Jessica Mettle  
Kitty Sarvinas  
Deborah Sharpless  
Dennis Simpson  
Cheryl Sparks  
Martin Sullivan  
Christina Thompson  
Dan Williams

OTHERS ATTENDING: Chuck Gomer – Davenport (via telephone)  
Sam Sidh – MDOT  
Jamie Traudt – Davenport (via telephone)  
Greg Warner – First Southwest (via telephone)

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

**Approval – Meeting Minutes – October 14, 2014 Open and Closed Session**

Member Basso called for the approval of the Open Session Minutes of the October 14, 2014 Finance Committee meeting. Member Art Hock made a motion to approve the minutes, and Member Mary Beyer Halsey seconded the motion. The minutes were unanimously approved as submitted.

Member Basso called for the approval of the Closed Session Minutes of the October 14, 2014 Finance Committee meeting. Member Hock made a motion to approve the minutes, and Member Halsey seconded the motion. The minutes were unanimously approved as submitted.

**Recommend for Approval – Code of Maryland Regulations Revisions**

Mr. Patrick Fleming requested a recommendation for approval from the Finance Committee to the full MDTA Board to update the Code of Maryland Regulations (COMAR) to reflect current business practices, make definitions consistent with statute and delete civil penalties for parking and other infractions at certain facilities. Changes to 11.07.01 – Transportation of Hazardous Materials were removed from the agenda as necessary updates had previously been made. Regulations and recommended changes include:

- 11.07.02 – Vehicle Size and Width Restrictions – Amended to make the regulations consistent with current business practices.
- 11.07.05 – Public Notice of Toll Schedule Revisions – Amended to make the regulations' definitions consistent with statute and to clean up redundant language.
- 11.07.10 – Parking on Maryland Transportation Authority Property – Amended to make the regulations' definitions consistent with statute and eliminate the regulations related to Violations and Penalties. In order to issue citations for violations, a process for appeal to the District Court would need to be established. The value of the civil parking violation penalty received is not worth the expense of establishing and maintaining such an appeal process.
- 11.07.11 – Public Use of Interstate 95 Service Plazas – Amended to allow MDTA as an agency to enforce parking restrictions, not just a singular person; change language to update an obsolete term and to remove the civil citation for infractions on the service plazas. In order to issue civil citations, a process for appeal to the District Court would need to be established. The value of the civil penalty received is not worth the expense of establishing and maintaining such an appeal process.

Upon motion by Member Halsey and seconded by Member Katrina Dennis, the Members unanimously recommended approval to the full MDTA Board at its next regularly scheduled

meeting to revise COMAR Amendments 11.07.02 – Vehicle Size and width Restrictions; 11.07.05 – Public Notice of Toll Schedule Revisions; 11.07.10 – Parking on Maryland Transportation Authority Property; and 11.07.11 – Public Use of Interstate 95 Service Plazas.

### **Introduction of New Deputy Chief Financial Officer**

Jaclyn Hartman introduced Ms. Chantelle Green as the new Deputy Chief Financial Officer. Ms. Green discussed her background and was welcomed by the Committee Members.

### **Recommend for Approval – FY 2016 Preliminary Operating Budget**

Ms. Jaclyn Hartman advised that after further review of the FY 2016 Operating Budget, FY 2015-2020 Consolidated Transportation Program (CTP) and FY 2015-2020 Financial Forecast, certain changes were being recommended to the Finance Committee that differed from the meeting materials sent in advance of the meeting. As a result of actual toll revenues in FY 2014 being higher than forecasted, reductions to the FY 2016 Operating Budget, and cashflow changes to the FY 2014 Capital Budget, staff recommends adjusting the cashflow for several projects in the FY 2015-2020 CTP and defeasing certain bonds to provide additional financial flexibility in the future.

Ms. Christina Thompson requested a recommendation for approval from the Finance Committee to the full MDTA Board for the FY 2016 Preliminary Operating Budget. This is a Preliminary Budget to be submitted to the Legislature in January 2015. The Trust Agreement requires the approval of a final budget on or before the 1<sup>st</sup> day of July.

The FY 2016 budget amounts to \$283.5 million, which represents a decrease of \$1.6 million from the FY 2015 budget. This amount includes \$24.9 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 \$3.8 million increase in salaries and a \$1.1 million decrease in retirement contributions. Discretionary increases were \$1.4 million for IT systems analysis and equipment, a \$1.4 million increase in E-ZPass Service Center costs, \$1.0 million increase in E-ZPass credit card fees, a \$0.9 million increase for vehicle expenses and utilities, and a \$0.6 million increase for snow removal. Four new positions are also requested.

Reductions totaling \$9.9 million were made to the budget. These include a \$4.3 million decrease for contractual services for engineers to more accurately reflect spending on annual inspections, a decrease of \$2.2 million for replacement vehicles based on replacement cycles, and a \$1.2 million reduction to publicity and advertising due to completion of marketing for the newly opened Intercounty Connector (ICC) and I-95 Express Toll Lanes (ETL).

Ms. Thompson noted that minor changes to the budget may be necessary to reflect updated mandated retirement contribution rates and the reallocation of several positions. Member Basso called for a motion to recommend the FY 2016 Preliminary Operating Budget to the full MDTA Board for approval at its next scheduled meeting and to allow staff to make non-substantive changes to the budget as necessary. Member Dennis made the motion, and Member Hock seconded the motion, which was then unanimously approved.

### **Recommend for Approval – Final FY 2015-2020 CTP**

Mr. Dennis Simpson and Ms. Jeanne Marriott requested a recommendation for approval from the Finance Committee to the full MDTA Board for the Final FY 2015-2020 CTP. The overall final six-year CTP increased by \$125.7 million from the draft CTP. This increase is comprised of a \$320.5 million increase in projects offset by a \$173.5 million decrease in allocated reserves.

The \$320.5 million increase in projects is primarily the result of:

- a \$81.2 million increase in the Canton Viaduct project;
- addition of two on-call projects at \$11.6 million and \$9.2 million; and
- addition of construction dollars from the reserve for the following projects:
  - re-decking and superstructure repairs to the bridge over the Patapsco Flats (\$64.5 million);
  - replacing the Baltimore Harbor Tunnel Vent Fans (\$61.9 million); and
  - Phase IV painting of the westbound span of the Bay Bridge (\$21.7 million).

The decrease in reserves is attributed to transferring \$173.8 million for the construction phase of projects funded for engineering only in the draft CTP and project changes. Project budget changes for all projects except the ICC, ETL and Reserves resulted in a \$307.6 million increase. However, due to the reduction in system preservation allocated reserves in the amount of \$173.8 million, the net final FY 2015–2020 CTP budget, except the ICC and ETL, is \$133.8 million.

Highlights of changes include:

- increase of \$59.3 million to fund 27 new system preservation projects;
- increase of \$178.7 million for nine projects modified to add the construction phase;
- net increase of \$9.1 million in 11 projects to reflect actual bids received;
- decrease of \$33.6 million for 45 projects that were completed or deleted; and
- net increase of \$107.0 million for changes to project budgets for 100 projects.

Member Basso called for a motion to recommend the Final FY 2015-2020 CTP to the full MDTA Board for approval at its next scheduled meeting. Member Halsey made the motion, and Member Dennis seconded the motion, which was then unanimously approved.

**Recommend for Approval – Financial Forecast**

Ms. Hartman presented the Financial Forecast reflecting the proposed Final FY 2015-2020 CTP and the FY 2016 Preliminary Operating Budget to the Finance Committee with a request for a recommendation for approval from the Finance Committee to the full MDTA Board.

The forecast indicates that MDTA will remain above its financial goals and its Trust Agreement rate covenant throughout the FY 2015-2020 period without the need for toll increases or debt issuances over that period (except for the final draw of the TIFIA loan in FY 2015). The forecast provides evidence of MDTA's solid financial position and provides MDTA with additional financial flexibility in the future.

Ms. Hartman noted that minor changes to the forecast may be necessary to reflect minor changes to the Operating or Capital budgets. Member Basso called for a motion to recommend the Financial Forecast to the full MDTA Board for approval at its next scheduled meeting, so long as only minor changes are made to it. Member Halsey made a motion, and Member Hock seconded the motion, which was then unanimously approved.

**Recommend for Approval – Revenue Requirements**

Ms. Hartman stated that said the MDTA Board's Revenue Policy requires that at least every two years, MDTA review toll rates, service and administrative fees, frequency of use programs and commuter programs to ensure they are reasonable and appropriate to meet the revenue requirements for MDTA's financial obligations.

Based on the actions just taken by the Finance Committee on the FY 2016 Preliminary Operating Budget, FY 2015-2020 CTP and FY 2015-2020 Financial Forecast, staff advises that current toll rates are sufficient to meet current needs and that no changes are recommended to toll rates at this time. This finding is not meant to preclude adjustments in tolls for congestion management purposes on the ICC or ETL, for future adjustments intended to address issues other than revenue needs, or for changes in assumptions that the financial forecast was built on.

Member Basso called for a motion to recommend approval of the Revenue Sufficiency Analysis to the full MDTA Board. Member Halsey made the motion, and Member Hock seconded the motion, which was then unanimously approved.

**Recommend for Approval – Review of the Investment Policy**

Mr. Allen Garman explained that the MDTA Board's Investment Policy establishes guidelines for the safeguarding and efficient management of MDTA's cash and investments. Annual review and approval of the Investment Policy is required. Staff completed its annual review and does not recommend any changes to the Investment Policy. Mr. Garman requested a

recommendation for approval of the Investment Policy in its current form from the Finance Committee to the full MDTA Board.

Member Basso called for a motion to recommend the Investment Policy to the full MDTA Board for approval at its next scheduled meeting. Member Halsey made the motion, and Member Dennis seconded the motion, which was then unanimously approved.

#### **Update – Contract No. J01B540011**

Mr. Martin Sullivan briefed the Committee on Contract No. J015400011, MDTA Bay Bridge License Plate Recognition (LPR) System Expansion. This proposed procurement was procured by MDTA under the Maryland Department of Information Technology (DoIT) Statewide Hardware 2012 Contract.

Pursuant to the Code of Maryland Regulations (COMAR) and MDTA Resolution 14-01 dated March 27, 2014, MDTA does not have delegated authority to procure IT goods or related services. DoIT is the primary procurement unit responsible for the review, approval and oversight of non-delegated IT and telecommunications procurements. As a result, DoIT issued the Hardware 2012 Master Contract to enable State agencies to procure hardware and associated equipment and services in a timely and economical manner.

The Scope of Services to be provided under this contract includes the purchase and installation of LPR cameras and associated equipment, software installation, administrator and user training, and technical support. This is a fixed-price contract, with a total not-to-exceed cost of \$273,140.20.

One proposal was received from Applied Technology Services (ATS). ATS successfully demonstrated its capability to provide the equipment and services required and the price proposal was reviewed and evaluated. As a result, ATS, a certified Minority Business Enterprise and Small Business Reserve company, was recommended for award. MDTA will seek approval from DoIT for this Contract. Notice to proceed is anticipated for December 2014.

#### **Update – Cash Flow and Capital Spending**

Mr. Garman reviewed the implications of cash flow projections on future financing needs and reported on capital spending versus projections.

Capital spending for fiscal year-to-date through October totaled \$145.2 million, or 95%, of the spending projections based on the Draft FY 2015-2020 Consolidated Transportation Program. Spending for the ICC, ETL and Other Projects totaled 88%, 94%, and 98% of projections, respectively. Over the past six fiscal years, capital spending has ranged from 59% to 82% of projections, averaging 73%.

With the full depletion of Series 2010 bond proceeds in mid-2013, funding for capital projects shifted to the operating revenue-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 FY 2020.

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

Mr. Garman and Mr. Greg Warner of First Southwest reported on activities of the Investment Committee for the quarter ended September 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. Warner explained the total return performance implications of the portfolios' short-duration positioning during the trailing twelve-months. Mr. Warner noted that all investment ratings and distributions were in compliance with the Investment Policy. The Investment Committee intends to maintain portfolio durations near 85% of the respective benchmarks near term.

Mr. Garman noted that the Investment Committee performed its annual review of brokers/dealers and that all current brokers/dealers continue to provide competitive bids and offers. One new firm, Multi-Bank Securities, requested to join MDTA's list of brokers/dealers. Mr. Garman confirmed that the firm meets all of MDTA's counterparty requirements, including FINRA registration and minimum net capital of \$25 million. The Investment Committee approved adding Multi-Bank Securities to the list of available brokers/dealers.

### **Update – I-95 Express Toll Lanes Opening Activities**

Mr. Dennis Simpson updated the Committee on the issues and activities underway to support the opening of the ETL. A media tour of the project is scheduled for November 18, 2014, and the ETL is scheduled to open to traffic on December 6, 2014. There will be a free traveling period for the public from December 6, 2014 through December 12, 2014.

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

Ms. Deborah Sharpless 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. Ms. Sharpless noted that the project is moving forward as scheduled. Beginning in November, payment reminder letters will be mailed to customers

eligible for referral to the Motor Vehicle Administration for non-renewal or suspension of their vehicle registration or for referral to the Central Collections Unit for collections.

**Update – Traffic and Revenue**

Ms. Joyce Diepold reported that the system revenues for the month of October were \$48.3 million, which is up \$1.1 million versus the previous year. Revenues for the fiscal year-to-date were \$203.1 million, which is up \$2.7 million versus the previous year. Fiscal year-to-date revenues are \$12.2 million above, or 6.4%, above the current Jacobs Base Case revenue forecast.

Ms. Diepold also reported that the system transactions for the month of October were 9.9 million, which is up 0.3 million versus the previous year. Fiscal year-to-date system transactions were 40.8 million, which is up 0.5 million from the previous year. Fiscal year-to-date system transactions are 3.1 million above, or 8.3%, above the current Jacobs Base Case transaction forecast.

Monthly revenue on the ICC for October was \$3.9 million, an increase of \$0.4 million from the previous year. ICC transactions for October were 2.0 million transactions, which is up 0.2 million from the previous year.

There being no further business, the meeting of the Finance Committee adjourned at 10:35 a.m., following a motion by Member Hock and seconded by Member Halsey.