

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

OPEN SESSION

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

STAFF ATTENDING: Donna DiCerbo (via telephone at 9:15)
Joyce Diepold
Allen Garman
Bruce Gartner
Chantelle Green
Robert Harrison
Sherita Harrison, Esq.
Jaclyn Hartman
Kitty Sarvinas
Dennis Simpson
Deb Sharpless
Alison Williams

OTHERS Chuck Gomer – Davenport
Jamie Traudt – Davenport
Greg Warner – First Southwest

At 9:00 a.m., Member Mary Beyer Halsey, Acting Chair of the Finance Committee, called the Finance Committee Meeting to order.

Approval – Meeting Minutes – January 14, 2015

Member Halsey called for the approval of the Open Meeting Minutes of the January 14, 2015 Finance Committee meeting. Member Katrina Dennis made a motion to approve the minutes, and Member Art Hock seconded the motion. The minutes were unanimously approved as submitted.

Recommend for Approval – Janitorial Services at the Baltimore Harbor Tunnel (BHT) and Fort McHenry Tunnel (FMT) - Contract Modification

Mr. Robert Harrison requested a recommendation for approval from the Finance Committee to present this Modification to Contract No. 20140010 for Janitorial Services at the BHT and FMT facilities to the full MDTA Board at its next scheduled meeting. Award of this contract is contingent upon approval of the Board of Public Works.

This modification includes an increase of services at the FMT Maintenance Building from four hours per day to eight hours per day. It also includes new janitorial services at the FMT Administration Building.

The original contract was awarded by MDTA on January 20, 2014, to the Preferred Provider, Lyles Cleaning Services, LLC, in the amount of \$97,258.51, for a two-year term from February 1, 2014, to January 31, 2016. This amount was determined as Fair Market Value by the Pricing & Selection Committee for the Employment Works Program on January 16, 2014.

The Pricing and Selection Committee for the Employment Works Program met on January 15, 2015, and approved the work of this Modification in the amount of \$58,440.13 as Fair Market Value.

Ms. Donna DiCerbo indicated the contract modification amount listed on the Finance Committee Summary Sheet was over-stated. Services were anticipated to begin on February 1, 2015; therefore, the current amount includes February pricing. However, services have been delayed pending approval of this contract by the MDTA Board and the Board of Public Works. The final modification dollar amount will be lower than the amount included on the Finance Committee Summary Sheet since it will not include February pricing. The amount will be corrected and submitted to the MDTA Board for approval at their February meeting. In order to provide services in early March 2015, contingent approval was requested by the Finance Committee pending receipt of final approved pricing by the Pricing and Selection Committee which is anticipated in mid-February.

Member Halsey called for a motion to recommend contingent 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.

Recommend for Approval – Agreement with the Maryland Economic Development Corporation for Innovative Project Delivery Expertise

Ms. Jaclyn Hartman requested a recommendation for approval from the Finance Committee to present an Intergovernmental Agreement with the Maryland Economic Development Corporation (MEDCO) to the full Board at its next scheduled meeting. The Agreement will allow MDTA to use MEDCO's expertise in innovative project delivery (IPD)

and obtain other related expert services including an IPD advisor to assist with identifying and analyzing alternative delivery and financing options for the replacement of the Nice Bridge.

Services provided through the Agreement may include: evaluating and determining optimal project delivery approaches and financing strategies for the Nice Bridge; reviewing existing cost and revenue data and information for sufficiency; and reviewing and performing risk analysis and mitigation of the project and delivery method.

Member Halsey questioned whether the Capital Committee had reviewed this item. Ms. Hartman noted that the item was previously discussed with certain members involved in the Nice Bridge project. Member Halsey stated that she looked forward to further discussions with the full Board about this item. Member Hock concurred with this statement.

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

Update – Annual Update on GARVEE and Conduit Debt Financings

Ms. Alison Williams provided the Finance Committee with an update on the Grant and Revenue Anticipation (GARVEE) Bonds and certain conduit debt issuances for the Maryland Aviation Administration (MAA) and the Department of General Services (DGS) that have not been reviewed by Finance Committee within the last year.

The GARVEE Bonds were issued in two tranches totaling \$750 million as part of the overall funding plan for the Intercounty Connector. In addition to the pledge of a portion of Maryland's federal highway aid, these bonds have a subordinate pledge of certain tax revenues held in Maryland's Transportation Trust Fund. Annual debt service is \$87 million. For further security, debt service reserve funds (DSRF) currently hold a total of \$11.9 million.

The Consolidated Rental Car Facility (CRCF) Revenue Bonds were issued on behalf of MAA in the amount of \$117.3 million to provide construction funds and cover issuance costs. Pledged revenues primarily consist of a Customer Facility Charge (CFC) of \$3.75 per transaction day, generating over \$12.6 million in FY 2014. Annual debt service is level at \$9 million. Debt service coverage remains above the 1.25x rate covenant (at over 1.55x).

Airport Parking Revenue Refunding Bonds, Series 2012 A&B were sold competitively for \$190.6 million on behalf of MAA to refund the outstanding Series 2002 A&B Airport Parking Revenue Bonds, resulting in net present value savings of \$27.6 million. The parking revenues from all of MAA's parking facilities at Baltimore/Washington International Thurgood Marshall Airport are pledged to the bondholders. Debt service coverage has remained strong since the Series 2002 Bonds were issued, exceeding 2x coverage each year.

The Calvert Street Parking Garage Bonds Series 2005 were issued on behalf of DGS to fund construction of a 728-space parking garage for State employees in Annapolis. Since there is no reserve fund, rental payments to cover debt service on the Bonds are due to the Trustee 15 business days prior to January 1 and July 1. Annual debt service is level at \$1.5 million. The bond documents require DGS to annually certify that it has budgeted and requested sufficient appropriations to meet all of its rental obligations.

Member Halsey noted that it is good to see that all outstanding conduit debt issuances have sufficient coverage and are free from any issues. Member Dennis concurred.

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 the fiscal year-to-date through January totaled \$215.7 million, or 94%, of the spending projection based on the Final FY 2015-2020 Consolidated Transportation Program and monthly timing refinements for the Intercounty Connector and I-95 Express Toll Lanes projects. Over the past six fiscal years, capital spending has ranged from 59% to 82% of projections, averaging 73%.

With the full depletion of bond proceeds in mid-2013, capital projects funding 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 in June 2015. No other financings are likely needed through fiscal 2020.

Mr. Garman discussed the net carrying costs associated with debt versus investment balances and highlighted the modeled cash defeasance of bonds in late fiscal 2016, explaining the potential carry savings and implications for the timing of future financings. Member Hock commended the practice of defeasing bonds where feasible.

Update – Quarterly Investment Committee Report

The Investment Committee provided the quarterly investment report for the trailing 12-month period ended December 31, 2014, detailing market conditions, portfolio strategies, total return performance, and trade allocations.

Mr. Garman reviewed economic data and the rationale for the Investment Committee's decision in February to extend portfolio durations to 95% of the respective benchmark indices from the more defensive 85% strategy that was in effect since August 2013. Mr. Garman highlighted the recent trends in oil prices, the CRB 22-Commodities index, labor force participation, core PCE, and manufacturing activity. Changes in the yield curve were discussed in the context of the economic data and anticipated monetary policy changes.

Mr. Garman and Mr. Chuck Gomer (Davenport) explained the portfolios defensive positioning as a percentage of the benchmark indices and the impact on relative performance as a function of the rate environment.

Update – Video Toll and Citation Program

Ms. Deborah Sharpless updated the Finance Committee on the issues and activities underway to support the implementation of the video toll and citation process approved in House Bill 420.

Activities during January included: initiated court administrative changes that do not require system changes, deployed the Central Collections Unit (CCU) module, implemented the NIXIE (bad address) module and prepared revised citation language at the request of the District Court.

Activities in February and March include developing Phase 2 of the CCU module, developing a change order for court administrative changes, and initiating mailing giving 15 days' notice of referral to the Motor Vehicle Administration (MVA).

Activities for April through June include initiating referrals to MVA, initiating mailing of 15 days' notice of referral to CCU, initiating referrals to CCU; continuing to issue referral notices for MVA and CCU, deployment of court administrative changes system changes and beginning use of revised citations.

Ms. Sharpless noted that 6.4 million notices of toll due have been issued and that MDTA is reviewing potential statutory changes to improve the program.

Update – Traffic and Revenue

Ms. Joyce Diepold updated the members of the Finance Committee on the in lane toll revenue and transaction trends for all facilities for the month ending January 31, 2015. System in lane toll revenues for the month were \$46.5 million, which is up \$1.5 million, or 3.3%, from the previous year. Fiscal year-to-date system in lane toll revenues were \$378.7 million, which is up \$15.7 million, or 4.3%, versus the previous year.

Ms. Diepold reported that the system transactions for the month of January were 10.6 million, which is up 0.8 million, or 8.4%, versus the previous year. Fiscal year-to-date system transactions were 82.5 million, which is up 4.1 million, or 5.3%, versus the previous year.

Member Halsey asked about the early result for the recently opened I-95 Express Toll Lanes. Ms. Sharpless noted that numbers are looking good but it is too early to know much.

There being no further business, the meeting of the Finance Committee adjourned at 10:00 a.m., following a motion by Member Hock and seconded by Member Dennis.