

FINANCE COMMITTEE MONTHLY MEETING
WEDNESDAY, JULY 9, 2014
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

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

STAFF ATTENDING: Suhair Alkhatib
Percy Dangerfield
Donna DiCerbo
Joyce Diepold
David Dikes
Luther Dolcar
Errol Etting
Rebecca Freeberger
Bruce Gartner
David K. Greene
Sherita Harrison, Esq.
Jaclyn Hartman
Kitty Sarvinas
Deb Sharpless
Dennis Simpson
Christina Thompson

At 9:06 a.m. Member Jack Basso, 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 – June 10, 2014 Open Session

Member Basso called for the approval of the Open Minutes of the June 10, 2014 Finance Committee meeting. Member Hock made a motion to approve the minutes, and Member Dennis seconded the motion. The minutes were unanimously approved as submitted.

Recommend for Approval – Contract No. 20130018 – Traffic and Revenue Forecasting Services

Ms. Christina Thompson requested a recommendation for approval from the Finance Committee to the full MDTA Board for Contract No. 20130018, Traffic and Revenue Forecasting Services. Approval of this contract is contingent upon approval by the Board of Public Works.

Ms. Thompson stated this contract will provide Traffic and Revenue Forecasting Services and assist in the continual refinement of the agency's traffic and revenue projections for use in planning to meet the agency's operating costs and capital investment needs and to include in projections to support the sale of revenue bonds and other debt financings. Additionally, the Contract will provide advice in the development of tolling practices and policy; assist in the review of proposed financing participation by MDTA in public-private partnerships and other projects; and represent the MDTA's interests with respect to revenue projections in financial market environments.

The MDTA solicited Competitive Sealed Proposals for these professional services. Bids were received from three firms. After evaluation of the Technical Proposal wherein all Offerors were determined to be reasonably susceptible of being selected for award, a Best and Final Offer was requested and received from all Offerors. CDM Smith was ranked first overall, met the minimum qualifications as stated in the RFP and successfully demonstrated their technical qualifications. The Evaluation Committee recommended CDM Smith for award, as they provided the most advantageous offer to the State.

This is a not-to-exceed, fixed-price, indefinite quantity contract. The contract term is for three years, with one two-year renewal option. The contract has a budget allocation of \$2,000,000.00 (in aggregate) for five years. Notice-To-Proceed for this contract is anticipated in September 2014. There is a five percent (5%) Minority Business Enterprise (MBE) goal, with no sub-goals established for this contract and CDM Smith has a plan that meets the goal.

Member Hock asked if we had prior experience with CDM Smith. Ms. Thompson stated that CDM Smith prepared the traffic and revenue forecasts for the ICC. Mr. Dennis Simpson added that CDM Smith prepared the preliminary traffic and revenue forecasts for the I-95 Express Toll Lanes. Member Basso noted that CDM Smith is well known and respected in the industry.

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

At 9:12 a.m., Member Dennis recused herself from the meeting prior to the discussion regarding the I-95 Travel Plaza Lease and Concession Agreement Contract Modification and Delegation of Authority.

Recommend for Approval – Contract No. 20140013 – CLEAR Database Services

Ms. Donna DiCerbo requested a recommendation from the Finance Committee to present Sole Source Contract No. 20140013, CLEAR Database Services with West Government Services, Thomson Reuters, to the full MDTA Board at its next scheduled meeting. Approval of this contract is contingent upon approval by the Board of Public Works.

CLEAR Database Services provides data/information for investigative research to government and law enforcement agencies. CLEAR Database Services includes several live gateways that provide real time access to data. No other law enforcement database provides this extensive data collectively from a single source. The MDTA Police Detective Unit is trained in the use of these services. Access to CLEAR Database Services has assisted in the arrest of 250 wanted suspects.

This contract fits the Sole Source criteria as stated in COMAR 21.05.05.02 (1) and (2): (1) when only one source exists which meets the requirements; and (2) when the compatibility of equipment, accessories, or replacement parts is the paramount consideration. There are no other providers of a similar product in the industry. As this is a Sole Source Contract, no Minority Business Enterprise, Small Business Reserve, or Veteran-Owned Business Enterprise participation is included. The new contract will provide database services for a term of five years at \$999.76 per month. The total amount of this contract shall not exceed \$75,000.00.

Member Halsey questioned the use of a five year contract, and Ms. DiCerbo stated this allows MDTA to lock in favorable pricing. Member Basso asked if there are any competing technologies under development. Errol Etting, MDTA Police Director of Intelligence, responded that he was not aware of anything under development.

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

Recommend for Approval – I-95 Travel Plazas Public-private Partnership Lease and Concession Agreement Contract Modification and Delegation of Authority

Mr. Percy Dangerfield presented this item and requested a recommendation for approval from the Finance Committee to the full MDTA Board to proceed with a contract modification to the Maryland House and Chesapeake House Lease and Concession Agreement (Agreement) to clarify certain payments from gross revenue will be based on commissions, to request retroactive approval for this clarification, and to delegate authority to the Executive Director to finalize and execute approval documents for the modification.

In 2014, SC&H Group (SC&H) was engaged by the MDTA Office of Audits to conduct a review of the controls over the revenue payments and related operations of the I-95 Travel Plaza Concessionaire, Areas USA MDTP, LLC (Areas). SC&H found that Areas calculated revenue

payments based on the commissions paid to them by subcontractors rather than the subcontractors' total gross revenues as required in the Agreement, and that Areas does not perform any validation for the outsourced concepts to ensure sales reported are accurate.

In the Agreement, the term "Gross Revenues" broadly captures all receipts coming in, but it also includes language that acknowledges that there are other forms of revenue that come into Areas that may not be "typical gross revenue". This includes the portion of the definition that states "amounts generated from sales, fees, or receipts of any source whatsoever on the Leased Premises whether sold for consumption or use on or off the Leased Premises, including but not limited to, royalties and rebates provided to Concessionaire as a result of gross sales from Vending Machines and ATM fees". This description appears to touch upon a commission concept that is distinct from the common usage of "gross revenues". This would also support that there are other interpretations of how ATM and the Maryland Lottery ticket sales may be calculated with regards to revenue payments to MDTA.

Staff recommends modifying the language of the Agreement to allow for revenue payments for certain items to be calculated based on commissions instead of total gross revenues; allowing such modification to be retroactive to the start of the Agreement; and delegating approval to the Executive Director to execute any necessary documents related to the modification.

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

At 9:22 a.m., Member Dennis returned to the meeting.

Update – Annual Financial Statements – Notice of Award of Certificate of Achievement for Excellence in Financial Reporting

Member Basso congratulated Ms. Deb Sharpless, Ms. Jaclyn Hartman and members of the Finance Division on their recognition by the Government Finance Officers Association (GFOA) for the MDTA's FY 2013 Comprehensive Annual Financial Report (CAFR). Member Basso noted that this achievement comes after many years of hard work and improvements by the Finance Division. He credited Ms. Sharpless for beginning this project during her tenure as Chief Financial Officer and former MDTA Board Member Louise Hoblitzell for making this a priority. Members Halsey and Hock echoed Member Basso's comments and commended staff on the achievement as well.

Ms. Jaclyn Hartman thanked the Committee for their comments and introduced Mr. Luther Dolcar, the newly promoted Financial Reporting Manager. Ms. Hartman noted that the Financial Reporting Manager position became available after two other internal promotions.

Ms. Hartman showed the Committee the Certificate of Achievement for Excellence in Financial Reporting and noted that the plaque would arrive in a few weeks. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by MDTA. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

The preparation of the annual financial statements is an eight month process that begins in May when the financial auditors do a preliminary review and ends in December with submission of the CAFR to the GFOA. Finance Division staff is currently in the process of preparing for the FY 2014 financial audit which takes place during the month of September.

Update – I-95 Express Toll Lanes Opening Activities

Mr. Simpson updated the Finance Committee on the issues and activities underway to support the opening of the I-95 Express Toll Lanes (ETL). This is the first of regular monthly updates on the ETL until its opening. Opening of the ETL is scheduled for December.

Currently, work is underway on two contracts critical to the opening of the ETL, the completion of the MD 43 interchange and the unbraiding of I-695 Mainline, and installation and testing of the tolling equipment is taking place, with completion expected by the end of July.

Activities for August and September include continuing construction progress and developing draft communications and outreach plans. 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

Ms. 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.

The court cases started slowly but the caseload is increasing to over 2,000 cases to be heard in July on 19 dates. At this time, evidentiary packages are being prepared manually, which is very time consuming and requires a high level of quality control. Testing of the automated process for preparing evidentiary packages is expected in September.

Activities for August include an additional 13 court dates to hear 1,170 cases, completion of development of the NIXIE (bad address) and updated Motor Vehicle Administration (MVA) referral modules, and resolving timing for referrals to MVA and the State's Central Collection Unit (CCU). Future activities include deployment of the NIXIE, MVA and CCU modules.

Ms. Sherita Harrison, Esq. noted that there were higher rates of failures to appear in certain jurisdictions and summarized the disposition of cases heard thus far.

Update – Traffic and Revenue

Ms. Joyce Diepold reported that the system revenues for the month of June were \$50.8 million, which is up \$14.1 million versus the previous year. Revenues for the fiscal year-to-date were \$563.9 million, which is up \$152.3 million versus the previous year. Fiscal year-to-date revenues are \$23.6 million, or 4.4%, above the current Jacobs Base Case revenue forecast.

Ms. Diepold also reported that the system transactions for the month of June were 10.2 million, which is down slightly from the previous year. Fiscal year-to-date system transactions were 113.3 million, which is down 2.2 million from the previous year. Fiscal year-to-date system transactions are 6.7 million, or 6.3%, above the current Jacobs Base Case transaction forecast.

Monthly revenue on the ICC for June was \$3.7 million and 1.8 million transactions took place.

Closed Session

At 9:56 a.m., upon motion by Member Dennis and seconded by Member Halsey, the Members voted unanimously to move into closed session under Section 10-508(a)(14) of the State Government Article of the Annotated Code of Maryland to discuss the bids related to Contract 20130008 for the replacement of the Bay Bridge Interactive Voice Response System. The following persons were present during the closed session discussion: Bruce Gartner, Deborah Sharpless, Jaclyn Hartman, Sherita Harrison, Esq., Donna DiCerbo and David Dikes.

At 10:04 a.m., a motion was made by Member Hock and seconded by Member Dennis, which was unanimously approved, to adjourn the Closed Session and return to Open Session.

No actions were taken during the closed session.

There being no further business, the meeting of the Finance Committee adjourned at 10:05 a.m., following a motion by Member Dennis and seconded by Member Hock.