

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY, AUGUST 13, 2013
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Jack Basso (via telephone)
Mary Beyer Halsey
Arthur Hock

STAFF ATTENDING: Percy Dangerfield
Joyce Diepold
Patrick Fleming
Allen Garman
David Greene
Sherita Harrison, Esq.
Jaclyn Hartman
Cheryl Lewis-Orr
Kitty Sarvinas
Deborah Sharpless
Dennis Simpson
Cheryl Sparks
Alison Williams

OTHERS ATTENDING: Chuck Gomer – Davenport & Company
Steven Kantor – First Southwest
Rick Petillo – First Southwest (via telephone)
Sam Sidh – Maryland Department of Transportation
Paul Shank – Maryland Aviation Administration
Brad Smith – MD Dept. of Transportation
Jamie Traudt – Davenport & Company
Greg Warren – First Southwest (via telephone)
Dominic Wiker – MD Dept. of Transportation

At 9:05 a.m., Member Mary Beyer Halsey chaired and called the meeting of the Finance Committee to order.

Approval – Meeting Minutes – July 22, 2013

Member Halsey called for the approval of the minutes of the July 22, 2013 open meeting of the Finance Committee. Member Arthur Hock made a motion to approve the minutes and Member Jack Basso seconded the motion. The minutes were unanimously approved as submitted.

The presenter for Agenda Item 2, MAA Contract MAA-CO-14-003 – Runway Safety Area and Pavement Management Program Improvements Phase 3 and Pavement Rehabilitation, had not yet arrived so it was decided to proceed to Agenda Item 3.

Update – MDTA Properties at the CSX Intermodal Container Transfer Facility (ICTF)

Ms. Deborah Sharpless introduced the group, consisting of David Greene, Dominic Wiker and Brad Smith, who presented the ICTF Project update.

A verbal update on the project involving the MDTA-owned properties at the ICTF was presented. An update had also been provided to the Capital Committee, and MDTA staff advised that discussions were ongoing with CSX regarding options for the disposition of the properties.

Staff also provided an update on the environmental discussion with the Maryland Department of the Environment (MDE) on the Phase II Report. Based on CSX's scope of work, which contemplates an industrial use that will cap the identified MDTA and City-owned parcels, MDTA has requested a "No Further Action" (NFA) letter from MDE under the Controlled Hazardous Substance Program. MDE has acknowledged that it plans to issue a NFA letter under its Land Restoration Program for the MDTA-owned parcels once the ICTF development is completed.

Member Hock asked if there was a consideration to have external counsel participate in this project or was it just internal counsel. Ms. Sharpless said that the Office of the Attorney General has attorneys that specialize in the various legal areas that may become necessary for this project.

Recommend for Approval – MAA Contract MAA-CO-14-003 – Runway Safety Area and Pavement Management Program Improvements Phase 3 and Pavement Rehabilitation

Ms. Alison Williams introduced Mr. Paul Shank, Chief Engineer at the Maryland Aviation Administration (MAA), and said that MAA is making a request to send this contract to the full MDTA Board for approval. This contract relates to construction work at Baltimore/Washington International Thurgood Marshall Airport financed by passenger facility charge (PFC) revenue bonds issued by MDTA.

Ms. Williams explained that the approval of the MDTA Board is needed prior to MAA's presentation of this contract at an upcoming Board of Public Works (BPW) meeting. The PFC Financing Agreement between MAA and MDTA requires that MDTA approve any new contracts prior to BPW submission.

Mr. Shank discussed Contract No. MAA-CO-14-003 relating to the safety and compliance work for Runway 15R-33L. The contract amount is \$83,235,000 and the selected bidder is American Infrastructure, Inc. The PFC Revenue Bonds were issued on December 13, 2012, in the amount of \$135.5 million in order to provide funding for various improvement projects that enhance runway safety to meet federal requirements.

The PFC Financing Agreement also requires that MAA provide a bi-monthly construction progress report to MDTA. The next report will be provided in September 2013, as an Information Item in the Finance Committee agenda book.

Member Basso motioned to recommend approval of the contract to the full MDTA Board. Member Hock seconded the motion and it was approved unanimously.

Recommend for Approval – Public-Private Partnership (P3) Regulations

Mr. Patrick Fleming said this update is to seek a recommended approval from the Finance Committee for the P3 proposed regulations to the full MDTA Board for approval at its next scheduled meeting. This same information was presented to the Capital Committee for recommended approval at its meeting on August 1, 2013.

During the 2013 legislative session, the General Assembly passed legislation that changes the way that P3s are conducted in the State of Maryland. The proposed regulations will provide the framework for MDTA's future solicited and unsolicited P3s. Publication in the Maryland Register is anticipated on October 4, 2013.

The proposed regulations allow the Executive Secretary to name members of a steering committee that will evaluate internally- and externally-generated P3 proposals. The MDTA Board will determine if a proposal moves from the high-level screening phase into the detailed-level screening phase. The MDTA Board will also determine if a proposal moves from the detailed-level screening phase into the pre-solicitation and solicitation phases.

Member Basso indicated that it would be helpful if in the future the Members have more time to review complicated documents like proposed regulations. Member Basso also said that the MDTA Board should be advised of all appointments to the steering committee. Member Halsey suggested that when the appointments are made that the minutes reflect who the appointees are.

Member Halsey asked for a motion to send the Public-Private Partnership proposed regulations to the full MDTA Board for approval. Member Hock made the motion and Member Basso seconded the motion. It was approved unanimously.

Recommend for Approval – Debt Management Policy – Annual Review

Ms. Alison Williams presented the annual review of the Debt Management Policy and recommended certain changes for approval by the full MDTA Board. The Debt Management Policy reflects certain changes recommended by Division of Finance staff in consultation with the financial advisors and the Office of the Attorney General.

In addition to technical corrections and clarifications, the only substantive changes are in Refundings – Policy Statement 23. Section 23.2 has been expanded to further define the Refunding Efficiency analysis and Section 23.3 has been added to provide for an additional analysis, the Opportunity Cost Index (OCI) calculation. These analyses examine the efficiency of advance refunding bonds now versus waiting until a future point in time as the earliest call date draws nearer.

The traditional Net Present Value (NPV) savings analysis will still be done using the All-In True Interest Cost. This approach will take into consideration the issuance costs for the new bond issue. The current benchmark of 3% - 5% NPV savings is acceptable and still meets market expectations.

Member Halsey requested a motion to recommend these changes for approval to the full MDTA Board. Member Basso made the motion and Member Hock seconded the motion. It was approved unanimously.

Recommend for Approval – Investment Policy – Annual Review

Mr. Allen Garman presented the annual review of the Investment Policy and recommended certain changes for approval by the full MDTA Board. These changes were recommended by Division of Finance staff in consultation with the financial advisors and the Investment Committee.

The changes include the deletion of an outdated reference to the Federal Savings and Loan Insurance Corporation; clarification of permissible investments; and the deletion of two duplicative and improbable conflict of interest disclosure requirements.

Member Halsey requested a motion to recommend these changes for approval by the full MDTA Board. Member Hock made the motion, and Member Basso seconded the motion. It was approved unanimously.

Update – Cash Flow and Capital Spending

Mr. Garman provided a quarterly update on cash flow projections and recent capital spending. Capital spending for fiscal year 2013 totaled \$305.6 million, or 59%, of the spending projections based on the Final FY 2013-2018 Consolidated Transportation Program (CTP). Spending for the InterCounty Connector (ICC), Express Toll Lane (ETL) and Other Projects

totaled 60%, 72%, and 55% of projections, respectively. Over the prior four fiscal years, capital spending has ranged from 67% to 82% of projections, averaging 75%.

With the full depletion of Series 2010 bond proceeds in June, capital projects funding shifted to the cash-funded Capital account. As part of the State's \$265 million commitment to the ICC financing plan, MDTA is currently drawing on the final \$21 million installment.

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 year 2015. No other financings are likely needed through fiscal year 2015.

For the next eleven months, average monthly capital spending is projected at \$38.5 million (based on a combination of the Draft FY 2014-2019 CTP and more refined projections for the ICC and ETL projects).

Update – Investment Committee Report

Mr. Garman, Chuck Gomer of Davenport, Jamie Traudt of Davenport, and Steven Kantor of First Southwest provided an update on trailing quarterly investment performance through June 30, 2013; discussed economic conditions and strategy; and demonstrated some capabilities of the SunGard investment accounting/analytics system live via the web. Ms. Cheryl Lewis-Orr and Mr. Garman provided the live demonstration of the SunGard system.

Update – Video Toll and Citation Process

Ms. 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.

Some of the prior activities were to end the practice of adding administrative fees for late payments and the deployment of Notice of Toll Due (NOTD), citation and initial Court processes modules. Additionally, the draft regulations were published; fees issued prior to June 30, 2013, were removed from unpaid accounts; revised billing and explanatory notices to customers began; meetings with District Courts in several counties were held; members of the legislature were sent a letter that described the phased-in program; the recording of new IVR messages began; and changes to the E-ZPass website were prepared.

Upcoming activities expected are: approval of the draft regulations; additional meetings with the District Court; supplemental requirements for the court process module will be prepared and submitted; the Motor Vehicle Administration module will be completed and deployed; and public outreach activities will increase.

By the end of January, the implementation of the Citation process is expected to be completed.

Update – Traffic and Revenue

Ms. Joyce Diepold reported that the system revenues for the month of July and for the year-to-date were \$52.3 million, which is up \$14.5 million from the previous year. Fiscal year-to-date revenues were \$2.3 million, or 4.5%, above the current Jacobs Base Case revenue forecast.

Ms. Diepold also reported that transactions for the month of July and for the year-to-date were 10.4 million, which is down 0.1 million from the previous year. Fiscal year-to-date system transactions are 0.4 million, or 4.3%, above the current Jacobs Base Case transaction forecast.

In response to a question asked at the July Finance Committee Meeting by Member Halsey regarding Baltimore Harbor Tunnel (BHT) traffic, Ms. Diepold explained to the Members that from late June through early October 2012, motorists were encouraged to use alternative routes while construction took place on the K-truss steel bridge on I-895 south of the tunnel. This reduced traffic and revenue on BHT during this time period and increased traffic at the Francis Scott Key Bridge and the Fort McHenry Tunnel. In 2013, this diversion is no longer taking place, which explains the anomalies at all three facilities in 2013.

There being no further business, the meeting of the Finance Committee was adjourned at 10:58 a.m., following a motion by Member Hock and seconded by Member Basso.