

FINANCE COMMITTEE MONTHLY MEETING
THURSDAY, NOVEMBER 9, 2023
OPEN MEETING VIA LIVESTREAMING

OPEN SESSION

MEMBERS ATTENDING: Cynthia Penny-Ardinger
Dontae Carroll
Jeffrey Rosen
John von Paris

STAFF ATTENDING: Jeffrey Brown
Percy Dangerfield
Jeffrey Davis
Cheryl Dickinson
Vicky Dobbins
Allen Garman
Chantelle Green
Natalie Henson
Richard Jaramillo
Kimberly Millender, Esq.
Ken Montgomery
Mary O’Keeffe
Deb Sharpless
Jennifer Stump
Timothy Sheets

OTHERS ATTENDING: William Seymour – SB
Sean Walter – CLA
Kelly Morison – CDM Smith

At 9:00 a.m., Member von Paris, Chair of the Finance Committee, called the Finance Committee Meeting to order.

APPROVAL – OPEN MEETING MINUTES FROM OCTOBER 12, 2023 MEETING

Member von Paris called for the approval of the meeting minutes from the Open Meeting held on October 12, 2023. Member Jeffrey Rosen made the motion, and Member Cindy Penny-Ardinger seconded the motion, which was unanimously approved.

UPDATE – INDEPENDENT AUDITOR’S REPORT FOR THE FY 2023 FINANCIAL STATEMENTS AUDIT

Ms. Deborah Sharpless introduced Mr. Sean Walker, Principal in Charge of the Maryland Transportation Authority’s (MDTA) audit, from CliftonLarsonAllen, LLP (CLA). Mr. Walker noted that the FY 2023 Financial Statements Audit was primarily focused on the MDTA’s investments, capital assets and leases, revenue recognition, accounting for long-term debt, intergovernmental agency relationships, and financial reporting. CLA also noted as part of its governance, that there were two uncorrected misstatements that were subsequently recorded in FY 2024. CLA issued an unmodified opinion on the financial statements and reported that no material weaknesses or significant deficiencies in the MDTA’s internal controls were identified.

UPDATE – INDEPENDENT AUDITOR’S REPORT FOR THE FY 2023 SERVICE ORGANIZATION CONTROLS 1 AND CONTROLS 2 REPORT

Mr. William Seymour, Engagement Partner from SB & Company, briefed the Finance Committee on the results of the FY 2023 Service Organization Controls (SOC) 1 Type 2 and SOC 2 Type 2 Reports for the Maryland *E-ZPass*® System. Mr. Seymour noted that for the FY 2023 audit period, unmodified opinions were issued for the SOC 1 Type 2 and SOC 2 Type 2 audits. Most of the exceptions (*i.e.*, findings) noted in the reports were addressed.

UPDATE – BRIDGES & TUNNELS PROPERTY INSURANCE COVERAGE

Ms. Deb Sharpless provided an update to the Finance Committee on the insurance coverage for the MDTA’s bridges and tunnels. Following an extensive discussion regarding the insurance coverage options under consideration by management, the Finance Committee concurred with the decision to pursue Option 4 which includes a \$50 million deductible and 30-day waiting period.

Note – Member Dontae Carroll left the meeting at 9:45 am.

UPDATE – ANNUAL TRAFFIC AND REVENUE FORECAST

Ms. Chantelle Green and Ms. Kelly Morison from CDM Smith provided an update to the Finance Committee on the Traffic and Revenue (T&R) Forecast for the legacy facilities, the Intercounty Connector (ICC), and the I-95 Express Toll Lanes (ETL). On a systemwide basis, through fiscal year (FY) 2029, forecasted revenues are expected to increase by \$353.9 million, or 6.7 percent, compared to the previous forecast.

APPROVAL – FY 2025 PRELIMINARY OPERATING BUDGET

Mr. Jeffrey Brown requested a recommendation for approval from the Finance Committee to the full MDTA Board of the FY 2025 Preliminary Operating Budget. Mr. Brown explained that the proposed FY 2025 operating budget of \$427.0 million represents a \$26.9 million, or a 6.7 percent increase versus the FY 2024 Final Budget. The FY 2025 operating budget reflects a \$9.4 million increase in mandatory spending, a \$20.4 million increase in discretionary spending, and a \$2.9 million reduction in discretionary spending. The key drivers for the increase in projected spending are mandated personnel expenses, insurance premiums, *E-ZPass*[®] service center costs and engineering costs.

Member von Paris called for a motion to recommend contingent approval of this item to the full MDTA Board at its next scheduled meeting. Member Penny-Ardinger made the motion, and Member Rosen seconded the motion, which was unanimously approved.

APPROVAL – FINAL FY 2024-2029 CONSOLIDATED TRANSPORTATION PROGRAM

Ms. Jennifer Stump requested a recommendation for approval from the Finance Committee to the full MDTA Board of the Final FY 2024-2029 Consolidated Transportation Program (CTP). The proposed FY 2024-2029 CTP is \$3.1 billion and reflects a net increase of \$393.1 million over the six-year period. The increase is the net result of a (1) \$780,000 increase for the Nice/Middleton Bridge; (2) \$4.9 million increase for the I-95 Express Toll Lanes (ETL) Northbound Extension; (3) \$209.5 million increase in the allocated and unallocated reserves; and (4) \$177.9 million increase in funding for all projects (excluding the Nice/Middleton Bridge and I-95 ETL). The increase also reflects the rollover of \$33.1 million in unexpended funds from FY 2023 into Final FY 2024-2029 CTP.

Member von Paris called for a motion to recommend approval of this item to the full MDTA Board at its next scheduled meeting. Member Rosen made the motion, and Member Penny-Ardinger seconded the motion, which was unanimously approved.

APPROVAL – DEBT POLICY

Mr. Allen Garman requested a recommendation for approval from the Finance Committee to the full MDTA Board for the approval of the Debt Policy. The Board Policy on Debt Management establishes the guidelines for the process by which the MDTA issues and manages debt and provides guidance to the MDTA Board and staff to ensure that a sound debt position and strong credit quality is maintained.

Mr. Garman advised that following a review of the MDTA's unencumbered cash requirement by internal staff and the MDTA's two municipal advisory firms, there is a recommendation to revise the \$350 million Unrestricted Cash target to \$400 million. The Unrestricted Cash target has not been raised since 2009 but should be adjusted upwardly, periodically, to reflect growth in the agency and the impact of inflation. Increasing the Cash Reserve is necessitated by rating agency metrics for Toll Sector entities in the double-A ratings category. The highest possible credit ratings in the double-A ratings category ensure bond market access at the lowest possible financing rates. Low financing rates support some combination of larger capital programs and lower required toll rates. The cost of maintaining a larger cash reserve is less than the long-term cost associated with financing as a lower rated borrower.

Member von Paris called for a motion to recommend approval of this item to the full MDTA Board at its next scheduled meeting. Member Penny-Ardinger made the motion, and Member Rosen seconded the motion, which was unanimously approved.

APPROVAL – FY 2024-2029 FINANCIAL FORECAST

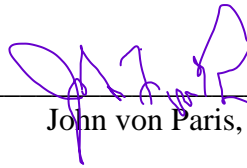
Ms. Chantelle Green requested a recommendation for approval from the Finance Committee to the full MDTA Board of the MDTA's FY 2024-2029 Financial Forecast. Ms. Green noted that the forecast has been updated to include the most recent T&R forecast, the FY 2025 Preliminary Operating Budget, and the Final FY 2024-2029 CTP. Throughout the six-year period, the MDTA will meet all required financial goals and minimum legal standards through FY 2028. Based on the current forecast estimates, beginning in FY 2029, a systemwide toll increase will be necessary to maintain 2.0 times debt coverage throughout the remainder of the FY 2024-2029 forecast period. The actual timing of a toll increase will depend on many factors that impact the MDTA's financial standards, such as inflationary pressures, deferred maintenance policies, toll revenue attainment, mandated operating budget increases, and debt issuance costs and timing.

Member von Paris called for the approval of the FY 2024-2029 Financial Forecast. Member Rosen made the motion, and Member Penny-Ardinger seconded the motion, which was unanimously approved.

UPDATE – BI-ANNUAL REVIEW OF REVENUE SUFFICIENCY

Ms. Chantelle Green provided the Finance Committee with an update on the Bi-Annual Review of Revenue Sufficiency for the FY 2024-2029 financial forecast period. Ms. Green noted that the MDTA's Board Policy requires a bi-annual review of revenue sufficiency to determine if current rates and fee levels are appropriate based on levels of expected spending. Given that the agency expects to meet its financial coverage ratios and targeted unencumbered cash position through FY 2028, the MDTA's current toll rates, fees, and discounts provide enough revenue in the immediate near-term to meet forecasted spending as well as all legal and policy requirements.

There being no further business, the meeting of the Finance Committee adjourned at 10:49 a.m., following a motion by Member Rosen and seconded by Member Penny-Ardinger.



John von Paris, Chairman