



# Maryland Transportation Authority

BOARD MEETING

THURSDAY, AUGUST 25, 2022

MARYLAND TRANSPORTATION AUTHORITY  
2310 BROENING HIGHWAY  
BALTIMORE, MD 21224

IN-PERSON AND LIVESTREAM



**MARYLAND TRANSPORTATION AUTHORITY  
BOARD MEETING**

2310 Broening Highway  
Training Room – 2<sup>nd</sup> Floor  
Baltimore, MD 21224

**AUGUST 25, 2022 9:00 AM**

This meeting will be livestreamed on the [MDTA Board Meeting Page](#)

**NOTES:**

- This is an In-Person Open Meeting being conducted via livestreaming.
- The public is welcomed to watch the meeting at the link above.
- *If you wish to comment on an agenda item please email your name, affiliation, and the agenda item to [nhenson@mdta.state.md.us](mailto:nhenson@mdta.state.md.us) no later than 5:00 p.m. on Tuesday, August 23. You **MUST** pre-register and attend the meeting in person in order to comment.* Once you have pre-registered you will receive an email with all pertinent information.

**AGENDA**

**OPEN SESSION – 9:00 AM**

Call Meeting to Order

- |  |                |         |
|--|----------------|---------|
| 1. <b><u>Approval</u></b> – <u>Open Session Meeting Minutes of July 28, 2022</u>   | Chairman Ports | 5 min.  |
| 2. <b><u>Approval</u></b> – <u>Closed Session Meeting Minutes of July 28, 2022</u>   | Chairman Ports | 5 min.  |
| 3. <b><u>Resolutions</u></b> – <u>Years of Service Recognition</u> – Recognition for Two Retired Employees   | Will Pines     | 10 min. |
| 4. <b><u>Approval</u></b> – <u>Contract Awards</u> <ul style="list-style-type: none"><li>• J01P2600128 – Two-Way Communications Radios for Police Vehicles</li><li>• MDTA 2019-01B – Construction Management and Inspection Services (SBR)</li></ul> | Donna DiCerbo  | 5 min.  |
| 5. <b><u>Update</u></b> – <u>Procurement Report on All Open Contracts</u> – Verbal   | Donna DiCerbo  | 5 min.  |
| 6. <b><u>Approval</u></b> – <u>Debt Policy</u> – Annual Review of MDTA’s Debt Policy which Establishes the Guidelines for the Financing Program  | Allen Garman   | 5 min.  |
| 7. <b><u>Approval</u></b> – <u>Quarterly Review of the Investment Strategy</u> – Approval to Continue with Current Investment Strategy   | Allen Garman   | 5 min.  |
| 8. <b><u>Approval</u></b> – <u>Investment Policy</u> – Update to MDTA’s Investment Policy that Establishes Guidelines for the Safeguarding and Management of the MDTA’s Cash and Investments   | Allen Garman   | 5 min.  |

**MDTA BOARD MEETING  
AUGUST 25, 2022 9:00 AM**

**AGENDA  
PAGE 2**

- |  |                |         |
|--|----------------|---------|
| 9. <b><u>Update</u></b> – <u>Human Resources Committee</u> – Verbal    | Member Carroll | 10 min. |
| 10. <b><u>Update</u></b> – <u>Executive Director’s Report</u> – Verbal | William Pines  | 10 min. |

**Vote to go into Closed Session**

- |  |                     |         |
|--|---------------------|---------|
| 11. To Receive Legal Advice and Discuss an Audit of the 3G<br>Contracts and Implementation | Kim Millender, Esq. | 15 min. |
|--|---------------------|---------|

**Vote to go into Open Session**

Vote to Adjourn Meeting

# **TAB 1**

MARYLAND TRANSPORTATION AUTHORITY  
BOARD MEETING

THURSDAY, JULY 28, 2022  
9:00 A.M.

2310 BROENING HIGHWAY, BALTIMORE MD 21224  
IN-PERSON & LIVESTREAMED OPEN MEETING

OPEN SESSION

James F. Ports, Jr., Chairman

MEMBERS ATTENDING:

Dontae Carroll  
William H. Cox, Jr.  
William C. Ensor, III  
W. Lee Gaines, Jr.  
Mario J. Gangemi  
Cynthia D. Penny-Ardinger, Esq.  
Jeffrey S. Rosen  
John F. von Paris

STAFF ATTENDING:

Col. Kevin Anderson  
Donna DiCerbo  
James Harkness  
Gregory Jones  
James Kittleman  
Peter Mattejat  
Selena McKissick  
Kimberly Millender, Esq.  
Sushmita Mitra  
Mary O’Keeffe  
Will Pines  
Bradley Ryon  
Joseph Sagal  
John Sales  
Sonia Thomas

OTHERS ATTENDING:

Eric Brenner, General Public

At 9:04 a.m. Chairman James F. Ports, Jr. called the meeting of the Maryland Transportation Authority (MDTA) Board to order. The meeting was held in-person at 2310 Broening Highway, Baltimore MD and was livestreamed on the MDTA Board Meeting web page.

**APPROVAL – OPEN SESSION MEETING MINUTES OF JUNE 23, 2022**

Upon motion by Member William H. Cox, Jr. and seconded by Member John F. von Paris, the open session meeting minutes of the MDTA Board meeting held on June 23, 2022 were unanimously approved.

**APPROVAL – CONTRACT AWARDS**

- **SV-3105-0000 – CLEAR Database Subscription**

Ms. Donna DiCerbo requested approval from the MDTA Board to execute Contract No. SV-3105-0000 – CLEAR Database Subscription with West Publishing Corporation, dba West, a Thomason Reuters business in the bid amount of \$216,265.92.

Ms. DiCerbo explained that this contract is for the provision of acquiring CLEAR Database services to be used by Maryland Transportation Authority Police Criminal Investigation Unit (CIU) only. CLEAR is a proprietary software manufactured by West Publishing and was designed as a government and law enforcement database service that provides definitive data/information for investigative research in real time.

Upon motion by Member Jeffrey S. Rosen and seconded by Member William C. Ensor, III, the Members unanimously gave approval to execute Contract No. SV-3015-0000 – CLEAR Database Subscription.

- **HT-3017-0000 – Baltimore Harbor Tunnel (BHT) In-Tunnel Fiber Improvements**

Ms. Donna DiCerbo requested approval from the MDTA Board to execute Contract No. HT-3017-0000 – Baltimore Harbor Tunnel (BHT) In-Tunnel Fiber Improvements with McLean Contracting Company in the bid amount of \$915,875.00.

Ms. DiCerbo explained that the work to be performed under this contract is located at the BHT on I-895 in Baltimore City and that the project will install fiber optic cables through primarily existing conduit raceways inside the east and west tunnel bores as well as the Fairfield and Canton service buildings. These cables will serve as the new communication media that will replace the existing blue hose communication cables in use by the programmable logic controller (PLC) and Supervisory Control and Data Acquisition (SCADA) System. A future project will replace the existing PLCs and ancillary components and utilize the new fiber optic communications system.

Upon motion by Member Mario J. Gangemi and seconded by Member Dontae Carroll, the Members unanimously gave approval to execute Contract No. MT-3017-0000 – Baltimore Harbor Tunnel (BHT) In-Tunnel Fiber Improvements.

***\*\* At 9:08 a.m. Member John F. von Paris recused himself from Contract No. MDTA 2021-02A. He stepped out of the room prior to the presentation and did not participate in the discussion of the item. \*\****

• **MDTA 2021-02A – Comprehensive Environmental Compliance and Engineering Services**

Ms. Donna DiCerbo requested contingent approval from the MDTA Board to execute Contract No. MDTA 2021-02A – Comprehensive Environmental Compliance and Engineering Services – Contract #'s AE-3109-0000, AE-3110-0000, AE-3111-0000, and AE-3112-0000 in the bid amounts for each contract as stated below.

| <b><u>Contract No.</u></b> | <b><u>Proposer</u></b>                       | <b><u>Contract Amount</u></b> |
|----------------------------|--|-------------------------------|
| AE 3109-0000               | WSP USA Inc. - Prime AE Group, Inc.          | \$4,000,000.00                |
| AE 3110-0000               | Johnson, Mirmiran & Thompson-Gannett Fleming | \$3,000,000.00                |
| AE 3111-0000               | Rummel, Klepper & Kahl – Century Engineering | \$3,000,000.00                |
| AE 3112-0000               | AECOM Technical Services, Inc.               | \$2,000,000.00                |

Ms. DiCerbo explained that this project involves the award of four (4) contracts for Comprehensive Environmental Compliance & Engineering Services for MDTA. The Consultants will conduct environmental inventory, compliance inspections, assessments, and design; regulatory permitting support; guidance on regulations; Geographic Information System (GIS) development and management; and report preparation. Activities may include desktop and field studies, research, preliminary and final design services. Other engineering services may include compliance support for highways, bridges, and tunnels and may require environmental, geotechnical, traffic, hydraulics, electrical, mechanical, and construction phase services, including general engineering as directed by MDTA.

Upon motion by Member W. Lee Gaines, Jr. and seconded by Member William H. Cox, Jr., the Members unanimously gave contingent approval to execute Contract No. MDTA 2021-02A – Comprehensive Environmental Compliance and Engineering Services – Contract #'s AE-3109-0000, AE-3110-0000, AE-3111-0000, and AE-3112-0000.

***\*\* Member von Paris returned to the meeting room after the above agenda item had been presented, discussed, and approved. \*\****

**APPROVAL – CODE OF MARYLAND REGULATIONS (COMAR) AMENDMENTS**

Mr. Bradley Ryon requested MDTA Board approval to proceed with proposed changes to the Code of Maryland Regulations (COMAR) 11.07.07.02, 11.07.07.06, and 11.07.07.09.

Mr. Ryon explained that a proposed action to amend COMAR 11.07.07.02, 11.07.07.06, and 11.07.07.09 is needed to allow MDTA to define and implement installment plan (or payment plans) agreements for customers seeking to pay unpaid video tolls and any associated civil penalties. He further explained that while the MDTA currently has the statutory authority to provide installment plans, COMAR changes are needed to establish the necessary regulatory framework for the definition and implementation of the plans.

Upon motion by Member Mario J. Gangemi and seconded by Member Jeffrey S. Rosen, the Members unanimously gave approval to proceed with the proposed changes to the Code of Maryland Regulations (COMAR) 11.07.07.02, 11.07.07.06, and 11.07.07.09.

#### **UPDATE – LEGISLATIVE UPDATE**

Mr. Bradley Ryon and Mr. William Pines provided the MDTA Board with an update on recent MDTA-related legislative items and upcoming activities during the legislative interim. These updates included: informing the Board that staff will be providing additional information regarding changes in the General Assembly membership due to the upcoming elections; the Government Relations team continues to share important MDTA news and items including the Customer Assistance Plan and traffic advisories; and, updates regarding MDTA's participation in the Maryland Association of Counties (MACo) Summer Conference in mid-August and the MDOT Consolidated Transportation Program (CTP) Tour which runs from mid-September to early-November which gives MDTA the ability to meet with local officials and the general public to share information regarding MDTA projects such as the Bay Bridge Automated Lane Closure, the New Nice-Middleton Bridge, and the I-95 Express Toll Lanes Northbound Expansion.

In regard to the Nice-Middleton Bridge, staff updated the Board regarding a recent letter received from members of the Maryland Congressional Delegation regarding reassessing retaining the existing bridge for bike/pedestrian use. Mr. Pines discussed that the design of the new bridge was based on removal of the existing bridge and keeping the current bridge is no longer an option due to design issues. Mr. Pines explained that several entities have independently evaluated retaining the existing bridge for bicycle and pedestrian use, including the MDTA, Virginia, Charles County, and King George County. All entities determined that retaining the existing bridge is cost prohibitive. Mr. Pines pointed out that retaining the entire existing bridge is not included in the permitted, designed, and constructed (ongoing) alternative, and the existing piers in the navigation channel must be removed to eliminate the safety threat to the new bridge foundations from scour. Mr. Pines indicated that demolition of portions of the existing bridge commenced prior to receiving the Congressional Delegation letter but limited to areas that do not impact the maintenance of traffic, like the existing fender system.

Following the update, Mr. Eric Brenner spoke in opposition of demolishing the old Nice-Middleton Bridge referencing the Maryland Congressional Delegation letter and encouraging the Board to re-consider its position regarding retention of the existing bridge. Mr. Brenner left the meeting after completing his comments.



**UPDATE – THIRD GENERATION ELECTRONIC TOLL COLLECTION (3G ETC) SYSTEM**

Mr. Gregory Jones updated the MDTA Board on the Third Generation Electronic Toll Collection (3G ETC) post-transition operations.

Mr. Jones explained that the TransCore and Kapsch systems went live on April 29, 2021. Post-transition and software development activities and risk management continue. Implementation of the plan to address the backlog of unprocessed transactions is ongoing. Due to the stable nature of the system, Mr. Pines indicated that future project briefings would be more limited to major changes.

**UPDATE – EXECUTIVE DIRECTOR**

Mr. Will Pines gave the Executive Director Update. Mr. Pines spoke on the following topics: Summer Travel Communications Campaigns; a MDTA re-organization that will create an Office of Partnerships and Tolling Agreements under the Chief Financial Officer to manage MDTA's P3 projects and will have the Chief Engineer report directly to the Executive Director; the July 6 meeting of the Bay Bridge Reconstruction Advisory Group (BBRAG); the July 14 MDTA Rodeo, Training, and Awards Event; on July 30 the eastbound span of the Bay Bridge turned 70 years old; and the Maryland House will once again serve as a rest/gathering point for America's 9/11 Ride.

**VOTE TO GO INTO CLOSED SESSION**

At 10:35 a.m., upon motion by Member Mario J. Gangemi and seconded by Member W. Lee Gaines, Jr., the Members voted unanimously to move into Closed Session under the Maryland Open Meetings Act, the MDTA Board met in Closed Session under the General Provisions Article, Section 3-305(b)(10) and (12) to receive an update on deployment of police staff and resources and other security measures; and to discuss a pending investigative proceeding involving possible criminal conduct; and Section 3-305(b)(8) to receive a status update on all litigation currently pending against the MDTA.

In attendance for the Closed Session were Chairman Jim Ports; Members Carroll, Cox, Ensor, Gaines, Gangemi, Penny-Ardinger, Rosen, and von Paris; Will Pines; Kimberly Millender, Esq.; and Col. Kevin Anderson.

**VOTE TO ADJOURN CLOSED SESSION**

At 11:22 a.m., a motion was made by Member Mario J. Gangemi and seconded by Member Dontae Carroll, which was unanimously approved, to adjourn the Closed Session and return to Open Session. There were no actions taken in Closed Session that require ratification.

**VOTE TO ADJOURN MEETING**

There being no further business, upon motion by Member Mario J. Gangemi and seconded by Member Dontae Carroll, the Members unanimously voted to adjourn the meeting at 11:27 a.m.

The next MDTA Board Meeting will be held on Thursday, August 25, 2022 at 9:00 a.m. at MDTA, 2310 Broening Highway, Baltimore MD and will be livestreamed on the MDTA Board webpage.

APPROVED AND CONCURRED IN:

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James F. Ports, Jr., Chairman

## **TAB 2**

# **CLOSED SESSION MINUTES**

**VERBAL**

# **TAB 3**

# First Sergeant John W. Irwin

MDTA Police

WHEREAS, First Sergeant John W. Irwin began his career with the Maryland Transportation Authority Police as an MDTA Police Officer I on May 5, 1993, and

WHEREAS, Due to his knowledge and determination, he was promoted to MDTA Police Officer II on May 5, 1994, and to MDTA Police Corporal on October 20, 1999, and

WHEREAS, First Sergeant Irwin continued his law-enforcement career growth and was promoted to MDTA Police Sergeant on April 25, 2007, and to MDTA Police First Sergeant on July 15, 2009, and

WHEREAS, He is an invaluable member of the team, and his coworkers expressed the fact that his dedication, expertise and teamwork will be missed, now

THEREFORE BE IT RESOLVED, On the occasion of First Sergeant John W. Irwin's retirement from his distinguished career of exemplary service, the Chairman and Members of the Maryland Transportation Authority Board hereby express to First Sergeant Irwin their most sincere appreciation for his excellence and commitment, and

BE IT FURTHER RESOLVED, That this Resolution be entered into the minutes of the MDTA Board meeting of August 25, 2022, and a copy, appropriately framed, be presented to First Sergeant Irwin as an expression of the MDTA Board's appreciation and esteem.

# Corporal Kenneth Withrow

MDTA Police

WHEREAS, Corporal Kenneth Withrow began his career with the Maryland Transportation Authority Police as an MDTA Police Officer II on May 5, 1993, and

WHEREAS, Due to his knowledge and determination, he was promoted to MDTA Police Corporal on August 8, 2001, and

WHEREAS, He is an invaluable member of the team, and his coworkers expressed the fact that his dedication, expertise and teamwork will be missed, now

THEREFORE BE IT RESOLVED, On the occasion of Corporal Kenneth Withrow's retirement from his distinguished career of exemplary service, the Chairman and Members of the Maryland Transportation Authority Board hereby express to Corporal Withrow their most sincere appreciation for his excellence and commitment, and

BE IT FURTHER RESOLVED, That this Resolution be entered into the minutes of the MDTA Board meeting of August 25, 2022, and a copy, appropriately framed, be presented to Corporal Withrow as an expression of the MDTA Board's appreciation and esteem.

# **TAB 4**





Maryland  
Transportation  
Authority

Larry Hogan, Governor  
Boyd K. Rutherford, Lt. Governor  
James F. Ports, Jr., Chairman

**Board Members:**

Dontae Carroll  
William H. Cox, Jr.  
William C. Ensor, III  
W. Lee Gaines, Jr

Mario J. Gangemi, P.E.  
Cynthia D. Penny-Ardinger  
Jeffrey S. Rosen  
John F. von Paris

William Pines, PE, Executive Director

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## MEMORANDUM

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**TO:** MDTA Board  
**FROM:** Director of Procurement Donna DiCerbo, CPPO, CPPB  
**SUBJECT:** J01P2600138 – Two-Way Encrypted Communication Radios for Police Vehicles  
**DATE:** August 25, 2022

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### **PURPOSE**

To seek approval to execute Contract No. J01P2600138 – Two-Way Encrypted Communication Radios for Police Vehicles.

### **SUMMARY**

This contract is for the purchase of 56 two-way encrypted communication radios for installation in new law enforcement vehicles. These additional police vehicles were collectively bargained between the MDTA and Fraternal Order of Police Lodge #34 for the Civil Disturbance Team (50 vehicles) and Sergeants (16). The radios are required for notification and communication between dispatchers and law enforcement personnel for safety and security on MDTA managed roadways and facilities and other TSO agencies (MAA, MPA) as well as statewide police resources as requested. Currently there are only 10 police radios on-hand for installation once the vehicles are delivered.

A single offer was received on this PORFP, and it was determined by the Procurement Officer that the Offeror's pricing was fair and reasonable.

### **RECOMMENDATION**

To provide approval to execute Contract No. J01P2600138 – Two-Way Encrypted Communication Radios for Police Vehicles.

### **ATTACHMENT**

- Project Summary



Maryland  
Transportation  
Authority

## **AUTHORITY BOARD PROJECT SUMMARY**

**J01P2600138 Two-Way Encrypted Communication Radios for Police Vehicles**

**PIN NUMBER** N/A  
**CONTRACT NUMBER** J01P2600138  
**CONTRACT TITLE** Two-Way Encrypted Communication Radios for Police Vehicles

**PROJECT SUMMARY** This Purchase Order Request For Proposal (PORFP) contract is for the purchase of 56 two-way encrypted communication radios for installation in new law enforcement vehicles. These additional police vehicles were collectively bargained between the MDTA and Fraternal Order of Police Lodge #34 for the Civil Disturbance Team (50 vehicles) and Sergeants (16). The radios are required for notification and communication between dispatchers and law enforcement personnel for safety and security on MDTA managed roadways and facilities and other TSO agencies (MAA, MPA) as well as statewide police resources as requested. Currently there are only 10 police radios on-hand for installation once the vehicles are delivered.

### **SCHEDULE**

**ADVERTISEMENT DATE** 5/9/2022  
**ANTICIPATED NOTICE TO PROCEED DATE** 10/5/2022  
**DURATION (CALENDAR DAYS)** One-Time Purchase

### **ENGINEER'S ESTIMATE (EE)**

| <b>MBE PARTICIPATION</b> | <b>Advertised Goal</b> | <b>Proposed Goal</b> |
|--------------------------|------------------------|----------------------|
| <b>OVERALL MBE</b>       | 0.00%                  | 0%                   |
| <b>No Sub Goals</b>      | 0.00%                  | 0%                   |
| <b>VSBE</b>              | 0.00%                  | 0%                   |

| BID RESULTS | BID AMOUNT (\$) | % VARIANCE TO EE |
|-------------|-----------------|------------------|
|-------------|-----------------|------------------|

Motorola Solutions, Inc.

\$393,244.88

N/A

BID PROTEST YES ☐ NO ☒



Maryland  
Transportation  
Authority

Larry Hogan, Governor  
Boyd K. Rutherford, Lt. Governor  
James F. Ports, Jr., Chairman

**Board Members:**

Dontae Carroll  
William H. Cox, Jr.  
William C. Ensor, III  
W. Lee Gaines, Jr

Mario J. Gangemi, P.E.  
Cynthia D. Penny-Ardinger  
Jeffrey S. Rosen  
John F. von Paris

William Pines, PE, Executive Director

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## MEMORANDUM

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**TO:** MDTA Board  
**FROM:** Director of Procurement Donna DiCerbo, CPPO, CPPB  
**SUBJECT:** MDTA 2019-01B – Small Business Reserve (SBR) - Construction Management and Inspection Services (CMI)  
**DATE:** August 25, 2022

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### **PURPOSE**

To seek contingent approval to execute Contract No. MDTA 2019-01B – Small Business Reserve (SBR) - Construction Management and Inspection Services (CMI).

### **SUMMARY**

The service to be performed under this SBR contract are CMI Services for the MDTA. The consultant shall provide professional Construction Management Services related to supplementing and supporting the construction phase of the MDTA Consolidated Transportation Project. The Consultants shall perform services in the following general areas; service shall include, but not be limited to; constructability reviews, conduct detailed inspections of all construction work including erosion and sediment control, and assist the MDTA's compliance officer with monitoring and enforcement of the Minority Business Enterprise goals.

### **RECOMMENDATION**

To provide contingent approval to execute Contract No. MDTA 2019-01B, Small Business Reserve (SBR) - Construction Management and Inspection Services (CMI).

### **ATTACHMENT**

- Project Summary



**AUTHORITY BOARD PROJECT SUMMARY**  
**MDTA 2019-01B SBR - Construction Management and Inspection Serices (CMI)**

**PIN NUMBER** N/A  
**MDTA PROJECT NUMBER** MDTA 2019-01B  
**CONTRACT TITLE** SBR - Construction Management and Inspection Serices (CMI)

**PROJECT SUMMARY** The service to be performed under this Small Business Reserve (SBR) contract are Comprehensive Contract Management and Inspection (CMI) Services for the Maryland Transportation Authority (MDTA).The consultant shall provide professional Construction Management Services related to supplementing and supporting the construction phase of the Maryland Transportation Authority Consolidated Transportation Project. The Consultants shall perform services in the following general areas; service shall include, but not be limited to; constructability reviews, conduct detailed inspections of all construction work including erosion and sediment control and assist the Authority's compliance officer with monitoring and enforcement of the Minority Business Enterprise goals.

| SCHEDULE |                      |                    |    | PROPOSERS                          | Technical Proposal | MDTA         | CONTRACT    |
|----------|----------------------|--------------------|----|------------------------------------|--------------------|--------------|-------------|
|          |                      |                    |    |                                    | Ratings (Max 100)  | CONTRACT NO. | AMOUNT      |
|          | ADVERTISEMENT DATE   | September 25, 2019 |    | O'Connel & Lawrence (OCL)          | 93.26              | AE-3070      | \$2,000,000 |
|          |                      |                    |    | Mercado Consultants, Inc.          | 75.71              | N/A          | N/A         |
|          | ANTICIPATED NTP DATE | September, 2022    |    | Phoenix Engineering, Inc.          | 71.77              | N/A          | N/A         |
|          | DURATION/TERM        | Five (5) YEARS     |    | Innovative Civil Solutions Inc.    | 60.10              | N/A          | N/A         |
|          |                      |                    |    | AB Consultants, Inc.               | 49.26              | N/A          | N/A         |
| PROTEST  |                      | YES                | NO | Rossi Transportation Group, Inc.   | 49.04              | N/A          | N/A         |
|          |                      |                    | ✓  | KUMI Construction Management Corp. | 44.57              | N/A          | N/A         |
|          |                      |                    |    | The Temple Group, Inc.             | 41.83              | N/A          | N/A         |

**FUNDING SOURCE** 100% TOLL REVENUE

| MBE PARTICIPATION   |                     |                   |  |
|---------------------|---------------------|-------------------|--|
| AE-3070             |                     |                   |  |
|                     | ADVERTISED GOAL (%) | PROPOSED GOAL (%) |  |
| MBE PARTICIPATION - |                     |                   |  |
| OVERALL MBE         | 26.00%              | 26.00%            |  |
| AFRICAN AMERICAN    | 6.00%               | 10.00%            |  |
| ASIAN AMERICAN      | -                   |                   |  |
| HISPANIC AMERICAN   | 2.00%               | 5.00%             |  |
| WOMEN OWNED         | 9.00%               | 10.00%            |  |
| Other MBE           | 8.00%               |                   |  |
| VSBE                | 1.00%               | 1.00%             |  |

# **TAB 5**

**VERBAL**

# **TAB 6**



**Board Members:**

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## MEMORANDUM

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**TO:** MDTA Board  
**FROM:** Director of Treasury & Debt Allen W. Garman, Director of Treasury & Debt  
**SUBJECT:** Debt Policy – Annual Review  
**DATE:** August 25, 2022

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### **PURPOSE OF MEMORANDUM**

Complete required annual review of the Debt Policy and request MDT Board approval. The unchanged policy was reviewed with the Finance Committee on August 9 and recommended to move forward to the full Board for approval.

### **SUMMARY**

Following the annual review by internal staff and an external municipal advisory firm, no changes to the Debt Policy are currently recommended.

The Debt Policy includes legal requirements within MD State Law and the Trust Agreement, as well as Board directives to ensure financial strength. These guidelines and mandates support credit quality and access to the capital markets at the lowest possible financing rates. The following table highlights key sections.

| Key Elements                  | Section |
|-------------------------------|---------|
| State Law References          | 1       |
| Unrestricted Cash Target      | 5       |
| Debt Limit                    | 9       |
| Debt Service Coverage Target  | 10      |
| Level Debt Service Goal       | 15      |
| Capitalization of Interest    | 17      |
| Variable Rate Debt            | 18      |
| Credit Ratings Goal           | 33      |
| Annual Policy Review Required | 36      |

### **RECOMMENDATION**

For the MDTA Board to give the annual approval of the Debt Policy.

### **ATTACHMENT**

- Debt Policy





**Policy No.: MDTA 7009**  
Effective Date: August 16, 2005

Original Date: August 16, 2005  
Revised: August 25, 2022~~7, 2020~~

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
Approval Signature

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
Form and Legal Sufficiency Review, Office of Attorney General

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### Debt Management

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#### Purpose

The purpose of this Policy is to establish guidelines for the process by which the Maryland Transportation Authority (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 are maintained.

#### References

- Title 4 of the Transportation Article, Annotated Code of Maryland (Repl. Vol. 2008, as amended)
- §5-7B-02 of the State Finance and Procurement Article, Annotated Code of Maryland (Repl. Vol. 2009, as amended)
- Second Amended and Restated Trust Agreement between the Maryland Transportation Authority and The Bank of New York Mellon, as Trustee, dated as of September 1, 2007, as amended (2007 Trust Agreement)
- Code of Maryland Regulations (COMAR 11.07.09.09, Vehicle Parking Facilities)
- Governor's Executive Order 01.01.1998.07
- Securities and Exchange Commission (SEC)
- Municipal Securities Rulemaking Board (MSRB)
- Federal Tax Code and Regulations
- MDTA Board Policy: Investment Management
- MDTA Board Policy: Preparation of Financial Forecasts

#### Scope:

This Policy is applicable to MDTA Finance Division staff.

#### Responsible Party:

Implementation of the procedures is the responsibility of the CFO and MDTA Division of Finance staff. Any deviation from the procedures must be promptly reported to the MDTA Finance Committee and the MDTA Board.

Division of Finance to approve document change.

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### Debt Management

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#### **I. Purpose and Uses of Debt**

- a. **Policy Statement 1.** In accordance with Title 4 of the Transportation Article of the Annotated Code of Maryland, MDTA may issue revenue bonds, notes, or other evidences of obligation to finance the cost of:



Policy No.: MDTA 7009  
Effective: August 16, 2005

- i. Transportation facilities projects as defined in said Article;
  - ii. A vehicle parking facility located in a priority funding area as defined in §5-7B-02 of the State Finance and Procurement Article;
  - iii. Any other project for transportation facilities that the MDTA Board authorizes to be acquired or constructed; and
  - iv. Any additions, improvements, or enlargements to any of these projects, whenever authorized by the MDTA Board.
- b. **Policy Statement 2.** Debt will be used only to finance capital projects (including land) and capital equipment that are reasonably necessary for governmental purposes.
- c. **Policy Statement 3.** The MDTA will finance its projects with a prudent issuance of debt through the sale of revenue bonds, notes, or other evidences of indebtedness within the constraints of the MDTA Financial Forecast Policy.
- d. **Policy Statement 4.** Capital financing proposals received by MDTA that involve a pledge or extension of credit through sale of securities, loans or leases, shall be referred to the Division of Finance for review.
- e. **Policy Statement 5.** The MDTA Consolidated Transportation Program (CTP) will be funded through a combination of cash reserves, revenues and appropriate levels of debt in accordance with affordability guidelines.
  - i. To provide adequate liquidity, MDTA will maintain unrestricted cash balances at the end of each fiscal year of at least \$350 million.
  - ii. Unrestricted cash shall include funds on deposit in the following MDTA trust accounts: Operating (reserve portion), Capital (cash funded), General, and the Maintenance and Operating (M&O) Reserve.
- f. **Policy Statement 6.** The Chief Financial Officer (CFO), under the direction of the Executive Director, has the responsibility to oversee and coordinate the sale and issuance of MDTA debt.
  - i. The CFO shall make recommendations to the Executive Director and MDTA Board regarding necessary actions related thereto.
  - ii. The CFO and Executive Director shall obtain MDTA Board approval thereof as evidenced by authorizing MDTA Board Resolutions.
- g. **Policy Statement 7.** The MDTA shall endeavor to finance a portion of the CTP on a "pay-as-you-go" basis.
- h. **Policy Statement 8.** Debt financings will be limited to capital projects included in the CTP.

## II. Limitations on Indebtedness

- a. **Policy Statement 9.** The statutory ceiling on the level of outstanding toll revenue bond debt shall not exceed \$3,000,000,000 on June 30 of any year.
- b. **Policy Statement 10.** The amount of planned MDTA debt will be limited by affordability guidelines relating to debt service coverage, the rate covenant set forth below, and as further determined by the Executive Director and CFO in consultation with the municipal advisors. The amount of planned toll revenue-backed debt will be shown in the Financial Forecasts that are prepared at least twice per year.
  - i. The 2007 Trust Agreement requires that in each Bond Year (July 1 – June 30, as defined in the Trust Agreement) net revenues (revenues less operating expenditures) must cover 120% of debt service requirements and 100% of the amount annually budgeted for deposit to the M&O Reserve Account.



- ii. The MDTA will maintain a minimum annual debt service coverage level of 200% of debt service for planning purposes.
  - iii. The MDTA will allow at least \$100 million in programmed bonding capacity in reserve for contingencies during Years 3 through 6 of the Financial Forecast planning period.
  - iv. Planned debt issuances will be based on reasonable estimates of future toll adjustments and capital funding requirements.
  - v. The period of planned debt issuances will coincide with the 6-year CTP, and may be done for additional (e.g., 10 years) for longer range strategic planning.
- c. **Policy Statement 11.** Debt service coverage for conduit debt (not backed by MDTA toll revenue) will be determined on a case by case basis for projects where MDTA is a conduit debt issuer.
- i. Conduit financings shall generally have minimum debt service coverage requirements of 120% of debt service.
  - ii. An exception to this minimum for conduit financings may occur if there is a debt service "guarantee" from a rated municipality, authority, or entity with investment grade ratings.
  - iii. Conduit financings shall not pledge MDTA's toll revenues.
  - iv. The MDTA has a self-imposed outstanding debt limit on conduit financings of \$700 million, excluding GARVEE bonds (hereinafter defined).
- d. **Policy Statement 12.** Pursuant to §4-320 of the Transportation Article, and the statutory limits set forth therein, the aggregate principal amount of debt issued and secured by a pledge of future federal aid known as Grant and Revenue Anticipation (GARVEE) bonds will not exceed \$750 million, and the maturity date for such debt may not be later than 12 years after the date of issuance.
- e. **Policy Statement 13.** The MDTA must adhere to the Governor's Executive Order 01.01.1998.07 (Executive Order) which requires annual review and approval of planned State agency debt by the Department of Budget and Management (DBM) and the Governor.
- i. Notice must be given to DBM at least 30 days in advance of any bond issuance of \$25 million or greater.
  - ii. The MDTA will comply with the annual reporting requirements as set forth in the Executive Order.

### III. Debt Structural Features

- a. **Policy Statement 14.** The weighted average maturity (WAM) of the tax-exempt debt issued by MDTA cannot exceed the weighted average life of the improvements for any project.
- i. The MDTA debt must not exceed a term of 40 years per Maryland law, §4-302(b) of the Transportation Article.
- b. **Policy Statement 15.** Debt will generally be structured to achieve the lowest possible net financing costs pursuant to MDTA's policies and objectives.
- i. Whenever feasible, structuring debt with level debt service costs over the life of the issue is preferred.
  - ii. Backloading will be considered in order to match debt service requirements with project revenues during the early years of the project's operation.
  - iii. At the CFO's discretion, certain issuance costs and fees (e.g.



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- underwriter's discount, bond counsel, municipal advisors, rating agencies, feasibility consultants, Trustees, printers, auditors, etc.) may be paid from unrestricted cash instead of bond proceeds.
- iv. In accordance with the Code of Maryland Regulations 11.07.09.09, MDTA may charge an application fee or other fees reasonably related to the expenses it incurs in processing a financing proposal or issuing debt in connection with a Vehicle Parking Facility.
  - v. As a conduit issuer, MDTA may charge the obligor an annual administrative fee to recapture its costs incurred over the life of the bonds.
    - 1. Examples of such costs include, but are not limited to, arbitrage rebate calculations, trustee fees and auditor expenses.
  - c. **Policy Statement 16.** Optional redemption provisions will generally be included in MDTA bond issues upon the recommendation of the Executive Director, CFO and municipal advisors.
    - i. Depending upon market conditions, call provisions will be evaluated for each bond issue.
  - d. **Policy Statement 17.** Capitalization of interest (borrowing funds to pay interest on a debt obligation) will generally be limited to the interest due on debt during construction of the facilities.
    - i. When deemed appropriate by the Executive Director, CFO and municipal advisors, capitalized interest may extend beyond the construction period, but in no event, will it extend beyond one year after project completion in accordance with Maryland law, §4-101(c) of the Transportation Article.
  - e. **Policy Statement 18.** MDTA may issue variable rate securities with interest rates tied to an index according to a predetermined formula or based upon the results from a periodic remarketing of securities for toll revenue-backed or conduit debt.
    - i. The decision to issue variable rate debt must be approved by the MDTA Board upon the recommendation of the Executive Director, CFO and municipal advisors.
    - ii. MDTA has a self-imposed limit that at time of issuance, no more than 15% of its toll revenue-backed debt will be in variable rate mode.
    - iii. Limits on variable rate conduit debt will be determined on a case by case basis taking into consideration debt service coverage and obligor cash reserves.
  - f. **Policy Statement 19.** Upon the approval of the MDTA Board, MDTA may enter into financing agreements involving interest rate swaps, floating/fixed rate auction securities, or other forms of debt bearing synthetically determined interest rates.
    - i. MDTA will consider the use of such financing agreements on a case by case basis and any use shall be consistent with the Trust Agreement, State policy and financial prudence.
  - g. **Policy Statement 20.** When it is determined to be prudent by the Executive Director, CFO and municipal advisors, and subject to approval of the MDTA Board, MDTA may issue bond anticipation notes or other short-term indebtedness, in accordance with applicable statutory law and trust agreements, as a source of interim construction financing.

#### IV. Method of Sale

- a. **Policy Statement 21.** The MDTA shall sell and issue debt, subject to MDTA



Board approval, either through a competitive bidding process or by a negotiated sale (including a direct bank loan). A competitive bond sale is the preferred method unless it is determined by the Executive Director, CFO, the municipal advisors and legal counsel that this method is unlikely to produce the best sale results. Factors to consider in selecting the sale method include, but are not limited to, bond issue size and related issuance costs, repayment terms, market conditions, credit history and the timing of the need for funds.

- i. Competitive sales will be awarded to qualified bidder(s) based upon the lowest true interest cost method, with additional consideration of the probable call of the premium coupon securities through the lowest call option adjusted True Interest Cost Plus (TIC Plus) methodology.
  - ii. In the event of a negotiated sale, the underwriting team for the negotiated sale will be selected through a competitive solicitation process and approved by the MDTA Board.
  - iii. In the event of a direct bank loan, a competitive solicitation will be conducted and the bonds will be awarded based upon lowest true interest cost or TIC Plus unless the Executive Director and CFO determine that it is in the best interest of the MDTA to accept an alternative bid with more favorable terms and conditions.
- b. **Policy Statement 22.** Documentation of MDTA bond sales and closings will be prepared by bond counsel, municipal advisors, the MDTA Office of the Attorney General, the MDTA Division of Finance, and other applicable parties for approval by the MDTA Board, and in the case of conduit debt, the State Board of Public Works or other appropriate officials, as required.

## V. Refundings

- a. **Policy Statement 23.** The CFO and municipal advisors will periodically review MDTA outstanding debt to identify refunding opportunities. Refunding will be considered when there is net economic benefit or the refunding is advisable to modernize bond trust covenants essential to operations and management. The CFO, the Executive Director and staff from MDTA's Division of Finance shall consider additional factors that they deem appropriate in determining specific bonds that shall be refunded.
  - i. In general, refunding for economic savings will be considered when net present value (NPV) savings may be achieved. Projected NPV savings shall be discounted at the All-In True Interest Cost. Alternately, NPV savings may be calculated using discount factors from the funding yield curve for each individual maturity.
  - ii. In concert with NPV savings analysis, Refunding Efficiency shall be calculated for each individual maturity. Refunding Efficiency measures the percentage of the call option value captured through present value cash flow savings. Maturity refundings that are projected to capture more than 85% of the option value may be viewed favorably and worthy of consideration, though a calculated efficiency below 95% suggests that greater savings may be achieved by delaying the financing.
  - iii. A refunding is subject to MDTA Board approval, either for economic reasons or when existing bond trust covenants or other factors impinge on prudent and sound financial management, and such a restructuring is in MDTA's overall best financial interests.



## **VI. Disclosure/Arbitrage Compliance**

- a. **Policy Statement 24.** The MDTA is committed to full and complete financial disclosure, and will abide by the provisions of SEC Rule 15c2-12 concerning primary and secondary market disclosure.
  - i. The MDTA Division of Finance, with the MDTA Office of the Attorney General and bond counsel, will determine the appropriate primary market disclosure that is required in connection with the offer and sale of bonds.
  - ii. The CFO and the MDTA Division of Finance shall establish and maintain written procedures to follow for the collection, review and public dissemination of secondary market disclosure.
  - iii. At a minimum, such disclosure procedures shall address responsibility for:
    1. Maintaining a record of all Continuing Disclosure Agreements and the requirements set forth therein;
    2. Assigning staff to collect information and determine the method of disclosure, i.e. inclusion in the MDTA Financial Statements or by a separate posting to disseminate information, using the Electronic Municipal Market Access System (EMMA), or to such other approved national repository; and
    3. Setting guidelines to determine when a voluntary or significant event has occurred that warrants posting to EMMA, or to such other approved national repository.
- b. **Policy Statement 25.** The MDTA is committed to compliance with Federal arbitrage tax law and regulations which govern the issuance and management of tax exempt debt.
  - i. The MDTA Division of Finance is responsible for the system of record keeping and reporting necessary to meet the arbitrage rebate compliance requirements of the Federal tax code.

## **VII. Investment of Bond Proceeds**

- a. **Policy Statement 26.** Bond proceeds shall be invested in accordance with provisions of the applicable Trust Agreement and MDTA's Investment Management Policy.

## **VIII. Consultant Selection**

- a. **Policy Statement 27.** The MDTA will retain municipal advisors who are registered with the SEC, to be selected for a term of up to six years through a competitive process administered by the MDTA Division of Finance and the Division of Procurement.
  - i. The Executive Director and CFO shall determine on a case by case basis, and pursuant to an applicable municipal advisory services contract, when to use the services of the municipal advisors for bond sales or other financial matters and related advice.
  - ii. To ensure independence and to avoid any potential conflicts of interest, when the MDTA engages the services of the municipal advisors for bond sales, it shall be with the understanding that neither the municipal advisors, their firms, or affiliates, will bid on or underwrite any MDTA debt issue, or perform any other services relating to the sale or issuance of such debt, unless specifically disclosed to the MDTA and authorized by

- the Executive Director and CFO upon approval by the MDTA Board.
- iii. When the MDTA engages with services of the municipal advisors for general advice and work, including but not limited to, investments, cash modeling, forecasts, rating agency surveillance, legislative and regulatory updates and analyses, it shall be with the understanding that the municipal advisors, their firms or affiliates will provide the MDTA with written confirmation of their compliance with, and disclosure relating to, the fiduciary duties and standards imposed by the Dodd-Frank Act, and specifically the Municipal Advisor Rule (Release No. 34-70462) issued by the SEC and Rule G-42 issued by the MSRB.
- b. **Policy Statement 28.** The MDTA and the Maryland Attorney General will retain qualified bond counsel as required for debt issues. Bond counsel will issue an opinion as to the legality of the debt issuance and the tax-exempt status of any such obligations.
- i. The Principal Counsel of the MDTA Office of the Attorney General (MDTA Principal Counsel) shall act as procurement officer on behalf of the Maryland Office of the Attorney General and procure competitive proposals from outside law firms.
  - ii. If necessary, the MDTA Principal Counsel shall form a review committee to evaluate written proposals and to conduct oral interviews of the proposers.
  - iii. After the review committee completes its evaluation, the MDTA Principal Counsel shall make recommendations to the Maryland Attorney General regarding the selection of one of more firms to serve as bond counsel.
  - iv. The solicitation and selection process for such services will be accomplished according to the legally appropriate procurement process utilized by the Maryland Attorney General. The Maryland Attorney General's Office shall make such selection, and the MDTA Principal Counsel shall notify the MDTA Board of the selection. The contract(s) shall be awarded, subject to available funding for the contract(s).
- c. **Policy Statement 29.** The MDTA Division of Finance shall be responsible for qualifying underwriting firms to provide services for debt issued in a negotiated sale.
- i. Underwriters will be required to demonstrate sufficient capitalization, experience, and competitive pricing in order to qualify to underwrite debt.
  - ii. A review committee will be formed to evaluate written proposals and to conduct oral interviews if necessary.
  - iii. The formal selection of the qualified underwriting firms for all negotiated bond sales (except direct bank loans) will be presented to the MDTA Board for approval upon recommendation by the review committee.
- d. **Policy Statement 30.** The MDTA Division of Finance, in conjunction with the MDTA Office of the Attorney General, will approve the selection of the underwriter's counsel, in the event of a negotiated bond sale. The cost of the underwriter's counsel will be payable from bond proceeds of each specific issue and allocated to underwriter's costs.
- e. **Policy Statement 31.** The CFO shall have the authority to periodically select other service providers (e.g., trustees, arbitrage consultants, etc.) as necessary to meet legal requirements and to minimize net debt costs.
- f. **Policy Statement 32.** Compensation for bond counsel, underwriter's counsel, municipal advisors, and other financial services will be as low as possible



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(through the competitive and any legally required procurement process), given desired qualification levels, and consistent with industry standards.

#### **IX. Credit Ratings**

- a. **Policy Statement 33.** The MDTA seeks to maintain the highest possible investment grade credit ratings for revenue bonds, notes and other evidences of indebtedness issued under the provisions of Title 4 of the Transportation Article, consistent with this policy and other Department guidelines.
  - i. For issues secured by toll revenues, MDTA will request ratings prior to the sale of securities from at least two of the three major rating agencies for municipal bond issues: Moody's Investors Service, S&P Global, and Fitch Ratings.
  - ii. For conduit financing issues, the decision to request underlying credit ratings will be on a case by case basis as determined by the Executive Director, CFO, the municipal advisors, the obligor and the underwriter for the bonds in the case of a negotiated sale.
  - iii. The MDTA may provide written and/or oral presentations to the rating agencies to assist the agency credit analysts.
- b. **Policy Statement 34.** MDTA shall consider the use of credit enhancements such as debt service reserves, bond insurance, letters of credit, and surety bonds when such credit enhancement proves cost-effective.
  - i. The net debt service on the bonds should be reduced by more than the net carrying costs of the enhancement. A credit enhancement should result in lower net financing costs and may result in higher credit ratings.
- c. **Policy Statement 35.** The Executive Director, CFO and the municipal advisors are responsible for maintaining relationships with the rating agencies. This effort includes providing periodic updates on MDTA's general financial condition along with meetings and presentations in conjunction with a new debt issuance.

#### **X. Annual Review**

- a. **Policy Statement 36.** This Debt Policy is to be reviewed by the MDTA Finance Committee at least annually.

#### **XI. Definitions**

- a. None

#### **XII. Authorized/Supporting Documents**

#### **XIII. Policy History**

- a. Approved 8.16. 2005
- b. Reviewed 8.10. 2006
- c. Amended 8.9.2007 as of 9.20.2007
- d. Amended 9.11.2008
- e. Amended 8.25.2009
- f. Amended 11.24.2010
- g. Reviewed 9.22.2011
- h. Amended 9.27.2012
- i. Amended 8.22.2013
- j. Amended 8.28.2014





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- k. Amended 8.27.2015
- l. Amended 8.25.2016
- m. Amended 9.7.2017
- n. Amended 8.30.2018
- o. Amended 8.29.2019
- p. Amended 8.27.20
- q. Amended 8.26.21
- ~~q.r.~~ Amended 8.25.22

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# **TAB 7**



# Maryland Transportation Authority

**Larry Hogan, Governor**  
Boyd K. Rutherford, Lt. Governor  
James F. Ports, Jr., Chairman

**Board Members:**  
Dontae Carroll  
William H. Cox, Jr.  
William C. Ensor, III  
W. Lee Gaines, Jr.  
Mario J. Gangemi, P.E.  
Cynthia D. Penny-Ardinger  
Jeffrey S. Rosen  
John F. von Paris

William Pines, PE, Executive Director

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## MEMORANDUM

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**TO:** MDTA Board  
**FROM:** Director of Treasury & Debt Allen W. Garman  
**SUBJECT:** Investment Strategy and Benchmarks  
**DATE:** August 25, 2022

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### **PURPOSE OF MEMORANDUM**

- Quarterly update on investment strategy and benchmarks.
- Seek approval for a continuation of the investment strategies and benchmarks for the current quarter.
- No changes in strategy or benchmarks are recommended.

This item was discussed in greater detail at the August 9, 2022 Finance Committee meeting and the committee members support a continuation of the current investment strategies for all accounts. The longer duration strategies employed in certain reserves generate higher return volatility with expected higher average annual returns over multiyear periods.

### **SUMMARY**

- For the trailing twelve-month period ended June 30, 2022, investments conformed to Investment Policy limitations.
- Portfolio structuring by account adhered to board approved strategy and should remain consistent, despite short-term return volatility associated with the rising interest rate environment.

### **INVESTMENT STRATEGY**

The Trust Agreement and Investment Policy prescribe a Matched Funding investment strategy for specific purpose accounts including Operating, Debt Service, and Capital/Construction.

Longer term strategies are permitted by the Trust Agreement for certain reserves that do not have cash flow needs. The Investment Policy's investment objectives include longer-term total return

considerations for reserves. Given that the unencumbered cash balance will be held long-term, a long-term approach is prudent and supported by the Finance Committee.

The agency employs either a Matched Funding or Total Return Duration Targeted approach for certain categories of accounts.

- Of the \$826 million portfolio at the end of June, \$476 million of Match Funded accounts are invested in short-term securities with maturities of less than one year that precede or coincide with projected outflows. (Capital, Operating, Debt Service)
- The remaining \$350 million is managed for Total Return, representing long-term unrestricted reserves held in the General and M&O Reserve accounts.
  - Unrestricted reserves are managed for Total Return, with consideration of the volatility/return tradeoff associated with longer-term structures.
  - Longer duration portfolios benefit from higher average annual returns over multiyear periods and exhibit greater return volatility relative to shorter-term maturity structures.
  - Duration Targeted portfolios maintain a consistent structure and management does not attempt to time market rate changes.

The General account is benchmarked to a composite index of 1-5-year bullet agency indices. Investment maturities are generally staggered from three-months to five-years, with an effective duration target of approximately 3.0.

The M&O Reserve is benchmarked to a composite of 1-13 year Treasury Strip indices that approximates effective duration of a laddered portfolio of 6-month to 15-year securities. The 7.5 year average maturity structure has an associated effective duration of approximately 7.0.

The General account strategy has not changed in many years and the smaller M&O Reserve's recommended strategy has been consistent since 2020.

## **RECOMMENDATION**

- Approve a continuation of the investment strategies and benchmarks for the current quarter.

# **TAB 8**



**Board Members:**

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## MEMORANDUM

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**TO:** MDTA Board  
**FROM:** Director of Treasury & Debt Allen W. Garman  
**SUBJECT:** Investment Policy – Annual Review  
**DATE:** August 25, 2022

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### **PURPOSE OF MEMORANDUM**

Complete required annual review of the Investment Policy and request MDTA Board approval of the proposed technical correction. The policy was reviewed with the Finance Committee on August 9 and was recommended to move to the full Board for approval.

### **SUMMARY**

Section 4 of the Investment Policy and Article II(B)(1) of the MDTA Board Operating Policy require an annual review and approval of the Investment Management Policy. Following a recent review by the Investment Committee, including input from the financial advisory firm, only one technical correction was made with reference to Section 6-222 of the State Finance and Procurement Article; no material changes to the Investment Policy are currently recommended.

| Key Elements                   | Section |
|--------------------------------|---------|
| Security Type Limitations      | 5       |
| Maturity Limitations           | 6       |
| Diversification Issuer/Sector  | 8       |
| Reporting Requirements         | 14      |
| Policy Violations & Downgrades | 1       |

The MDTA has statutory authority to manage its investments separate from the monies of the State of Maryland. The agency's bond indenture places conservative limitations on investments that are similar to policy limitations of the State Treasurer's Office as a function of the Annotated Code of Maryland. Investment strategy is driven by cash flow needs, investment policy limitations, and total return considerations. Broad investment strategy is directed by an investment committee consisting of certain members of senior management and external financial advisor. Strategy is implemented by the Director of Treasury & Debt. Strategy, investment policy compliance, and total return performance relative to benchmark indices are

reviewed monthly by the Investment/Finance Committees and reported quarterly to the full Board.

**RECOMMENDATION**

The Investment Committee requests MDTA Board approval of the revised Investment Policy.

**ATTACHMENT**

- Investment Policy

**Policy No.: MDTA 7010**  
Effective Date: August 16, 2005

Original Date: August 16, 2005  
Revised: August 256, 20224

Approved by: \_\_\_\_\_  
Approval Signature

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
Form and Legal Sufficiency Review, Office of Attorney General

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### **Investment Management**

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#### Purpose

The purpose of this Policy is to establish guidelines for the safeguarding and efficient management of the Maryland Transportation Authority's (MDTA) cash and investments. This policy applies to all accounts, including those established under the Trust Agreement.

#### Reference(s)

- Title 4 of the Transportation Article, Annotated Code of Maryland (as amended)
- Title 6 of the State Finance and Procurement Article, Annotated Code of Maryland (as amended)
- Second Amended and Restated Trust Agreement between the Maryland Transportation Authority and the Bank of New York Mellon (dated as of September 1, 2007, as amended), Section 5.02 Investment of Monies, and applicable provisions of any governing trust agreements (Trust Agreements).
- Governmental Accounting Standards Board (GASB)
- Internal Revenue Code of 1986, Arbitrage Rebate Regulations (as amended)
- Uniform Commercial Code
- MDTA Board Resolution 2011-02 (Authorized Staff)

#### Scope:

This Policy is applicable to MDTA Finance Staff

#### Responsible Party:

The Chief Financial Officer (CFO) and Finance Division staff, including the Director of Treasury and Debt, are charged with ensuring compliance and conducting periodic reviews and revisions to this policy.

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### **Investment Management**

#### **I. Prudence**

- a. **Policy Statement 1.** All investment balances shall be invested with prudence considering the probable safety of the capital as well as the probable income derived.
  - i. Investments and investment practices shall be in compliance with applicable provisions of the Annotated Code of Maryland and to the extent applicable to the MDTA, guidelines established by the State Treasurer and the GASB. Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland does not govern the investment of the MDTA's revenues. This State law applies to political subdivisions, municipal corporations and other specified



governmental entities, but not to agencies or units of the government of the State of Maryland. Section 4-311 of the Transportation Article of the Annotated Code of Maryland gives the MDTA statutory authority to enter into a Trust Agreement and to pledge its revenues. Permitted investments are primarily driven by the definition of Investment Obligations contained in the Second Amended and Restated Trust Agreement dated as of September 7, 2007, with some additional consideration of any other obligations that constitute legal investments for State agencies such as the MDTA.

- ii. The CFO or the Director of Treasury and Debt Management shall report to the Finance Committee any material deviations from this policy.
- iii. The CFO or the Director of Treasury and Debt Management shall immediately report to the Finance Committee any security holding credit rating downgrade initiated by at least two Nationally Recognized Statistical Ratings Organization (NRSRO) or one NRSRO for securities with only one credit rating.

## II. Ethics

- a. **Policy Statements 2.** Employees involved in the investment process shall refrain from personal business activity that may create conflicts of interest. Furthermore, employees:
  - i. Are prohibited from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the MDTA.
  - ii. Must provide annual financial disclosures in accordance with the requirement of the State Ethics Commission, and as otherwise required by law.

## III. Delegation of Authority

- a. **Policy Statement 3.** The MDTA's power to manage investment of public MDTA funds is subject to any applicable State and federal law, including Title 4 of the Transportation Article of the Annotated Code of Maryland and Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland, the MDTA's Master Trust Agreement, Article V, Section 5.02 and applicable provisions of any other MDTA Trust Agreements.
  - i. Responsibility for the operation of the investment program has been delegated by resolution to the CFO and certain Directors of the Finance Division, who shall establish and maintain written administrative procedures and internal controls for the operation of the investment program, consistent with this Investment Policy. Such procedures shall include:
    - 1. Explicit designation of the person(s) responsible for investment transactions.
      - a. No person may engage in an investment transaction except as provided under the terms of this policy and procedures established by the CFO.
    - 2. To the extent not covered by this policy, procedures shall include reference to:
      - a. Safekeeping
      - b. Repurchase Agreements

- c. Wire Transfer Agreements
- d. Collateral Depository Agreements
- e. Banking Service Agreements
- f. Competitive Bidding Procedures
- g. Cash Flow Requirements

#### **IV. Finance Committee**

- a. **Policy Statement 4.** The MDTA's Finance Committee will serve in an advisory capacity to the CFO in its periodic review of the MDTA's Investment Policy, investment strategy, practices and portfolio performance. The Finance Committee is responsible for:
  - i. Reviewing and updating the Investment Policy at least annually.
  - ii. Monitoring the investment transactions to assure that adequate controls are in place.
  - iii. Assuring that the MDTA is in compliance with the Investment Policy.
  - iv. Meeting periodically to deliberate economic outlook, portfolio diversification and maturity structure, cash flow forecasts, potential risks and the interest rate outlook.

#### **V. Allowable Investments**

- a. **Policy Statement 5.** Permitted investments include the following instruments:
  - i. U.S. Treasury Obligations - Securities issued or backed by the full faith and credit of the United States Treasury.
  - ii. Federal Agency Obligation - Securities issued by or backed by the full faith and credit of any United States Government agency or government sponsored enterprise with credit ratings in the highest category assigned to that obligor, but in no event less than the double-A category. Includes, but is not limited to:
    - 1. Fannie Mae
    - 2. Freddie Mac
    - 3. Federal Home Loan Bank
    - 4. Federal Farm Credit Bank
    - 5. Federal Intermediate Credit Banks
    - 6. Federal Land Banks
    - 7. Federal Bank of Cooperatives
    - 8. Export-Import Bank of the United States
    - 9. Federal Financing Bank
    - 10. Federal Housing Administration
    - 11. Farmers Home Administration
  - iii. Repurchase Agreements - The MDTA may purchase U.S. Treasury Obligations or Federal Agency Obligations under a repurchase agreement provided that the following conditions are met:
    - 1. The term to maturity of repurchase agreements invested from accounts created by Trust Agreements shall be limited as follows:
      - a. Bond Service Subaccount - 1 year.
      - b. Reserve Subaccount - 1 year.
      - c. Capital Account (bond proceeds) - the expected period of spend out, or five years, whichever is less.
      - d. All Other Funds - 90 days.

2. The contract is fully secured by deliverable U.S. Treasury or Federal Agency obligations as described in 5i and 5ii above (without limit to maturity), having a market value at all times of a least one hundred two percent (102%) of the amount of the contract.
3. A master repurchase agreement or specific written, repurchase agreement governs the transaction.
4. The securities are held by an independent third-party custodian, acting solely as agent for the MDTA and free of any lien, provided such third party is not the seller under the repurchase agreement.
5. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. in such securities as created for the benefit the MDTA.
6. For repurchase agreements with terms to maturity of greater than one (1) day, the MDTA will value the collateral securities weekly and require under collateralization to be corrected within one (1) business day.
  - a. If a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated.
7. The counterparty must meet the following criteria:
  - a. Be a primary government securities dealer that reports daily to the Federal Reserve Bank of New York, or a bank, savings and loan association or diversified securities broker-dealer having \$5 billion in assets or \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency.
  - b. Have a minimum long-term credit rating of a least single – A and a short-term rating of not less than Tier-1.
  - c. Have been in operation for a least five (5) years.
- iv. Collateralized Certificates of Deposit - The MDTA may purchase Certificates of Deposit issued by, and time deposits in, any bank or savings and loan association organized under the laws of the State, any other state of the United States or of the United States, including the Trustee; provided that such bank or savings and loan association has combined capital, surplus and undivided profits of a least \$100 million; and provided further that such Certificates of Deposit or time deposits are:
  1. Insured by the Federal Deposit Insurance Corporation.
  2. To the extend not so insured, collateralized by U.S. Treasury Obligations or Federal Agency Obligations, having a market value of a least one hundred two percent (102%) of the amount of contract.
    - a. Securities must be held by the Trustee or an independent third party acting solely as custodian on behalf of the MDTA, free and clear of any lien.
    - b. Maturity for certificates of deposit shall be limited to a maximum maturity of one year.
- v. Banker's Acceptances - The MDTA may purchase Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, if the following conditions are met:

1. The maturity is no greater than two hundred-seventy (270) days.
2. The short-term paper of the issuing bank is rated no lower than Tier-1 by any two (2) NRSROs.
3. The issuing bank has combined net capital of a least \$100 million as indicated in the most recent quarterly financial statement.
4. The amount invested in any single bank will not exceed five percent (5%) of the total funds available for investment (based on book value on the date of acquisition).
- vi. Commercial Paper - Unsecured short-term debt of U.S. corporations may be purchased if the following conditions are met:
  1. Maximum maturity of two hundred seventy (270) days.
  2. Maximum allocation to commercial paper is twenty percent (20%) of the total funds available for investment (based on book value on the data of acquisition).
  3. Maximum allocation to a single issuer is five percent (5%) of the total funds available for investment (based on book value on the date of acquisition).
  4. The issuing corporation, or its guarantor, has a net worth of at least \$50 million.
  5. At time of purchase, the issuing corporation, or its guarantor, has short-term debt ratings of not less than Tier-1 from any two (2) NRSROs and long-term debt ratings of not less than single-A.
- vii. Municipal Securities - The MDTA may purchase obligations of state or local government municipal bond issuers meeting one (1) of the following two (2) conditions:
  1. Full faith and credit obligations of state or local government municipal bond issuers that are rated at the time of purchase in at least the second highest rating category by at least one (1) NRSRO.
  2. Legally defeased municipal obligations that are secured by an escrow containing either U.S. Government Agency Securities or U.S. Government Securities
- viii. Money Market Mutual Funds - The MDTA may purchase shares in open ended investment funds provided such funds are:
  1. Registered under the Investment Company Act of 1940.
  2. Operated in accordance with SEC Rule 2A-7.

Rated in the highest category by at least one (1) NRSRO.
- ix. Maryland Local Government Investment Pool - The MDTA may invest in the Pool with prior permission of the State Treasurer's Office as outlined in Article 95, Section 22G of the Annotated Code of Maryland.
- x. Supranationals – Rated in the highest category by at least one (1) NRSRO and denominated in U.S. dollars, currently limited to:
  1. World Bank – International Bank for Reconstruction and Development (IBRD)
  2. International Finance Corporation (IFC)
  3. Inter-American Development Bank (IADB)
  4. African Development Bank (AFDB)
  5. Asian Development Bank (ASIA)
- xi. The CFO may at any time determine in writing that the MDTA temporarily, for a period determined by the CFO, shall not purchase any security or

class of securities authorized in this Policy Statement.

## **VI. Maturity Restrictions**

- a. **Policy Statement 6.** MDTA's investment objectives include preservation of principal, liquidity, and longer-term total return performance considerations. The market value of securities in the MDTA's portfolio may fluctuate due to changes in market conditions. MDTA shall manage investments to ensure adequate funds are available when needed.
  - i. In addition to the limitations and requirements of applicable provisions of the Annotated Code of Maryland and applicable guidelines established by the State Treasurer and GASB:
    1. Funds shall be invested at all times in keeping with the daily and seasonal pattern of the MDTA's cash balances, as well as any other special factors or needs, in order to assure the availability of liquid funds on a timely basis.
  - ii. Cash flow projections will be monitored and updated on an ongoing basis by MDTA personnel and reported regularly to the investment managers(s).
  - iii. On a periodic basis, a determination will be made, based on cash flow projections and total return performance considerations, regarding the appropriate maturity structures of the portfolios. The final maturity of investments held in each portfolio at the time of settlement may not exceed:
    1. Operating Accounts - 1 Year
    2. Bond Service Accounts - 1 Year
    3. Operating Reserve - 5 Years
    4. Capitalized Interest Accounts - Maturities must precede or coincide with coupon payments dates.
    5. Capital Accounts – 5 Years, or longer if the maturity precedes or coincides with the expected need for funds and only with prior approval of the CFO.
    6. General – 15 Years, or longer with prior approval of the CFO.
    7. Maintenance & Operating Reserve - 15 Years
    8. Debt Services Reserves - 15 Years

## **VII. Prohibited Securities, Transactions and Activities**

- a. **Policy Statement 7.** The following securities, transactions and activities are prohibited:
  - i. Reverse repurchase agreements.
  - ii. Short sales (selling a specific security before it has been legally purchased).
  - iii. Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing.
  - iv. Investing in complex derivatives such as range notes, dual index notes, inverse floating rate notes and leveraged notes, or notes linked to lagging indices or to long-term indices.
  - v. Investing in Mortgage-Backed Securities, Collateralized Mortgage Obligations, Structured Notes, Asset-Backed Obligations, Inverse Floater, and Real Estate Mortgage Conduits (REMICS).

1. As an exception to prohibited asset- and mortgage-backed securities noted in Statement 7.vi, pooled loan securities issued through the Small Business Administration (SBA Pool Securities) and backed by the full faith and credit of the United States are permitted investments.
- vi. Investing in any security not specifically permitted by this Investment Policy.

## VIII. Diversification

- a. **Policy Statement 8.** The MDTA will diversify its holdings by security type and institution to avoid incurring unreasonable risks due to excessive concentration in specific instruments, financial institutions or issuers. Diversification standards are as follows:
  - i. Diversification by instrument as maximum percent of the portfolio:
    1. U.S. Treasury Obligations - 100%
    2. U.S. Federal Agency Obligations -100%
    3. Repurchase Agreements - 50%
    4. Bankers Acceptances - 20%
    5. Municipal Securities - 20%
    6. Money Market Mutual Funds -100%
    7. Maryland Local Government Investment Pool – 50%
    8. Collateralized Certificates of Deposit – 20%
    9. Commercial Paper - 20%
    10. SBA Pool Securities (Pool/Issue) – 5%
    11. Supranationals – 30%
  - ii. Diversification by individual Institution/Issuer/Poll as maximum percent of the portfolio:
    1. Repurchase Agreements – 40%
    2. Federal Agencies (Issuer) – 35%
    3. Commercial Banks (CD) – 5%
    4. Money Market Mutual Funds – 50%
    5. Bankers Acceptances (Institution) – 5%
    6. Commercial Paper (Issuer) – 5%
    7. Municipal Bond (Issuer) – 5%
    8. SBA Pool Securities (Pool/Issue) – 0.5%
    9. Supranational – (Issuer) – 10%

## IX. Safekeeping, Custody and Additional Requirements

- a. **Policy Statement 9.** All security transactions, including collateral for repurchase agreements, entered into by the MDTA shall be conducted on a deliver-versus-payment (DVP) basis.
  - i. Securities will be held by the MDTA or its designated custodian.
    1. If held by a custodian, the securities must be in the MDTA's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the MDTA.
      - a. If held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller).
        - i. The third-party requirement does not apply to excess checking account funds invested overnight



in a bank “sweep” repurchase agreement or similar vehicle.

- b. **Policy Statement 10.** Collateralization is required for Certificates of Deposit and repurchase agreements.
  - 1. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least one hundred and two percent (102%) of market value of principal and accrued interest.
  - 2. Collateral will always be held by an independent third party with whom the Authority has a current custodial agreement.
  - 3. Acceptable collateral is specified under Section 6-202 of the State Finance and Procurement Article of the Annotated Code of Maryland.
  - 4. The third party trust custodian has the right to reject otherwise acceptable collateral based on their discretion concerning market conditions.

## **X. Internal Controls**

- a. **Policy Statement 11.** The MDTA shall establish a system of internal controls to reasonably prevent loss of public funds as a result of fraud, employee error and/or imprudent action, or misrepresentation by third parties. This system will include:
  - i. An audit of the investment operation shall be part of the annual financial audit conducted by the MDTA or an outside independent audit company.
  - ii. Separation of transaction authority from accounting and record keeping.
  - iii. Avoidance of physical delivery of securities when possible.
  - iv. Clear delegation of responsibility to subordinate staff members.
  - v. Written records of all telephone transactions for investments and wire transfers.
  - vi. Development of a wire transfer agreement with lead bank or third-party custodian, as appropriate.

## **XI. Authorized Financial Dealers and Institutions**

- a. **Policy Statement 12.** The MDTA shall transact securities purchases and sales only with Qualified Institutions or directly with issuers.
  - i. The MDTA shall maintain a list of financial institutions and broker/dealers that are approved for investments purposes (“Qualified Institutions”).
  - ii. Direct purchases of securities from issuers are not subject to the Qualified Institutions restrictions.
  - iii. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:
    - 1. Primary dealers and regional dealers that qualify under Securities and Exchanges Commission Rule 15C3-1 (uniform net capital rule).
    - 2. Net capital of no less than \$25 million.
    - 3. Registered as a dealer under the Securities Exchange Act of 1934.
    - 4. Member of the Financial Industry Regulatory Authority (FINRA).
    - 5. Registered to sell securities in Maryland.

6. Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.
- b. **Policy Statement 13.** Qualified Institutions shall be provided with the MDTA's Investment Policy. The MDTA shall maintain on file current audited financial statements for each Qualified Institution with which the MDTA transacts business.

## **XII. Competitive Selection of Investment Instruments**

- a. **Policy Statement 14.** Whenever practical, securities shall be purchased and sold through a formal competitive process requiring the solicitation and evaluation of a least three (3) bids/offers from Qualified Institutions.
  - i. Supporting records of the competitive process must be retained including the name of the financial institutions solicited, rate quoted, description of the security, investment selected, and any special considerations that had an impact on the decision.
  - ii. If the highest yielding security was not selected for purchase or if three bids/offers from Qualified Institutions are not obtained, an explanation describing the rationale will be included in this record.

## **XIII. Investment of Bond Proceeds**

- a. **Policy Statement 15.** The MDTA shall comply with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations (as amended) and bond trust covenants with regard to the investment of bond proceeds. The MDTA will consult with bond counsel to ensure that non-compliance is remediated in accordance with income tax regulations. Accounting records shall be maintained in a form and for a period of time sufficient to document compliance with these regulations and covenants.

## **XIV. Reporting**

- a. **Policy Statement 16.** MDTA staff shall provide the CFO with a monthly statement of transactions and holdings priced at market. At least quarterly, a report must be prepared detailing compliance with policy constraints. The report may include, but is not limited to the following:
  - i. Portfolio performance versus benchmarks, analyzed on a total return basis for those funds invested pursuant to a strategy that may result in the sale of securities that are not intended to be held until maturity.
  - ii. Percentage of total portfolio by investment class and comparison to diversification limits in Policy Statement 8.
  - iii. Holding by institution/issuer/pool and comparison to diversification limits in Policy Statement 8.
  - iv. An investment plan for the next quarter-describing the target maturity structure, duration, and asset allocation.

## **XV. Definitions**

- a. For the purposes of this Policy, the following words have the following meanings:
  - i. NRSRO - Nationally Recognized Statistical Rating Organization or rating agency (e.g., Moody's, S&P, Fitch).



## **XVI. Authorized/Supporting Documents**

- a. None

## **XVII. Policy History**

- a. Approved 8.16.05
- b. Approved 8.10.06
- c. Approved 9.20.07
- d. Approved 12.13.07
- e. Approved 3.26.08
- f. Approved 6.12.08
- g. Approved 9.23.09
- h. Approved 11.24.10
- i. Approved 9.22.11
- j. Approved 3.23.12
- k. Approved 7.26.12
- l. Approved 8.22.13
- m. Approved 11.21.13
- n. Approved 11.20.14
- o. Approved 1.26.16
- p. Approved 8.25.16
- q. Approved 12.22.16
- r. Approved 12.21.17
- s. Approved 12.20.18
- t. Approved 12.19.19
- u. Approved 2.27.20
- v. Approved 12.17.20
- w. Approved 8.26.21
- x. Approved [8.25.22](#) ~~8.25.22~~

## **TAB 9**

**VERBAL**

# **TAB 10**

**VERBAL**

# **TAB 11**

**CLOSED SESSION**