



Maryland Transportation Authority

BOARD MEETING

THURSDAY, AUGUST 31, 2023

MARYLAND TRANSPORTATION AUTHORITY
2310 BROENING HIGHWAY
BALTIMORE, MD 21224

IN-PERSON AND LIVESTREAM



MARYLAND TRANSPORTATION AUTHORITY BOARD MEETING

2310 Broening Highway * Training Room – 2nd Floor * Baltimore, MD 21224

AUGUST 31, 2023 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 no later than 5:00 p.m. on August 29th. You **MUST** pre-register and attend the meeting in person in order to comment.* Once pre-registered, all pertinent information will be emailed to you.

AGENDA

OPEN SESSION – 9:00 AM

Call Meeting to Order

- | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------|
| 1. <u>Approval</u> – <u>Open Session Meeting Minutes of July 27, 2023</u> | Chairman | 5 min. |
| 2. <u>Approval</u> – <u>Closed Session Meeting Minutes of July 27, 2023</u> | Chairman | 5 min. |
| 3. <u>Approval</u> – <u>Open Session Meeting Minutes of August 9, 2023</u> | Chairman | 5 min. |
| 4. <u>Approval</u> – <u>Closed Session Meeting Minutes of August 9, 2023</u> | Chairman | 5 min. |
| 5. <u>Resolutions</u> – <u>Years of Service Recognition</u> – Recognition for One Retired Employee | Joseph Sagal | 5 min. |
| 6. <u>Approval</u> – <u>Contract Award</u> <ul style="list-style-type: none">• J01P3600040 – Panasonic Toughbook Laptops FZ-55 BWI | Jeffrey Davis | 5 min. |
| 7. <u>Update</u> – <u>All Open Contracts</u> – Verbal | Jeffrey Davis | 5 min. |
| 8. <u>Approval</u> – <u>Debt Policy</u> – Annual Review of MDTA’s Debt Policy which Establishes the Guidelines for the Financing Program | Allen Garman | 5 min. |
| 9. <u>Approval</u> – <u>Quarterly Review of Investment Strategy</u> – Approval to Continue with Current Investment Strategy | Allen Garman | 5 min. |
| 10. <u>Approval</u> – <u>Investment Policy</u> – Update to MDTA’s Investment Policy that Establishes the Guidelines for the Safeguarding and Management of the MDTA’s Cash | Allen Garman | 5 min. |
| 11. <u>Update</u> – <u>MDTA’s Insurance Recovery Program</u> – Overview of MDTA’s Insurance Recovery Program | Percy Dangerfield
Lynn Fry | 10 min. |
| 12. <u>Update</u> – <u>Executive Director’s Report</u> – Verbal | Joseph Sagal | 10 min. |

Vote to Adjourn Meeting

TAB 1

MARYLAND TRANSPORTATION AUTHORITY
BOARD MEETING

THURSDAY, JULY 27, 2023
9:00 A.M.

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

OPEN SESSION

Paul J. Wiedefeld, Chairman

MEMBERS ATTENDING:

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

STAFF ATTENDING:

Col. Kevin Anderson
Donna DiCerbo
James Harkness
Natalie Henson
Selena McKissick
Kimberly Millender, Esq.
Mary O'Keeffe
William Pines
Jacquae Ruben
Joseph Sagal
John Sales
Deborah Sharpless
Paul Trentalance
John Wedemeyer

OTHERS ATTENDING:

Retired First Sergeant Joel Layfield

At 9:00 a.m. Chairman Paul J. Wiedefeld called the meeting of the Maryland Transportation Authority (MDTA) Board to order. The meeting was held in-person at MDTA Headquarters, 2310 Broening Highway, Baltimore MD 21224 and was livestreamed on the MDTA Board Meeting web page.

APPROVAL – OPEN SESSION MEETING MINUTES OF JUNE 29, 2023

Upon motion by Member William H. Cox, Jr. and seconded by Member Mario J. Gangemi, the open session meeting minutes of the MDTA Board meeting held on June 29, 2023 were unanimously approved.

RESOLUTION – YEARS OF SERVICE RECOGNITION

Mr. Will Pines read and presented a Years of Service Recognition Resolution to First Sergeant Joel Layfield. On the occasion of First Sergeant Layfield's retirement from his distinguished career of service, the Chairman and Members of the Maryland Transportation Authority Board hereby express to him their most sincere appreciation for his excellence and commitment.

APPROVAL – BOARD COMMITTEE ASSIGNMENTS

With Member Samuel D. Snead officially becoming a member of the Board, MDTA staff developed proposed committee assignments to reflect the new membership. These assignments added Member Snead to the Capital and Human Resources Committees.

Upon motion by Member William H. Cox, Jr. and seconded by Member W. Lee Gaines, Jr., the Members unanimously approved the new Board Committee assignments.

APPROVAL – CONTRACT AWARDS

- **2021-02B – Comprehensive Environmental Compliance and Engineering Services – Small Business Reserve**

Ms. Donna DiCerbo requested approval from the MDTA Board to execute Contract No. MDTA 2021-02B (AE-3113) – Comprehensive Environmental Compliance and Engineering Services – Small Business Reserve with Straughan in the amount of \$2,000,000.00.

Ms. DiCerbo explained that this Small Business Reserve designated project involves the award of one (1) contract for Comprehensive Environmental Compliance and Engineering Services for MDTA. The consultant shall perform environmental compliance and engineering services of facilities under MDTA's jurisdiction. The services include inspection and design of environmental features as well as providing compliance and management expertise for MDTA-owned facilities. Support shall be provided to project permitting related to natural resources and stormwater. Work related to natural resources programs shall include but not be limited to the permitting, planning, design, monitoring, and remediation assessment of natural resources mitigation sites. Work related to stormwater remedial and compliance programs shall include but not be limited to inventory, inspection, remediation assessment of stormwater practices and drainage systems; support

stormwater pollution prevention activities including field monitoring; perform outfall inspections; and planning, design, regulatory permitting and reporting; and construction of stormwater practices, drainage systems, erosion and sediment control practices, and landscaping management. The project will also include but is not limited to providing miscellaneous engineering design and/or consultant Services.

Upon motion by Member Mario J. Gangemi and seconded by Member John F. von Paris, the Members unanimously gave approval to execute Contract No. MDTA 2021-02B (AE-3113) – Comprehensive Environmental Compliance and Engineering Services – Small Business Reserve.

- **2021-02B – Comprehensive Environmental Compliance and Engineering Services – Small Business Reserve**

Ms. Donna DiCerbo requested contingent approval from the MDTA Board to execute Contract No. J01B3600034 – ELSAG License Plate Recognition System with SELEX ES, Inc. in the amount of \$2,254,921.76.

Ms. DiCerbo explained that the MDTA is seeking to enter into a Sole Source contract with SELEX ES, Inc., a Leonardo Company, for the provision of an on-call maintenance and service plan for the ELSAG License Plate Recognition System. The scope of services includes field service, preventative and corrective maintenance, and maintenance and support services for the LPR system, including the Leonardo Company/ELSAG enterprise Operation Center (EOC) central monitoring software (e.g., bug fixes, software updates), camera hardware and camera firmware/protocols, associated equipment, parts, and technical support, including LPR software and camera troubleshooting, repairs, and replacement as needed. The total amount for this contract is \$2,254,921.76 for a base term of three years with one 2-year renewal option.

Upon motion by Member Jeffrey S. Rosen and seconded by Member Dontae Carroll, the Members unanimously gave approval to execute Contract No. J01B3600034 – ELSAG License Plate Recognition System.

APPROVAL – LEASE – FOMER JIM’S DINER SITE (MC #23-7049)

Mr. John Wedemeyer requested approval from the MDTA Board for the lease of property located at 4806 Holabird Avenue, Baltimore City, Maryland 21224.

Mr. Wedemeyer explained that MDTA plans to lease a total of 0.396 acres, plus or minus, to Canton Railroad for Fair Market Value (FMV). The lease will be for 5 years with a possible renewal, if desired, and is for the purpose of preparing the property for rail yard storage, perform rail operations and freight capabilities, and construct, reconstruct, maintain, repair, and provide rail improvements. Two appraisals were completed and the selected appraisal for a 5-year term was in the amount of \$29,300.00.

He further explained that the MDTA acquired the subject property in 2015 and has issued a Right of Entry Permit (2023-0405C) to Canton Railroad until the lease has completed the modal clearance process and been executed. The permit will expire on April 10, 2024.

Upon motion by Member John F. von Paris and seconded by Member William H. Cox, Jr., the Members unanimously approved the lease of property located at 4806 Holabird Avenue, Baltimore City, Maryland 21224 to Canton Railroad.

UPDATE – AUDIT COMMITTEE

Member Cynthia D. Penny-Ardinger presented an update on the Audit Committee meeting that took place on July 11, 2023. The Audit Committee Members were given an update on the Fiscal Year (FY) 2023 Audit Plan which is currently on track to complete twelve audits. Currently there are seven audits completed and three audits in progress.

Two internal audit reports were presented: Construction Warranty Requirements and Utilization audit and MBE (Minority Business Enterprise), VSBE (Veterans Small Business Enterprise), and SBR (Small Business Reserve) Compliance audit. The Committee was satisfied with the results of these audits.

UPDATE – EXECUTIVE DIRECTOR’S REPORT

Mr. William Pines gave the Executive Director’s Report. Mr. Pines then gave updates on the following items: the July 12 Bay Bridge Reconstruction Advisory Group (BBRAG) quarterly meeting; the Chesapeake Bay Crossing Study Equity Survey; June National Safety Month event and MDTA safety goals; and the MDTA “Stick It & Save” Campaign for *EZPass* including the new billboard on I-95 at the Keith Avenue exit.

VOTE TO GO INTO CLOSED SESSION

At 9:26 a.m., upon motion by Member Mario J. Gangemi and seconded by Member Dontae Carroll, the Members voted unanimously to move into Closed Session under the Maryland Open Meetings Act, the MDTA Board will meet 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; to discuss pending investigative proceedings 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 entirety of Closed Session were Chairman Paul J. Wiedefeld; Members Carroll, Cox, Gaines, Gangemi, Penny-Ardinger, Rosen, Snead, and von Paris; Will Pines; Kimberly Millender, Esq.; and Natalie Henson. Col. Kevin Anderson was in attendance for Agenda Item # 8 (Public Security) only.

VOTE TO ADJOURN CLOSED SESSION

At 10:05 a.m., a motion was made by Member Jeffrey S. Rosen and seconded by Member William H. Cox, Jr. 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 W. Lee Gaines, Jr. and seconded by Member Mario J. Gangemi, the Members unanimously voted to adjourn the meeting at 10:09 a.m.

The next MDTA Board Meeting will be held on Thursday, August 31, 2023 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:

Paul J. Wiedefeld, Chairman

TAB 2

CLOSED SESSION MINUTES

VERBAL

TAB 3

MARYLAND TRANSPORTATION AUTHORITY
SPECIAL BOARD MEETING

WEDNESDAY, AUGUST 9, 2023
4:00 P.M.

VIRTUAL AND LIVESTREAMED OPEN MEETING

OPEN SESSION

Paul J. Wiedefeld, Chairman

MEMBERS ATTENDING:

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

STAFF ATTENDING:

Natalie Henson
Kimberly Millender, Esq.
Mary O'Keeffe
William Pines
Joseph G. Sagal
John Sales
Timothy Sheets

At 4:00 p.m. Chairman Paul Wiedefeld called the meeting of the Maryland Transportation Authority (MDTA) Board to order. The meeting was held virtually via video conference and was livestreamed on the MDTA Board Meeting web page.

VOTE TO GO INTO CLOSED SESSION

At 4:02 p.m., upon motion by Member Mario J. Gangemi and seconded by Member Jeffrey S. Rosen, the Members voted unanimously to move into Closed Session under the Maryland Open Meetings Act, the MDTA Board will meet in Closed Session under the General Provisions Article, Section 3-305(b)(1) to discuss the appointment and qualifications of a specific individual to serve as the MDTA Executive Director.

In attendance for Closed Session was Chairman Paul J. Wiedefeld, Members Carroll, Cox, Gaines, Gangemi, Penny-Ardinger, Rosen, Snead, and von Paris; and Natalie Henson, Kim Millender, William Pines, and Joseph G. Sagal.

VOTE TO ADJOURN CLOSED SESSION

At 4:12 p.m., a motion was made by Member Jeffrey S. Rosen and seconded by Member Samuel D. Snead, which was unanimously approved, to adjourn the Closed Session and return to Open Session.

RATIFICATION TAKEN IN CLOSED SESSION

Upon motion by Member Mario J. Gangemi and seconded by Member Dontae Carroll, the Members ratified their approval of Mr. Joseph G. Sagal as MDTA's Executive Director.

Mr. Sagal thanked the Board for their approval

VOTE TO ADJOURN MEETING

There being no further business, upon motion by Member William H. Cox, Jr. and seconded by Member John F. von Paris, the Members unanimously voted to adjourn the meeting at 4:15 p.m.

The next MDTA Board Meeting will be held on Thursday, August 31, 2023 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:

Paul J. Wiedefeld, Chairman

TAB 4

CLOSED SESSION MINUTES

VERBAL

TAB 5

RESOLUTION
Lieutenant Colonel Lucy Lyles
MDTA Police

WHEREAS, Lieutenant Colonel Lucy Lyles began her career with the Maryland Transportation Authority as an MDTA Police Officer I on May 5, 1993, and

WHEREAS, Lieutenant Colonel Lyles continued to progress in the law-enforcement field and was promoted to MDTA Police Officer II on May 5, 1994, to MDTA Police Corporal on October 20, 1999, to MDTA Police Sergeant on January 12, 2005, and to MDTA Police Lieutenant on April 25, 2007, and

WHEREAS, She continued to build on her knowledge and skills, and was promoted to MDTA Police Captain on October 24, 2007, to MDTA Police Major on March 1, 2013, and to MDTA Police Lieutenant Colonel on December 5, 2018, a position held until retirement, and

WHEREAS, She is an invaluable member of the team, who committed to mentoring and to growing leaders at the MDTA, both sworn and civilian, and was a key player in the Mind of the Leader effort as presenter and group facilitator, and

WHEREAS, Her coworkers expressed the fact that her dedication and teamwork will be missed, And her smile! And warm personality! And her can-do attitude! And her helping hand that she extended to all, now

THEREFORE BE IT RESOLVED, On the occasion of Lieutenant Colonel Lucy Lyles' retirement from her distinguished career of exemplary service, the Chairman and Members of the Maryland Transportation Authority Board hereby express to Lieutenant Colonel Lyles their most sincere appreciation for her excellence and commitment, and

BE IT FURTHER RESOLVED, That this Resolution be entered into the minutes of the MDTA Board meeting of August 31, 2023, and a copy, appropriately framed, be presented to Lieutenant Colonel Lyles as an expression of the MDTA Board's appreciation and esteem.

TAB 6



Maryland Transportation Authority

Wes Moore, Governor
Aruna Miller, Lt. Governor
Paul J. Wiedefeld, Chairman

Board Members:

Dontae Carroll	Cynthia D. Penny-Ardinger
William H. Cox, Jr.	Jeffrey S. Rosen
W. Lee Gaines, Jr.	Samuel D. Snead, MCP, MA
Mario J. Gangemi, P.E.	John F. von Paris

Joseph G. Sagal, Executive Director

MEMORANDUM

TO: MDTA Board
FROM: Director of Procurement Donna DiCerbo, CPPO, CPPB
SUBJECT: J01P3600040, Panasonic Toughbook Laptops FZ-55 BWI
DATE: August 31, 2023

PURPOSE

To seek approval to execute Contract No. J01P3600040, Panasonic Toughbook Laptops FZ-55 BWI.

SUMMARY

This Small Business Reserve (SBR) designated Purchase Order Request for Proposal (PORFP) was solicited to authorized Master Contractors certified as Small Businesses from the Office of State Procurement's Desktop, Laptop, and Tablet 2015 Master Contract, BPO#060B5400007.

The MDTA Department of Information Technology is seeking to enter into a Fixed Price Contract for the one-time purchase of 245 Panasonic FZ-55 Laptops, Docking Stations, and Warranties for use by Maryland Transportation Authority Police, Maryland Aviation Administration Police (MAA), and Maryland State Police (MSP) through Interagency Agreements. The total amount for this contract is \$1,028,244.60.

RECOMMENDATION

To provide approval to execute Contract No. J01P3600040, Panasonic Toughbook Laptops FZ-55 for laptops to be utilized at BWI, MAA, and MSP.

ATTACHMENT

- Project Summary



AUTHORITY BOARD PROJECT SUMMARY

CONTRACT NUMBER J01P3600040 PANASONIC TOUGHBOOK LAPTOPS FZ-55 BWI

CONTRACT NUMBER J01P3600040
CONTRACT TITLE Panasonic Toughbook Laptops FZ-55 BWI

PROJECT SUMMARY This Small Business Reserve (SBR) designated Purchase Order Request for Proposal (PORFP) was solicited to authorized Master Contractors certified as Small Businesses from the Office of State Procurement's Desktop, Laptop and Tablet 2015 Master Contract, BPO#060B5400007. The MDTA Department of Information Technology is seeking to enter into a Fixed Price Contract for the one-time purchase of 245 Panasonic FZ-55 Laptops, Docking Stations and Warranties for use by Maryland Transportation Authority Police, Maryland Aviation Administration Police (MAA) and Maryland State Police (MSP) through Interagency Agreements. The total amount for this contract is \$1,028,244.60.

SCHEDULE		MBE PARTICIPATION		ADVERTISED GOAL (%)	PROPOSED GOAL (%)
ADVERTISEMENT DATE	5/5/2023	OVERALL MBE		0.00%	0.00%
ANTICIPATED NTP DATE	10/4/2023	AFRICAN AMERICAN			
DURATION (CALENDER DAYS)	One Time Purchase	ASIAN AMERICAN			
		VSBE		0.00%	0.00%
		BID RESULTS		BID AMOUNT (\$)	% VARIANCE TO EE
ENGINEER'S ESTIMATE (EE)	(\$) \$1,030,245.00	USC Canterbury Corp.		\$1,028,244.60	-0.19%
		Advanced Computer Concepts		\$1,142,950.95	10.94%
		BID PROTEST		YES	NO
				<input type="checkbox"/> Check	<input checked="" type="checkbox"/> Check

TAB 7

VERBAL

TAB 8



Board Members:

MEMORANDUM

TO: MDTA Board
FROM: Director of Treasury & Debt Allen W. Garman
SUBJECT: Debt Policy – Annual Review
DATE: August 31, 2023

PURPOSE OF MEMORANDUM

Complete required annual review of the Debt Policy and request MDTA Board approval. The amended policy was reviewed with the Finance Committee on August 10 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, there is one recommended update to the policy incorporating a new reporting requirement from the Budget Committee Narrative of Fiscal 2023. This Budget Committee Narrative requests that any rating agency reports associated with a financing be forwarded to the State Treasurer's Office in advance of the sale or concurrently.

- a. 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. The Budget Committee Narrative of Fiscal 2023 also requests that any rating agency reports associated with a financing be forwarded to the State Treasurer's Office in advance of the sale or concurrently. For clarification, credit ratings are not required for all financings.
- 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 and the Budget Committee Narrative for rating reports if applicable/available as part of a financing.

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

Annual approval of the Debt Policy.

ATTACHMENT

- Debt Policy



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

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

Original Date: August 16, 2005
Revised: August 25, 2022

Approved by: _____
Approval Signature

Date: _____

Approved by: _____
Form and Legal Sufficiency Review, Office of Attorney General

Date: _____

Debt Management

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
- [Budget Committee Narrative Fiscal 2023](#)
- 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.

Debt Management

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:
 - 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 non-recourse debt (not backed by MDTA toll revenue) will be determined on a case by case basis for projects where MDTA is a non-recourse debt issuer.
- i. Non-recourse financings shall generally have minimum debt service coverage requirements of 120% of debt service.
 - ii. An exception to this minimum for non-recourse financings may occur if there is a debt service “guarantee” from a rated municipality, authority, or entity with investment grade ratings.
 - iii. Non-recourse financings shall not pledge MDTA’s toll revenues.
 - iv. The MDTA has a self-imposed outstanding debt limit on non-recourse 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. The Budget Committee Narrative of fiscal 2023 also requests that any rating agency reports associated with a financing be forwarded to the State Treasurer’s Office in advance of the sale or concurrently. For clarification, credit ratings are not required for all financings.
- 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 and the Budget Committee Narrative for rating reports if applicable/available as part of a financing.

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. 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 non-recourse 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 non-recourse 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 non-recourse 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 non-recourse 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 or 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 (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 non-recourse 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
- 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
- r. Amended 8.25.22

TAB 9



Maryland Transportation Authority

Wes Moore, Governor
Aruna Miller, Lt. Governor
Paul J. Wiedefeld, Chairman

Board Members:

Dontae Carroll	Cynthia D. Penny-Ardinger
William H. Cox, Jr.	Jeffrey S. Rosen
W. Lee Gaines, Jr.	Samuel D. Snead, MCP, MA
Mario J. Gangemi, P.E.	John F. von Paris

Joseph G. Sagal, Executive Director

MEMORANDUM

TO: MDTA Board
FROM: Director of Treasury & Debt Allen W. Garman
SUBJECT: Investment Strategy and Benchmarks
DATE: August 31, 2023

PURPOSE OF MEMORANDUM

To complete the required quarterly review of the MDTA's investment strategy and benchmarks for the three-month period ended June 30, 2023. This item was discussed in greater detail at the August 10 Finance Committee meeting and the committee members support a continuation of the current investment strategies for all accounts.

KEY POINTS

- For the trailing twelve-month period ended June 30, investments conformed to Investment Policy limitations.
- The longer duration strategies employed in certain reserves generate higher return volatility with expected higher average annual returns over multiyear periods.
- Portfolio structuring by account adhered to MDTA Board approved strategy and should remain consistent, despite short-term return volatility associated with the rising interest rate environment.
- No changes in strategy or benchmarks are recommended.

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 \$990 million portfolio at the end of June, \$640 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 smaller M&O Reserve, representing approximately 5% of assets under management, is benchmarked to a composite of 1-13 year Treasury Strip indices that approximates effective duration of a ladder 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 10



Board Members:

Dontae Carroll	Cynthia D. Penny-Ardinger
William H. Cox, Jr.	Jeffrey S. Rosen
W. Lee Gaines, Jr.	Samuel D. Snead, MCP, MA
Mario J. Gangemi, P.E.	John F. von Paris

Joseph G. Sagal, Executive Director

MEMORANDUM

TO: MDTA Board
FROM: Director of Treasury & Debt Allen W. Garman
SUBJECT: Investment Policy – Annual Review
DATE: August 31, 2023

PURPOSE OF MEMORANDUM

Complete required annual review of the Investment Policy and request MDTA Board approval. The unchanged policy was reviewed with the Finance Committee on August 10 and recommended to move forward 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, no 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 Trust Agreement 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 an external Municipal Advisor. Strategy is implemented by the Director of Treasury & Debt and Investment Administrator. Strategy, investment policy compliance, and total return performance relative to benchmark indices are reviewed monthly by the Investment and Finance Committees. As required by the MDTA Board Operating Policy, investment strategy is approved quarterly by the full Board.

RECOMMENDATION

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

ATTACHMENT

- Investment Policy

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

Original Date: ~~August 16, 2005~~
Revised: August 25, 2022
Corrected: May 8, 2023

Approved by: _____
Approval Signature

Date: M/DD/2023

Approved by: _____
Form and Legal Sufficiency Review, Office of Attorney General

Date: M/DD/2023

Investment Management

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.

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 extent 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) – 50%
 - 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
- y. Correction 5.8.2023

TAB 11



Maryland Transportation Authority

Wes Moore, Governor
Aruna Miller, Lt. Governor
Paul J. Wiedefeld, Chairman

Board Members:
Dontae Carroll
William H. Cox, Jr.
W. Lee Gaines, Jr.
Mario J. Gangemi, P.E.
Cynthia D. Penny-Ardinger
Jeffrey S. Rosen
Samuel D. Snead, MCP, MA
John F. von Paris

Joseph G. Sagal., Executive Director

MEMORANDUM

TO: MDTA Board
FROM: Chief Administrative Officer Percy Dangerfield
Environment, Safety & Risk Management/Asset Control & Damage
Recovery Director Paul Truntich
PREPARED BY: Asset Control & Damage Recovery Manager Lynn Fry
SUBJECT: Insurance Recovery Program Overview
DATE: August 31, 2023

PURPOSE OF MEMORANDUM

The purpose of the memorandum is to provide the Maryland Transportation Authority (MDTA) Board Members with an overview of the Insurance Recovery Program that is administered by the Asset Control and Damage Recovery (ACDR) Unit, which is part of the Office of Environment, Safety, and Risk Management (OESRM).

SUMMARY

COMAR 17.01.01.04 gives each State agency the responsibility of taking action, on a timely basis, to collect on all claims for damage caused to State property. Prior to 2010, MDTA did not have a program to collect on these claims; an Insurance Recovery Program has since been developed and implemented throughout the agency. Below is an overview of the program's growth and accomplishments.

ANALYSIS

TYPES OF DAMAGE

The ACDR unit seeks recovery for damages incurred to the following items: guardrails, jersey walls, attenuators, light polls, fences, tolling equipment, tunnel ceiling tiles and walls, roadway signs, fire damage, and bridges (tugboat hit). Recovery is also sought from services provided, such as maintenance of traffic, highway clean-up, spill clean-up (sampling and disposal), and inspection costs.

PROCEDURES

ACDR staff, with the support and assistance from the Division of Operations, Office of Engineering and Construction, MDTA Police, and the Maryland State Police (JFK), gather all pertinent documentation associated with each claim, create a demand packet, and contacts either the insurance company or registered owner of the vehicle to initiate the claim. Three demand mailings and/or phone calls are made before any referrals to the Central Collection Unit (CCU).

Persons without insurance or who do not want to use their insurance can set up a payment plan with MDTA whereby a promissory note agreement is established.

REFERRALS TO CENTRAL COLLECTIONS UNIT

Once ACDR determines the claim to be delinquent, either through no response by the registered owner or by a denial from the insurance company, the claim is referred to CCU for collection activities. If there is a policy limits issue and the insurance company offers to settle for less money, MDTA refers these claims to CCU per COMAR. When a claim is referred to CCU, and they reach a settlement or collect the funds, CCU receives a 17% administrative fee and returns the remainder of the collection to MDTA.

RECOVERY SUMMARY

FY	CASES OPENED	CASES CLOSED	CLAIMS PAID	NO DAMAGE	OTHER*	CCU REFERRAL	CARRY OVER CASES	MONIES RECOVERED
2019	364	357	157	125	49	26	74	\$584,004.03
2020	487	460	205	141	52	37	125	\$1,268,614.16
2021	381	343	173	87	53	30	163	\$965,235.57
2022	449	491	169	140	99	83	121	\$1,288,112.11

*Other--includes unknown driver, stolen vehicle, not MDTA property, denials, fatal (etc.)

CONCLUSION

The dedicated ACDR team strives to collect all monies owed to the MDTA annually. Our efforts to contact the respective insurance companies have significantly increased our recovery percentage. ACDR staff works to exhaust all options to avoid sending a claim to CCU so that the agency can recover as much money as possible. ACDR continues to work closely with the agency to maintain awareness of this program and receive all insurance recoverable costs.

TAB 12

VERBAL