

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY, JUNE 19, 2018
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Jack Basso, Chair (via phone)
Katherine Bays Armstrong (via phone)
Dontae Carroll (via phone)
John von Paris (via phone)

STAFF ATTENDING: Yaw Berkoh
Joyce Diepold
Luther Dolcar
Meryle Dunlap, Esq.
Trudy Edwards
Allen Garman
Chantelle Green (via phone)
Meshelle Howard
Jeanne Marriott
Deb Sharpless
Cheryl Sparks
Lora Tracy
Christina Thompson (via phone)
Tim Wendt
Alison Williams
Dan Williams (via phone)
Melissa Williams

OTHERS ATTENDING: Jaclyn Hartman, MDOT (via phone)

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

APPROVAL – OPEN MEETING MINUTES FROM MAY 15, 2018 MEETING

Member Basso called for the approval of the meeting minutes from the open meeting held on May 15, 2018. Member Katherine Bays Armstrong made the motion, and Member John von Paris seconded the motion, which was unanimously approved.

UPDATE – MARYLAND DEPARTMENT OF TRANSPORTATION LOAN

Ms. Chantelle Green noted that the Maryland Transportation Authority (MDTA) has been in discussions with the Maryland Department of Transportation for several months regarding a \$150 million loan over a 3-year period (FY 2019-2021) to help finance projects at the Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore. The proposed loan will have a 20-year term with an interest rate of 3.3%.

Ms. Jaclyn Hartman explained that the loan will be used to expand certain locations at the port and to make certain renovations at the airport, including the addition of a maintenance facility and the rehabilitation and expansion of certain concourses at the airport.

APPROVAL – FY 2019 FINAL OPERATING BUDGET

Ms. Christina Thompson requested a recommendation for approval from the Finance Committee to the full MDTA Board for the FY 2019 Final Operating Budget. The Trust Agreement requires the approval of a final budget on or before July 1.

The FY 2019 Final Operating Budget totals \$324.4 million. This represents an increase of \$3.9 million, or 1.2%, above the FY 2019 Preliminary Operating Budget. The MDTA's position complement remains the same for FY 2019.

Changes from the FY 2019 Preliminary Budget include (1) a \$3.0 million increase in personnel expenses mostly due to mandatory personnel costs, including employee cost-of-living adjustments, bonuses, and pension costs; (2) a \$1.4 million increase in building and repairs for on-call task orders due to a backlog and tasks related to inspection findings; (3) a \$0.6 million increase in environmental engineering tasks for new projects and initiatives; (4) a \$0.3 million increase in training for MDTA toll collector career development as well as skills and safety training; (5) \$0.2 million for applications software acquisitions and upgrades; and (6) \$0.2 million for new vehicle purchases that will not be received until FY 2019. These expenses are offset by a \$1.8 million reduction in employee and retiree's health insurance, contractual salaries, and systems analysis and design expenses.

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

APPROVAL – DRAFT FY 2019-2024 CONSOLIDATED TRANSPORTATION PROGRAM

Ms. Jeanne Marriott requested a recommendation for approval from the Finance Committee to the full MDTA Board for the Draft FY 2019-2024 Consolidated Transportation Program (CTP). The Draft CTP was reviewed by the Capital Committee on June 7, 2018, and recommended for approval to the full MDTA Board.

The Draft CTP totals \$3.3 billion, which reflects a net increase in the six-year FY 2019-2024 budget of \$628.4 million. The net increase is the result of (1) a \$3.0 million for the Nice Bridge Replacement project; (2) a \$562.7 million increase for the improved I-95 Express Toll Lanes Northern Extension; (3) a \$68.1 million increase for all other projects; and (4) a reduction in the allocated and unallocated reserves of \$5.4 million.

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

APPROVAL – FINANCIAL FORECAST

Mr. Luther Dolcar requested a recommendation for approval from the Finance Committee to the full MDTA Board for the FY 2019-2024 Financial Forecast. The forecast is updated to include the FY 2019 Final Operating Budget, the Draft 2019-2024 CTP, the \$503 million cash defeasance of the Series 2008 Bonds, the proposed \$150 million loan to MDOT, and updated traffic and revenue figures. Throughout the six-year forecast period, the MDTA remains above its financial goals and minimum legal standards and meets all requirements of the Budget Reconciliation and Financing Act of 2015.

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

UPDATE – SURETY POLICY DECISION RULE

Mr. Allen Garman provided the Finance Committee with the financial rationale for replacing cash funded reserves with surety policies. At the time of any financing, the MDTA has the option to create a debt service reserve for a bond issue or to issue the debt without a reserve. If a reserve is created, the MDTA has the flexibility to either fund the reserve with cash or purchase an insurance policy in the form of a surety. The decision rule to cash fund or purchase a surety policy relates to the net present value of the two costs. That is, a comparison of the cost of the insurance policy to the annual net carrying cost of the debt needed to fund the reserve. Mr. Garman noted that while a preliminary analysis indicates that the replacement of \$80.4 million of the MDTA's cash debt service reserves with a surety policy is favorable, such an analysis should not be conducted in isolation. Other factors such as counterparty risk (e.g., the risk that the

surety provider will be downgraded), the availability of cash reserves, and the expected life of the bonds (e.g., call options) should also be considered.

UPDATE – RETIREMENT OF DIRECTOR OF DEBT MANAGEMENT

Ms. Chantelle Green provided an update on the retirement of the MDTA's Director of Debt Management, Alison Williams. Ms. Williams will be retiring from the State of Maryland on June 30, 2018, with over 30 years of experience in debt management. Since joining the MDTA in February 2005, Ms. Williams has served in multiple leadership capacities, including the Director of Finance and the Director of Debt Management. Ms. Williams' thorough knowledge of the MDTA's Trust Agreement, debt issuance and compliance process, and financial management policies will be greatly missed. Following her retirement, the debt management function will be merged under the Treasury Unit.

There being no further business, the meeting of the Finance Committee adjourned at 9:46 a.m., following a motion by Member Armstrong, and seconded by Member von Paris.

Peter J. Basso, Chairman