

FINANCE COMMITTEE MONTHLY MEETING
WEDNESDAY, NOVEMBER 7, 2018
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Katherine Bays Armstrong
Dontae Carroll
John von Paris

STAFF ATTENDING: Yaw Berkoh
Kerry Brandt
Joyce Diepold
Luther Dolcar
Trudy Edwards
Allen Garman
Chantelle Green
Michele Gross
Meshelle Howard
Cheryl Lewis-Orr
Jeanne Marriott
Kimberly Millender, Esq.
John O'Neill
Kevin C. Reigrut
Deb Sharpless
Christina Thompson
Lora Tracy
Tim Wendt
Dan Williams
Melissa Williams

OTHERS ATTENDING: Ed McDonald, Maryland Department of
Transportation (MDOT)
Pete K. Rahn, MDOT Secretary
Greg Warner, First Southwest (via phone)

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

APPROVAL – OPEN MEETING MINUTES FROM OCTOBER 9, 2018, MEETING

Member von Paris called for the approval of the meeting minutes from the open meeting held on October 9, 2018. Member Katherine Bays Armstrong made the motion, and Member Dontae Carroll seconded the motion, which was unanimously approved.

UPDATE – TRAFFIC RELIEF PLAN

Mr. Pete K. Rahn, Secretary of the Maryland Department of Transportation, provided an update on the Traffic Relief Plan and the proposed public-private partnership (“P3”) arrangement to be solicited for the project.

UPDATE – INVESTMENT COMMITTEE REPORT

Mr. Allen Garman provided an update to the Finance Committee on the activities of the Investment Committee for the period ended September 30, 2018. Mr. Garman reviewed market conditions, portfolio strategies, total return performance, and dealer trade allocations. He also discussed certain market drivers that may influence portfolio performance in the coming months, including the economy, fiscal policy, and Federal Reserve monetary policy.

Mr. Greg Warner, First Southwest, discussed total return performance for the trailing 12-months and confirmed the portfolio complies with the MDTA’s Investment Policy for the period ended September 30, 2018.

UPDATE – FY 2018 CLOSEOUT OF KEY FINANCIAL METRICS

Ms. Deb Sharpless provided the Finance Committee with a review of the MDTA’s actual revenue and expenses and other key financial metrics as compared to the July 2017 and January 2018 financial forecasts. Ms. Sharpless advised that actual fiscal 2018 toll revenues were \$1.3 million more than what was projected in the July 2017 financial forecast. The slight increase in projected revenues was due to several factors, including higher than anticipated in-lane toll revenues on the MDTA’s all-electronic toll facilities; lower than anticipated in-lane toll revenues on the MDTA’s legacy facilities; and the collection of other toll revenues (*e.g.*, miscellaneous account and plan fees, citation collections, etc.).

On the expense side, the MDTA underspent its capital and operating budgets by \$122.1 million and \$18.9 million, respectively. Additionally, the MDTA reduced its bonds outstanding by \$510.3 million, primarily due to the \$503 million repayment of the Series 2008 bonds. The debt repayment, in conjunction with the MDTA’s actual FY 2018 revenues and expense performance, improved the MDTA’s financial coverage ratios.

UPDATE – ANNUAL TRAFFIC AND REVENUE FORECAST

Ms. Sharpless provided an update to the Finance Committee on the traffic and revenue forecast for the Legacy Facilities, Intercounty Connector (ICC), and the I-95 Express Toll Lanes (I-95 ETL). Each fall, an update to the ten-year traffic and revenue forecast is prepared by independent consultants. The MDTA selected CDM Smith and Jacobs through a competitive process to provide these traffic and revenue forecasts. CDM Smith prepares separate forecasts for all legacy facilities and for the ICC. Jacobs prepares the forecast for the I-95 ETL. These forecasts are built on historical data from the MDTA's facilities and national, regional, and State socio-economic data, such as population, employment, unemployment, real income per capita, real gross domestic product, inflation, and fuel prices.

Over the next ten years, transactions on the legacy facilities are forecasted to grow from \$121.7 million in FY 2019 to \$130.5 million in FY 2028, or total growth of 7.2%. Annual growth rates vary over this timeframe from a high of 1.7% in FY 2022 to a low of 0.1% in FY 2019, with an average annual growth rate of 0.8%. In-lane toll revenue follows similar growth trends, increasing by a total of 6.7% from \$611.1 million in FY 2019 to \$652.2 million in FY 2028, resulting in an average annual change of 0.7%.

Over the next ten years, trips on the ICC are forecasted to grow from \$35.2 million in FY 2019 to \$42.2 million in FY 2028, or total growth of 19.9%. Average annual growth rates over this timeframe are expected to remain constant at approximately 2.0%. Expected toll revenues follow a similar growth trend, increasing from \$68.7 million in FY 2019 to \$82.6 million in FY 2028, or total growth of 20.2%, resulting in an average annual change of 2.1%.

Over the next ten years, transactions on the I-95 ETL are forecasted to grow from \$9.5 million in FY 2019 to \$16.2 million in FY 2028, or an annual average growth rate 6.1%. Annual growth rates vary over this timeframe from a high of 35.6% following the opening of the I-95 ETL Northern Extension in FY 2023 to a low of 1.0% in FY 2020. Expected toll revenues follow a similar growth trend, increasing from \$13.5 million in FY 2019 to \$27.9 million in FY 2028, with an average annual growth rate of 8.4%. Annual growth rates vary over this timeframe from a high of 46.9% in FY 2023 to a low of 2.1% in FY 2020.

Since 2011, the MDTA has made all traffic and revenue forecasts available on its webpage at: http://www.mdtamaryland.gov/About/Finances/Financial_Forecast_and_Traffic_and_Revenue_Reports.html.

APPROVAL – FY 2020 PRELIMINARY OPERATING BUDGET

Ms. Christina Thompson requested a recommendation for contingent approval from the Finance Committee to the full MDTA Board of the FY 2020 Preliminary Operating Budget. The contingent approval allows staff to make minor adjustments to the budget to reflect personnel rate changes that will be issued by the Department of Budget and Management in December 2018.

The FY 2020 Preliminary Operating Budget totals \$328,220,263, which is an increase of \$3.8 million, or 1.2%, compared to the Final FY 2019 Operating Budget of \$324.4 million. The budget includes \$28.4 million in reimbursable funds from the Maryland Department of Transportation for costs incurred for law enforcement services at the Port of Baltimore and the Baltimore/Washington International Thurgood Marshall Airport.

The FY 2019 Preliminary Operating Budget totals \$320.8 million, which is an increase of \$7.6 million, or 2.4%, compared to the FY 2018 Amended Operating Budget of \$313.1 million. The budget includes \$28.4 million in reimbursable funds from the Maryland Department of Transportation for costs incurred for law enforcement services at the Port of Baltimore and the Baltimore/Washington International Thurgood Marshall Airport.

Mandated changes to the budget result in a \$0.8 million decline in personnel expenses. The reduction includes a \$0.4 million decline in employee health and retiree's health insurance, a \$0.2 million reduction in pension expenses, and a \$0.3 million decrease in employee salaries. These reductions are partially offset by the annualization of cost-of-living adjustments. Discretionary expenses increase by \$6.5 million, mostly due to motor vehicle expenses, contractual payroll expenses, replacement equipment, and *E-ZPass* Service Center costs and reciprocity payments. These increases are partially offset by a \$1.9 million reduction in costs for roadway repairs and maintenance, additional equipment and repairs, and utility expenses.

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

APPROVAL – FINAL FY 2019-2024 CONSOLIDATED TRANSPORTATION PROGRAM

Ms. Jeanne Marriott requested a recommendation for approval from the Finance Committee to the full MDTA Board of the Final FY 2019-2024 Consolidated Transportation Program (CTP). The Final CTP will also be presented to the Capital Committee for approval on November 8, 2018.

The Final CTP totals \$3.1 billion, a decrease of \$116.4 million from the Draft CTP. The decrease is the result of a \$180.7 million reduction in the reserves and a \$3.1 million reduction in the six-year budget for the Nice Bridge and I-95 ETL projects. The reductions are partially offset by a \$67.4 million increase in the remaining capital projects.

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

APPROVAL – FY 2019-2024 FINANCIAL FORECAST

Mr. Luther Dolcar requested a recommendation for approval from the Finance Committee to the full MDTA Board of the MDTA's FY 2019-2024 Financial Forecast, Version 2018-12. Mr. Dolcar noted that the forecast has been updated to include FY 2018 actual revenues and expenses, current traffic and revenue estimates from the updated annual traffic and revenue report, the FY 2020 Preliminary Operating Budget, and the Final FY 2019-2024 CTP. Throughout the six-year period, the MDTA will continue to meet all required financial goals and legal standards.

Member von Paris called for the approval of the FY 2018-2024 Final Forecast. Member Armstrong made the motion, and Member Carroll seconded the motion, which was unanimously approved.

UPDATE – 1ST QUARTER OPERATING BUDGET VERSUS ACTUAL SPENDING

Ms. Christina Thompson updated the Finance Committee on actual versus projected year-to-date spending for the first quarter of FY 2019. As of September 30, 2018, 16% of the operating budget was spent compared to the target of 24%. No Comptroller's Objects exceeded expected spending levels.

UPDATE – 1ST QUARTER CAPITAL BUDGET VERSUS ACTUAL SPENDING

Ms. Jeanne Marriott updated the Finance Committee on actual year-to-date spending for the first quarter compared to projected spending as shown in the FY 2019-2024 Draft CTP. As of September 30, 2018, 9.5% of the FY 2019 capital budget was spent compared to the target of 25%.

UPDATE – QUARTERLY TRAFFIC AND REVENUE REPORT

Ms. Cheryl Lewis-Orr updated the Finance Committee on the MDTA's quarterly traffic and revenue performance for the Legacy Facilities, ICC, and the I-95 ETL. As of September 30, 2018, quarterly and year-to-date transactions and revenue on the MDTA's legacy and all-

electronic toll facilities totaled 43.3 million and \$179.4 million, respectively. Systemwide transactions and revenue are expected to track closely to projections for the remainder of the fiscal year.

There being no further business, the meeting of the Finance Committee adjourned at 10:53 a.m., following a motion by Member Armstrong, and seconded by Member Carroll.

Peter J. Basso, Chairman