

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY, APRIL 10, 2018
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

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

STAFF ATTENDING: Kerry Brandt
Joyce Diepold
Trudy Edwards
Allen Garman
Chantelle Green
Meshelle Howard
Kimberly Millender, Esq.
Kevin C. Reigrut (via phone)
Deb Sharpless
Lora Tracy

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 MARCH 6, 2018 MEETING

Member Basso called for the approval of the meeting minutes from the open meeting held on March 6, 2018. Member Katherine Bays Armstrong made the motion, and Member John von Paris seconded the motion, which was unanimously approved.

APPROVAL – 2008 TOLL REVENUE BOND CASH DEFEASANCE

Ms. Deb Sharpless provided an update to the Finance Committee on the 2008 Toll Revenue Bond Cash Defeasance. Ms. Sharpless explained that while the Maryland Transportation Authority (MDTA) Board approved the agency's operating budget and financial forecast in November 2017, there was no specific funding allocation for the proposed revenue bond defeasance in the operating budget or the financial forecast. As such, the Finance Committee's approval is required to proceed with the defeasance.

The MDTA conducted an analysis of defeasing the Series 2008 Toll Revenue Bonds compared to refunding the bonds. The analysis yielded that there are multiple benefits to defeasing the bonds such as (1) saving the MDTA \$12 million annually in net debt service costs during each year that a subsequent bond issue is delayed; (2) providing the agency with greater financial flexibility by aligning future bond sales with actual need thereby allowing the MDTA to more appropriately balance debt and pay-as-you-go funding for the Nice Bridge; and (3) enhancing the MDTA's financial flexibility without taking on substantial interest rate risk. Based on the results of the financial analysis, it is recommended that the Finance Committee approve the expenditure of \$503 million in funds to defease the Series 2008 Toll Revenue Bonds.

Member Armstrong discussed recent reports of the possibility of an inverted yield curve within the next couple of years. Ms. Sharpless and Mr. Allen Garman explained that while federal interest rate hikes are heavily influencing short-term rates (maturities that are less than 5 years), they have a lesser influence on long-term financing rates. Given that the MDTA is primarily impacted by long-term financing rates, recent federal hikes are not expected to substantially impact the interest rate risk for future debt issuances.

Member Basso called for a motion to recommend the 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.

UPDATE – SOCIAL ECONOMIC PROGRAMS AND THE PROCUREMENT REVIEW GROUP GUIDELINES

Ms. Meshelle Howard provided an overview to the Finance Committee on the Minority Business Enterprise (MBE), Small Business Reserve (SBR) and the Veteran Small Business Enterprise (VSBE) Programs, including an overview of the MDTA's Procurement Review Group (PRG).

Ms. Howard explained that the State's MBE Program was enacted to ensure that socially and economically disadvantaged small business owners are included in the State's procurement and contracting opportunities. Current MBE regulations direct all State agencies to make every effort to award at least 29% of the total dollar value of their procurement contracts either directly (prime contractor) or indirectly (subcontractor) to certified MBE Firms.

Next, Ms. Howard discussed the State's SBR Program, which provides small businesses with the opportunity to participate as prime contractors on State contracts and procurements by competing against other small businesses instead of larger, more established businesses. The SBR Program applies to 70 designated agencies, including the MDTA. Under State law, these agencies must spend at least 15% of their total fiscal year procurement expenditures with qualified small businesses.

Ms. Howard concluded her remarks regarding the State's procurement preference programs by discussing the VSBE Program. The VSBE Program requires each agency to structure its procurement procedures in a manner so that at least 1% of the units' total dollar value of procurement contracts are made directly or indirectly from VSBEs.

Lastly, Ms. Howard discussed the MDTA's PRG. The PRG is tasked with making recommendations to the Executive Director or designee regarding the appropriate level of MBE, SBR, and VSBE participation. Mr. Kevin C. Reigrut commented that the MDTA's PRG process is regarded as a model for other State agencies on how to promote competitiveness in the review and evaluation of procurement preference goals.

There being no further business, the meeting of the Finance Committee adjourned at 9:23 a.m., following a motion by Member Armstrong, and seconded by Member von Paris.

Peter J. Basso, Chairman