

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY, OCTOBER 8, 2019
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING:

Jack Basso, Chair
Dontae Carroll (via phone)
Jeffrey Rosen
John von Paris

STAFF ATTENDING:

Jeff Davis
Cheryl Dickinson
Luther Dolcar
Meryle Dunlap, Esq.
Lynn Fry
Allen Garman
Chantelle Green
Natalie Henson
Ken Montgomery
Mary O'Keeffe
Cheryl Lewis-Orr
Dayna Taitt
Paul Truntich
Agnes Vadasz

OTHERS ATTENDING:

John Magness, Canton Development Company
Melissa Odell, Canton Development Company
William (Bill) Seymour, SB & Company, LLC
Tiana Wynn, SB & Company, LLC

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

APPROVAL – OPEN MEETING MINUTES FROM SEPTEMBER 11, 2018 MEETING

Member Basso called for the approval of the meeting minutes from the open meeting held on September 10, 2019. Member John von Paris made the motion, and Member Jeffrey Rosen seconded the motion, which was unanimously approved.

UPDATE - CANTON DEVELOPMENT COMPANY'S 2018 ANNUAL FINANCIAL STATEMENTS

Mr. John Magness, President and CEO of the Canton Development Company (Canton), briefed the Finance Committee on the Canton's Consolidated Financial Statements for the years ended December 31, 2018 and 2017. Highlights of the discussion included the repayment of Canton's outstanding debt and an increase in revenue and total assets of \$210,205 and \$445,548, respectively.

UPDATE – INDEPENDENT AUDITOR'S REPORT FOR THE FY 2018 FINANCIAL STATEMENTS AUDIT AND SERVICE ORGANIZATION CONTROLS 1 REPORT

Ms. Chantelle Green introduced Mr. William (Bill) Seymour, Engagement Partner, and Ms. Tiana Wynn, Senior Manager, from SB & Company, LLC. This is SB & Company's third year as the MDTA's independent financial auditor. They were selected following a competitive procurement process and are also the auditors for the State of Maryland and the Maryland Department of Transportation.

Mr. Seymour briefed the Finance Committee on the results of the FY 2019 Financial Statements Audit and the Service Organization Controls (SOC) 1 Report for the Maryland *E-ZPass* System. Mr. Seymour indicated that during the FY 2019 audit, the principal areas of audit emphasis included the MDTA's cash and investments, accounts receivable, capital assets, revenue recognition, accounting for debt and other long-term financing, intergovernmental agency relationships, service concession arrangements, and pension accounting. SB & Company issued an unmodified opinion on the financial statements and reported that no instances of fraud were discovered or noted, no material weaknesses in internal controls were discovered, and full cooperation was received from the MDTA's management.

For the SOC 1/Statement on the Standards for Attestation Engagements, SB & Company reviewed the 13 control objectives asserted by Conduent. No qualifications were made within the report; however, certain areas were noted where the design or operating effectiveness of the control activities could be enhanced.

Member Basso commented that the MDTA has had a very good track record concerning audits.

UPDATE – CREDIT RATING AGENCY REPORTS

Mr. Allen Garman provided an overview to the Finance Committee on the MDTA's 2019 surveillance rating results. In order to access the capital markets at the lowest possible financing rates, the MDTA obtains credit ratings at the time of a new financing and pays for annual ratings surveillance. The agency is currently rated in the double-A category by Moody's, S&P, and Fitch at Aa2, AA-, and AA, respectively. The Aa2 rating by Moody's is the highest credit rating within the firm's Toll Sector universe of approximately forty rated entities. These published ratings and associated reports provide details regarding the credit risk associated with an issuer, including pledged revenues, indenture covenants, reserves, debt service coverage, liquidity position, management strength, and regulatory environment. The costs of the initial ratings and annual surveillance should be fully offset by the lower associated financing costs for rated bond issues.

UPDATE – INSURANCE OVERVIEW

Ms. Lynn Fry, Mr. Jeff Davis, and Mr. Allen Garman provided the members of the Finance Committee with an overview of the MDTA's insurance policies and programs, contractor and A&E insurance requirements, financial risk, mitigation strategies, and damage recovery program.

Prior to the conclusion of the Finance Committee meeting, Ms. Chantelle Green introduced the MDTA's new Deputy Director of Finance, Mr. Kenneth Montgomery, and notified the Finance Committee that today is Ms. Christina Thompson's last day with the MDTA. Ms. Thompson accepted a position as the Assistant Budget Director at MDOT-TSO.

There being no further business, the meeting of the Finance Committee adjourned at 10:19 a.m., following a motion by Member Rosen, and seconded by von Paris.



Peter J. Basso, Chairman