

MARYLAND TRANSPORTATION AUTHORITY
BOARD MEETING
THURSDAY, FEBRUARY 22, 2018
2310 BROENING HWY, BALTIMORE, MD 21224

OPEN SESSION

R. Earl Lewis, Chairman

MEMBERS ATTENDING:

Katherine B. Armstrong
P. Jack Basso
Dontae Carroll (via telephone)
William H. Cox, Jr. (via telephone)
William Ensor
W. Lee Gaines
Mario J. Gangemi (via telephone)
John von Paris

STAFF ATTENDING:

Percy Dangerfield
Trudy Edwards
Clay Fischer
Alan Garman
David Goldsborough
Chantelle Green
Michele Gross
James Harkness
Meshelle Howard
Colonel Jerry Jones
Kimberly Millender, Esquire
Tonya Morant
John O'Neill
Cheryl Lewis-Orr
Kevin C. Reigrut
Mike Rice
Deborah Sharpless
Cheryl Sparks
Chris Thompson
Dan Williams
Melissa Williams
Eric Willison

OTHERS ATTENDING:

Mike McGeady, Century
Donna Pierce
Rick Pierce
Lisa Reichart
Lou Reichart

At 9:00 a.m. Acting Chair R. Earl Lewis called the meeting of the Maryland Transportation Authority (MDTA) Board to order.

APPROVAL – OPEN SESSION MINUTES OF JANUARY 25, 2018

Upon motion by Member William Ensor and seconded by Member P. Jack Basso, the Closed and Open meeting minutes of the MDTA Board meeting held on January 25, 2018 were unanimously approved.

RESOLUTION – YEARS OF SERVICE RECOGNITION FOR RETIRED EMPLOYEES

Ms. Deborah Sharpless read the following resolutions for employees who have retired Ms. Bridgette Barbee, Mr. Rickey Pierce, Ms. Katherine Raynor, Ms. Lisa Reichart, and Ms. Patricia A. Roberts. Therefore it further be resolved, on the occasion of their retirement from their distinguished careers of exemplary service, the Chairman and Members of the Maryland Transportation Authority hereby express to Ms. Barbee, Mr. Pierce, Ms. Raynor, Ms. Reichart, and Ms. Roberts their most sincere appreciation for their excellence and commitment, and be it further resolved that these resolutions be entered into the minutes of the MDTA Board meeting of February 22, 2018, and a copy, appropriately framed, be presented as an expression of the MDTA Board's appreciation and esteem.

APPROVAL – QUARTERLY UPDATE OF INVESTMENT STRATEGY AND PERFORMANCE

Mr. Alan Garman presented the quarterly update on the MDTA's investment strategy and performance and to request MDTA Board approval for the continuation of the current investment strategy. This item was reviewed by the Finance Committee and recommended for approval.

For the trailing 12-month period ended December 31, 2017, the MDTA's investment strategy was in line with the agency's Investment Policy and the investment portfolio's total return performance was commensurate with the respective benchmark indices. No changes in performance strategy or benchmarks are recommended for this quarter.

The MDTA employs either a Matched Funding or Total Return approach for certain categories of accounts. Debt Service and Capital accounts are managed on a Matched Funding basis, with investment maturities matched to known or potential outflows. Unrestricted and Restricted Reserves are managed for Total Return, with consideration of the risk/return tradeoff associated with longer term structures. Longer duration portfolios benefit from higher average annual returns over multi-year periods, but tend to exhibit greater return volatility relative to shorter structures.

Unrestricted Reserves are benchmarked against a Composite index of 1-3 and 3-5 year bullet agency indices. The Composite index consists of a blend of 50% of the of the Merrill Lynch 1-3 Year Bullet Agency index and 50% of the Merrill Lynch 3-5 Year Bullet Agency Index. Investment maturities within this index are generally staggered from 3-months to 5-years, with overweight in the 3-5 year maturity bands and an effective duration target of approximately 2.7. By contrast, Restricted Reserves are benchmarked against a 3-5 year bullet agency index. Investment maturities are generally staggered semi-annually from 6-months to 8-years, with an effective duration target of approximately 3.6.

Both the Unrestricted and Restricted Reserves were positioned during the trailing 12-months with respective portfolio effective durations averaging near the index targets. Total return performance for the trailing 12-months through December was in line with the benchmark indices. The Unrestricted Reserves' (General, M&O, Operating) trailing total return performance of 1.07% was commensurate with the Composite index's return of 0.98%. The Restricted Reserves' (Series 2009 and Parity Debt Service Reserves) trailing total return performance of 1.61% was commensurate with the 3-5 Year Bullet Agency index's return of 1.37%.

Upon motion by Member Basso and seconded by Member Armstrong, the Members unanimously approved the continuation of the current investment strategy.

APPROVAL – CODE OF MARYLAND REGULATIONS (COMAR)

Ms. Michele Gross requested to seek conditional approval for the repeal of COMAR 11.07.03.05 and the amendment to COMAR 11.07.03.03(B) subject to any needed non-substantive changes as the result of pre-publication review.

Regulation .05 of Chapter 3 establishes a \$500 application fee for towing companies seeking permits to provide towing and related services on MDTA property. The repeal is only for the \$500 application fee, currently occurs every five years.

Regulation .03(B) of Chapter 3 pertains to advertising options, and is amended to reflect MDTA's use of e-Maryland Marketplace instead of print media advertising.

MDTA has a permitting process for tow companies to operate on MDTA roadways. This process helps to ensure that MDTA has equipment available to clear accidents quickly for the benefit and safety of our customers. Every five years, tow companies apply to be one of the permittees called upon to operate on MDTA's property.

The proposed changes will reduce the cost and complexity of regulatory compliance for MDTA's current and future towing permittees without negatively impacting MDTA's operations or finances. MDTA currently receives about \$12,000 every five years from towing companies when they apply for a permit. It is the desire of MDTA to remove hindrances for small businesses applying for a permit.

MDTA desires to advertise the permitting process on e-Maryland Marketplace instead of the print news media. This is the way business is done in Maryland and MDTA wants to make its permit process more competitive.

Upon motion by Member Mario Gangemi and seconded by Member W. Lee Gaines, Jr, the Members unanimously conditionally approved the repeal of COMAR 11.07.03.05 regulations .05 and .03(B) of Chapter 3 as outlined above.

UPDATE – QUARTERLY REVIEW OF THE OPERATING BUDGET

Ms. Christina Thompson provided an update on the status of year-to-date spending against the Fiscal Year (FY) 2018 Operating Budget. This item was reviewed by the Finance Committee.

As of December 31, 2017, 41% of the budget was spent as compared to the targeted spending level of 47%.

- Salaries and wages, slightly below 47%, are within the targeted level of spending at 44%. Salaries and benefits account for over half (55%) of the total budget.
- Motor vehicle operations and maintenance is below target at 40% spent. Gas and oil usage is seasonal with heavier usage occurring in the winter and spring due to snow plowing operations and spring maintenance. In addition, MDTA's motor vehicle fleet now contains newer, more fuel efficient vehicles that require less gas and fewer repairs.
- Contractual services is only at 37% spent and accounts for approximately one-third (34%) of the total budget. Historical trends for contractual services show spending usually occurs mostly in the last quarter of the fiscal year.
 - IT-related contractual services are underspent at 25% of budget. Certain annual maintenance fees have not yet been spent and will be spent as the annual invoices are received and processed. In addition, savings are being realized due to the systems maintenance, design, and analysis that is being conducted by MDTA employees as a result of receiving additional positions.
 - Fiscal services is over the targeted spending level at 60%. Bank service charges will continue to escalate until a new contract is negotiated by the State. A contract extension for MDTA is being worked on in conjunction with the State Treasurer's Office. In addition, reciprocity payments that are made to members of the *E-ZPass* Group are high due to increased transactions and higher credit card fees.
 - E-ZPass service center costs are within target at 46% spent.
- Supplies and materials are within target spending at 45% spent.
 - Spending for salt, which is at 16% spent, will increase as more winter weather events occur and withdrawals from inventory are posted.
 - Transponders are 70% spent. This is due to a large volume of transponders nearing the end of their useful life, more sales through the e-store at the Motor Vehicle Administration, and an increase in sales at Weis markets due to the expansion of the number of Weis markets throughout the State.
- Fixed charges is 77% spent. This includes payments for property, bridge, and tunnel liability and tort insurance. Most insurance premiums have been paid for the year.

UPDATE – QUARTERLY REVIEW OF TRAFFIC AND REVENUE

Ms. Deborah Sharpless provided a quarterly update regarding traffic and toll revenue trends on the MDTA's toll facilities. This item was reviewed by the Finance Committee.

Each quarter, an independent quarterly review of traffic and toll revenue trends is prepared by CDM Smith and Jacobs (MDTA's traffic and revenue consultants). The quarterly review compares actual system-wide experience with transaction and toll revenue forecasts. As of December 31, 2017, quarterly and year-to-date transactions and revenue on the MDTA's legacy and all-electronic toll facilities are trending close to forecasts.

Legacy Facilities

Through December 2017, transactions and toll revenues on the MDTA's legacy facilities were 1.4% and 0.3% below the forecast, respectively. Passenger car transactions have been relatively flat, which was likely due to the greater than expected snow fall in December 2017, higher than expected increases in motor fuel prices, and higher than expected impacts from the construction activity at the Harbor Crossings which may have suppressed discretionary passenger trips. Increases in commercial vehicle transactions partially offset the flat growth in passenger vehicle transactions. An increase in the average toll rate accounts for the differences in performance between transactions and revenue. Commercial vehicle growth put upward pressure on the average toll rate; whereas, increases in Maryland *E-ZPass*[®] transactions put downward pressure on the rate, although to a lesser extent.

Intercounty Connector (ICC)

Through November 2017, transactions and toll revenue on the MDTA ICC were 0.5% and 0.7% above the forecast, respectively. *E-ZPass* transactions exceeded the forecast by 1.5% and video trips were 5.7% below the forecast. The ICC traffic and revenue growth has normalized after years of high ramp-up. The ICC's relative high percentage of passenger cars and commuting traffic means that regional macroeconomic trends such as the unemployment rate, weather, and fuel prices will continue to heavily impact the ICC's traffic volumes.

I-95 Express Toll Lanes (ETL)

The I-95 ETL performance continues to be in the ramp-up phase; although as expected, the year-over-year growth in traffic continues to decline (FY16 – 17.4%, FY17 – 9.2%, YTD FY18 – 4.2%). The positive growth is tempered by the deceleration of the ramp-up phase and infrequent transactions associated with one-time users on the system. In comparison to the forecast, through December 2017, transactions and revenues on the I-95 ETL were 1.1% and 2.1% above the forecast, respectively. An increase in the average toll rate accounts for the difference between transactions and revenue. Commercial vehicle growth put upward pressure on the average toll rate.

UPDATE – LEGISLATIVE

Ms. Michele Gross updated the Members on a number of bills that MDTA is tracking for this year's legislative session.

UPDATE – HUMAN RESOURCES COMMITTEE

Member Gaines reported on the February 8, 2018 Human Resources Committee meeting. Several topics were discussed or an update was presented on the following: Recruitment Process Update; HR Central Update; Classification & Compensation Overview; Employee Relations Report; and Performance Appraisal Tool.

At 9:43 a.m. Member Dontae Carroll ended his participation with the meeting.

UPDATE – EXECUTIVE DIRECTORS REPORT

Mr. Reigrut reported on several topics to include 3G ETC Contract Approval; MDTA Strategic Planning Initiative; Port Covington; and the Performance Survey.

Mr. Reigrut presented a new organizational chart in follow-up to the brief discussion at last month's Board Meeting where the Members unanimously approved the establishment of the Chief Financial Officer, Chief Operating Officer, Chief Administrative Officer, and the Chief Law Enforcement Officer positions, abolished the Deputy Executive Director position, and created a Chief of Staff Position.

This new organizational chart moves the Engineering Division under the Chief Operating Officer; moves the Procurement Division under the Chief Financial Officer; moves the Communications and Business Process Improvement Divisions under the Chief of Staff; and consolidates the Asset Control and Damage Recovery Office under the Office of Environment, Safety and Risk Management.

Upon motion by Member Basso, and seconded by Member Katherine Bays Armstrong, the Members unanimously approved the new Organizational Chart as outlined above.

There being no further business, the meeting of the MDTA Board was adjourned by general consensus at 10:06 a.m.

The next MDTA Board Meeting will be held on March 29, 2018, at 9:00 a.m. at 2310 Broening Hwy, Baltimore, Maryland 21224.

APPROVED AND CONCURRED IN:



Pete K. Rahn, Chairman