

MARYLAND TRANSPORTATION AUTHORITY  
BOARD MEETING  
THURSDAY, MAY 31, 2018  
2310 BROENING HWY, BALTIMORE, MD 21224

OPEN SESSION

James F. Ports, Jr., Acting Chairman

MEMBERS ATTENDING:

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

STAFF ATTENDING:

Yaw Berkoh  
Kerry Brandt  
Percy Dangerfield  
Jeff Davis  
Trudy Edwards  
Lt. Kevin Foster  
Allen Garman  
Chantelle Green  
Michele Gross  
James Harkness  
Meshelle Howard  
Jeanne Marriott  
Kimberly Millender, Esquire  
Tonya Morant  
Lt. Michelle Mount  
1<sup>st</sup>. Sgt. Jason Olschewske  
John O'Neill  
Cheryl Lewis Orr  
Kevin C. Reigrut  
Lt. Col. Joe Ruff  
Christina Thompson  
Timothy Wendt  
Melissa Williams

OTHERS ATTENDING:

At 9:00 a.m. Acting Chairman James F. Ports, Jr. (Jim Ports), called the meeting of the Maryland Transportation Authority (MDTA) Board to order.

**APPROVAL – OPEN SESSION MINUTES OF APRIL 19, 2018**

Upon motion by Member William Cox and seconded by Member William Ensor, the Open meeting minutes of the MDTA Board meeting held on April 19, 2018 were unanimously approved.

**RESOLUTIONS – YEARS OF SERVICE FOR RECOGNITION**

Mr. Kevin C. Reigrut read the following resolutions for employees who have retired: Captain Joseph Alton, Jr., Captain Millard Heinze, Jr. and Rebecca Pindell. 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 Captain Joseph Alton, Jr., Captain Millard Heinze, Jr and Rebecca Pindell 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 May 31, 2018, and a copy, appropriately framed, be presented as an expression of the MDTA Board's appreciation and esteem.

**UPDATE – QUARTERLY REVIEW OF INVESTMENT STRATEGY & PERFORMANCE**

Mr. Allen Garman provided a quarterly update on the investment strategy and performance. This item was discussed in detail at the Finance Committee meeting held on May 15, 2018.

For the trailing 12-month period ended March 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 the core unrestricted reserve accounts. However, some revisions in strategy are recommended for the debt service reserves as the agency explores the replacement of the cash funded reserves with surety policies. The revised strategy recommendation is contained in the separate Investment Strategy Revised agenda item.

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 multiyear 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 the unrestricted reserves 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 the Merrill Lynch 3-5 Year Bullet Agency Index. Investment maturities within the restricted reserves 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 March was in line with the benchmark indices. The Unrestricted Reserves' (General, M&O, Operating) trailing total return performance of 0.14% was commensurate with the Composite index's return of 0.08%. The Restricted Reserves' (Series 2009 and Parity Debt Service Reserves) trailing total return performance of 0.56% outperformed the 3-5 Year Bullet Agency index's return of -0.12%.

### **APPROVAL – INVESTMENT STRATEGY FOR CERTAIN UNRESTRICTED INVESTMENTS AND THE DEBT SERVICE RESERVES**

Mr. Garman requested approval of a revised investment strategy for a portion of the MDTA's unrestricted investments and certain restricted debt service reserves. These revisions in strategy were discussed extensively during recent Investment Committee meetings and at the May 15, 2018 Finance Committee meeting.

Based on the draft financial forecast for fiscal 2019, additional funding from cash reserves will likely be needed to support capital spending. For perspective, fiscal 2018 capital spending will be fully funded from net operating revenues generated during the current fiscal year (pay-go), while fiscal 2019 spending will be funded from net operating revenues and a drawdown of cash reserves.

1. The Investment Committee recommends the transfer of approximately \$47 million from the General account to the Capital account in coming weeks. Certain investments in the General account will be sold and reinvested on a Matched Funding basis in the Capital account, with investment maturities matched to projected spending.
2. The agency is also exploring the replacement of cash funded debt service reserves with surety policies. The substitution of the \$80 million of cash funded reserves with surety policies will make additional funds available for capital spending. A portion of the debt service reserve investments will be held to the near-term maturities and the remaining investments will be sold. Approximately \$80 million of cash will be transferred to the Capital account and reinvested on a Matched Funding basis.

Upon motion by Member P. Jack Basso and seconded by Member Kathy Bays Armstrong, the Members unanimously approved the revised investment strategy for the restricted Debt Service Reserves and a portion of unrestricted cash reserves to be transferred to the Capital account.

### **UPDATE – QUARTERLY REVIEW OF OPERATING BUDGET VS. ACTUAL SPENDING**

Ms. Christina Thompson provided a status of the year-to-date spending against the Fiscal Year (FY) 2018 Operating Budget. This item was discussed in detail at the May Finance Committee meeting.

As of March 31, 2018, 66% of the budget has been spent as compared to the targeted spending level of 74%.

- Salaries and wages, while slightly below 74%, are within the targeted level of spending at 72%. Salaries and benefits account for over half (55%) of the total budget.
- Motor vehicle operations and maintenance is below target at 61% spent. MDTA's motor vehicle fleet now contains newer, more fuel efficient vehicles that require less gas and fewer repairs. In addition, invoices are lagging behind due to a contract novation.
- Contractual services are only 57% 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. Certain annual maintenance fees have not yet been spent and will be spent as the annual invoices are received and processed. In addition, funds budgeted for the license plate reader expansion will not be spent.
  - Engineers are only 52% spent, mostly due to consultant invoice billings that often lag a few months behind and spending on annual inspections, which typically occurs during the last quarter of the fiscal year.
  - Building/road repairs and maintenance is only 56% spent. Spending at BHT, FSK and FMT is expected to increase in the last quarter for spring maintenance. In addition, on-call task orders for repairs that are overseen by the Office of Engineering and Construction have been issued but not paid.
  - Fiscal services is over the targeted spending level at 80%. Credit card reciprocity payments that are made to members of the *E-ZPass*<sup>®</sup> Group are high due to increased transactions and higher credit card fees.
  - *E-ZPass* service center costs are below target at 64% spent. Bills are lagging.
- Supplies and materials are below target spending at 64% spent.
  - Spending for salt, which is 51% spent, will increase as withdrawals from inventory are posted. However, salt is expected to be under-budget due to the relatively mild winter.
  - Transponders are 73% 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.
- Fixed charges is at 84% spent. This includes payments for property, bridge and tunnel liability and tort insurance. All insurance premiums have been paid for the year.

#### **UPDATE – QUARTERLY REVIEW OF TRAFFIC AND REVENUE**

Ms. Chantelle Green provided a quarterly update regarding traffic and toll revenue trends on the MDTA's toll facilities. This item was discussed in detail at the May Finance Committee meeting.

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 March 31, 2018, quarterly and year-to-date transaction and revenue on the MDTA's legacy and all-electronic toll facilities are trending close to forecasts. System-wide transactions and toll revenue for the quarter ended March 31, 2018 totaled 122.3 million and \$507.0 million, respectively.

#### **UPDATE – QUARTERLY REVIEW OF ACTUAL CAPITAL SPENDING V. BUDGETED SPENDING**

Ms. Jeanne Marriott presented an update on the status of year-to-date spending against the Fiscal Year (FY) 2018 Capital budget in the FY 2018-2023 Draft Consolidated Transportation Program.

As of March 31, 2018, 38% of the FY 2018 budget had been spent as compared to the targeted spending level of 75%. Twenty-eight of the 116 projects budgeted for FY 2018 were within the acceptable spending limits of 50% to 100% (plus or minus 25% of the 75% target). Due to normal lags in invoicing, generally two months, a plus or minus 25% threshold was determined to be reasonable.

FY 2018 spending for 88 projects was below 25% or above 100%, which is outside the acceptable limits. Sixty-nine of these projects were underspent; nineteen were overspent.

Eight projects budgeted for more than \$9 million in FY 2018 were underspent by a total of \$180 million. This represents 67% of the total underspending of \$267 million. Details of the eight projects were discussed, including projected spending through June 2018 and reasons for underspending through the 3<sup>rd</sup> quarter.

#### **UPDATE – HUMAN RESOURCES (HR) COMMITTEE MEETING**

Member W. Lee Gaines, Jr. presented a summation of the May 10, 2018 meeting. Topics reported were Position Description Project, Nice Bridge Town Hall, Workforce Utilization Project Update, MDTA Performance Appraisal Update (PULSE), and MDTA Bright Ideas.

#### **UPDATE – EXECUTIVE DIRECTORS REPORT**

Mr. Reigrut reported on several topics;

- Six public hearings held in May for the Bay Bridge tier 1 NEPA study.
- Had the honor of throwing the first pitch at the May 29<sup>th</sup> Orioles game.
- On May 23 Governor Hogan announced *E-ZPass*<sup>®</sup> transponders are available at no charge.
- Represented Chairman, Pete K. Rahn at a Congestion Pricing Conference in Washington, DC.
- Held the first of many virtual town hall meetings for all Supervisors and Managers to introduce PULSE.

Mr. Reigrut recognized Lieutenants Michelle Mount, Kevin Foster and 1<sup>st</sup> Sergeant Jason Olschewske for their roles in maintaining our CALEA Tri Arc accreditation. Lt. Mount, Lt. Foster and 1<sup>st</sup> Sergeant Olschewski were presented with framed certificates.

There being no further business, the meeting of the MDTA Board was adjourned by general consensus at 10:26 a.m.

The next MDTA Board Meeting will be held on June 28, 2018, at 9:00 a.m. at the Maryland State Police Building, 15 Turnpike Drive, Perryville, MD 21903

APPROVED AND CONCURRED IN:



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Pete K. Rahn, Chairman