

MARYLAND TRANSPORTATION AUTHORITY  
BOARD MEETING

WEDNESDAY, NOVEMBER 29, 2023  
9:00 A.M.

2310 BROENING HIGHWAY, BALTIMORE MD 21224  
IN-PERSON & LIVESTREAMED OPEN MEETING

OPEN SESSION

Paul J. Wiedefeld, Chairman

MEMBERS ATTENDING:

Dontae Carroll  
William H. Cox, Jr.  
W. Lee Gaines, Jr. – Via Telephone  
Mario J. Gangemi  
Cynthia D. Penny-Ardinger  
Jeffrey S. Rosen  
Samuel D. Snead  
John F. von Paris

STAFF ATTENDING:

Jeffrey Brown  
Percy Dangerfield  
Jeffrey Davis  
Tonya Dorsey  
Allen Garman  
James Harkness  
Natalie Henson  
Richard Jaramillo  
Daryl Keys  
Selena McKissick  
Kelly Melhem  
Kimberly Millender, Esq.  
John Monk  
Ebony Moore  
Mary O'Keeffe  
Acting Colonel Joseph Scott  
Deborah Sharpless  
Jennifer Stump  
Jerome Watson

OTHERS ATTENDING:

Samantha Biddle, Deputy Secretary, MDOT TSO

At 9:00 a.m. Chairman Paul J. Wiedefeld called the meeting of the Maryland Transportation Authority (MDTA) Board to order. The meeting was held in-person at MDTA Headquarters, 2310 Broening Highway, Baltimore MD 21224 and was livestreamed on the MDTA Board Meeting web page.

**APPROVAL – OPEN SESSION MEETING MINUTES OF OCTOBER 26, 2023**

Upon motion by Member William H. Cox, Jr. and seconded by Member Mario J. Gangemi, the open session meeting minutes of the MDTA Board meeting held on October 26, 2023 were unanimously approved.

**APPROVAL – 1<sup>st</sup> CLOSED SESSION MEETING MINUTES OF OCTOBER 26, 2023**

Upon motion by Member Jeffrey S. Rosen and seconded by Member Samuel D. Snead, the 1<sup>st</sup> closed session meeting minutes of the MDTA Board meeting held on October 26, 2023 were unanimously approved.

**APPROVAL – 2<sup>nd</sup> CLOSED SESSION MEETING MINUTES OF OCTOBER 26, 2023**

Upon motion by Member Mario J. Gangemi and seconded by Member Dontae Carroll, the 2<sup>nd</sup> closed session meeting minutes of the MDTA Board meeting held on October 26, 2023 were unanimously approved.

**APPROVAL – CONTRACT AWARD**

- **HB-3001-0000 – Cleaning and Painting and Miscellaneous Structural Repairs of the US 40 Bridge over the Susquehanna River (Hattem Bridge)**

Mr. Jeffrey Davis requested contingent approval from the MDTA Board to execute Contract No. HB-3001-0000 – Cleaning and Painting and Miscellaneous Structural Repairs of the US 40 Bridge over the Susquehanna River (Hattem Bridge) with Blastech Enterprises, Inc. in the amount of \$56,861,520.00.

Mr. Davis explained that the work to be performed under this Contract is located on the Thomas J. Hattem Memorial Bridge, US Route 40, over the Susquehanna River. The scope of work includes replacement of the protective coating system on the structural steel members and performing miscellaneous structural steel repairs on the bridge.

Upon motion by Member Mario J. Gangemi and seconded by Member W. Lee Gaines, Jr., the Members unanimously gave contingent approval to execute Contract No. HB-3001-0000 – Cleaning and Painting and Miscellaneous Structural Repairs of the US 40 Bridge over the Susquehanna River (Hattem Bridge).

**UPDATE – PROCURMENT REPORT ON OPEN CONTRACTS**

Mr. Jeffrey Davis presented the MDTA Board with a verbal report on how many contracts are currently open with the MDTA excluding state credit card purchases. There are currently 204 total contracts totaling \$2,732,347,048.99.

**APPROVAL – CANTON RAILROAD**

Ms. Deborah Sharpless requested approval from the Maryland Transportation Authority (MDTA) Board of the proposed Canton Development Corporation, Inc. (Canton) Board of Directors and designation of the Chief Financial Officer, or designee, as proxy to attend the Canton Annual Stockholders Meeting on December 13, 2023 to vote to approve the election of the Canton Board of Directors.

Ms. Sharpless explained that the MDTA is the sole stockholder of Canton and the day-to-day operations of Canton are managed by Mr. Paul Barnes, the President and CEO, with the oversight of a Board of Directors. Per the Corporate By-Laws, the stockholders are to gather annually and elect the members of the Board of Directors.

She further explained that Mr. Barnes has provided MDTA with proper notice of the upcoming Annual Meeting of stockholders to be held on December 13, 2023. Per the By-Laws, the only matter on which the stockholders have authority to vote is the election of the members to Canton's Board of Directors. Additionally, the By-Laws of Canton permit the stockholders to be represented by a proxy.

Ms. Sharpless explained that the MDTA recommends the appointment of Charley C. Sung and Thomas E. Huesman. MDTA Board Members Cox, von Paris, and Canton Director Kaufman strongly endorse these appointments. Information regarding their qualifications were shared in the Board materials. The MDTA also recommends the reappointment of J. Robert Huber, Sr. Member Cox, Canton Director Kaufman, and Canton CEO Barnes strongly endorse the reappointment. Lastly, the MDTA recommends Director Kaufman assume the responsibility of Chairman.

Upon motion by Member Cynthia D. Penny-Ardinger and seconded by Member Dontae Carroll, the Members unanimously approved the Canton Railroad Board of Directors and the designation of the Chief Financial Officer as proxy to attend Canton's Annual Stockholder Meeting on December 13, 2023 to vote.

**UPDATE – TRAFFIC AND REVENUE FORECAST UPDATE**

Ms. Deborah Sharpless briefed the MDTA Board on the annual update to the Traffic and Revenue (T&R) forecasts for all facilities.

Ms. Sharpless explained that each fall, an update to the ten-year traffic and revenue forecast is prepared by independent consultants. The MDTA selected CDM Smith through a competitive process to provide the T&R forecast. The forecast is built on historical data from the MDTA's facilities and national, regional, and State socioeconomic data, such as population, employment, unemployment, real income per capita, real gross domestic product, inflation, and fuel prices. The forecast also accounts for, among other things, anticipated construction projects, video toll collection and enforcement, and ongoing T&R growth trends following COVID-19.

Ms. Sharpless then provided an update on the traffic T&R forecast for the legacy facilities, Intercounty Connector (ICC), and the I-95 Express Toll Lanes (ETL). She explained that the current T&R forecast (FY 2023-2029) increases by \$354 million, or 7%, from November 2022. The \$354 million increase in revenue is largely driven by a \$320 million increase in legacy facility revenue and a \$26 million increase in toll administrative revenue. Also, the Intercounty Connector and I-95 Express Toll Lanes revenue increases by \$7 million, or 1%, throughout the forecast period.

#### **APPROVAL – FISCAL YEAR 2025 PRELIMINARY OPERATING BUDGET**

Mr. Jeffrey Brown requested MDTA Board approval of the Preliminary Fiscal Year (FY) 2025 Operating Budget.

Mr. Brown explained that the proposed FY 2025 Preliminary Operating Budget of \$421.4 million, represents a \$21.3 million, or 5.3%, increase versus the FY 2024 Final Budget. Overall, the key drivers of the increase are mandated personnel expenses, E-ZPass<sup>®</sup> service center costs, engineering costs, and insurance premiums.

The FY 2025 operating budget reflects a \$9.4 million increase in mandatory spending, a \$14.8 million increase in discretionary spending, and a \$2.9 million reduction in discretionary spending. Mandated changes increased the budget by \$9.4 million mostly due to: (1) a 5.0% COLA for Police; (2) Maryland State Police increases due to personnel and an overhead rate increase totaling \$2.3 million; (3) a one-time step increase for all sworn and civilian employees totaling \$1.7 million; (4) Civilian COLA of 2% increases the budget by \$1.6 million; (5) Employee & Law Enforcement Officers Pension System retirement costs account for \$0.8 million; (6) Overtime increases due to vacancies increases by \$0.5 million; (7) Social Security increases to \$0.4 million primarily due to rate changes; and (8) other (reclasses, other fringe, accrued leave, etc.) decrease by \$0.5 million.

Upon motion by Member Jeffrey S. Rosen and seconded by Member Cynthia D. Penny-Ardinger, the Fiscal Year 2025 Preliminary Operating Budget was unanimously approved.

**APPROVAL – FINAL FISCAL YEAR 2024 – 2029 CONSOLIDATED  
TRANSPORTATION PROGRAM (CTP)**

Ms. Jennifer Stump requested MDTA Board approval for the Final Fiscal Year (FY) 2024-2029 Consolidated Transportation Program (CTP). She explained that the six-year FY 2024-2029 budget in the proposed CTP is \$3.1 billion.

The proposed CTP reflects a net increase in the six-year FY 2024-2029 budget of \$393.1 million. The net FY 2024-2029 increase is the result of the following:

- Increase of \$780 thousand for the Nice/Middleton Bridge.
- Increase of \$4.9 million for the I-95 Express Toll Lanes (ETL) Northern Extension.
- Increase of \$177.9 million for all projects except Nice/Middleton Bridge, I-95 ETL Northern Extension, and reserves.
- Increase of \$209.5 million in the Allocated and Unallocated Reserves.

The FY 2023 expenditures were \$451.7 million vs. \$484.8 million in the Draft FY 2024-2029 CTP (Attachment #1 – Line 6). FY 2023 underspending was \$33.1 million and has been rolled over into the Final FY 2024-2029 CTP.

Upon motion by Member Dontae Carroll and seconded by Member William H. Cox, Jr., the Final Fiscal Year 2024 – 2029 Consolidated Transportation Program was unanimously approved.

**APPROVAL – DEBT POLICY**

Mr. Allen Garman requested MDTA Board approval of the amended Debt Policy to upwardly revise the \$350 million Unrestricted Cash target to \$400 million.

~~For historical perspective, Mr. Garman explained that prior to 2009, the MDTA's liquidity target was set to equal annual toll revenues. With projected revenue increases associated with new facilities (ICC/ETL), traffic, and toll rates, it was recognized that revenues would rise sharply, from less than \$300 million in fiscal 2009 to more than \$600 million in fiscal 2014, and necessitate unnecessarily high cash reserves to remain in compliance with the internal policy.~~

A revised policy was adopted in 2009 based on the rating agencies' preferred metric that sized the unrestricted cash position to the relatively lower Operating Budget rather than Toll Revenues. The Debt Policy unrestricted cash target of \$350 million has been adequate in intervening years to meet rating agencies' liquidity standards.

Mr. Garman further explained that management, through consultation with credit rating agencies and external Municipal Advisors, recommends an increase in the unrestricted cash reserve to support prudent liquidity and meet Toll Sector ratings methodologies that require unrestricted cash to approximate the annual operating budget. This metric is termed the Days Cash on Hand ratio and is a critical credit strength measure, along with the Debt Service Coverage ratio, in maintaining credit ratings in the double-A ratings category and access to the capital markets at the lowest possible financing rates.

Unrestricted cash is adequate to meet the Days Cash on Hand metric for the ratings category in the current fiscal year but will need to rise during the six-year capital planning period to maintain relative size with the operating budget.

An increased cash reserve will have minimal short-term impact on debt service coverage, debt limit, and funds available for capital spending. In the long-term, the financing savings as a higher rated borrower will result in improved debt service coverage and lower debt outstanding.

Upon motion by Member Jeffrey S. Rosen and seconded by Member Dontae Carroll the MDTA Debt Policy was unanimously approved.

#### **APPROVAL – FISCAL YEAR (FY) 2024 – 2029 FINANCIAL FORECAST**

Mr. Allen Garman requested MDTA Board approval of the Fiscal Year (FY) 2024-2029 Financial Forecast.

Mr. Garman explained that through FY 2028, the MDTA remains in compliance with its financial goals and legal standards. However, based on the current forecast estimates, beginning in FY 2029, a systemwide toll increase will be necessary to maintain 2.0 times debt service coverage throughout the remainder of the FY 2024-2029 forecast period. Tolls were last increased in FY 2014 followed by a reduction of tolls in FY 2016. The actual timing of a toll increase will depend on many factors.

Upon motion by Member Mario J. Gangemi and seconded by Member John F. von Paris, the Fiscal Year 2024-2029 Financial Forecast was unanimously approved.

#### **UPDATE – BI-ANNUAL REVIEW OF REVENUE SUFFICIENCY**

Mr. Allen Garman presented to the MDTA Board the Bi-Annual Review of Revenue Sufficiency update. The most recent financial forecast shows that through FY 2028, the MDTA's current toll rates, fees, and discounts provide enough revenue in the immediate near-term to meet forecasted spending as well as legal and policy requirements.

**UPDATE – INDEPENDENT AUDITORS’ REPORT ON THE FISCAL YEAR 2023 FINANCIAL STATEMENTS**

Ms. Deb Sharpless reported to the MDTA Board the Independent Auditors’ Report on the Fiscal Year (FY) 2023 Financial Statements that CliftonLarsonAllen, LLP, MDTA’s independent auditor, completed. For the FY 2023 financial statements audit period, an unmodified opinion was issued by CliftonLarsonAllen, LLP. The two uncorrected misstatements for pensions and accrued interest were immaterial to the MDTA’s overall financial statements. The passed journal entries were recorded in FY 2024.

**UPDATE – FISCAL YEAR 2023 INDEPENDENT AUDITORS’ SERVICE ORGANIZATION CONTROL (SOC) 1 AND SOC 2 REPORTS**

Ms. Deborah Sharpless presented an overview of the results of the Fiscal Year 2023 Service Organization Control (SOC) 1 and SOC 2 Reports for the Maryland *E-ZPass* System. The audits were conducted by independent auditor SB & Company, LLC.

Ms. Sharpless explained the FY 2023 SOC 1 Type 2 audit review included 11 Control Objectives described and asserted by TransCore and 5 Control Objectives described and asserted by Kapsch. The FY 2023 SOC 2 Type 2 audit of TransCore was designed to ensure that the service organization’s people, infrastructure, software, data-handling, and procedures are sufficient to handle and protect customer data and information.

She further explained that for the FY 2023 audit period, unmodified opinions were issued for the SOC 1 Type 2 and SOC 2 Type 2 audits. With one exception, all of the findings noted were addressed. The remaining finding is expected to be addressed by the end of the calendar year.

**UPDATE – BRIDGES AND TUNNELS PROPERTY INSURANCE COVERAGE**

Ms. Deborah Sharpless updated the MDTA Board on the selected Property and Business Interruption insurance for 2024. Although insurance costs are a component of the annual Operating Budget approved by the Board, a more detailed update was warranted due to the materially rising premium costs. Ms. Sharpless explained decisions on deductibles as a function of risks, loss history, and breakeven analysis.

Ms. Sharpless explained the following key points to the MDTA Board.

1. Practical insurance coverage with reasonable terms is prudent and required by Section 6.06 of the Trust Agreement.

***Section 6.06. Insurance.***

*The Authority covenants that it will maintain a practical insurance program, with such reasonable terms, conditions, provisions, and costs that the Authority in its sole discretion determines will afford adequate insurance protection. The Authority shall provide insurance against loss caused by damage to or destruction of all or any part of any of the Transportation Facilities Projects; use and occupancy insurance covering loss of revenues...*

2. Industrywide policy premiums have risen materially due to inflation, catastrophe risk, and increasing property claims from weather events.
3. Property and Business Interruption Insurance is obtained annually in a competitive process through the State Treasurer's Office.
4. Combined Property and Business Interruption insurance quotes are provided based on replacement cost and maximum foreseeable loss estimates.
5. Despite operating histories for some of the tolling assets of more than 75 years, the MDTA has not experienced catastrophic property damage or loss of revenue that warranted insurance claims against the purchased policies, although the agency routinely pursues insurance claims against external parties that cause less severe damage.
6. Given the large differences in insurance premiums for varying deductibles, breakeven periods were quantitatively analyzed and the policy was selected based on prudent reasonableness considerations.

#### **UPDATE – HUMAN RESOURCES COMMITTEE**

Member W. Lee Gaines, Jr. presented an update on the Human Resources Committee meeting that took place on November 7, 2023. The Human Resources Committee Members were given updates on the Diversity, Equity, and Inclusion Program; Recruitment and Examinations Update on actions taken and progress made to lower the vacancy rate; the Leadership Investment for Tomorrow (LIFT) Program recap; and the Career Development Program activity for the current fiscal year.

#### **UPDATE – EXECUTIVE DIRECTOR'S REPORT**

Mr. Percy Dangerfield gave the Executive Director's Report. Mr. Dangerfield began by introducing himself, giving some of his background, and thanking everyone at the MDTA for everything they do to keep our Agency moving forward.

Mr. Dangerfield announced that the Governor Harry W. Nice/Senator Thomas "Mac" Middleton Bridge Replacement Design-Build project was honored by the Design-Build Institute of America. The project was awarded Project of Year, Infrastructure Award of Excellence, and the Best in Design Excellence by DBIA – Mid-Atlantic Region. And at the national level, the project won the DBIA Merit Award. He thanked the many employees (including Jim Harkness, Heather Lowe, John Wedemeyer, Jeff Davis, Dave Dikes, Ben Gilmore, Jim Davies, Brian Wolfe, and Bill Randow) for their roles in making the new safer bridge a reality.

Mr. Dangerfield acknowledged the hard work of those who helped to put together the two Open Houses for the public to learn more about the 695 Repairs and Subgrade Rehabilitation on Sparrows Point Project.

He also introduced Mr. Jerome Watson, MDTA's New Director of Customer Experience to the Board and gave a brief background of Mr. Watson. He also acknowledged Member Dontae Carroll and Member Mario Gangemi for their participation in the Leadership Investment for Tomorrow (LIFT) program. And for Member Carroll's participation in the Division of Administration's Employee Retreat.



Mr. Dangerfield concluded his remarks by presenting the MDTA Employee of the 3<sup>rd</sup> Quarter Award to our Point Breeze Maintenance Chief, Mr. Daryl Keys. Mr. Keys was nominated by the Executive Office staff for helping with Board set-up, stepping in to help with Hot Dog Day, and always be ready and willing to help.

**VOTE TO ADJOURN MEETING**

There being no further business, upon motion by Member William H. Cox, Jr. and seconded by Member Samuel D. Snead, the Members unanimously voted to adjourn the meeting at 10:45 a.m.

The next MDTA Board Meeting will be held on Thursday, December 21, 2023 at 9:00 a.m. at MDTA, 2310 Broening Highway, Baltimore MD and will be livestreamed on the MDTA Board webpage.

APPROVED AND CONCURRED IN:

  
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Paul J. Wiedefeld, Chairman