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P R E S E N T

GOVERNOR MARTIN O'MALLEY, Presiding;

HONORABLE PETER FRANCHOT, Comptroller;

HONORABLE NANCY KOPP, Treasurer;

SHEILA C. MCDONALD, Secretary, Board of
Public Works;

ALVIN C. COLLINS, Secretary, Department
of General Services;

T. ELOISE FOSTER, Secretary, Department
of Budget and Management;

HAROLD BARTLETT, Deputy Secretary,
Department of Transportation;

CHIP PRICE, Associate Director, Community
Resilience, Local POS, Community Parks and
Playgrounds, Department of Natural
Resources, Operations;

LUWANDA JENKINS, Special Secretary,
Governor's Office of Minority Affairs;

MARY JO CHILDS, Procurement Advisor, Board
of Public Works; and,

MARION BOSCHERT, Recording Secretary,
Board of Public Works.

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P R O C E E D I N G S

GOVERNOR O'MALLEY: Good morning, everyone, and welcome to the Board of Public Works. Today is, what is today? Today is January 5, 2011. Mr. Comptroller, it's great to see you.

COMPTROLLER FRANCHOT: It's great to see you.

GOVERNOR O'MALLEY: I understand we have a distinguished guest in the gallery today?

COMPTROLLER FRANCHOT: Yes.

GOVERNOR O'MALLEY: Who might that be?

COMPTROLLER FRANCHOT: Well I'd like to welcome again my dad, Doug Franchot, who is here from Cleveland.

(Applause)

COMPTROLLER FRANCHOT: Governor, I highly recommend a movie I took Dad to last night called "The King's Speech." I don't know whether people have seen it, but it's a marvelous production.

TREASURER KOPP: Oh, it's King George.

COMPTROLLER FRANCHOT: Oh, it's just terrific.

GOVERNOR O'MALLEY: Tell me about it.

COMPTROLLER FRANCHOT: Well I went, I took Dad because he was a Navy pilot during World War II and this movie is set in the years leading up to World War II, and a little bit of World War II. And it really showed the incredible scale of that great generation that Dad is part of. But one of the big scenes in the movie is the fact that the King of England, King Edward, abdicates his throne for the love of his life, who is an American divorcee.

TREASURER KOPP: From Baltimore.

COMPTROLLER FRANCHOT: Yeah. And --

(Laughter)

COMPTROLLER FRANCHOT: -- this was, obviously, caused major consternation in England. But there's one scene in the movie where Churchill is speaking to the next King, King George VI, who the movie is really about, and explaining to him that his older brother had to abdicate as the head of the church in England, etc., etc. And he said, because it was about Wallis Simpson. And he said, "Well, it's

just completely unacceptable that you have Queen Wallis of Baltimore."

(Laughter)

COMPTROLLER FRANCHOT: And I thought to myself, "Oh, it sounds pretty good to me."

(Laughter)

COMPTROLLER FRANCHOT: But it's a marvelous movie and Dad loved the theatrical production, but also the time that it was set in. That your dad, and so many of our dads, were part of. So thank you for -
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GOVERNOR O'MALLEY: Thank you for the recommendation.

COMPTROLLER FRANCHOT: -- letting me recognize, Dad, maybe we'll get a picture afterwards with Dad, and I'd be honored if the Treasurer and the Governor could have a picture with us.

GOVERNOR O'MALLEY: Absolutely. It's a poor governor who can't afford a picture --

(Laughter)

GOVERNOR O'MALLEY: -- as Eloise looks back at me.

(Laughter)

GOVERNOR O'MALLEY: Treasurer Kopp, any thoughts?

TREASURER KOPP: Well --

GOVERNOR O'MALLEY: Any good movies?

TREASURER KOPP: No. But I, that's one movie I actually would really like to see. It's a very inspiring story, and I like Colin Firth.

COMPTROLLER FRANCHOT: Yes.

TREASURER KOPP: So there you are.

COMPTROLLER FRANCHOT: You have a lot of company.

TREASURER KOPP: Yes. No, except we do have an item on the Board Agenda that we will get to relatively soon about the COPS, not the Kopps, but the certificates of participation for our slot machines. I don't remember the nice word for them.

But aside from that, no, it's good to be back. I was in Amsterdam visiting two little children, my three-and-a-half-month-old grandchildren. If anyone wants to see pictures they are readily available.

(Laughter)

TREASURER KOPP: But it's very good to be back. I know this is going to be a very difficult and very challenging year, but I am very, very impressed by the spirit of collaboration and understanding that I've seen not only in the Treasurer's Office but across the State. And I know we're going to get through it, and we're going to get through it with our priorities intact and our vision clear for the future. I look forward to continuing to work in the New Year.

GOVERNOR O'MALLEY: Thanks, Madam Treasurer. Mr. Comptroller?

COMPTROLLER FRANCHOT: I just want to echo what the Treasurer said. Because obviously we don't have the federal stimulus dollars like we've had in years gone by, but, and the revenues have stabilized. I think that's the best slant we can put on it. And they're going to slowly recover. But this year is going to be a year that tests everybody in the State. And obviously we're resilient economically in Maryland. We've got all these life sciences that we value so much. We have these great centers of higher

learning. We have our wonderful independent businesses around the State. But most of all we have experienced leadership, Governor, with you. You've gone through this. The legislative leadership is tested. We have a tremendous workforce of State employees. I know the vogue these days is to be skeptical about public employment. Well we have a tremendous group of people that work for us in the State. We've got our AAA bond rating. We've got a proven record. I think we've got leadership, particularly with the Governor, who exemplifies that spirit of optimism that's going to move us forward.

We're going to continue, obviously, to make sure that taxpayer dollars are spent carefully, and we're going to try to get the entire State and everybody to work together to realize that fiscal responsibility has to be part of social responsibility. So I'm delighted to be here at the start of the New Year with both of you, Madam Treasurer and Governor. And I look forward to working with everybody, and hope everyone continues to have the safe and prosperous time with their family and

friends that obviously we're just coming off of with this wonderful holiday.

TREASURER KOPP: Governor, I'm sure you're going to say something but let me just get one word in. First of all, it's very nice to see Mr. Schlanger back. Mr. Secretary, it's a great pleasure.

GOVERNOR O'MALLEY: Welcome back.

TREASURER KOPP: You, I understand there's an announcement to be made and so I'm not going to say anything. Except to say that I don't know anyone who has been a more hardworking, inspiring leader in really tough times than John Colmers.

GOVERNOR O'MALLEY: Hear, hear.

TREASURER KOPP: And we're going to, I wish you well but miss you greatly. There are a lot of things that we did because we knew that you had looked at it and you share the vision and priorities, and you have suffered through what had to be done. And I just want you to know that it's recognized by many people and appreciated deeply by them.

GOVERNOR O'MALLEY: Hear, hear. John Colmers, ladies and gentlemen.

(Applause)

GOVERNOR O'MALLEY: And John, we'll do, I mean there will hopefully be another time when we can more properly thank you for everything you've done over these last four years.

MR. COLMERS: I'm not dead yet --

(Laughter)

GOVERNOR O'MALLEY: He's not, he's not. Before we came out here we were talking about, I shared with Treasurer Kopp that I had seen with my son the new remake of the movie "True Grit." And I said, "The last scene reminded me of Colmers for some reason." As they rode the horse, Old Blackie, into the ground.

(Laughter)

GOVERNOR O'MALLEY: But I really do appreciate, John, your professionalism. And most important what a lot of people don't see as we meet and go over how it is we were able to pull another \$300 million out of a budget where that's down to the bone, and cutting into the marrow, as one recent comment read from one labor leader, rightly. The

amount of compassion that you brought to the job that, given all of the difficulty, it would have probably been easier from a personal standpoint not to keep yourself open to the suffering and the impact that these cuts have on some of the most vulnerable among us. But you never, ever jettisoned that compassion, or became callous, or created a defensive shell. And I really appreciate it. But a lot of people never saw. I mean, we heard a lot about the closing of Rosewood. Each one of those families were people that John met with personally, and he tracked their trajectory through that in a very scary time for their family, and very vulnerable people that they love. And that's something invaluable that you've given to us over these last four years, John. And I, as your friend and as your fellow citizen, really thank you for that. No price tag can ever be put on that gift. So thank you.

Do you want to say anything in response? I mean, because --

MR. COLMERS: May I?

GOVERNOR O'MALLEY: Yeah, because --

MR. COLMERS: Because I didn't want to --

GOVERNOR O'MALLEY: Sure, yeah, stand up.

Come on, man.

MR. COLMERS: Thanks. Thank you. I am blushing. I am not used to getting these compliments. Thank you so much for your kind comments.

It begins first of all, Governor, with my thanks to you for giving me the opportunity and having the trust in me that, almost four years ago when we started on this journey together. Your leadership has just been outstanding and that of the Lieutenant Governor in being able to advance healthcare in this State. You are one of the very few governors in the country where healthcare has really been a high priority. And even in difficult times you've allowed me the flexibility and the backup to get a lot of things done. And Rosewood is certainly a hard decision, but we did a lot of really, really good things that will have a lasting impact on the health of many, many millions of Marylanders for years to come and I'm grateful for that.

I'm also grateful to this Board for the support that you've given the Department and will continue to give the Department in the years ahead. These are complicated times. And you've been able to wrestle with us on those decisions. We haven't always agreed. We've never been disagreeable. And I think that is a testament to the way in which we here in Maryland get things done. And I'm very grateful to you.

And I cannot end here without saying something wonderful about my colleagues on the cabinet, beginning with Eloise most importantly, and others. But also the great people within the Department. People are saying nice things about me today and I'm grateful for it, but I, I know that almost all of that is because of the hard work and dedication of the thousands of people within the Department of Health and Mental Hygiene. From those who are providing direct care in facilities, to those who are processing Medicaid claims, to those who are in the field in public health, they are the ones that get the work done. And they are true, true

professionals working through very difficult times and yet have not lost sight of that, the goal of serving their fellow citizens.

So again, thank you very much for this opportunity.

GOVERNOR O'MALLEY: John, thank you.

(Applause)

GOVERNOR O'MALLEY: We also have one other important, as we talk about public service. Elliot Schlander we're glad -- two more things. Elliot, we're glad to see you back after your exploration of the healthcare system of the State of Maryland.

(Laughter)

MR. SCHLANGER: It worked well and I'm happy to be back.

GOVERNOR O'MALLEY: We're happy to have you back. It makes the IT challenges look like wonderful things to tackle, doesn't it?

MR. SCHLANGER: Absolutely.

GOVERNOR O'MALLEY: Well, we're glad you're back. And today later, later on this morning, I believe, no this afternoon, Senator Barbara Mikulski

will be sworn in making her the longest serving woman ever to serve in the history of the United States Senate. And so this is going to be an exciting and historic day. And all of us who have had the honor and the pleasure to work with her, and to campaign alongside her, are happy for her accomplishment.

I wanted to read to you this, just by way of tribute, I like this one. I think of her on this one. This is by Jack Gilbert, and it's a poem called "The Abnormal Is Not Courage." Now it's a very short poem. We're going to go right after this to the President of St. Mary's, appropriately enough. This is by Jack Gilbert, and it's real short. It goes like this.

"The Poles rode out from Warsaw against the German tanks on horses. Rode knowing, in sunlight with sabers, a magnitude of beauty that allows me no peace. And yet this poem would lessen that day. Question the bravery. Say it's not courage. Call it a passion. But say courage isn't that. Not at its best. It was impossible, and with form. They rode in sunlight, were mangled. But I say courage is not the abnormal, not the marvelous act. Not Macbeth with

fine speeches. The worthless can manage in public, or for the moment. Not the marvelous act, but the evident conclusion of being. Not strangeness, but a leap forward of the same quality. Accomplishment. The even loyalty. But fresh. Not the Prodigal Son, nor Faustus. But Penelope. The things steady and clear. Then the crescendo. The real form. The culmination. And the exceeding. Not the surprise. The amazed understanding. The marriage, not the month's rapture. Not the exception. The beauty that is of many days. Steady and clear. It is the normal excellence of long accomplishment."

So with that we go to Dr. Urgo from. St. Mary's. Come on up, Doctor. And I understand this is a tradition.

DR. URGO: A tradition. I am humbled by the level of discourse here this morning. Over the break the only movie I saw was with my nieces and nephews, who went to see Yogi Bear --

(Laughter)

DR. URGO: -- which I do also recommend for the other generation that's coming up.

It's a great privilege to serve as the President of St. Mary's College of Maryland. Over the last six months, my first six months on the job, I received ninety congratulatory emails and telephone calls from presidential colleagues around the country, all of whom expressed intense admiration for our college and for the level of State support for St. Mary's College, one of the very few public honors colleges in the country. So it is my privilege to serve, to thank this group for supporting us.

I do know that my last six months have gone well because this morning my colleagues from St. Mary's College led me down some alleyways and pathways to an office, where they gave me a badge. So I will now be able to enter the building --

GOVERNOR O'MALLEY: That's good.

DR. URGO: -- without a lot of hassles and so forth. But I can tell you I have enjoyed these last six months. St. Mary's College is a remarkable institution. I knew that before I came, but I've learned it even more deeply from being here for the last six months, meeting not only those who are

working there but are graduates and I hope I even see, all of you must know many of our graduates around the State, and the county, and the region who do such good work for us. So it is a pleasure to be here.

GOVERNOR O'MALLEY: Well, it's good to have you. And I understand you have an Agenda item today, too, as well?

DR. URGO: We do. We are committed to various levels of green activities and responsible shepherding of our resources. We are in great need of a new building for our Philosophy and Religious Studies Programs. Rather than ask you to have us build one, we're simply asking you to have us take an old building and move it across the street where it can serve that purpose as a recycled building. And you'll see that I think is Item 10, 10, on the Agenda.

GOVERNOR O'MALLEY: Great.

TREASURER KOPP: Makes sense to me.

GOVERNOR O'MALLEY: Well, I understand the Treasurer wants to keep the tradition going. We have some other new university presidents who we have extended invitations to, yes?

SECRETARY MCDONALD: I think Dr. Loh is going to come in February.

GOVERNOR O'MALLEY: Dr. Loh, and President Wilson from Morgan, and --

TREASURER KOPP: I think it's important, Governor, for a State, and I know that you share this and certainly the Comptroller, that a State that is so dependent on higher education, so interested, and so supportive of higher education. There was a time when the leaders of our institution really were not known beyond the confines of academia.

DR. URGO: Uh-huh.

TREASURER KOPP: But we thought it was really quite important that the people of the State, and the other public leaders of the State, get to know them, get to recognize the great work that they do, and be able to see the institutions as part of the basic structure of our community and of our economy. And your institution in particular is so unique that I think it's really important that people learn about it.

You know the present system of funding was a creation of the Legislature?

DR. URGO: I do know that.

TREASURER KOPP: Because the Legislature at that time had great faith in the ability of a small liberal arts college to maintain its open doors for all our citizens, both new generation college goers and those who come from families that have been involved in higher education for a long time, but also to be able to be a relatively affordable and yet very unusually high caliber, small liberal arts college. And I'm glad to see that St. John's, St. Mary's like St. John's --

DR. URGO: Like St. John's.

TREASURER KOPP: -- but less expensive, has really thrived under the new regime.

DR. URGO: Well, we certainly pride ourselves in making a liberal arts education accessible to those who aren't, those segments of the society who aren't normally associated with that level of education, and taking the best and the brightest from wherever they happen to be in the State and

region no matter, despite their socioeconomic background and making that affordable to them, indeed.

TREASURER KOPP: Yes.

DR. URGO: I also, in harking back to your initial comment, do consider the role of a college president to be a public official. So if there is any time you would like to hear from me, you'll certainly hear from me sometimes when you may not be thinking you're going to hear from me. But if you'd like to hear from me I would love, I would be at your service and would be happy to appear.

GOVERNOR O'MALLEY: Tell me about your green initiatives down there, Doctor.

DR. URGO: We have, well I can actually have, Chip can actually speak more specifically to recent projects.

MR. JACKSON: Well Governor and Board, the College, driven as much by our students as by --

GOVERNOR O'MALLEY: Great.

MR. JACKSON: -- us administrators, have been working hard on a variety of green initiatives, from green buildings to energy performance contracts.

But also minor things, such as a student farm, to go boxes in our cafeteria so that students can recycle some of the boxes they use to take food in and out. A broad variety of issues. From an energy standpoint our green buildings and our energy performance contracts and our, just conservation initiatives on different levels, we have reduced our energy consumption by over 25 percent over the past three years. And continue to look forward to do that more -

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GOVERNOR O'MALLEY: 25 percent?

MR. JACKSON: Yes, sir.

GOVERNOR O'MALLEY: That's great.

TREASURER KOPP: The, Colonel Freedlander tells me you also have a pervious parking lot?

MR. JACKSON: We have a couple permeable, permeable or pervious, parking lots that we've put on campus. And our new projects all will continue to use that technology to reduce stormwater. We have throughout --

GOVERNOR O'MALLEY: We need a better word for that, don't we?

MR. JACKSON: Permeable, or --

GOVERNOR O'MALLEY: I never know whether it's permeable, impermeable, pervious, or impervious.

MR. JACKSON: Yes, sir.

GOVERNOR O'MALLEY: Maybe we should just call them holey parking lots?

(Laughter)

MR. JACKSON: That's right. That's right. They drain well.

GOVERNOR O'MALLEY: Holey parking lots, Batman.

MR. JACKSON: That's right. But if I may throw out one other quick fact, in our campus development over the past fifteen we've reduced stormwater into the St. Mary's River and the Chesapeake Bay by 50 percent by doing very stringent stormwater management techniques. Permeable --

GOVERNOR O'MALLEY: Have you put it in one executive summary like place?

MR. JACKSON: Yes, sir. Absolutely.

GOVERNOR O'MALLEY: Can you get that to me so I can share it with our federal partners? All of

the federal entities came together about six months ago led by Secretary Mabus. And boy they've got a lot of impermeable?

MR. JACKSON: Pervious.

GOVERNOR O'MALLEY: Pervious.

TREASURER KOPP: It's impervious.

GOVERNOR O'MALLEY: Asphalt. They've got a lot of asphalt all over the place. So it would be -- and how expensive was that for you to be able to reduce stormwater runoff by 50 percent at St. Mary's?

MR. JACKSON: Well most of the work has been done through our capital projects. And we believe just by working very hard during design within the budget constraints --

GOVERNOR O'MALLEY: These are on the new projects?

MR. JACKSON: Under new projects. That under, just under the normal budget and project management you can do these things. It's a challenge, it's hard work, but we feel that we've been able to make good decisions.

COMPTROLLER FRANCHOT: I've told people, Governor, all over the State if they want to get a good hearing with you lead with permeability.

GOVERNOR O'MALLEY: That's right.

COMPTROLLER FRANCHOT: Just make their parking lots holey. But thank you also for your MBE participation on this project. I see it's 30 percent. And that's excellent in Southern Maryland. Hats off to you.

DR. URGO: One addition, our students have voluntarily taxed themselves on more than one occasion to raise funds for various green projects on campus. Increasing, they are voluntarily increasing their fees to put into special funds that we can draw on.

GOVERNOR O'MALLEY: A good generation will do that.

DR. URGO: Yes, they will. The next Great Generation, perhaps.

GOVERNOR O'MALLEY: All right.

DR. URGO: Thank you.

GOVERNOR O'MALLEY: Thanks very, very much, and congratulations. We're glad you're here.

We are on the Secretary's Agenda, as a matter of fact.

SECRETARY MCDONALD: Good morning, Governor, members of the Board. There are eleven items total on the Secretary's Agenda. We just had a discussion of Item 10, the St. Mary's Relocation of the Margaret Brent Hall. We can discuss other items. I know Treasurer Kopp is particularly interested in Item 11?

TREASURER KOPP: Well just to point out that Item 11 is the Certificates of Participation, the COPS series 2011 A that are being sold to finance the purchase of the video lottery terminals in Perryville and Ocean Downs.

We have had things related to this before the Board before. This is not a new issue. But just to know, to remind you, that the Treasurer's Office set three goals for the financing of these machines. One was the lowest cost of capital for the taxpayers; transparency in the project; and inclusion of minority firms in the financing. And to do that, as I reported to you earlier, we issued an RFI to bankers, advisors, lessors, financial institutions for recommendations on

the best financing method. And there was a consensus recommendation on the sale of COPs.

COPs, Certificates of Participation, C-O-P-S, COPs are a method of structuring capital leases to attract multiple investors in a public offering. So you've got some degree of competition. They represent a shared right to receive lease payments made by the lessee, in this case the State, under these agreements. And the financing is considered tax supported debt of the State. It's already worked into the CDAC debt affordability analyses. And it was the consensus that it would be the lowest cost of capital.

We notified the Legislature and received quiescence. The decision was made to sell it in a negotiated sale. It was the first time it had been done by Maryland. It is appropriations based. And it allowed the selection of underwriters, including two minority firms. The ratings are the highest ratings we could expect under an appropriations backed issue, it's not a general obligation issues. It's not AAA, as our general obligations are, but AA+ from Standard

and Poor's and Fitch, and Aal from Moody's, which is a very, very good sign indeed.

The marketing began, Governor, with a, they are called road shows, but they are not road shows anymore, they are actually interviews via telephone to those who are going to sell and buy them, we hope. And then on the 12th we are going to undertake the negotiating in a perfectly transparent way. We invite people to listen in. Our financial advisors will be leading us through it. And then we will after closing compare it to the AAA rate, see how we have done compared to MMD that day.

I have just been given a resolution. I'm not sure what I'm supposed to do with the resolution. Nothing? To remind us that we have already passed the resolution, I believe.

But that, we will see how this goes and look forward, actually, to having a very successful sale. All the signs are that we will do extremely well. But we will know a week from today. And with that, I would like to recognize the fact, as I think you all have recognized, that actually there are two people

sitting in the front row there who know what they are talking about. It's the Chief Deputy Treasurer Bernadette Benik and our State Director of Debt Management Patti Konrad, to whom I would direct all questions.

(Laughter)

GOVERNOR O'MALLEY: Patti, did she cover it?

TREASURER KOPP: One thing I've learned in sixty-seven years is how to read.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: If I could just ask Patti what is -- the Treasurer did an excellent job and answered a lot of my questions. But what do you anticipate being the approximate interest rate for these certificates, I guess, rather than, we're not calling them --

MS. KONRAD: We just ran numbers yesterday. These are five-year maturities, that's the expected life of a VLT. And so we've matched the asset with the liability. We're planning to issue these COPS serially, which means that we will be maturing each year. The first maturity, the first principal payment

will be September of 2011 and the last one will be September of 2015.

The maturity that is September of 2011 has a coupon of .9 percent and out in 2015, five years, 3.01 percent. Those numbers were updated as of yesterday. Anyone who has been following the markets, they have been quite volatile since the beginning of November and rates have gone up both on treasuries and tax exempts. These are taxable Certificates of Participation because of the private activity that's involved with them. They are taxable federal and taxable State.

COMPTROLLER FRANCHOT: And so what would we anticipate if they were just normal bonded debt?

MS. KONRAD: If they were tax exempt?

COMPTROLLER FRANCHOT: Right.

MS. KONRAD: Well something less than that -

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COMPTROLLER FRANCHOT: Sure.

MS. KONRAD: -- certainly. I don't have those exact numbers. I didn't run them that way. I ran them only as taxable. But they would definitely

be less as tax exempt.

COMPTROLLER FRANCHOT: Mm-hmm. So we're going to get \$41.5 million. Do you have any idea of how many slot machines we're going to get with this, and what the timeline is for --

MS. KONRAD: We do. The --

COMPTROLLER FRANCHOT: -- acquisition and delivery, I guess?

MS. KONRAD: Perryville is authorized for 1,500 and we are going to finance 1,233. Not all of the machines are going to be owned by the State of Maryland. Some of them are leased, and so that represents the number that will be owned by the State and financed by the State. At Perryville it's authorized for 750 and we are financing 592.

COMPTROLLER FRANCHOT: In Ocean Downs?

MS. KONRAD: I'm sorry, did I mean Ocean Downs?

COMPTROLLER FRANCHOT: Ocean Downs is the second one?

MS. KONRAD: Yes. Yes, exactly.

COMPTROLLER FRANCHOT: And that's going to

be done this calendar year?

MS. KONRAD: Ocean Downs, as I'm sure everyone knows, opened on the 4th.

GOVERNOR O'MALLEY: I was there.

MS. KONRAD: Yep, and --

GOVERNOR O'MALLEY: And D'Alessandro had the first play, he did.

MS. KONRAD: Both, the State has a ninety day acceptance period once these facilities open, at which point they can swap some machines depending on the popularity, as I understand it anyway, the popularity of the machines. At the end of the ninety days the State accepts the machines that are there and then there's a thirty-day period to pay the invoice, which is why Perryville opened on September 27th. We will close this transaction on January 20th and have the invoices paid by January 26th when they are due. And so for Ocean Downs we expect to pay those invoices on or about May 3rd with the proceeds.

COMPTROLLER FRANCHOT: Thank you, Governor. Madam Treasurer, thank you for this. I think it's, I'm going to vote for this even though everyone knows

I'm opposed to this whole concept. But I think this financing plan is well presented and well briefed for us and I'm going to support it. And thank you for answering my questions.

MS. KONRAD: Thank you.

TREASURER KOPP: Thank you.

MS. KONRAD: Thank you, Governor.

TREASURER KOPP: Governor, I'm not in the business, I hope, of embarrassing people. But we, we say very good and absolutely things about people while they're leaving. I would just like to say as an outstanding example of a State leader Patti Konrad, who I hope is not leaving, is just a prime example. A model of hard work, great intelligence, creativity, and dedication that is just truly outstanding. And I haven't had, we've all worked with her for some time but I haven't had the opportunity to say this publicly. And I do want to thank you, Patti.

MS. KONRAD: Thank you, Madam Treasurer. I appreciate it.

TREASURER KOPP: Again, like Mr. Colmers there are actions taken by many people because we have

great trust in the fact that they have been thoroughly examined, weighed, with an understanding of priorities and principles and based on recommendations of people we trust.

MS. KONRAD: Thank you for your leadership and your vision, the Board's vision. It makes it very clear for people who are working for you as to what direction we should be heading. Thank you.

GOVERNOR O'MALLEY: Thank you, Ms. Konrad. Thank you also for your great taste in music.

(Laughter)

GOVERNOR O'MALLEY: Are there any other questions on the Secretary's Agenda? The Treasurer moves yes, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay."

(No response.)

TREASURER KOPP: Thank you, Peter.

GOVERNOR O'MALLEY: We now move on to the Program Open Space. Right?

MR. PRICE: Good morning, Governor --

GOVERNOR O'MALLEY: Good morning.

MR. PRICE: -- Treasurer, and Comptroller.

The Department of Natural Resources has three items on the Secretary's Agenda today. All three items are Local Program Open Space projects. I'll be happy to take any questions you might have regarding these projects.

GOVERNOR O'MALLEY: Okay.

TREASURER KOPP: Great projects. One Maryland --

GOVERNOR O'MALLEY: The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay."

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We now move on to the Department of Budget and Management.

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. There are seven items on the Department of Budget and Management's Agenda for

today and I'll be happy to answer your questions.

GOVERNOR O'MALLEY: Any questions? Mr. Comptroller?

COMPTROLLER FRANCHOT: Item 2-S. Is Mr. Martino here?

MS. FOSTER: Mr. Martino is here. Item 2-S is the contract to provide televised drawings on the Lottery's online games.

COMPTROLLER FRANCHOT: Okay.

MR. MARTINO: How are you, Mr. Comptroller?

COMPTROLLER FRANCHOT: Excellent.

MR. MARTINO: I grew my beard in hopes that you wouldn't be able to recognize me.

(Laughter)

COMPTROLLER FRANCHOT: Yeah? Well, it's good to see you.

TREASURER KOPP: It didn't work.

COMPTROLLER FRANCHOT: I do have a question about this. It's kind of a technical question. I noticed that this is not going to the low bidder, and I understand that process is, how you defend that, and I think that in many instances makes sense. But can

you just help me understand exactly what the benefit is from a technical standpoint? I take it that WBAL is going to maintain the current airtime of the Lottery's drawings? How important is that?

MR. MARTINO: That's correct. The two most important items on our technical evaluation of the two bidders was proposed airtime was actually number one and audience delivery was number two. In the area of proposed airtime the other applicant, or other bidder, had suggested moving the evening Pick 3, Pick 4, and Multi-match drawing from the 8:00 hour, which airs just right before prime time, into the 10:00 hour during their news broadcast at a significantly lower rating. And it was the decision and judgment of our sales team, and our Sales Director Mr. Ringgold who is actually on the evaluation team, that this would significantly and negatively impact our sales by moving the draw times. Because Lottery players who play those picker games are creatures of habit. And by moving it from the 8:00, at which it has traditionally run I believe since the drawings have been aired, to a much later time would have a negative

impact on our sales and ultimately a negative impact on the revenue to the State.

COMPTROLLER FRANCHOT: So it's a larger segment of players who are going to see it?

MR. MARTINO: Correct.

COMPTROLLER FRANCHOT: Okay. And then what else are you doing to compensate for your advertising budget being reduced? Are you, have you got innovative partnerships? What are you doing to attract new players?

MR. MARTINO: Well, I would argue first and foremost that this contract, and the reason why we chose not to exercise the two-year renewable option that was on the existing contract with WBAL and instead go out for procurement, was a nod towards, you know, the reduction in our advertising budget that's occurred over the last two years. Because the saving, the annual savings by going to this contract as opposed to the one that we had before is \$1.325 million a year. Under the current contract that we had we had an advertising commitment to WBAL-TV, WBAL Radio, and 98 Rock of \$2.5 million a year. Now we are

only paying for the airtime of the drawings. And we've elected under our scheme not to air one of the drawings, the Bonus Match 5, anymore. And that's going to come out annually to \$1.175 million. So that's a significant cost savings.

In addition, you know, we engage in partnerships all the time. I think, you know, I would highlight one right now, which has been particularly successful, and that's with the Baltimore Ravens, our Ravens Cash Fantasy Ticket. Not only do we, you know, partner and are able to use their logos throughout the course of the year, selling a ticket that launched in August and has now had over 95 percent activation. We obviously have the same type of relationship with the, or have a relationship with the Baltimore Orioles.

But, you know, this contract will allow us to save money and use it to advertise at times that most benefit the Lottery. And I would point out that last night was a perfect example of when we massively increased our advertising with the second highest Mega Millions jackpot in the history of the game at \$355 million advertised. We were able to deploy resources

on television, on radio, through our internet, that allowed us to sell \$5 million of Mega Millions tickets yesterday.

COMPTROLLER FRANCHOT: Did the Governor and I do well or not? Any luck? Did they find a winner?

MR. MARTINO: They did. Unfortunately they were in the states of Idaho and Washington, so.

COMPTROLLER FRANCHOT: Thank you for that. I appreciate it.

GOVERNOR O'MALLEY: Thank you. Any other questions on the Department of Budget -- Treasurer?

TREASURER KOPP: Mr. Martino, can I just, very briefly, I appreciate your looking into an incident that we raised with you yesterday. But why do you need the social security number of participants?

MR. MARTINO: Because individuals who have Lottery winnings in excess of \$600 have to be issued a W-2G tax form for their income tax. Because that is declarable winnings for federal income tax purposes.

TREASURER KOPP: Okay.

MR. MARTINO: And --

TREASURER KOPP: Thank you. No, I understand that. Very good. Thank you.

GOVERNOR O'MALLEY: Is there any way that you, when those things happen, is there any way, I guess you don't want to put on a website who the, you don't know who the winners are?

MR. MARTINO: Like the Mega Millions winners?

GOVERNOR O'MALLEY: Or yeah, I don't know. Is there anywhere, just the incident we're talking about is somebody feeling like they were being scammed? Or --

TREASURER KOPP: The problem was that parents of a friend of mine got a letter in the mail saying, "You might have won something. Please send us your social security number." And the daughter thought, "Ah-ha, that's a real scam." And then we investigated and found out that in fact it may not have been. I mean, but it certainly looks like one the way that communications was sent. And I would just urge you to think about it. Because we don't want people scammed. And it came, I gather, from an

official looking stationary that anybody can print official looking stationary, and can even use the name of somebody at the agency. If there were a way for a person to individually call in or use the internet to raise a question themselves as opposed to simply responding? As there are with some sites, you know, which say, "Don't respond to this, please go here and inquire."

MR. MARTINO: Well the incident that you have mentioned, which was forwarded to our office by your office --

TREASURER KOPP: Yeah, and I don't know anything more about it than you do.

MR. MARTINO: -- we're looking into right now and in fact I think the individuals have made contact with my office and we're investigating it. What I would say is that it's probably a highly unusual case where someone would be asked for this information where they didn't know that they were a winner. And so that's why we need to look into this. If someone perhaps, it came through our subscriptions office. So in case, it's possible that someone may

have purchased a subscription for them, if in fact that's what happened. But I, it appears on first blush to be legitimate but we're going to look into it and certainly get back --

TREASURER KOPP: But, at any rate I'm not talking about the specific instance.

MR. MARTINO: Right.

TREASURER KOPP: But just in general this process just to make sure that we're not doing anything inadvertently to allow people to scam other people, or to make it easier for them. And that we are doing everything we can to make it more difficult for --

MR. MARTINO: And I would just, again, not knowing exactly the particulars about this, I would say the overwhelming majority of the time people who are being asked to provide that number are doing so because they know --

TREASURER KOPP: Right.

MR. MARTINO: -- they are presenting a winning prize, or claiming something in excess of \$600. So they are, the money is being transferred at

the same time.

GOVERNOR O'MALLEY: Okay. Any other questions on the Department -- Mr. Comptroller?

COMPTROLLER FRANCHOT: Item 7? Is there someone that can explain that?

MS. FOSTER: Yes.

MR. PICKUS: Good morning. Phillip Pickus, Assistant Attorney General. Good morning, Mr. Comptroller.

COMPTROLLER FRANCHOT: Just tell us what we're doing with this item, please?

MR. PICKUS: This was a litigation case, a federal civil rights action against the Maryland State Police and several officers. A DWI arrest was made of the woman and she was handcuffed from behind. She was placed in the Maryland State Police car and she exited the vehicle. The police attempted to put a further restraint device on her and while that was happening she fell, landed on her face, and lost her two front teeth.

We decided to go to mediation on this. We had a mediation session in front of U.S. Magistrate

Judge Gesner. She indicated that she thinks it's in the best interest of the State to settle this case. We were very far apart and we eventually reached a number of \$32,000, which we concluded was in the best interest of the State considering that we were looking at significant dental bills. And because this was a 1983 claim we were also looking at the possibility of attorney fees. In fact, Judge Gesner noted to us she was surprised that we were able to settle the case at such a low number.

COMPTROLLER FRANCHOT: And when you are, I appreciate that, and when you are doing these negotiations do you keep in mind what the history of previous suits --

MR. PICKUS: Absolutely.

COMPTROLLER FRANCHOT: -- similar to this are involving the same plaintiff and involving the same attorney?

MR. PICKUS: Absolutely.

COMPTROLLER FRANCHOT: And, because there's some tension here, I think, between obviously resolving the case for a relatively small amount of

money, and obviously this is not a large item typical of what comes before us. But the tension is between that and condoning, not condoning, but not stopping what some people call a cottage industry of producing these lawsuits in great number and getting settlements along the lines of what you are presenting to us.

Which is, "Hey, this is a way for us to get out of this with a, without paying lawyers' fees." How do you protect the taxpayer against an abuse of the system by repeated cases done almost assembly line? And I'm not alleging that's the case here, but are you, did you look at it, at that, like at that in this instance? And do you in other cases?

MR. PICKUS: Absolutely. That's 100 percent a factor. In every case before we settle we get as much information on the plaintiff as we possibly can, and that's taken into consideration when we make a settlement decision. As this particular plaintiff is concerned, we were only aware of one prior case against the Harford County Sheriff's Office. They settled that case. There was no injury in that case. My understanding is it was a false arrest sort of

case.

In this case we're not dealing with some kind of speculative injuries. We have two front teeth knocked out of the arrestee in police custody. So it wasn't a question of soft tissue injuries where we can speculate to the extent of her injuries. So in the confines of this case I honestly cannot say that this is one of those cases where a plaintiff came looking for trouble. If she did, she threw herself on the ground and purposely knocked out her front teeth. And I just have trouble believing that.

COMPTROLLER FRANCHOT: And there's -- excuse me? So there was one prior case?

MR. PICKUS: Yes.

COMPTROLLER FRANCHOT: And does this plaintiff and her attorney, are they in an employment situation? Does she work for the lawyer?

MR. PICKUS: Not that I'm aware of.

COMPTROLLER FRANCHOT: Well I'm going to support it. But I hope that you continue to be vigilant on protecting the State from anything that might be challenged as far as an ethical situation of

these suits. And I agree with you, there was damage here. But obviously there was a lot of allegations about intoxication, inebriation, and belligerence, and resisting, you know, there was a lot in this and there's no allegation that any of our troopers did anything wrong in, from our findings. So I just want to make sure you guys are not just avoiding litigation and creating more impetus for something that we regret down the road. It's a difficult situation, I agree with you, given the injury to the plaintiff.

MR. HOWARD: I'd like to just briefly address that issue you raised concerning settlement policy and the risk of sort of serial plaintiffs' attorneys making a cottage industry of suing the State.

We see no evidence of that. We go back through, on a regular basis, the Board meetings from previous years to see where settlements fit in. And of course, this Board sees all settlements of this type and I think the Board would, first and most significantly this Board is a check on that sort of practice.

GOVERNOR O'MALLEY: Wasn't there an ACLU case that came to the Board for settlement?

MR. HOWARD: There was an ACLU case, Governor.

GOVERNOR O'MALLEY: And how much were we asked for at the time? Do you remember this one?

COMPTROLLER FRANCHOT: No.

MR. HOWARD: I remember it well and I think the Board exercised its authority to --

GOVERNOR O'MALLEY: Liz, do you remember how much that one was? Ms. Harris?

MS. HARRIS: I don't remember the exact --

MR. HOWARD: I do.

TREASURER KOPP: I bet Mr. Howard does.

GOVERNOR O'MALLEY: Do you remember?

MR. HOWARD: I do.

GOVERNOR O'MALLEY: What, how much was that?

MR. HOWARD: The request was for \$60,000 in attorneys fees in a case where there was virtually no work done by the plaintiff's attorneys. And the allegations were, had some merit back in 2006 but were promptly corrected voluntarily by the State. I

apologize for interrupting Phil while he was up here -
-

GOVERNOR O'MALLEY: But we didn't, we didn't approve that one. But we didn't approve that one, I was just reminding the Board. And I was, and it was \$60,000 we saved by not approving that one.

MR. HOWARD: I well remember that. And, but let me mention something about that since the Board rejected that, and I came down and addressed it and stated, restated what was in the memo provided by the Board. It's a good example of the Board exercising its authority because we went back to the judge and he awarded zero dollars in attorneys fees. We're going to, we're careful not to bring down attorneys fees settlements that we don't think we can really go to the wall on and I don't think we did on that one.

But just one other, a couple other real quick points. I don't want to belabor this item. The attorney in this case was not someone who has sued the State, to our knowledge, before. So this attorney for this plaintiff is not in that category. And the other thing I would mention, there are additional facts in

the settlement memorandum provided to the Board, one of which is that this person after she broke her teeth and was in an additional police restraints was pepper sprayed by the officers when she was incapacitated and bleeding. So there were some, and there are additional very difficult facts. So I would just say, from my perspective we hate settling cases but this is a very good settlement of a case that without a cap --

GOVERNOR O'MALLEY: What was the jurisdiction?

MR. HOWARD: Federal court. Oh, was it Harford County?

MR. PICKUS: The case happened in Harford County. The jurisdiction was the U.S. Federal Court, Maryland District.

GOVERNOR O'MALLEY: Okay.

COMPTROLLER FRANCHOT: No, thank you for that. I just raised the issue. And Governor, thank you for reminding me of that great vote we took. And, you know, just, let's keep our elbows up.

MR. HOWARD: We will. Thank you.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: All right. The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: We move on now to the Department of Information Technology, I do believe, don't we? No, I'm sorry. I spoke too soon, Elliot.

TREASURER KOPP: The University.

GOVERNOR O'MALLEY: The University System of Maryland.

TREASURER KOPP: Another set of energy saving projects.

GOVERNOR O'MALLEY: *Kiplinger's* just came out with their top ranked universities in America again, didn't they?

MR. STIRLING: I'm not aware of that. I haven't seen it.

GOVERNOR O'MALLEY: They did, just the other day. There were five of them. One of them was St. Mary's, one of them was Salisbury. Was one of them

College Park? Yes? College Park was another.
Congratulations.

MR. STIRLING: Thank you.

GOVERNOR O'MALLEY: And Towson was another.
That's four. UMBC, that's the fifth. I mentioned
Salisbury.

MR. STIRLING: Good morning, Governor,
members of the Board. I'm Jim Stirling for the
University System of Maryland. We have eleven items
on today's Agenda. I'll be happy to address any
questions you have.

GOVERNOR O'MALLEY: Questions? No? The
Comptroller moves approval, seconded by the Treasurer.
All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay."

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Well
done.

MR. STIRLING: Thank you.

GOVERNOR O'MALLEY: We now get to go to the
Department of Information Technology, welcoming back

to the podium for the first time in a brand new year, Secretary Elliot Schlanger.

MR. SCHLANGER: Good morning, Governor, Madam Treasurer, Mr. Comptroller. And let me tell you, it is great to be back, believe me. Anyway, Elliot Schlanger, Department of Information Technology. We have two items on the Agenda this morning and I'll be happy to address any questions at this time.

GOVERNOR O'MALLEY: Any questions? The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

TREASURER KOPP: But it is good to have you back.

MR. SCHLANGER: Thank you.

GOVERNOR O'MALLEY: The ayes have it. It passes. We move on now to the Department of General Services.

MR. COLLINS: Yes, sir. Good morning, Governor, Madam Treasurer, Comptroller. The Department of General Services has thirteen items on our Agenda. I'll be glad to answer any questions you

have about any of these items.

GOVERNOR O'MALLEY: Any questions? The Treasurer moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. And that concludes our meeting. Thank you all very, very much.

(Whereupon, at 11:06 a.m., the meeting was concluded.)

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