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P R E S E N T

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HONORABLE NANCY KOPP, Treasurer;

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

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

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

BEVERLEY SWAIM-STALEY, Secretary,  
Department of Transportation;

LISA WARD, Director, Land Acquisition and  
Planning, Department of Natural Resources;

ZENITA WICKHAM-HURLEY, 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: All right. Ladies and gentlemen, today is June 20, 2012 and this is a meeting of the Board of Public Works. We have a number of items on the Agenda, of course, today. And we're going to take Secretary Foster's items first, right? So that you can get to the gaming work group.

MS. FOSTER: Thank you.

GOVERNOR O'MALLEY: So Mr. Comptroller, Madam Treasurer, any opening thoughts?

TREASURER KOPP: Well Governor, I don't want to take too long because I know we are very pressed. But there were a couple of things I would like to mention. One of which was the passing last week of the former State Treasurer and former member of the House of Delegates, Richard Dixon of Carroll County. I don't think I have to say too much to most of the people here who knew Richard so well. But he was an outstanding man; outstanding military leader; an outstanding financial mind in the private sector;

outstanding member of the House of Delegates; head of the Capital Budget Subcommittee for a number of years, which was quite helpful to his friends and colleagues the Comptroller and I. A hard man to convince of something but once he was convinced, Richard was convinced. A man of strong conviction.

He was the first African American representative from Carroll County. The first and only African American, and also the first and only African American State Treasurer in Maryland. An outstanding man of great integrity, moral strength, and conviction. Richard would never have retired from the State Treasury or from public service had not his health required it. And we all missed him.

I had lunch with him a couple of months ago and I will tell you that he was as sharp as a tack and as critical as ever, which was good to know. We will all miss him very much. Anybody who wants to see, by the way, the most amazingly perfect portrait of a man that I've ever seen should come over to the State

Treasurer's Office and see the portrait of Treasurer Dixon. Because it really describes so powerfully, visually who the man was. It looks just like Richard.

And I do have that say that while it's a very sad as well as a very important occasion, I note that the passing of a long term Maryland delegate and State Treasurer brought the *Baltimore Sun* and the *Washington Post* together at last. And when we saw Mr. Dresser's article, Mr. Dresser and Dan Rodricks' article in the *Washington Post*. So I would like to note that.

And following on, noting the passing of the Treasurer, two other things. We will get to an item later, a bond sale for the State of Maryland. We're going to pass the resolution, I hope pass the resolution setting out the bond sale later in the Agenda. And I just, we don't usually have things like a Richard Dixon Honorary General Obligation Bond Sale. But if we did it would be in acknowledgment of his service.

The other thing on another note of important notice of events, I know we have a fascinating item very soon involving the Boy Scouts, and a land patent that we're going to hear about. I think it's a fantastic story. But it would be remiss of me not to notice that Saturday is going to be the celebration of the 100th anniversary of the Girl Scouts. Anybody here a Girl Scout? I was. The grand slam event, the Washington Nationals and Baltimore Orioles playing at Camden Yards. And there will be thousands of Girl Scouts there. And I hope everybody will make an appropriate toast to the Girl Scouts of American as well. Thank you.

GOVERNOR O'MALLEY: Comptroller?

COMPTROLLER FRANCHOT: Thank you, Governor. And I concur with the remarks of the Treasurer about Treasurer Dixon. On my first day in the Legislature 26 years ago I was assigned to an appropriations subcommittee. And I went to the meeting and I happened to be seated right next to then Delegate



Dixon. And the chairman called the meeting to order and Richard pulled out the largest cigar I've ever seen in my life and lit that thing up, and was just puffing very contentedly there. And I, being from Montgomery County, had never seen anything like that. But a unique and wonderful patriot.

And frankly, I'm feeling very patriotic this morning. Since our last Board meeting we celebrated Flag Day, which is of particular interest in Maryland because of the star spangled flag waving over Baltimore provided the inspiration for Francis Scott Key to pen our national anthem in 1814. Over the weekend Baltimore proudly hosted the opening of the Star Spangled Sailabration commemorating the bicentennial of the War of 1812. The Sailabration attended by an estimated million-plus visitors. Think of that, a million-plus visitors, saw an international parade of 40 tall ships from more than a dozen countries sail into the Baltimore Port. It was a great event punctuated over the weekend by a majestic

display of the Blue Angels appearing in their first show in Baltimore since 1959.

The weekend also saw families spending time out in the great weather, touring ships, shopping, eating local delicacies, and enjoying the music and fireworks. It truly was a remarkable event that shed a positive spotlight on Maryland, and specifically Baltimore's Inner Harbor. And finally, for those of us who care so deeply about the economy and the revenues of the State, it was wonderful to see so many tourist dollars being spent in celebration of our history.

The festivities gave the attendees a dose of inspiration and frankly appreciation for the State and for the country. What Maryland means to everyone who lives here or visits our great State, and what significance Baltimore and boast in the formation and endurance of our young nation.

My favorite story among all the heroic acts from the War of 1812 that our soldiers undertook in

defense of our nation has to be the story of Daniel Wells and Henry McComas, the so-called boy martyrs of 1814. And I'm referring to the Battle of North Point, where the British Major General Robert Ross, who had just come from burning the White House and trying to burn the Capitol, marched at the head of I think 5,000 British troops into Baltimore and was going to complete his destruction. But he made a mistake. He stopped for breakfast at a farmer's house, stopped the whole British Army. And that apparently irritated the American commander so much, who had 3,100 troops waiting to go to battle. He thought that was such an act of arrogance, that he sent these two young Maryland militiamen, Daniel Wells, aged 19, and Henry McComas, aged 18, forward ahead of all the troops. And these young patriots hid in a tree and incredibly shot Major General Ross. This was a veteran of 30 years of the British Army and the Napoleonic Wars. And he was the central British military figure.

But they managed to shoot him as he marched forward. And they knew the moment they shot that they were, it was their own death sentence. Because they were in a tree and the big puff of smoke coming from their musket would clearly identify them. And they were with certainty their deaths immediately followed the British General's. but the entire British Army stopped and they were in disarray. And subsequently without their commander they went back to the their boats. And so anyway, I just see that as such an incredible story. These two teenaged kids moving forward, committing this brave act of courage and bravery. And obviously putting themselves above their nation and they have achieved near mythic heroic status for saving Baltimore that day and thwarting the British soldiers.

And also on Sunday we celebrated Father's Day, where I was able to give thanks for two wonderful, successful children. And the fact that my own dad remains such a prominent and important figure

in my own life. I want to just take a moment, if I could, and recognize my wife Anne Maher, who is sitting over here. Such a great help to me, and such a wonderful presence in my life. She is here for her first Board of Public Works meeting. I promise to be on my best behavior.

(Laughter)

TREASURER KOPP: We like it when your father comes.

(Laughter)

COMPTROLLER FRANCHOT: Today I'm known as the gentleman who is accompanying Anne Maher to the Board of Public Works. But I think it's nice, Governor, once in a while to just slow down and reflect on how truly blessed we are, regardless of the usual hassles and stress in everyday life. And Annie and I are going to go have lunch in Annapolis afterwards. And I just want to thank you for the time, Governor. I hope you enjoyed Father's Day as well.

GOVERNOR O'MALLEY: I did. Mr. Comptroller, thank you. And it was a great weekend. And I too give thanks for four great kids. And Baltimore was full of life. It was really an outstanding weekend with the Blue Angels, and so many moms and dads and grandparents and kids enjoying the tall ships.

Mr. Papenfuse, I know you have been standing for some time, sir. But we have to do the Budget Secretary's Agenda first, and then we will, and yours is on the Secretary's Agenda? Okay. So let's call the Department of Budget and Management. Madam Secretary, anything of controversy, note, or discussion on this?

MS. FOSTER: Governor, Madam Treasurer, and Mr. Comptroller, good morning. There are 13 items on the department's Agenda. And I don't think it's a controversial Agenda at all.

(Laughter)

COMPTROLLER FRANCHOT: Just the luck of the draw. I do have one item.

GOVERNOR O'MALLEY: Sure.

MS. FOSTER: Okay.

COMPTROLLER FRANCHOT: It's the item where you're giving 18 new positions to --

SECRETARY MCDONALD: Item 11.

COMPTROLLER FRANCHOT: -- DHCD. I'm not sure --

SECRETARY MCDONALD: Is that Item 11 on the Department of Budget and Management?

MS. FOSTER: Yes. Those 18 positions are for the Department of Housing and Community Development, and the Deputy Secretary Clarence Snuggs is here to answer any questions you may have.

COMPTROLLER FRANCHOT: Okay.

MS. FOSTER: So Mr. Deputy Secretary, we are on your item which is basically for the 100 positions. They are special funded positions. The Comptroller has a question for you.

MR. SNUGGS: Good morning.

COMPTROLLER FRANCHOT: Thank you. What, I noticed that these 18 positions are included today. And my understanding from the original legislation that passed was I guess the Legislature assumed that the law could be implemented, the EmPOWER Maryland legislation, without additional staff. What has occurred in the meantime that necessitates such a dramatic ramping up of staff positions?

MR. SNUGGS: First of all, I have with me Bill Ariano, who is the deputy of the Division of Development and Finance. As I think was originally submitted, this initiative was to be implemented by the utilities. And over the past years since 2008 not a lot has happened as far as progress is concerned. And so recently the Department of Housing and Community Development was awarded by an action by the Public Service Commission to take over the initiative focused on low income housing related energy improvements. And as a result we in gearing up to meet the objectives that were set in that order we



needed to have the necessary staff to make that happen.

COMPTROLLER FRANCHOT: Okay. And you vetted this with the legislative leaders, I take it, that you are hiring new people?

MR. SNUGGS: Yes.

COMPTROLLER FRANCHOT: And my --

MR. SNUGGS: Some of the people are people that we have on board as a part of our, there are contract employees that we have on board as a part of our federal initiative and others, the weatherization program. And so we're wrapping it all together and these positions, as you know, will go away if the funding is discontinued.

COMPTROLLER FRANCHOT: Okay. And the funding comes from where?

MR. SNUGGS: The funding is coming through the utilities as a part of the Public Service Commission order.

COMPTROLLER FRANCHOT: And they get that from the ratepayers I take it? How much total money is being spent on this program?

MR. ARIANO: There is a total of a little bit over \$70 million over three years. \$57 million is for low income energy efficiency for single family housing, and the remainder is for multifamily weatherization energy retrofit.

COMPTROLLER FRANCHOT: Okay. And you are all aware of, I take it, the fact that there is always a big debate between spending a lot of money on weatherization like this, and what you get for it. How many homes are going to be weatherized for \$70 million approximately?

MR. ARIANO: We are expecting between 13,000 and 14,000 units. We've already completed 12,000 units in the last two and a half years with the money that we got from ARRA, which, the stimulus funds that have come out. Plus another 5,400 that we've done multifamily. So we're moving along fairly well and we

have a process that is recognized by the Public Service Commission as very efficient and very productive. And we expect that to continue.

A lot of the staff that we're talking about at this point we've been using contract, we've been using temps, we've been holding this together with the resources that we were able to garner. But it's difficult when you are constantly turning over staff and having to retrain them to maintain the type of production that is being looked for in this.

COMPTROLLER FRANCHOT: Okay. And the focus here is energy efficient, energy savings? Or is it helping low income --

MR. ARIANO: It's energy savings in the BGE service territory, both gas and electric. In the rest of the State it is electronic primarily but we're going to be melding that with funds that we continue to get from the Department of Energy.

COMPTROLLER FRANCHOT: Yeah. If you could just send us in writing something that documents what

you just said? Because it's a lot of money. It comes from the ratepayers. Obviously it has an impact. I assume you've got some ability to measure the energy savings once you weatherize these homes. But there are lots of other strategies as you know out there that --

MR. ARIANO: I understand.

COMPTROLLER FRANCHOT: -- save a lot of energy by touching hundreds of thousands, if not millions of people, for a lot, for less amounts than you are talking about here. I understand it's a different process. But if you could send me something that measures how we judge the success of this from an energy savings standpoint I would be appreciative.

MR. SNUGGS: Absolutely.

COMPTROLLER FRANCHOT: Thank you. Governor

--

TREASURER KOPP: Could I just build on that just to clarify? I agree with the Comptroller, and some evidence of the benefits I think would be, energy

benefits would be very useful. This money as I understand it is not new money. It had been designated to be used by the utilities for this purpose. And EmPOWER Maryland I know is focused on low income housing. But also that's usually the sort of housing where the improvements can make the most dramatic difference, I would think.

MR. SNUGGS: Yes, that's correct.

TREASURER KOPP: But is the assumption that you all will use these funds more efficiently for the same purpose than the utilities did? Is that the --

MR. SNUGGS: I think the assumption is that we will, we'll make it happen. That we will, production will be in line with what we've done with the stimulus funds as far as volume of activity and that our focus will be efficient as far as working with the community, local weatherization authorities and the local communities to make it happen. And the utilities have not achieved that.

TREASURER KOPP: And I assume that the utilities, I don't know the answer to this, did the utilities agree with this transfer?

MR. SNUGGS: Well we're partnering --

TREASURER KOPP: That it's more in your line of work than their line of work?

MR. ARIANO: I think it was a realization that after three years of the utilities trying to get to the levels that we have achieved. Certainly their initial reaction was not, they weren't writing us checks out of the goodness of their heart. But conversely we hit 90 percent of our goal over two and a half years, versus the utilities that were, I think the best was 40 percent, one of the utilities was at one percent of their goal after three years. So I think there is a certain recognition that we have the mechanisms in place. I think this is government at its best because obviously we were able to perform at an extremely high level.

GOVERNOR O'MALLEY: But to the Treasurer's point, if I can interject, I do believe that there was an affirmative finding at the Public Service Commission and an order of the Public Service Commission that these dollars would go to you, given your productivity, given your efficiency, given the goals that you are hitting and what the utilities were not?

MR. ARIANO: Correct.

MR. SNUGGS: Correct.

TREASURER KOPP: Thank you.

MR. SNUGGS: Thank you.

COMPTROLLER FRANCHOT: Governor, I'll just say for the record because, you know, this is an important issue. It's a lot of money. The question is, what are we getting other than, I appreciate the fact we are weatherizing a certain number of homes. But the question is, how do you determine the success of it from an energy efficiency standpoint? And I think that is hard in these days where people don't

want their kilowatts use shared. I'm not sure how you're going to do this. But I would really appreciate something in writing about, you know, this amount of money generates X amount of savings. Because there are other programs out there that are saving huge amounts of energy, some of which were done here at the Board and others that are out there that are different from this weatherization concept.

MR. SNUGGS: We'll get you information.

TREASURER KOPP: Can I just, just, I understand from the Deputy Treasurer, who was a member of the PSC, that the PSC receives quarterly reports, not just on the work done but on the impact of the work done, the energy? Could we receive those reports also?

MR. SNUGGS: Yes.

GOVERNOR O'MALLEY: Kevin, pull up the State website, would you? Pull up delivery goal number nine, I think. What do you want to do next? That's a



good question. Maybe now is not the time, is it coming up?

MR. LARGE: Yes.

GOVERNOR O'MALLEY: Pull up number nine, would you? This is your State website. Is that, was it nine? Reducing per capita electricity in Maryland. Persons interested in this issue are, everybody can access this. Reducing per capita electricity consumption in Maryland by 15 percent by 2015 was a statewide goal we established some five years ago. There are many arrows in the quiver to reaching that goal. And as the Comptroller acknowledged, this is one of them.

But I have, as someone who is very much involved with other governors and sharing strategies and best practices, I really want to commend your office, Mr. Ariano, and Mr. Deputy Secretary, your department. Because Maryland was a leader in this. These dollars, this was one of the very few new programs in the Recovery and Reinvestment Act. Most

of the other programs were already up and running. The shovel ready projects that Secretary Swaim-Staley had readily available at Transportation and the like. But this was a new program and it did take some ramping up. And you all did a very good job of this and showing the other states how to do it, how to do it right, and how to keep the quality control there and how to make sure that the training and the certification and those sorts of things were done properly on the front end so that you didn't have sort of fly by night, perhaps even well intended firms, taking money for work they weren't qualified to do.

So anyway, at another time if anybody would like to check out any of these goals they are all here in a pretty ready dashboard fashion you can click on and bore down and see, and see whether we're hitting the goal or whether we're not. And we're always refining this to make it clear so if you have inputs after reviewing it we welcome that, too.

All right. The Comptroller moves approval of the Department of Budget and Management Agenda items, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We now move on to the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have 18 items on the Secretary's Agenda, one report of an emergency procurement. We have revised Items 1, 5, and 18. We are full of Maryland's issues today. It's good to see everything on our Agenda --

GOVERNOR O'MALLEY: That's good. Because if we were working on Pennsylvania issues --

(Laughter)

SECRETARY MCDONALD: Exactly. No, But I mean everything that is endemic to Maryland is here

today, including one of the most fascinating things I find about Maryland is Item 9. Which is a determination by the Land Commissioner Dr. Papenfuse, who also doubles as the head of the Archives. But he is here in his role as Land Commissioner.

GOVERNOR O'MALLEY: So Item 9, Mr. Land Commissioner.

DR. PAPENFUSE: Yes, sir.

GOVERNOR O'MALLEY: Step, come hither. What have you for us today?

DR. PAPENFUSE: I think actually before I say anything you all have to agree that I should be here? Don't you, with regard to the Agenda item?

GOVERNOR O'MALLEY: Do we?

DR. PAPENFUSE: I think so. You have to agree that I can present this to you. That that is permissible.

TREASURER KOPP: That's why you are here. We agreed.

GOVERNOR O'MALLEY: As moved by the Treasurer, seconded by the Comptroller.

DR. PAPENFUSE: All right. Thank you very much, Mr. Chairman.

GOVERNOR O'MALLEY: We hereby agree.

DR. PAPENFUSE: I also with your permission

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GOVERNOR O'MALLEY: With a motion of agreement.

DR. PAPENFUSE: With your permission I would also like to wish the Girl Scouts a very happy birthday before we move into discussion.

TREASURER KOPP: Thank you, doctor.

DR. PAPENFUSE: Private property is really at the heart of the American Dream. And in fact it is a dream that has been buffeted a great deal of late. If you look at the polls you will see that people still believe that they have the right and they have the opportunity and they may indeed over time acquire private property.

In Maryland the process of acquiring private property requires you either to be able to trace your property all the way back to an original land grant. And if you cannot, you have probably stumbled across some vacant property. And then if you have you have the opportunity to acquire that property. And the way you acquire it is by applying for a land patent.

Now you have to go through a fairly strenuous process to determine whether or not you have a right and that property is really vacant. So I would really like to call up a good friend of mine and colleague, Richard Richardson, who is my deputy, and point out that without Richard's team which includes a number of people, Emily, for example, and Jen, and of course our lawyer who is always there ready to help us when we may be about the stumble. But the idea is that you have to really clarify title and make sure that the property is truly vacant.

It's really a pleasure when you have an organization like the Boy Scouts, who have for years

been camping out in this space. In fact, my deputy is here with his son, Tim Baker, and his son is a Boy Scout. They have both camped in this area. And the Boy Scouts discovered that there was this piece of property that they had been using and looking at, but they could not figure out who owned it. They traced the title back and they found that it was never patented. So they made an application to the Commission of Land Patents and asked that that property become a part of the lands owned by the Boy Scouts.

Now this process is a very old one. It goes all the way back to the founding of the colony. And it does come with strings attached. You have to pay for the property. And if it stays in private hands you have to continue to pay taxes on it. The way in which you determine the value of the property is really based upon what the local tax assessors say it's worth. And that's what really set the value of this particular property.

I would like to point out, however, that one of the advantages of being State Archivist and having this responsibility is that we have a law that allows us to take that income and apply it to further research relating to the history of the State. So any of the proceeds from this particular land patent really will be put towards further education, internship programs and such, so that people can continue to understand the value and the wealth of Maryland history.

So with us today we have a number of Boy Scouts. I'm just going to recognize them fairly quickly, if I may. Michael Baker, I've already mentioned. Emmanuel Grogan, Emmanuel are you here? Ian Ferris. We have a Cub Scout Healy. We have Barry Gossett representing the Board. Okay? Gerald Stansbury, representing the Board. Eric Chase, Director of the Boy Scouts. Is Eric here? Yeah, good to see you. Great. And Jenna Wellie, did I pronounce



that right? Nice to have you with us as well. Did I miss anyone to be recognized?

MR. SPELLMAN: Joe Spellman.

DR. PAPENFUSE: I'm sorry? Would you introduce yourself please?

MR. SPELLMAN: Joe Spellman, I'm the Field Director --

DR. PAPENFUSE: Oh, absolutely. Now, it really has been a pleasure for our team to work through all of the resources to determine whether or not this land was truly vacant. The reason why I asked that the Board agree to the Agenda item is that by long tradition the issuance of the patent is by the Governor in that the Governor signs the patent that is delivered to the Boy Scouts. So I brought with me three copies for you to sign, Governor, today in the presence of the Boy Scouts. One of which is in fact taking us back to the original land grants. We decided for this ceremony we would actually provide sheep skin and we would do it on vellum and do it the

way it was really done from the very beginning with regard to the issuance of a patent.

GOVERNOR O'MALLEY: Did you bring my wig?

(Laughter)

DR. PAPENFUSE: No, I thought maybe you might supply them. That's a, I did, I hope, brought the right pen. If we could start with the recorded versions, and then we'll do the ceremonial patent if that's appropriate.

SECRETARY MCDONALD: Would --

DR. PAPENFUSE: Yes?

SECRETARY MCDONALD: -- Commissioner, I think actually, I'm not sure that, but they took a vote, they do need to take a vote on approving it to the --

DR. PAPENFUSE: That's right, yes.

SECRETARY MCDONALD: -- to be technical.

DR. PAPENFUSE: I'm sorry.

SECRETARY MCDONALD: Yeah, well that would happen after your presentation there. So actually I

think the Board needs to make an approval, a motion to approve Item 9.

GOVERNOR O'MALLEY: And where is this?

DR. PAPENFUSE: It's in Harford County.

It's a wonderful place that the Boy Scouts have been using for years going back, and my deputy isn't that old but he remembers camping out there under some rather strenuous weather conditions.

GOVERNOR O'MALLEY: But where is it? Like where in Harford County --

DR. PAPENFUSE: The exact place?

GOVERNOR O'MALLEY: Yeah, do we have a map?

SECRETARY MCDONALD: It's near Peach Orchard Road.

MR. BAKER: Peach Orchard Road.

DR. PAPENFUSE: Right.

MR. BAKER: Peach Orchard Road. Peach Orchard Road, actually, in Street, Maryland. Part of the Broad Creek Memorial --

DR. PAPENFUSE: Governor, if we had had our wits about us we would have brought up the KMZ file of Google Earth that shows in fact how we laid each of the plats and the old plats onto Google Earth so that you could see exactly where it was but also the historical. And we do have that available off of the Maryland State Archives website for anyone who is interested.

GOVERNOR O'MALLEY: I would like to see it.

DR. PAPENFUSE: Okay.

GOVERNOR O'MALLEY: We usually have great maps here.

SECRETARY MCDONALD: If he goes onto the State Archives website now it will be there?

DR. PAPENFUSE: We have to --

SECRETARY MCDONALD: Or you have to --

DR. PAPENFUSE: We would have a route that we'd have to follow which we don't want people at home

--

GOVERNOR O'MALLEY: Wherever it is.

DR. PAPENFUSE: But I would be happy to supply the link to the Governor's Office --

GOVERNOR O'MALLEY: Okay. All right. The Comptroller moves approval --

DR. PAPENFUSE: Thank you.

GOVERNOR O'MALLEY: -- seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: It passes. Guys, you got 19 acres.

(Applause)

GOVERNOR O'MALLEY: Boys and your leaders, you all want to come up here behind us while we sign these?

TREASURER KOPP: Yeah, I think you sign it.

SECRETARY MCDONALD: Yeah, it's a, the Board approves that the Governor signs this document.

TREASURER KOPP: Sort of like instead of Lord Baltimore.

GOVERNOR O'MALLEY: How you doing, fellows? Good to see you. Hey, how are you? How are you doing? Good to see you. Pardon me for not getting up but we are in cramped space here. Okay. Wow. I am reading here a complete description of the property. Said ten also marking the beginning of the 24th or south 14th degree east 32 purchase line of the firstly herein mentioned parcel, thence binding.

COMPTROLLER FRANCHOT: I'm so glad you read the acreage because I in my bad eyesight thought we were giving 19,000 acres.

(Laughter)

TREASURER KOPP: That is what it looks like.

GOVERNOR O'MALLEY: And note, and this is sheep?

DR. PAPENFUSE: No --

GOVERNOR O'MALLEY: Oh, I see. Know ye --

DR. PAPENFUSE: That's the one --

GOVERNOR O'MALLEY: Know ye that the Baltimore Area Council Boy Scouts of America -- Mr. Papenfuse, you can come back here with them if you want. I mean, and Tim Baker is getting your -- Boy Scouts of America, Baltimore City, State of Maryland, in accordance with the Real Property Article Title 13, Annotated Code of Maryland, on the 5th day of April, 2007 made an application to survey all that vacant land particularly here and after described. And pursuant to said application warrant to survey 100 was issued on the 20th day of April, 2011 to Frank Shepherd Richardson, professional land surveyor and notice to all adjoining property owners and others entitled to notice was given and all publications of notice were made. And on November, on the 21st day of November Frank Shepherd Richardson filed a certificate of survey plat and meets and bounds description of the vacant land. The actual fair market value determined by the Harford County Supervisors and its successors,

so and so and so and so. Life, liberty, and the pursuit of happiness.

(Laughter)

(Applause)

GOVERNOR O'MALLEY: Right. Well, here we go. This right here? This right here, huh?

DR. PAPENFUSE: Yep, right on it.

GOVERNOR O'MALLEY: This is governed by the Great Seal of Maryland this 20th day of June, 2012.

TREASURER KOPP: Lord Calvert would be proud of you.

GOVERNOR O'MALLEY: Right. Lord Calvert, eat your heart out.

(Laughter)

GOVERNOR O'MALLEY: Okay. And one to grow on.

TREASURER KOPP: Is there a lot of unplatted land.



DR. PAPENFUSE: This happens every nine to ten years. But we do have a very good program again -

-

GOVERNOR O'MALLEY: And this is the sheepskin one?

DR. PAPENFUSE: And this is the sheep --

GOVERNOR O'MALLEY: Wow.

DR. PAPENFUSE: This is the one --

GOVERNOR O'MALLEY: Sure. And I, use this same pen? You don't need one of those sheepskin pens?

DR. PAPENFUSE: We thought about it but --

GOVERNOR O'MALLEY: Okay.

DR. PAPENFUSE: It's a permanent ink pen.

GOVERNOR O'MALLEY: All right. We good here? All right. I am fake signing.

(Applause)

GOVERNOR O'MALLEY: Now I'm really signing. Just like a treasure hunt, huh guys?

(Applause)

DR. PAPENFUSE: -- receive the patent from the Governor's Office.

TREASURER KOPP: That is indeed a Great Seal of the State.

GOVERNOR O'MALLEY: I'm just going to slip out here one -- all right. This is, this is one of the --

(Laughter)

DR. PAPENFUSE: This is the handiwork of our conservation lab, to give you some idea.

GOVERNOR O'MALLEY: Which, here you go. I am hereby under Lord Calvert's adoring gaze -- now are there any rivers or creeks running through this?

DR. PAPENFUSE: Oh, there's a creek.

MR. BAKER: One creek.

GOVERNOR O'MALLEY: Oh, Broad Creek. Is it properly buffered? Does it have enough trees on either side of it?

(Laughter)

GOVERNOR O'MALLEY: Okay. Okay. Well guys, you take care of this property now, right? For all times. It must be a beautiful piece since you guys go there so often and you obviously love it. So repair and heal that stream, too, okay guys? All right. See you gentlemen.

(Applause)

GOVERNOR O'MALLEY: I'd love to come out and see it. Okay, I will. Camping, yeah, I'd love that. And I'd have to get permission from you.

DR. PAPENFUSE: I assume I'm dismissed?

GOVERNOR O'MALLEY: Well do we have to agree on that?

(Laughter)

GOVERNOR O'MALLEY: I think you are.

DR. PAPENFUSE: Thank you.

GOVERNOR O'MALLEY: Thank you, Mr. Papenfuse. That was the first time I've ever signed sheepskin.

SECRETARY MCDONALD: The last time was in 2002. So I think it's new for all three Board members, right.

GOVERNOR O'MALLEY: Okay.

TREASURER KOPP: I've never heard of such a thing. I didn't know there was unmapped land.

GOVERNOR O'MALLEY: And that happens because?

SECRETARY MCDONALD: The last time in 2002 was a couple, a married couple, and they just spent three years looking at the plot next to them. The same type of story. More often, the first go round if someone finds it it still has to be offered to the State for public purposes. So DNR has benefitted a few times. But the last two times, before that the last time had been 1983. So '83, 2002, 2012 to go to a private --

GOVERNOR O'MALLEY: But it's an anomaly because of land just not being surveyed and nobody ever --

SECRETARY MCDONALD: Nobody ever knew it was, this is why I was talking about issues that are native to Maryland. Because it's the way we were set up, with the land either having to be given to somebody, the start of your title has to be either Lord Baltimore or the State once the colony became a State. And this just never was given to anybody to start the title.

GOVERNOR O'MALLEY: Should have offered it back to the Piscataway.

SECRETARY MCDONALD: They did, well there you go. But they did give you \$36,000 for it so there you go.

GOVERNOR O'MALLEY: They didn't give it to me. They gave it to Mr. Papenfuse.

(Laughter)

SECRETARY MCDONALD: But another exciting item on the Agenda perhaps, is Item 18. Which is a recommendation from the Secretary of Natural Resources

about a piece of property he has out in Western Maryland.

GOVERNOR O'MALLEY: I'm sorry. On Agenda Item 2 I know we have the Somerset County Commissioners, Jerry Boston and Charles Fisher, commissioners. Can we do this one?

SECRETARY MCDONALD: We can, absolutely. It's your prerogative.

GOVERNOR O'MALLEY: You guys probably had to come further than John Griffin did.

SECRETARY MCDONALD: It's a recommendation from the Secretary of Aging for a grant to Somerset County for the Somerset County Senior Activity Center. And we have commissioners from Somerset County here.

MR. FISHER: I'm Charles Fisher, Vice President of Commissioners; Jerry Boston, Commissioner; our County Administrator Doug Taylor. And we just wanted to come here today. Thank you for letting us get across the Bridge before they close it up. We want to thank you today for helping us get a

senior center in Somerset County. With the contribution or the bond deal for the county, it will mean a lot for our seniors. And we just wanted to come here today and thank you. We're not requesting, we've already done that. We're just coming here to thank you and we will make it work. If you've got any questions, we'd be glad to answer them.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Just have a safe trip back.

MR. FISHER: We'll get back before the cranes take the bridge out.

GOVERNOR O'MALLEY: And this is the new senior center?

MR. FISHER: It's a senior center. What we're doing, we're revamping an old school that we closed up in our county.

GOVERNOR O'MALLEY: I see.

MR. FISHER: And combining some senior centers together.

GOVERNOR O'MALLEY: Great.

TREASURER KOPP: That's excellent.

MR. FISHER: So we think it will help our seniors and it will help our county and save us all some money.

GOVERNOR O'MALLEY: Good. All right. 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: It's unanimous, just like in Somerset County.

(Laughter)

MR. FISHER: We like to do things quick. We thank you --

TREASURER KOPP: Could I just add that Suzanne said for the record that we did receive a letter in strong support from Senator Matthias, Jim Mathias, who --



MR. FISHER: He's been very supportive of this project, along with our delegates.

TREASURER KOPP: Well we look forward to actually going down and seeing it.

MR. FISHER: When we get her finished we'll invite you down and show you.

TREASURER KOPP: Thank you.

GOVERNOR O'MALLEY: Love to see it. Thank you. When is it going to be completed, Commissioner?

MR. FISHER: We're probably looking at about two years, I would say.

GOVERNOR O'MALLEY: Mm-hmm.

MR. FISHER: Is that right, Doug?

MR. TAYLOR: Probably --

MR. FISHER: Maybe 18 months. We've got some architecture design to do. It takes time.

GOVERNOR O'MALLEY: Okay. Got you.

MR. FISHER: We move slow.

GOVERNOR O'MALLEY: Thank you, guys. Thank you. All right, anything --

SECRETARY MCDONALD: The Secretary, 18?

Secretary --

GOVERNOR O'MALLEY: Item what?

SECRETARY MCDONALD: Number 18, 18 on the Secretary's Agenda.

GOVERNOR O'MALLEY: Secretary Griffin?

SECRETARY MCDONALD: We have Secretary Griffin here for it.

MR. GRIFFIN: Members of the Board of Public Works, staff, good morning. John Griffin with the Department of Natural Resources. I was asked to start off by giving you a little background. And then others will address the Board and answer questions, as I will be happy to do so.

Just by way of background, which I think you are familiar with, but we started this project approximately 16 years ago when a former Board of Public Works approved a lease between the Department of Natural Resources and MEDCO to create a Jack Nicklaus Signature Golf Course and hotel conference

center at Rocky Gap State Park up in Allegany County. Over the years a team of agencies and private companies have worked in efforts to establish a successful partnership at this facility, bring jobs and economic benefits to an economically depressed area of our State.

In 2008 the Board did approve a restructuring of the debt with hopes of better outcomes. This has been a laudable vision for this facility, but it has never received, excuse me, achieved financial stability partly to the level of debt it carried. So today we present a plan for your consideration to hopefully put this facility finally on solid financial footing to create a new facility feature that consistent with policy enacted by the General Assembly and ratified by the voters will hopefully be a catalyst for success.

DNR would like to acknowledge the leadership and efforts of in this case Chairman Don Fry, head of

the VLT Location Commission, and our sister agencies, DBED, DGS, and MEDCO.

We are asking the Board today to approve five actions. First, assignment of the current ground lease from MEDCO to Evitts, the proposed new operator. Two, to amend, approve the amendment and restatement of the ground lease with new terms I will summarize later. Three, forgiving the debt owed to DNR for past due ground rent and surcharge payments. Four, purchase agreement between Evitts and MEDCO. And lastly, approval of the release of a State Highway Administration reverter language tied to a small parcel contained in the lease area.

With that, I'd like to turn the Agenda over to Chairman Don Fry, who you all know well. And then he will introduce Tim Cope with Evitts. And then I will pop back up to summarize the lease and the preapproved concept plan for the facility. And then lastly, Mr. Bob Brennan, Executive Director of MEDCO,

will address the Board. So unless you have any questions, I turn this over to Don Fry. Don?

MR. FRY: Governor O'Malley, Comptroller Franchot, and Treasurer Kopp, good morning. As Chairman of the Video Lottery Facility Location Commission it's a pleasure to be here today and to discuss the purchase of the Rocky Gap Lodge and Resort by Evitts Resorts as part of its proposal for a video lottery facility located adjacent to the existing resort.

As you know, the original development of Rocky Gap Lodge and Resort was part of a multifaceted economic development opportunity in Western Maryland. And while Rocky Gap has provided jobs and economic activity for the region the resort has unfortunately struggled financially despite the best efforts of the State to assist in its success. Recognizing these financial struggles, Rocky Gap was included as one of the five locations authorized by the General Assembly

in 2007 and by the voters in 2008 for the video lottery facility.

I know all of you have visited. And although certainly a very lovely and scenic resort, it's also obviously in a rural and very sparsely populated area, qualities and pose unique challenges for operating a video lottery facility. After two unsuccessful requests for proposals that were issued by our commission in 2009 and 2010, the General Assembly passed legislation in 2011 to incentivize Rocky Gap location including increasing the licensee's share to 50 percent of the proceeds for the first ten years of operations, and waiving the initial license fee for up to 500 VLTs, a savings of up to \$3 million. It also required the licensee to purchase the Rocky Gap Lodge and Resort.

After these legislative changes were made we issued new requests for proposals. And after receiving those proposals we promptly began discussions and negotiations with the qualified

applicants and all the interested parties, including DNR, MEDCO, DBED, but also very most importantly the MEDCO bond holders.

The Location Commission worked with all of these parties to reach what we think is a fair and equitable purchase price for the resort. The final outcome reflects compromise by all parties involved. To reach an acceptable agreement each party, including the private bond holders, were asked to write off investments that they made in the resort since it opened in 1996, or to forego revenues that were owed but never paid because of the resort's lack of cash flow. These compromises required lengthy and substantial negotiations. And we often faced the real possibility that an agreement may not be reached and the Rocky Gap Resort might cease to operate if that were to occur. To the credit of all the parties a negotiated sales price was reached.

Following the approval of the Evitts owners and the principals as qualified to hold a video

lottery facility license, the decision was made in March by the Lottery Commission. The Evitts proposal gained the Location Commission's approval the very next month, and subject to very contingencies including approval of the Board of Public Works on the item that you have before you today.

The purchase agreement provides that Evitts has agreed to pay \$6.775 million in cash to purchase the Rocky Gap Lodge and Resort. These monies are being combined with MEDCO's contribution of \$3 million for a total of \$9.775 million. From this amount, MEDCO will receive approximately \$2 million as repayment for cash advanced to the Resort and working capital, leaving \$7.7 million to be paid to the bond holders. Evitts will invest \$48 million to renovate the hotel and build a 50,000 square foot facility with 850 VLTs with anticipated opening within 18 months of the license award, sometime midsummer next year. Evitts plans to add another 150 VLTs in the second year of its operation for a total of 1,000, the



maximum allowed under the statute. And that would include an additional \$900,000 license fee that goes to the education trust fund.

When we were evaluating the proposals we had to look at the criteria that is set forth in the statute, but ultimately decide and determine if the proposal is in the best public interest of the State. Reviewing this project, it's estimated that the Evitts project would create over 500 direct jobs and generate \$21 million for the education trust fund, and \$2.8 million in direct State and local tax revenues annually. Of course there are indirect impacts that will provide additional benefits to both the State and the county economies. These benefits will compound over the life of the 15-year video lottery operation license with an additional ten-year renewal as set forth in the statute. Additionally, Secretary Griffin will explain to you how State Parks will benefit from the ground rent and other revenues to be paid by Evitts each year.

Considering the number of jobs that are created, the revenue and the taxes generated, and recognizing that this project will enhance the viability and stability of the Rocky Gap Resort, the Location Commission believes that this clearly demonstrates significant economic benefit for the State and the region. It's in the best and public interest of the State and also marks continued progress in our State's efforts to implement Maryland's VLT program.

With that background, I would be glad to answer any questions. But we'll also introduce to you at this time Mr. Tim Cope, who is the President and Chief Financial Officer of Evitts Resorts and its parent company Lakes Entertainment. He'll introduce his team and discuss their plans for Rocky Gap. Lakes Entertainment is a publicly traded company. They've been licensed to operation gaming in 20 jurisdictions, including Maryland. And they have experience working with Indian tribes protecting natural resources while

developing successful gaming operations. So I thank you for your consideration of this matter and I'd be glad to answer any questions, now or later. With that, Mr. Cope?

MR. COPE: Thank you, Chairman Fry. Good morning, Governor, members of the Board. I'm here today on behalf of Evitts Resorts. As you heard, it's the successful bidder on the Rocky Gap project. It's a wholly owned subsidiary of Lakes Entertainment, which is basically our parent company. Lakes Entertainment, as you heard, is a publicly held company, a small public company. It's not exactly the name you first think of when you talk about gaming companies, so if you bear with me a little bit I'll give you a little brief background about who we are and what we've done in the past.

We started in the early nineties as Grand Casinos in Minnesota. And we started with the development and management of two Native American casinos for a tribe in the Minnesota area. Both still

very successful, Grant Casino Mille Lacs and Grand Casino Hinckley. From that time we rapidly grew. We became public at that point in time, went public in the early nineties. We went to Mississippi and developed and owned our own casinos, Grand Casino Gulfport, Grand Casino Biloxi, and then Grand Casino Tunica later in the nineties. During that same time frame we built and managed two Native American casinos in Louisiana for the Grand Casino Coushatta, the Coushatta Tribe, and Grand Casino Avoyelles for the Avoyelles Tribe in Louisiana.

So we had a very rapid growth history throughout the nineties. In fact, *Forbes* names us the fastest growing company in American I think in '95-'96 time frame. We actually built and developed and managed more casino gaming space than any other gaming company in the country during the nineties. You just didn't heard a whole lot about Grand Casinos because half of our projects were for the Native Americans. Essentially not on our balance sheet, and you know we

didn't get the public recognition, but we certainly developed the experience at that point in time by developing and managing the casinos.

At the end of the nineties we entered into an agreement with Hilton Hotels. Hilton basically at that point was looking to spin off their hotel gaming division. We happened to know the Hilton group quite well. We formed a merger transaction where we sold to them Grand Casinos that they spun off their division. That's what formed Park Place Entertainment. That might be a name that's more recognizable in the gaming industry, is Park Place Entertainment. But that was a combination and the Hilton Hotels at that point in time.

What we did not sell to Park Place Entertainment we kept. And right at that point it was two contracts left in Louisiana we're managing for the Native American groups. We had land in Las Vegas on the Las Vegas strip and cash on the balance sheet. And so as the start of 1999 we basically renamed our

company Lakes Entertainment and started the process over again.

Since that time we entered into three, what we thought were three of the best Native American contracts, probably still are the best Native American sites in the country. One was with the Pokagon Band of Potawatomis for development in Michigan. And we went on to develop and manage the Four Winds Casino on behalf of the Pokagon Band in Michigan. A very large, over 3000 machines, 100 table games, hotel, very large development. Very successful development and since that time they have expanded and are opening two additional casinos.

The other contract we entered into that first year was with the Shingle Springs Band of Miwok Indians, they are out in Northern California close to Sacramento. We are currently managing that casino for them. We developed and built a large casino, about 2,200 machines, 75 table games, restaurants and related facilities. That was an interesting project,

working with the State agencies there. And we certainly learned a lot at that point working with the government agencies. We in fact had the opportunity to build them a \$75 million off on an off ramp to allow us to develop the casino. So a good project there. Still very successful. And as I say, we currently manage that casino on their behalf.

We also entered into an agreement with the Humboldt Indian Village in San Diego, another great location. Unfortunately they have yet to receive all of the necessary approvals from that State for that project to move forward.

Then throughout the early part of 2000s, mid-2000s, we proceeded down Oklahoma and we entered into additional agreements with Native American tribes in Oklahoma. Took over the management of casinos on their behalf in the Oklahoma area and then again very successful developments on their behalf.

So it's kind of a long way around by saying, well, we've gone, started with Native American casino

developments, development was very successful. As Chairman Fry mentioned, we've had a lot of opportunities to deal in areas of the country that not necessarily urban locations but more rural locations, such as Rocky Gap. That leads us to think that we can also do a very good job for the State of Maryland and the Rocky Gap project. We have a lot of experience in opening new casinos in the rural areas where just finding employees that are trainable, much less willing to work, is sometimes a challenge.

I can give you a number of stories about, I grew up in Nevada so that's how I got into the gaming industry. But when I first moved to Minnesota to join Grand Casinos I was somewhat surprised by the approach to gaming that some of the new projects take in rural areas. For example, it might be hunting season when half of your employees choose to go hunting rather than come to work that day. And it's just, that's the nature of the beast. Other areas we've, there's been occasion, we had a management contract in Texas. And



little did we know but the first thunderstorm is the signal that everybody should then migrate to Mexico and spend three years on some kind of a mission in Mexico. So we've had a number of stories where we've had to develop projects in what I say rural areas. When we look towards Rocky Gap we are very encouraged by the fact that Rocky Gap is an existing location. I read the newspapers today, too. I'm not sure whether I should have read the newspapers before we did this deal or after we did the deal, but we are optimistic.

GOVERNOR O'MALLEY: They are always pessimistic.

(Laughter)

MR. COPE: Well we are, we like to take the high road. We think, we like to optimistic in this project. We think that again with an existing, it's a beautiful location. It's nice to come to a community, and a county particularly that's very supportive of a project. We obviously have been in situations that

the surrounding communities aren't supportive, and we've had to overcome that. But it's been a pleasure to deal with the State, the DNR people, certainly all the country officials, Allegany County, the local group there, working through the permit process. So it's been a ray of sunshine in terms of getting the development done. Again, we look forward to the successful completion of it. Which is one of the reasons we're excited about being in Maryland. Again, it's not a management contract per se, it's a project that we now can own. It's a company asset. That certainly helps towards our development of our company as a public company. We're looking, you know, to grow and prosper in terms of owning our own projects as opposed to just finite, short term contracts. Native American contracts generally are five to seven years. At least with Rocky Gap we have a chance for a few more years with that in our contract with the State. So we are excited about that opportunity.

With that said, I welcome any questions. But again, we look forward to completing the transaction. We are working well, I think DNR has been very helpful and supportive. Like I said, we are, I think we worked out a very good agreement both from the State's perspective and from our perspective. It's certainly an opportunity for us to take over a project and help the community. There are certainly a number of jobs involved we'd like to do, to help the local area. We are very big in training programs. One of the things that our company is very proud of is the in depth training that we take in approaching a new project. We've learned we had to do that because, again, in some areas we've hired employees that literally can't count. So we have developed in depth training programs in all areas of hotel, casino, resort facility. We've actually built and developed a Jack Nicklaus Golf Course in one of our former projects, so we are also familiar with that particular phase of the business.

So this seems to fit well within our wheelhouse. It's a project that has all the amenities that we are familiar with. It's a location that we think we can certainly market to make it successful. And with that, we look forward to moving forward. Thank you.

GOVERNOR O'MALLEY: Thank you. Do you want to wrap up?

MR. GRIFFIN: I mentioned I would pop back up. I was asked to give a little highlight summary of the proposed lease. I should mention at the beginning the existing lease which we've had we just used as a baseline and negotiated changes with Evitts.

So in terms of lease acreage it's still 260-plus or -minus acres. There's a, we're asking for you, the Board, to consider approving, preapproving an additional seven acres for additional parking. We and the company are still working through the details of that and the final engineering, which is why we ask that it be preapproved at this point. The term, the

initial term is 60 years. Forty, plus the opportunity of a 20-year extension. That's roughly by way of comparison seven years longer than the current lease with MEDCO. Rent structure, Chairman Fry mentioned in terms of DNR, in the first two years of operation it is \$150,000 plus any additional revenue beyond that from the surcharge. In the next set of years three to nine, \$275,000 will go to MEDCO and a minimum of \$150,000 surcharge on rooms and rounds of golf will come to DNR. And in years ten and beyond, there's two rents, two payments streams or revenue streams. One is \$275,000 or .9 percent of the gross operator share of proceeds, whichever is higher, plus all the surcharge revenue.

So over the first 15 years of operation, assuming this all works well, our park dedicated fund will hopefully receive about \$6.4 million in revenue, which I might add we sorely need, as Secretary Foster could attest.

On the design, we have a concept plan which we're asking the Board to approve. And then we will work with Evitts for final review and approval based on environmental site design, protection of natural resources, especially forested areas and water quality. This will be a LEED certified building or facility. We're going to relocate our aviary and our playground equipment actually closer to the public campgrounds, which is a good thing. And Evitts has agreed to do some tree screening, first to mitigate for some of the forest that will be take up in construction; secondly, to lessen the visual impact of the development on our day use and campers.

That's the preapproved concept design you see there. We, as Mr. Cope mentioned, have worked very well with Evitts. They understand our mission and the importance of maintaining the overall Rocky Gap Park aesthetic during and after construction. And we don't foresee any major problems as we move forward beyond what you see there on the screen.

A couple other final points, at the end of the lease term which is an existing lease all of the improvements become the property of DNR and the State, and in the event that Evitts is not awarded the slot license after the initial period we have provided an opportunity for them to sublease with Board of Public Works approval.

We may be back to you when we iron out formal rights of way or easements for necessary utility lines. And with that said, unless you have any questions our last presenter is Bob Brennan, our current tenant and Executive Director of MEDCO. Thank you. Bob?

MR. BRENNAN: Thank you, John. Good morning, members of the Board. I'd like to start by just thanking Don Fry for his leadership in putting together and getting all the State representatives, be it DNR, DGS, MEDCO, it has been a very collegial enterprise. It has been a difficult exercise coming to this conclusion.

One of the things I'd like to review with you is the ultimate settlement. There are monies being transferred, but there are also losses that are being recognized as part of this deal. One of the requests for today is the approval of the DNR write off, which is the accrued ground rent since the inception of the transaction at \$7,982,000. I do also want to point out that there was other investments that were made into the transaction over time, starting with the initial capital investments by the State of \$14,370,000. There was a \$4.5 million contribution from Allegany County. Over time, DBED put in over \$15 million in loans. They have accrued interest of over \$6 million. There's \$21,552,000 that will be written off there. MEDCO has also advanced monies into the project as well as have accrued fees. I will point out that MEDCO has never taken a fee out of all its years of oversight in this project into its income. We have been recognizing income but have never received any cash.



GOVERNOR O'MALLEY: It's been a labor of love for you.

MR. BRENNAN: Absolutely. I've never had so much fun. And our total write off will be \$11,593,000, although we do have an opportunity to collect about \$1.5 million through the future ground rents. And I think part of that has been set forth.

We have, also have private investors. There is a negotiation that was settled back in December. There are adjustments that will be made at the time of closing. But based on some estimations they will receive \$7,770,000 and they will provide us a full release of their liens on the property. They are owed a total of \$34,377,000. So we are estimating they will have a write off of \$26,602,000. This has been very difficult for everybody.

But we viewed this transaction as one that will actually provide the State a great opportunity. As Don Fry elaborated, we're going to be going from a situation where we're not receiving monies to a

situation where we will be receiving over \$21 million a year.

It's also currently employing about 200 individuals. In the winter season we get down to about 100. With this transaction we see employment growing with the expansion of gaming up there to over 400 employees. So from an economic development perspective, the future opportunities are very great. And for all these reasons we are looking for your approval. Thank you.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Treasurer, do you have questions?

Well, followers of the Board of Public Works mark June 20, 2012 as the day that Peter Franchot supported an item that will pave the way for a new gambling casino in Maryland.

(Laughter)

GOVERNOR O'MALLEY: I want to thank Mrs. Franchot for being here --

(Laughter)

COMPTROLLER FRANCHOT: Maybe you can join us for lunch. But my support of this item is based on one reason and one reason alone. This gets Rocky Gap, a very well intentioned concept that has proven over time to be one of the biggest white elephants ever imposed on the taxpayers of this State, it gets Rocky Gap off the public rolls for good. I guess that's a little bit of an overstatement because we're still, the taxpayers apparently will provide the slot machines that will be used for the benefit of a private gambling company. But frankly my ongoing criticism with that arrangement, and frankly the fact that our State is starting to look more and more like Las Vegas everyday, is more than offset today by my satisfaction that someone has come along to take this Rocky Gap property off our hands. Which means that we won't have to be subjected to any further byzantine ideas to restructure debt, request for future, further State subsidies simply to keep the lights on.

I do have a couple of questions, however. As part of this agreement we'll be forgiving all of the outstanding debts and liabilities that have accrued over the years as we waited and waited for Rocky Gap to get on its feet. Mr. Brennan listed some of the items and am I mistaken, or are we approaching almost \$50 million in taxpayer money that we're essentially taking off the table? And obviously I understand we need to strategically cut our losses. But I think our constituents need to at least have an understanding of the order of magnitude. And I couldn't quite follow all the numbers you mentioned. But it sounded like it added up to \$50 million plus.

MR. BRENNAN: Right. Let me recount. There was an original investment grant made back in 1996 of, or prior, for \$14,370,000. Then the Department of Business and Economic Development is owed a total of \$21,552,000, of which over \$6 million of that is accrued interest. So you approximately add \$15 million in principal.

COMPTROLLER FRANCHOT: Okay.

MR. BRENNAN: DNR had accrued fees for ground rent. There was no principal contribution, it was just monies that would have been due to. And that's \$7,982,000. Allegany County invested \$4.5 million at the inception of the project. They also had some accrued fees that are being written off of about \$306,000. And then MEDCO was in for \$11,593,000. And I have an opportunity to get back \$1.5 million of that.

COMPTROLLER FRANCHOT: Okay.

MR. BRENNAN: The, and again, the investors with \$7,770,000 payment will recognize a write off of \$26,602,000.

COMPTROLLER FRANCHOT: Great. No, I understand their participation. But we are up in the \$55 million range if I add those up, or somewhere in that range.

MR. BRENNAN: On a gross basis. On a capital basis.

COMPTROLLER FRANCHOT: Yeah. Got you.

Okay.

TREASURER KOPP: That includes the foregone revenue. It's not outright expenditures, is that right?

COMPTROLLER FRANCHOT: It's interest payments, etcetera.

MR. BRENNAN: It's either capital, accrued interest, or fees.

COMPTROLLER FRANCHOT: Anyway, it's a large amount of money.

MR. BRENNAN: It's a large amount of money.

COMPTROLLER FRANCHOT: And if someone could help me understand, how far is Rocky Gap from casinos in the neighboring states? Is it, is it a long distance?

MR. BRENNAN: Actually we did a feasibility study early part of last year. And at that time probably the closest facility was Penn National, although there was one that was not on the board at

that time which is going up in Gettysburg. Nemaocolin has also since been awarded a facility. But Nemaocolin, my understanding, is going to be exclusive to the guests. Whereas I believe Rocky Gap I believe will be open to the public. So they will be able to attract day travelers, local folks, and not just guests of the hotel.

COMPTROLLER FRANCHOT: And approximately how close are they?

MR. BRENNAN: Nemaocolin is 50 miles, so the way they drive up there it's 45 minutes away.

COMPTROLLER FRANCHOT: And Mr. Brennan, thank you for answering these. But I heard the presentation by Evitts. Is that, or is it Evitt? Evitt?

MR. BRENNAN: Evitts, as in Evitts Creek.

COMPTROLLER FRANCHOT: Evitts. Have they, I understand a lot of the Native American projects that they've done. But have they done something in an

economically depressed, relatively remote area like where Rocky Gap is?

MR. BRENNAN: I'd have to defer back to Mr. Cope.

COMPTROLLER FRANCHOT: Yeah, please. Why not?

MR. COPE: With regards to the market you are questioning. I think probably our biggest and closest competitor is Penn Casino in Charles Town, West Virginia. It's probably an hour to a 75-minute drive from us. We understand that. We certainly can't compete with a facility of that size and scope. We don't intend to try. I think what Rocky Gap is is more of a destination resort. It already has some following just because of the area itself. But clearly what we're going to market to is what we call the day trip market. We'll put in 850 VLTs or 1,000 VLT machines. We don't need more than, you know, 1,000 people a day to make that a successful project. Some of our other projects we look for 10,000 people a



day. So yes, we understand the size and the scope of the project we're getting into. It's certainly a competitive market. The economy everywhere certainly has not been what it was ten years ago. We, you talk about depressed markets, we're managing a very large casino in the Sacramento area right now. Sacramento is nationally one of the most depressed markets in the union right now. So we're very familiar with depressed economic conditions.

COMPTROLLER FRANCHOT: California is there, they are there to make us look good.

(Laughter)

MR. COPE: Well, I'd like to say I hope so. Let me just ask if I could while you are up there, Mr. Fry, Don, if you could come up, I know that the State of Maryland has made certain concessions in order to make Rocky Gap more attractive to prospective buyers, including but not limited to reducing the tax rate from 67 to 50 percent. For the record, are there

other financial incentives or subsidies that have been promised to Evitts to secure their commitment?

MR. FRY: The only other additional things, other than the lease agreement that was discussed, pertains to the State Highway Administration is going to work and assume the road repairs leading into the facility and also the Maryland Environmental Service is going to work, which is something they were doing already, dealing with the water and wastewater plant at the facility. And they will be assuming that obligation.

COMPTROLLER FRANCHOT: Thank you.

MR. FRY: One other thing, if I could, to add to what Mr. Cope said earlier. Mr. Comptroller, the PricewaterhouseCoopers consultant study indicated to us that of the people who would be attending Rocky Gap they anticipate 40 percent of the people will be coming from within 40 miles. A third of the people will be coming from outside of the market area, as Mr. Cope spoke about regarding the day travelers.

COMPTROLLER FRANCHOT: Thank you, and thank you for your leadership. I served with you in the Legislature and chair of my subcommittee.

MR. FRY: My pleasure.

COMPTROLLER FRANCHOT: I'm glad to see there's life after politics. Kind of.

MR. FRY: Thanks.

COMPTROLLER FRANCHOT: Thank you, gentlemen. Governor, if I could just make a final point. I'm not going to, obviously, belabor the point because everyone in this room understands my thinking on the expansion of slot machine gaming in Maryland.

But I do want to just say for the record that I honestly believe it would be a profound embarrassment to the State if the General Assembly were to reconvene next month for yet another, in what is beginning to feel like a repetitive loop of special sessions, simply to pave the way for a new casino site at National Harbor, and to surrender to the demands of MGM Resorts for a sweetheart tax rate. I happen to

believe, contrary to some of the people in my own party, that lowering taxes for multinational gambling companies just weeks after we raised taxes on middle class Maryland families would reflect the worst conceivable misplacement of priorities that I've seen in my 25 years as an elected official.

I believe that by breezily disregarding our constitutional commitment to five gaming sites in Maryland would demonstrate a brazen disrespect for those other vendors who, regardless of whether you love the business or hate it, have played fairly by the rules and won every right to expect a comparable show of good faith from our State government. Regardless of the industry, business executives value stability and predictability in dealing with the public sector and right now we're demonstrating neither.

And finally I believe that when our State's economy appears to be losing altitude by the month, when we're experiencing rising unemployment and one of

the nation's worst rates of job loss, at a time when our neighboring and the District of Columbia are adding jobs and holding the line on unemployment, we just have to grow up in Maryland. And put this obsession with slot machines back on the toy shelf where it belongs and get focused again on rebuilding our State's private sector economy the right line. By holding the line on higher taxes; by putting a stop to our relentless annual tinkering with the Maryland Tax Code; by treating businesses like the good customers that they are, customers who are paying the freight for our great schools, safe communities, and healthier environment instead of like interlopers who are intruding on our lunch break. And by making sure our kids come out of the nation's best public school system with the ability to balance a checkbook and understand what compound interest is.

I don't mean to take too much of the Board's time. But I wouldn't have gone here, frankly, if I didn't sincerely believe it has to be said. I

understand we lost the vote years ago. But there were a million Marylanders that voted against this kind of industry. And so, thank you for your patience.

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?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. There are many things I'd like to say in response to your remarks as well, Mr. Comptroller. In deference to the hour, the time, and the distinguished company here at the meeting, I'll reserve my response for another date. Are there any questions on the balance of the Secretary's Agenda?

SECRETARY MCDONALD: Secretary Chow is here for veterans businesses.

GOVERNOR O'MALLEY: Mr. Secretary?

SECRETARY MCDONALD: We have Item 6. And it is a recognition that the Board finalize its regulations on the Veteran Owned Small Business Program. And Secretary Chow wants to support this item and tell us about veteran businesses in the State of Maryland today.

MR. CHOW: Thank you very much for this opportunity to appear. Governor, Mr. Comptroller, Madam Treasurer, I would like to thank you for your consideration of this measure. The Board has always been supportive of our Maryland veterans and that support has been much appreciated by our veteran community.

According to the March 5, 2012 report for the U.S. Small Business Administration the State of Maryland ranks 14th in the nation in the number of veteran owned small businesses with just over 54,000. Approximately 8.3 percent of them are service disabled veteran owned businesses. Many veteran business owners have gained important skills and leadership

abilities from their active duty and reserve component service that are directly relevant to business ownership.

Having a .5 percent procurement goal for veteran owned small business is a great way to show veteran small business owners in Maryland that we value their service as well as their contribution to our economy as small business owners. I would like to thank your Procurement Advisor, Ms. Mary Jo Childs, who has put a great deal of work into writing regulations for this new policy. Thank you again for your consideration of this measure.

SECRETARY MCDONALD: And just to let you know and the procurement officers know that the Procurement Advisor will be offering training on this new program in July. So we have that set up in order to hit the ground running --

MR. CHOW: Thank you.

TREASURER KOPP: Yes. Just without spending a lot of time I would point out that Item 8 is a



resolution in support of the next State Bond Sale of up to about \$500 million in new money, potentially \$250 million in refunding money depending on what the markets are like. As you know, this money is raised for capital construction in the State mostly going to education but also to other corrections, transportation, and other public services, public enterprises.

There will be a retail bond sale part directed towards individual investors, citizens of the State of Maryland who can invest in their own schools, roads, etcetera. And institutional as well. And we are asking you to adopt this resolution now so that we can begin to negotiate with the market and get advanced notice. They will be sold as AAA rated bonds.

GOVERNOR O'MALLEY: Okay. The Treasurer moves approval of the balance of the Secretary's Agenda, including the item that the Secretary of Veterans Affairs addressed and the Treasurer's bond

matter. The Comptroller seconds. 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 we now move on to -- Natural Resources Real Property, nothing?

TREASURER KOPP: Governor, could I just add? This is not on the Agenda but having spoken of Richard Dixon, who was one of the first African American financial leaders, and this bond sale, I would like to point out that Maryland and the City of Baltimore have been acting as hosts for the past three days to the National Association of Security Professionals, the nation's foremost organization of African American financial leaders, both investment and liability and debt. They have taken advantage of the, of being here when the great ships were here. They had a terrific program, very impressive program. And on behalf of

all of us I'm sure we welcome NASP back to Baltimore. It's an honor to have them here and we look forward to having them again.

GOVERNOR O'MALLEY: Okay. You had no items on there?

MS. WARD: We do.

GOVERNOR O'MALLEY: You do. Luke, right?

MS. WARD: We have six.

GOVERNOR O'MALLEY: Six items. Any questions on Department of Natural Resources Real Property items? 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: The ayes have it. We move on now to University System of Maryland.

MR. EVANS: Good morning.

GOVERNOR O'MALLEY: I want to congratulate you for all the good work that you all are doing on the Maryland Innovation Initiative. U.S. Chamber of Commerce named Maryland the number one state in America for innovation and entrepreneurial activity. And it's in no small part to a lot of your efforts. I understand there's a big resolution coming up at the Board of Regents on tenure track that encourages commercialization instead of just publication. Not that there's anything wrong with publication. So what do you have? Anything fun?

MR. EVANS: Joe Evans representing the University System of Maryland. We have 14 items on the Agenda today. I'm here to answer any questions.

GOVERNOR O'MALLEY: Any questions? 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: The ayes have it.  
Department of Information Technology.

MR. SCHLANGER: Good morning, Governor,  
Madam Treasurer, and Mr. Comptroller. Elliot  
Schlanger, Department of Information Technology. I  
have six uncontroversial items on my Agenda this  
morning.

(Laughter)

MR. SCHLANGER: I'll be happy to answer any  
questions at this time.

GOVERNOR O'MALLEY: 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. As we  
go to Department of Transportation, this is Beverley  
Swaim-Staley's last day at the Board of Public Works.  
So maybe we should see if we approve --

(Laughter)

GOVERNOR O'MALLEY: Any questions on the Agenda, Department of Transportation? The Comptroller moves approval --

SECRETARY MCDONALD: She needs to withdraw, she needs to withdraw some items --

GOVERNOR O'MALLEY: Oh, we were going to approve them anyway.

(Laughter)

MS. SWAIM-STALEY: We're withdrawing 1-C, 5-M, 6-M, 7-M.

SECRETARY MCDONALD: That's fine, thank you.

GOVERNOR O'MALLEY: The Comptroller moves approval of the balance of the Secretary's Agenda. Seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

I have a proclamation and this is a special tribute to Beverley Swaim-Staley on this June 20, 2012.

Whereas, Beverley Swaim-Staley has served as the Secretary of Transportation with great distinction and integrity. It is appropriate to recognize her dedicated and selfless service. And --

VOICES: Whereas.

GOVERNOR O'MALLEY: Thank you. You've seen the show. Secretary Swaim-Staley has marked her tenure with wise counsel, conviction, and inclusiveness. She has been able to make tough, complex decisions while showing respect and concern for others. All those who have worked with her or served with her knows that she treats the powerful and the powerless with the same courtesy, compassion, and dignity. And --

VOICES: Whereas.

GOVERNOR O'MALLEY: -- Secretary Swaim-Staley guided the Maryland Department of

Transportation under challenging economic times with steady leadership and has ensured the safe and efficient movement of people and goods throughout the State. Rather than accept easy, short term fixes she has been an advocate for making lasting, positive changes that will support prosperity and our quality of life. Our State's economy and environment have benefitted from the devotion to ensuring the critical investments in infrastructure not only return a public benefit but are done in an environmentally and socially sound manner. And --

VOICES: Whereas.

GOVERNOR O'MALLEY: -- Secretary

Swaim-Staley has always put her public service in the context of leaving our State in a better condition than she found it. Her actions will have consequences that will outlive us and we can state with confidence that future generations will be proud of her public life and achievements.



Now therefore I, Martin O'Malley, Governor of the State of Maryland, do hereby proclaim June 20, 2012 as Beverley Swaim-Staley Day in Maryland.

(Applause)

GOVERNOR O'MALLEY: Beverley, come up so we can all do a Board of Public Works picture. I know you'll miss the three of us on Wednesdays.

(Laughter)

MS. SWAIM-STALEY: It has been my pleasure to serve with all of you.

GOVERNOR O'MALLEY: Hold that right there. There we go. Any other remarks? The floor is yours.

MS. SWAIM-STALEY: It's been an honor. I've had the privilege, I started as an intern here when I was 20, 30-plus years ago. And I had the privilege of, I was an intern with the Judicial Proceedings Committee and Joe Curran was the Chair of the Committee. So I guess that's where I was bitten at that point, knowing I wanted to come back and work for the State. And then I had the privilege of working

with both of these wonderful people in the Legislature. So it's, I could not, it's been a blessing. I couldn't ask for a more wonderful career. I was reading last night that John Kennedy said public service should be a proud and lively experience, and I think that it absolutely was for me. It's been my privilege. Thank you.

GOVERNOR O'MALLEY: Thank you. Thanks a lot, Beverley.

(Applause)

TREASURER KOPP: Governor could I say on my behalf, and I think the Comptroller's also, Beverley, as citizens of, well as folks in the Legislature, citizens of Montgomery County, people who have worked with the Department of Transportation over the years, I would say not only do we salute you, but I am happy knowing that we have said farewell to you several times and so I trust this is not the last.

(Laughter)

MS. SWAIM-STALEY: I can't promise. I have returned many, many times. No matter where I go I always find serving the State of Maryland seems to be the thing I enjoy most. So thank you.

TREASURER KOPP: Could I just add? Beverley knows this. But my sister-in-law in Boston is very involved in national transportation matters, and particular women in transportation. And there was an event in Colorado, California?

MS. SWAIM-STALEY: Colorado most recently.

TREASURER KOPP: Colorado, which Beverley was a panelist of women leaders in transportation. She was declared without a doubt the foremost national woman leader in transportation. And truly, I mean she is appreciated in her own land but recognized throughout the land, really, as a leader. It's not a surprise to us, but it's nice to notice it.

MS. SWAIM-STALEY: I've been really lucky.

GOVERNOR O'MALLEY: Well done. We are now on the Department of General Services.

MR. COLLINS: Yes, sir.

GOVERNOR O'MALLEY: How do you follow that, Al?

MR. COLLINS: I'll tell you, Governor, it's almost impossible. Good morning, Governor, Madam Treasurer, Mr. Comptroller. The Department of General Services has 11 items on our Agenda, including one supplemental. We are withdrawing Item 1. Items 9 and 10 have been revised. I'll be glad to answer your questions. I would say, Governor, the remaining items are also noncontroversial.

(Laughter)

GOVERNOR O'MALLEY: Mr. Kresslein is here on the Goodwill Monocacy Valley -- I'm sorry we had to make you wait so long, Mr. Kresslein. I didn't know. You want to tell us what this is?

MR. KRESSLEIN: Good morning, Governor, Mr. Comptroller, and Treasurer. Bob Kresslein on the Council for Goodwill of the Monocacy, Goodwill Industries of the Monocacy Valley, the CEO of which,

Dan Kurtenbach, is here with us today. Our request before you is a request for a waiver and subordination of the State's right of recovery on a grant that was made about 15 years ago, 14 year ago, regarding the renovation of a project in Frederick. The State graciously made a grant of just under half a million dollars with respect to that project. The facility is up, running, and doing great work for people of disabilities, providing hope, jobs, and a future for those people in our region.

The Goodwill also serves Carroll County and in that capacity is in the process, or wants to, renovate its building in Westminster. In order to do so it has to borrow money. In order to borrow money it needs collateral. In order to provide collateral it needs to ask the State for its gracious waiver and subordination of its right of recovery to the bank's lien so it can borrow the money, build its structure, and further serve people with disabilities in the State of Maryland.

So we ask for your support and we appreciate all the help we've gotten from the department in getting us to this point today.

GOVERNOR O'MALLEY: Thank you, Bob. That's a good one.

I neglected, Mr. Johnson you wanted to talk to us again about the helicopters and I wanted, you might as well --

MR. JOHNSON: Thank you for giving me the time as a citizen --

GOVERNOR O'MALLEY: Sure. Absolutely.

MR. JOHNSON: -- to address this --

GOVERNOR O'MALLEY: I apologize. I meant to call on you during the Transportation thing. I know you have opinions on this.

MR. JOHNSON: I handed out some briefs, talking points. On tab one the topics presented at the June 20th Maryland Board of Public Works meeting, I told you this is a flawed procurement, no competition, \$120 million-plus. Did the awardee meet

due diligence of specifications? Modification dollars are ambiguous. Remarks on two pilots very ambiguous, that's in reference to the FAA, and supplemental is in there. Tab two has to do with the competitive sealed proposal. It was not a competitive proposal per Agenda. The State received only one bid. Cost has risen dramatically since the award. Awardee did not meet bid specifications but we awarded it anyway. This is the problem with a sole source bid.

In reference to the FAA remarks, the Board of Public Works Agenda, page 28, they talk about while the FAA has certified the aircraft for two pilots for IFR and one pilot for VFR operations, the FAA now believes that its pilot license and regulations do not currently provide a procedure for FAA to license pilots to operate the aircraft as one pilot VFR. Now I went onto the FAA site and this statement contradicts what's on the FAA's site. This helicopter, the AW139, is still certified for one pilot VFR and two pilots IFR.

The issue right now in front of the Maryland State Police and the taxpayers is that the EMS interior design is flawed. The Maryland State Police agreed on the airlight EMS interior. This has been a major issue industry wide regarding the EMS interior and it was well known prior to submitting on this helicopter. In Canada the Parliament is in a debate right now with their attorney general regarding the EMS interior design. An ORNGE air ambulance design risky to patients, top doctor discovers, found a disaster waiting to happen. Cramped interior of the brand new AW139 helicopter a high risk environment. His finding, tough to do CPR, hard to prop up a patient who is having difficulty breathing, takes a long time to load and unload patients. And I got an article off line. I follow the helihubs just about on a daily basis. And they reported it did not take helihub.com to long to confirm that the airlight interior is at the concrete of this issue, Hans Brichwer, from Airlight American, LLC, the U.S. office



of the Swedish manufacturer confirmed that the Maryland State Police is also having the Airlight Interior fitted. And they, and that they are on schedule and within budget. Airlight America is contracted to AgustaWestland in Philadelphia. So the Maryland State Police would not have tendered separately for the medical interiors in their AW139.

The picture that you see of the interior, you can notice the stretchers high up in the air. It's very difficult for the flight paramedic to do any maneuvers with a patient who has life threatening injuries. All this was known prior to the 2010 Board of Public Works approval. And here we are, we're back asking for additional funding for a different type of interior.

On the next tab you'll see a colored chart on how much will the Maryland State Police helicopter really cost the taxpayers. In 2010 it was \$11,700,000. Then we find out there is a contingency fund of \$6.9 million. No one in State government can

tell me about this \$6.9 million contingency fund, and where it's coming from, and who is it going to. So I divided that \$6.9 million into ten helicopters, which gives you \$690,000 additional for each helicopter. Then I learned there's a \$1.1 million adjustment needed, which brings the helicopter up to \$12,390,000. And now we're up to \$13,490,000 and we're continuing looking at the Board of Public Works Agenda adding more cost to the helicopter, going towards \$15 million. And this is just capital. And operational cost is beyond anyone's comprehension. I did a calculation over a ten-year period you are looking at \$584 million just to operate this helicopter.

Well anyway, the next tab shows what is the real cost of our new helicopters. A, Board of Public Works June 20, 2012 Agenda. They are showing \$11,741,545. And then the Board of Public Works is showing that additional money is required, \$76,556. So that brings each helicopter to \$11,818,101. Going to B, per House EMS work group, February 2, 2012

minutes. They are showing \$11,700,000. Then they talk about the contingency fund. But yet no one in the House EMS work group knew anything about the contingency fund, and never asked any questions on where did it come from and where is it going. We still don't know anything about the \$6.9 million contingency fund.

So that brings the total up to \$12,390,000. So we go to C, per House EMS work group, March 28, they start out at \$11,700,000 per helicopter. Then they added the \$1.1 million additional cost. It comes up to \$12,800,000. Then I go to D, all of the above. One, \$11,700,000, \$76,556 additional, \$690,000 additional, \$1.1 million additional, and that comes to \$13,566,556. So how can the information vary so widely from today's request?

And I provided you the House documents to show you the \$6.9 million contingency fund, the \$1.1 million. And also I'm going to address the Maryland

State Police Aviation Command Helicopter and Maintenance Study. This is preposterous.

First a consultant in the Maryland Department of Transportation referred to on their page 12, B, Conklin & Decker, estimated maintenance man hours for AW139. Conklin & Decker is the leader in the aviation information industry. That is a very true statement. I utilize their software. Conklin & Decker updates its maintenance man hour per flight hours ratios for each aircraft every six months as more data is received. The AW139 model is only a few years old. That's true. And there is currently a very small sample size of data available for this model of helicopter. That is false. In fact, I added behind their statement the Conklin \* Decker aircraft cost evaluator. You will notice that there is a seven-year history of operational cost, a seven-year history of estimated valuable cost per hour, annual fixed cost per, annual budget, general comparison,

performance comparison. Seven years. Seven years of history on this.

In reference to the maintenance I looked up the new expanded business in Maryland for 2008, the Department of Business and Economic Development. The State of Maryland awarded AgustaWestland Washington \$500,000 for this helicopter conversion. We didn't sign a contract in 2010 but yet we're providing AgustaWestland with an open checkbook, without any negotiations. I don't know what happened to the \$500,000 but it's my understanding that it may have been pulled off the table and something was negotiated behind closed doors, giving AgustaWestland most likely an open checkbook for maintenance.

I also provided the hidden truths, some things in Maryland just doesn't make sense. And this is one procurement that doesn't make sense. AgustaWestland is ranked number fifth, last place according to the 2012 Pro Pilot Helicopter Product Support Survey. It says the AgustaWestland and give

AW fifth place in this 2012 measurement. It's giving them, they ranked them last in support. In other words, maintenance support, operational support, they are ranked last.

Perplexing to me was the, and Governor this is way before your time, this all started in the Ehrlich administration. So the finger is not coming at you. What puzzles me is that Maryland was offered by the Maryland Army National Guard to go on their procurement to procure the U872s, which we now have. At that time was for \$5 million. We would tag along on their RFP to procure multimission helicopters for \$5 million. Pax River Naval Air Station offered us, well, why don't you go for the DC145? Which is a sister ship, or sister bird, of the U872. Well, it's more efficient, economical. We selected the worse helicopter in the helicopter manufacturing industry. The most expensive to maintain. And I just recently find out talking to a pilot down in Lafayette, Louisiana, their AW139s, their operational readiness

is only 60 percent. The AW139 sits on the tarmac. That's not good.

And I did pull the type certification on the AW139. It does in fact call for one pilot VFR, two pilots IFR. But up in Western Maryland you need two pilots and that's because of the mountainous terrain. You need two pilots for, and it's also IFR conditions up in Western Maryland.

I guess in the process I, on behalf of the citizens of Maryland I think the best thing to do is cut our losses and refurbish what we have. The military is refurbishing all their helicopters. In fact, a lot of our helicopters are 50 years old. The United States Coast Guard for a third time started last year upgrading their Dauphin helicopters. Maryland State Police have Dauphin helicopters. Instead of going for new helicopters the United States Coast are now converting from HH to HM or MH helicopters with their Dauphins, saving the taxpayers millions. That's what we need to do in Maryland. Is

take the same step that President Obama did with his presidential helicopter. He canceled the Agusta, the H1 program, and kept his old helicopters because they are safe and they can always be refurbished.

In reference to fiscal prudence that would be the best course of action for the taxpayers, is to cancel this AW139 procurement. And just refurbish our current fleet.

GOVERNOR O'MALLEY: Mr. Johnson, thank you.

MR. JOHNSON: Thank you.

GOVERNOR O'MALLEY: And thank you for hanging in there in this meeting. I think there are few procurements have received as much attention as this. Marcus Brown, our Superintendent of State Police, is here. I don't know if you guys have had a chance to talk and share this stuff. I encourage to feel free to do so after the meeting. Is there anything else on the General Services? Did we move General Services? Not yet. The Comptroller moves,



seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Thank you all very much.

MR. JOHNSON: Thank you. Thank you.

GOVERNOR O'MALLEY: Thank you, Mr. Johnson.

MR. JOHNSON: Thank you.

(Whereupon, at 12:04 p.m., the meeting was concluded.)