

STATE OF MARYLAND  
BOARD OF PUBLIC WORKS  
LOUIS L. GOLDSTEIN TREASURY BUILDING  
ANNAPOLIS, MARYLAND

July 28, 2010  
10:24 a.m.

HUNT REPORTING COMPANY  
Court Reporting and Litigation Support  
Serving Maryland, Washington, and Virginia  
410-766-HUNT (4868)  
1-800-950-DEPO (3376)

P R E S E N T

GOVERNOR MARTIN O'MALLEY, Presiding;

HONORABLE PETER FRANCHOT, Comptroller;

HONORABLE NANCY KOPP, Treasurer;

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

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

DAVID ROMANS, Deputy Secretary, Department  
of Budget and Management;

BEVERLEY SWAIM-STALEY, Secretary,  
Department of Transportation;

MEREDITH LATHBURY, Land Acquisition and  
Planning, Department of Natural Resources;

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

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

MARION BOSCHERT, Recording Secretary,  
Board of Public Works.

C O N T E N T S

<u>Subject</u>	<u>Agenda</u>	<u>Witness</u>	<u>Page</u>
Bond Sale Resolution	SEC Item 21, p. 28	Sheila McDonald Treasurer Kopp	7
Naming of The Baker Building at Maryland School for the Deaf	SEC Item 10, p. 13	Sheila McDonald James Tucker	20
Naming of The Steiner Building at Maryland School for the Deaf	SEC Item 11, p. 14	Sheila McDonald James Tucker	22
Naming of The David M. Denton Building at Maryland School for the Deaf	SEC Item 12, p. 15	Sheila McDonald James Tucker	22
Naming of the Kent-McCanner Elementary Building at Maryland School for the Deaf	SEC Item 13, p. 16	Sheila McDonald James Tucker	22
Naming of the Nancy L. Benton Track at the Maryland School for the Deaf	SEC Item 14, p. 17	Sheila McDonald James Tucker	23

July 28, 2010

4

<u>Subject</u>	<u>Agenda</u>	<u>Witness</u>	<u>Page</u>
Modification of Lease for Charles County Court House	DGS Item 14-LT-MOD, p. 37	Al Collins Rebecca Bridgett Reuben Collins	25
Approval of Amendments to Master Development Agreement for State Center	DGS Item 8-RP, p. 19	Al Collins Michael Gaines Caroline Moore Al Hathaway Monique Yates John Kyle Jim Hamlin Bert Gregory Chris Patusky Arnold Jolivet	29
Ground Lease for State Center	DGS Item 10-LL, p. 23	Al Collins Michael Gaines Caroline Moore Al Hathaway Monique Yates John Kyle Jim Hamlin Bert Gregory Chris Patusky Arnold Jolivet	29
Lease for Garage Land at State Center	DGS Item 11-LL, p. 23	Al Collins Michael Gaines Caroline Moore Al Hathaway Monique Yates John Kyle Jim Hamlin Bert Gregory Chris Patusky Arnold Jolivet	29

<u>Subject</u>	<u>Agenda</u>	<u>Witness</u>	<u>Page</u>
Tenant Lease for State Agencies at State Center	DGS Item 12-LT, p. 32	Al Collins Michael Gaines Caroline Moore Al Hathaway Monique Yates John Kyle Jim Hamlin Bert Gregory Chris Patusky	29
Bond Sale Resolution	SEC Item 21, p. 28	Sheila McDonald Treasurer Kopp	31
State Center Discussion (Continued)	DGS Item 8-RP, 10-LL	Al Collins Michael Gaines Caroline Moore Rev. Al Hathaway Monique Yates John Kyle Jim Hamlin Bert Gregory Chris Patusky	32
POS Agenda	POS	Meredith Lathbury	75
Bond Sale Resolution	SEC Item 21, p. 28	Sheila McDonald Treasurer Kopp	76
DBM Agenda	DBM	David Romans Abe Schwartz	84
USM Agenda	USM	Jim Stirling	88
DoIT Agenda	DoIT	Elliot Schlanger	91
DOT Agenda	DOT	Beverley Swaim-Staley	91

---

P R O C E E D I N G S

GOVERNOR O'MALLEY: Ms. McDonald, where did we want to start today?

SECRETARY MCDONALD: I think we could start with the Secretary's Agenda so that --

GOVERNOR O'MALLEY: All right.

SECRETARY MCDONALD: -- because that way we can, we'd have to break for the bond sale.

GOVERNOR O'MALLEY: Okay. Well let me ask the Comptroller or the Treasurer, let me jump prerogative here. And some of the best news I got this morning is the fact that our long suffering residents in the Washington area who bore the brunt of that microburst, tornado-like thunderstorm, many have seen some relief overnight. We had as many at the height of that storm, with all of the fallen trees, I mean we had three times as many of our neighbors out of power because of this fast moving half-hour storm event as we had out after three days of the heaviest recorded snowfall in Maryland history. So three times as many people were without power. At the height it

was 270,000. The report I just received was 24,998 that remain without power. So a lot of people were restored overnight, and it's been an excruciatingly frustrating experience, I know, for many of our neighbors, especially where the bulk of these happened was Montgomery County. But I am appreciative of everybody's hanging in there and getting through this together. I know families have been moving in with Grandma or other people to get through this, and more progress today. Lots of crews have come in from other jurisdictions and hopefully we can get all of that restored just as soon as we possibly can. Anyone else have thoughts?

TREASURER KOPP: Yes. First of all, Governor, I do have, at 10:30, as you know, we are going to have the first of our G.O. bond sales. But before that, there is something we have to do to approve the sale that completed on Friday, the retail sale, at which \$143 million or so in bonds were sold to Maryland retail buyers, our fellow citizens and taxpayers. And if you will allow me I have a motion to make before we get to this next one. And then I'll

say something about the power outage, having experienced both the winter and the summer I will tell you winter is better. But --

(Laughter)

TREASURER KOPP: -- Mr. Governor and Comptroller, I move that the Board adopt the resolutions before us today concerning the State and Local Facilities Loan of 2010, Second Series; in particular move that the Board ratify and approve the preliminary offering statement dated July 15, 2010 which has been sent out to the world and is on our website; the Summary Notice of Sale for the 2010 Second Series B, C, and D bonds published on July 16, 2010 in the *Baltimore Sun* and on July 19, 2010 in the *Bond Buyer*; and that the resolutions that the Board adopted on June 23, 2010 concerning this total bond sale; and further move that the Board accept electronic bids for the Second Series B, C, and D Bonds as provided in the revised official notices of sale; and further move that the sale of the Qualified Zone Academy Bond, QZAB, portion of the Second Series D Bonds and the sale of the Second Series E Refunding



Bonds be postponed as provided in the resolutions due to market conditions. Could I have a second on that motion?

GOVERNOR O'MALLEY: 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.

TREASURER KOPP: All right. And then for the Second Series A Bonds I move that the syndicate of underwriters represented by the Citigroup Global Markets, Inc. and M & T Securities, Inc. be awarded the Second Series A Tax Exempt Bonds in the aggregate principal amount of \$143,335,000 with a premium of \$16,409,379.60, and at a true interest cost of 1.636560 percent; and I further move that the Bond Purchase Agreement for such bonds be accepted and approved and that the Second Series A Bonds be issued in the amounts and maturities and at the interest rates and prices set forth in the Bond Purchase Agreement; and would take a second for that motion.

GOVERNOR O'MALLEY: The Comptroller seconds.  
All in favor signal by saying, "Aye."

THE BOARD: Aye.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

TREASURER KOPP: We have just ratified the fact that Maryland, because of its very strong AAA bond rating is such a good investment vehicle that people around the State, our fellow citizens, see it as a safe haven for their dollars in a very tricky economy, and have to that extent purchased more than \$143 million in Maryland bonds. And as you know, over 60 percent of the dollars invested go into building school and college buildings, education in the State of Maryland. And beyond that 60 percent into corrections and other public facilities.

With that, we're now into the Second Series B. And the State's Debt Manager, Patti Konrad, will walk us through it along with the assistance of the Deputy, Kina Johnson-Malcolm.

MS. KONRAD: Good morning, Governor, Comptroller, Madam Treasurer. We have, I believe, eleven firms registered to bid for the Second Series B Bonds. These are tax exempt bonds. We are going to have three bids this morning. This is the first one at 10:30. We will then have another bid at 11:00 for \$75 million of Build America Bonds. And then finally at 11:30 we will have a bid for the Series D Qualified School Construction Bonds.

Both those Series C and Series D have federal subsidies, they are taxable bonds. Series D we expect we will have 100 percent interest subsidy, Series C 35 percent interest subsidy.

Kina, if you would hit refresh and we'll see who else has come in? We have twenty-two seconds, as you can see up in the upper right there, for all the bids to come in. We've got four.

GOVERNOR O'MALLEY: Exciting, isn't it, Mr. Brown? We're joined by Eddie Brown, one of Maryland's leading financial minds and talents.

MS. KONRAD: Two seconds. So we've gotten six bids. Kina, how about hitting result and we'll

see who? And it looks like Bank of America Merrill Lynch is the winner. We will adjourn and verify these bids, and we'll come back at about 10:55 to make the award for Series B and take the bids for Series C. Thank you.

GOVERNOR O'MALLEY: And you were saying right before this that you thought it would be coming in at 1.909888, didn't you?

(Laughter)

TREASURER KOPP: Well, that's what I had in mind.

GOVERNOR O'MALLEY: That was a joke.

TREASURER KOPP: No, that is, that's a great rate. And again, testimony to the fact that people know when they invest in a Maryland bond they're going to get their money back, and at the same time some interest, and at the same time help build a very important infrastructure, most particularly schools in the State.

So we can go on, and then we'll come back for the next part.

GOVERNOR O'MALLEY: Okay. Mr. Comptroller, any thoughts as we open up this meeting?

COMPTROLLER FRANCHOT: Well, I listened to your opening statement, Governor, and I want to echo your praise for the first responders in the Washington area who did such a great job with such a really catastrophic thunderstorm. I think it was ranked in the top 5 percent as far as power and damage. And it was an extraordinary event. And Governor, I know you went to Rockville yourself and surveyed the damage and provided a lot of hands on leadership. And that area really appreciates it.

For some reason, the power stayed on in my house. Usually it goes off very quickly. But my wife was having a book group meeting and most of her friends had not had power, had lost power, so she invited everyone to come over to our house for the duration. And I was very pleased when the power got turned on to their area very quickly.

(Laughter)

COMPTROLLER FRANCHOT: But, so thanks to the crews. And I just think Maryland should be proud of the fact that we rose to the occasion there.

Fortunately on another occasion the weather was absolutely perfect, in Crisfield at the Tawes Crab Festival. For those of you that made it down there, I was there with the Governor and everyone else. And we really enjoyed, I think, the day's festivities. It's a remarkable compliment to J. Millard Tawes who, as you know, is the only Marylander ever to be someone who held all three positions on the Board of Public Works. And I was always pleased to see that he always said he liked being Comptroller the best. So --

TREASURER KOPP: That's not the way I remember it.

(Laughter)

COMPTROLLER FRANCHOT: But anyway, Crisfield is a great day. And personifies, frankly I hadn't really thought of it in years of going down there, how important it is for opposing political sides to get together and speak in a nonpartisan way, I guess, and show that everybody can get along together. And

someone who in my opinion really represented that for our State was a former Secretary of State, Bunk Athey. On Monday I joined Marylanders from all around the State to pay our respects to Bunk, a very good friend and honorable public servant. And I had the honor of serving with him for many years in the House of Delegates, as did the Treasurer. And we, at least I was always impressed with his knack for taking personal vitriol out of politics and putting aside philosophical differences. And treating his colleagues as friends. He was a very powerful politician, a Chair of the Ways and Means Committee. But he always let everybody who came before his Committee speak fairly and openly. And I think his constituents recognize that he was always there to protect their interests. And my sympathies go out to him, his family, and his wife particularly, Chick. I know it's a hard time. But I think he has a legacy of collegiality and thoughtfulness that will live on.

And then I just had one other thought, Governor. Reading the paper today I, you know, all of us are upset with the crime that was committed against

Stephen Pitcairn, the murder of this wonderful Hopkins young researcher, who I think was planning to go to medical school. And it's just that much more poignant that just before his twenty-fourth birthday he was murdered. And the fact that he was on the cell phone with his mother when he was attacked, and apparently gave his wallet and whatever else was asked for, but then was killed. And as you know, it's a career criminal. And I just wish I could sometimes sit down with this person and say, "What is it? Why did you murder him?" I mean, what a wonderful talent this young man could have been. But now he's not with us anymore. And my sympathies go out to Gwen Pitcairn, his mother. And I just want to say that all the citizens of the State of Maryland are thinking of her and her family, and you know, our sympathies.

And maybe at some point, Governor, we could get briefed on what exactly the status is in our courts of people that have particularly vicious records of assault and crime, and are on probation, and repeatedly violating the probation as according to the newspaper the suspect who was captured here. And



I would like to compliment the law enforcement in Baltimore City for speedily arresting the suspects. But I hope at some point we could get some overview of how that small number of people who are particularly violent when they're on probation, whether there isn't some way to address any violations? I'm not pointing fingers here. I'm just saying I wonder if there isn't some way to take a look at this case and learn what we can do for, in other circumstances. We really --

GOVERNOR O'MALLEY: Yeah, I think every, every, every life is important, every life is loved, every life is needed. And every tragedy we have a responsibility to ask ourselves how we might do more to save more lives. We're doing much better than we had been before in sharing that information and targeting the very people for tighter supervision. In this case this person was violated, and this person was brought before a judge, and in this case preliminarily, as I understand it, parole, probation, and prosecutors all joined in asking the judge to send this person away for, I believe it was three years if the newspaper account is correct. It is hard, it is

impossible to make sense of the sort of cruelty and callousness that would drive an individual to take such a, to take a life. And so tragic, such a promising, hopeful, bright, talented, young life.

COMPTROLLER FRANCHOT: Governor, I, and I don't mean to imply that his death is particularly different from someone else's death up in Baltimore. But the fact that he was on the phone with his mother? I mean, I just can't get that out of my head. That this, you know, that this happened. And so anything that we can do to take a review and see what, if there is something that can be done here I would be very supportive.

GOVERNOR O'MALLEY: I don't think I do this in a single interview with candidates for judge, where I don't emphasize for them the importance of protecting the rest of us from that small tiny group of people that harm, maim, shoot, kill. And it's the most important thing that a judge does, is to protect the public as they do justice. Albeit an independent branch, I know, and, but it's the most important thing that can be done. For some people the only place is

jail. And I, without commenting specifically on the merits of this prosecution in any way, or the evidence in this case, or knowing more than that, the progress that has been made is important and this tragedy underscores just how important it is that we not rest and that we continue to do everything we can to improve public safety.

So let's go into the Secretary's Agenda. We have a number of people here who are here on State Center. And we are going, I'd like to go out of order and do State Center sooner than we usually do. We usually do DGS at the very end. I don't know, how do you draw that? I mean, it can't be alphabetical, huh?

(Laughter)

GOVERNOR O'MALLEY: Or, it's just the way it always has been?

MR. COLLINS: It's been this way.

GOVERNOR O'MALLEY: Okay. All right.

Secretary's Agenda?

SECRETARY MCDONALD: Do you just want to do Secretary's Agenda? Well, it would be on Mr. Collins'

Agenda. We could probably get through the Secretary's Agenda and the naming items before the next bond sale.

GOVERNOR O'MALLEY: Yeah, let's go with the Secretary's Agenda and then we're going to move Mr. Collins up, though, in deference to all the people that are here.

SECRETARY MCDONALD: Twenty-one items and no emergency reports on the Secretary's Agenda. Item 21 is the Bond Sale, of which you have done a part of the item. We will do more of the item as the morning progresses. Items 10 through 14, Dr. Tucker is here, and the Superintendent of the School for the Deaf. And he, there is five recommendations from the Board of Trustees and the entire School for the Deaf community to name five different buildings on two campuses in honor of various people. And in addition we have the other items and we're ready to answer any of your questions.

GOVERNOR O'MALLEY: Dr. Tucker, would you like to be heard with regard to the items for your, that great institution which is the Maryland School for the Deaf?

DR. TUCKER: Good morning. On behalf of the Board I have brought Chad Baker, our Deputy Superintendent, and asked him to interpret for me this morning because all of our favorite interpreters are in Ocean City.

(Laughter)

DR. TUCKER: On behalf of the Maryland School for the Deaf Board of Trustees and the MSD community we would like to recommend the naming of five buildings. First is the Baker Building. Something happened many years ago while I was still in high school that the building was named the Baker Building but without the approval of the Board of Public Works. Chad Baker, who is our Chairman and the historian of the school, found out that it was not named and it had not been, and we would like to make it very official this morning with the Board of Public Works.

The Baker Family is a four-generation family that has served on the Board of Visitors for 123 out of 124 years. The first Baker was responsible for the

original legislation that established the Maryland School for the Deaf.

The second name is Steiner Building. Again, that's a name that's been with us for 130 years. And it was not made official by the Board yet, we'd like to make it very official. The Steiner Family also had four generations on the Board of Visitors and then the Board of Trustees with eighty-five years of service to the school.

The third building is at the Columbia campus, the main building. We recommend that the building be named the David M. Denton Building. He was the Superintendent before I was, and was the Superintendent for twenty-five years, one of the key players in establishing the Columbia campus itself. He also was internationally known as one of the strong advocates to bring sign language back to the classroom. If you are aware of deaf education history, sign language was banned for almost 180 years. And then that gentleman brought leadership in bringing that back to the classroom.

The last two names are on the Frederick campus. First is the new elementary building that the Governor visited last fall. We'd like to transfer the Kent-McCanner Building name from the old elementary school to this new elementary school building. She is the Principal Emeritus and one of the key players in deaf education for over fifty years. She started the concept of infant and toddlers program twenty-five years before special education used that term. The other person is Hazel McCanner, who was the Superintendent of the school. Both together offered over 100 years of service to the Maryland School for the Deaf.

The last one is we want to name the track the Nancy Benton Track, who was a long time physical education teacher at the school and passed away a few years ago. She was internationally known as a coach and she served on the Deaf Olympic Team as a coach. And she also won several national championships on behalf of the Maryland School for the School in track and cross country. Thank you.

COMPTROLLER FRANCHOT: Is Dr. Denton here?

DR. TUCKER: No, he is not here.

COMPTROLLER FRANCHOT: Well please give him my congratulations on having the building named for him, and thank him for his leadership. It's very well recognized.

TREASURER KOPP: Mr. Tucker, as you well know one of my fondest duties in the General Assembly was to chair the Budget Subcommittee with purview over the School for the Deaf for about twenty-five years myself. And I had the honor of knowing and working with a number of the people whom you and the community are so appropriately honoring. And I hope you will extend to them all, as well as to the school, the students, and the families, my heartiest congratulations. The progress that the school has made under your leadership has been really very, very significant. And all of Maryland owes you a vote of thanks. And thanks to those fine folk who are being honored with the namings.

GOVERNOR O'MALLEY: All right, the Treasurer moves approval of the Secretary's Agenda, seconded by



the Comptroller. All in favor signal by saying,  
"Aye."

THE BOARD: Aye.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it. What  
might we go to now, given --

SECRETARY MCDONALD: Start if you want to  
start with Secretary Collins, DGS?

GOVERNOR O'MALLEY: All right. Let's, we're  
going to go out of order a little bit here. Unless,  
actually we had somebody here from Charles County?

SECRETARY MCDONALD: That's also --

TREASURER KOPP: That's also his.

MR. COLLINS: Yes, sir. That's also my  
Agenda.

GOVERNOR O'MALLEY: That's also on your  
Agenda? Not Open Space but your Agenda?

MR. COLLINS: My Agenda.

GOVERNOR O'MALLEY: Okay. Is that a pretty  
summary matter?

MR. COLLINS: Yes. We can do that first, Governor.

GOVERNOR O'MALLEY: Okay. Let's call the Charles County, what number is that?

MR. COLLINS: It's going to be Item 14-LT.

GOVERNOR O'MALLEY: Okay. We are now on the Department of General Services Agenda items.

MR. COLLINS: Commissioner Collins?

GOVERNOR O'MALLEY: And 14-LT, Commissioner Reuben Collins is here with us, a matter affecting Charles County. And Mr. Commissioner, thanks for being here. Who would like to tell us about this matter? Do you want to start, Al? Or do you, Commissioner Collins? Come on down.

MS. BRIDGETT: Hi, how are you, Governor?

GOVERNOR O'MALLEY: Hi.

MS. BRIDGETT: I'm Rebecca Bridgett, the County Administrator for Charles County. And today we're seeking approval of the modification of the lease for the Charles County Court House. And we hope that you have a picture of our brand new District Court House building. We do have copies for you if

you would like them. So thank you very much for today.

MR. REUBEN COLLINS: I'd only like to add, first off, good morning to you, Governor, Comptroller, as well as the Treasurer. Hopefully we'll hear an approval of this matter. This is indeed a continuation of a partnership that has been in play for several years now, the creation of an actual campus for governmental services in the heart of La Plata. So we'd like to thank you very much for providing this opportunity for the County to be here today.

COMPTROLLER FRANCHOT: Great. Governor, if I could move approval of Item 13-LT-MOD?

TREASURER KOPP: Governor, I do intend to vote for this project. First of all, I would like to say we have heard from your entire delegation. Most recently Delegate Murray Levy, who would be here except he has a medical appointment, and Senator Middleton as well, all obviously in strong support. Delegate Levy asked me to point out that the whole

thing started when he was Administrator in Charles County so there's a significant history.

I do have to say for the record I have some question about the interpretation of this project as an operating lease rather than a capital lease, and do think that this is an interpretation in the end to be made by the accountants of the State and not by DGS. But would go on -- and it makes a difference in terms of our capital debt and in terms of the way we are perceived. Nonetheless, it is an absolutely essential project. And even if it were to be interpreted as a capital debt has met all the legal requirements needed for approval by the Board of Public Works. But just so you know, we will be asking further questions about it from that perspective, not about the need or the virtue of the project which we look forward to seeing finally completed. Thank you.

GOVERNOR O'MALLEY: Okay. The Comptroller moves approval of Item 14, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: Congratulations. Well done.

MR. REUBEN COLLINS: Thank you.

GOVERNOR O'MALLEY: Thank you.

MR. REUBEN COLLINS: Thank you very much.

GOVERNOR O'MALLEY: Keep Charles County strong, thank you. Now Mr. Collins, the items that are regarding State Center as I understand it -- Commissioner, good seeing you. Thank you for coming down -- are Items 8, 10, 11, and 12?

MR. COLLINS: And twelve, yes, sir.

GOVERNOR O'MALLEY: Not Item 9, huh?

MR. COLLINS: Not Item 9.

GOVERNOR O'MALLEY: Okay. Eight, ten, eleven and twelve. May I ask any of the members of the Board if they might have any questions on the balance of the DGS Agenda items still before us? That is, minus these Items 8, 10, 11, and 12? Okay. The Comptroller moves approval of the balance of the DGS 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: And the ayes have it.

And we now move to State Center, Items 8, 10, 11, and 12.

MR. COLLINS: Yes, sir.

GOVERNOR O'MALLEY: How should we begin? Do you want to do an overview? And we have someone, I think we have one person to testify against and we have many people to testify in favor.

MR. COLLINS: Yes, sir. I'd like to do an introduction, maybe have a brief overview.

GOVERNOR O'MALLEY: Okay.

MR. COLLINS: And then we'll go from there, Governor.

GOVERNOR O'MALLEY: All right. And we're going to begin this. And we may have to break again for our live bond sale. And I hope you all understand that. Go ahead, Mr. Collins.

MR. COLLINS: Governor, Madam Treasurer, Mr. Comptroller, it's with great enthusiasm that I

introduce the whole list of items regarding State Center to you this morning on behalf of the Department of General Services and the Department of Transportation. It's a great partnership that we've been developing. As you all know, you've heard of this item many other times that we bring to you today. The first modification, if you would, involving this project, is called phase one. So I would ask Michael Gaines to do a quick overview and then we'll --

TREASURER KOPP: Michael --

MR. GAINES: Good morning, Madam Treasurer.

TREASURER KOPP: -- could I interrupt right now and just do this and get it out of the way so I don't break the --

MR. GAINES: Yes, ma'am.

TREASURER KOPP: -- the progress? Governor, could I just move --

GOVERNOR O'MALLEY: Sure. I thought we had a few minutes. Sorry.

TREASURER KOPP: Just to get this part of it out of the way, that Bank of America Merrill Lynch be declared the successful bidder for the Second Series

B, the Tax Exempt Bonds in the aggregate principal amount of \$221,665,000 with a premium of \$31,678,073.07; and at a true interest cost of 1.909888 percent; and further move that the Second Series B be issued in the amounts and maturities, interest rates, and prices set forth in the successful bid for the bonds; and I would move that be accepted.

GOVERNOR O'MALLEY: The Comptroller seconds. All in favor signal by saying, "Aye."

THE BOARD: Aye.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Sign away.

TREASURER KOPP: If we could get signatures? So we're halfway through and schools are going up. You can see them before your eyes. Michael --

MR. GAINES: Yes, ma'am. Good morning, Governor, Madam Treasurer, Mr. Comptroller. Michael Gaines, the Assistant Secretary of DGS for the Office of Real Estate. We are honored to be here this morning to present our item on State Center, or the



number of items on State Center. We want to begin with a quick review of the project and overview. We have a power point that we can get through in a couple of minutes. Yes, ma'am?

TREASURER KOPP: Let me interrupt again. We have to do something which is five minutes from now. Is that a good breaking point?

MR. COLLINS: We can get --

MR. GAINES: Yes, ma'am.

TREASURER KOPP: This is a really important story that you're telling and I just hate to see it broken up.

MR. GAINES: Well, this is State Center as it is today, and this is the vision for State Center tomorrow. This vision came about through a community involved process, an extensive community involved process. With me this morning is Caroline Moore, who is the project leader and a managing member for State Center, LLC. She's going to take you through a bunch of slides here.

MS. MOORE: Thank you very much. Caroline Moore with State Center. This slide represents the

sustainability elements, kind of the backbone of the project. They're district wide and they're by building. And I'll be quick with this. But it's really about creating high performance buildings but thinking district wide green infrastructure, and even possibly doing green power production on site.

It is the transit Mecca for the State of Maryland. We've got a very robust plan about creating fresh air in buildings for healthy buildings using waste heat, drive air flow in buildings rather than electricity. We've thought long and hard about stormwater management. We believe we'll exceed the stormwater management regulations set forth in Clean Our Bay by developing State Center, or at least contribute to it.

MR. GAINES: And we would say here, the project came about as a need to redevelop twenty-eight acres of State-owned which served to divide nine communities. And as we said before, nine communities participated in the development of this overall master plan. The vehicle for redevelopment is a public/private partnership that enable us to leverage

the predominant financing, both private and, both debt and equity for the project. It leverages economic benefits that are newer to the community and the region. And it enables us to achieve green mixed use transit benefits for the community as well.

And so we believe it's a transformational transaction. What you see today, and what will be there tomorrow, a vibrant, reconnecting, safe, walkable, enjoyable, dense community.

The team that will deliver this project is represented by three separate groups making up the master development team. McCormack Baron Salazar, a 33 percent partner; a national multifamily mixed income housing developer, PS Partners, which is the partner that replaced Struever Brothers, and headed by Ekistics and Caroline Moore; and in the middle is a new minority partner group, which you can see the members below. Neighborhood Development, headed by Adrian Washington out of D.C.; State Center Baltimore Developers, headed by Kevin Johnson. Joining him on his team are Eddie Brown and Joe Haskins. Midtown Convergence headed by Chris McCoy, and TAC, a Prince

George's County, headed by Ron Adolph. So we have a diverse, very strong, exciting development team.

This project, Governor, I think will exceed even your expectations for minority participation. We thank you for your leadership on it. State Center ownership is led by 33 percent minority ownership. And in addition to Caroline Moore, who is a woman owned company, the office and retail components are 50 percent owned by minorities, 16.5 percent by a woman owned company. The for sale housing, of which there will be approximately 300 to 400 units at full build out, is 100 percent owned by a minority firm. The construction management for the project will include a 35 percent minority joint venture partner. And in addition to that there are subcontracting opportunities for women and minority owned businesses representing 35 percent. When the project is fully built out it represents \$500 million of investment in the minority community.

The project is critically important to the City, that central core. And as you can see from this slide, State Center sort of rounds out the four

corners of the Center City all connected by mass transit.

This is the PUD approved ultimate build out enabled by a very aggressive process with the aid of the City of Baltimore. We can build up to 2 million square feet of office space, 250,000 square feet of retail, 1,400 units of mixed income housing, and approximately 5,000 parking spaces. Caroline?

How are we doing on time, Madam Treasurer?

TREASURER KOPP: We could flip over to the bond sale, or wait until --

MR. GAINES: This is a perfect to do that, if you'd like.

MS. MOORE: Okay, phase one is anchored by the Department of Health and Mental Hygiene, with a three and a half level garage below, State owned and financed. Ultimately providing a mixed use building with retail on the ground level, a wonderful kind of atrium level here looking out onto the new business corridor of Preston Street.

The second part of the phase is a parcel called I-2, which is anchored by the MTA offices and

the Maryland Department of Planning. We call it the boomerang building. It will be the first building since the riots that has been built on Howard Street. It's really addressing this street, on Howard and Preston, with a nice courtyard. In the middle this is a view of it from the Light Rail stop, connecting Light Rail to transit.

MR. GAINES: The project first phase represents a \$215 million cost, predominantly again funded by the private sector. \$151 million in debt, \$36 million in equity. The State will build a 900 to 1,000 space garage. All of this is enabled by leveraging the State's agreement to lease space and the MDOT garage.

It is fiscally responsible, and in fact it is serving as a stimulative effect in the community. The budget impact without any ground rent is \$3.8 million per year. However, the State has negotiated an ability to generate income which offsets this negative impact about a million and a half dollars. And if you look at it closely the impact to the general fund is 1.4 but the ground rent and income

that we generate as a partner in the deal is mitigated by the impact, the negative impact is mitigated by that income.

You've got a negative impact to the transportation fund because of building the garage. However, when you look at the taxes that are generated on an annual basis at full build out the taxes more than mitigate the negative impact.

These are some of the economic benefits, and we've talked about these for two and a half years. It's about jobs. It's about reconnecting neighborhoods, about generating taxes. Taking twenty-eight acres that don't generate taxes now and now are generating new tax revenue for the City of Baltimore and the State of Maryland.

Other additional benefits to the project, we mentioned the \$500 million investment in the minority business community. Doubling transit ridership. Twenty-five percent of the people who work there now currently ride transit, we expect for that to grow. Reconnecting communities, connecting to Maryland General Hospital's new gateway. Just a tremendous

opportunity for the community and the State of Maryland. And we're there.

TREASURER KOPP: I think it's also important, Governor, to point that State employees for decades now have been working in truly substandard and to some extent health impairing situations.

MR. GAINES: Absolutely true.

TREASURER KOPP: And something has to be done about that building. The question was, how do you afford it? And how do you do it? And in an innovative and environmentally beneficial way?

MR. GAINES: And we've been able to do that with great partners. In fact, many of them are standing just outside the door here, some of the partners. And we can introduce them as we get through this, sir, if you like?

GOVERNOR O'MALLEY: Sure. Yeah, let's hear your partners.

MS. KONRAD: The bids are in already. We're all checking those, so you can look at them or whatever suits you.



GOVERNOR O'MALLEY: Okay. So we'll keep going. Introduce your partners and then we'll hear who won the bid.

MR. GAINES: Why don't we, Kevin Johnson is standing here, representing Baltimore State Center Developers. Come on in, guys, and maybe flow back through this way?

GOVERNOR O'MALLEY: Towards the podium, there we go.

MR. GAINES: Chris McCoy, representing Convergence. Ron Adolph, representing TAC. And this gentleman here is a Senior V.P. with Turner Construction. Baltimore native?

MR. SMITH: North Carolina native.

MR. GAINES: North Carolina native? Well, we want to get you here.

MR. SMITH: Yes.

MR. GAINES: And Hilton Smith, and joining him is Geoff, I'm sorry, Marshall.

GOVERNOR O'MALLEY: How are you doing, Mr. Marshall?

MR. GAINES: Omari Patterson is a part of the team.

GOVERNOR O'MALLEY: Hello, Omari. Come on in.

MR. GAINES: So these are all the folks. And we can't forget Mr. Chris Kurz, Caroline's partner in PS Partners. These are the men and woman who will lead the redevelopment of State Center, Governor. We're proud to have worked with them over the last three years to get to this point.

We can't, if you don't mind, we can't go on without recognizing the significant contribution the neighborhood has made. And we have representatives of the Neighborhood Alliance here. We want to ask them to come in. John Kyle, Jim Hamlin, and Pastor Al Hathaway. These folks have been critical to the success of bringing this project about.

GOVERNOR O'MALLEY: And I know we had the President of McCulloh Homes?

MR. COLLINS: Yes, sir. Where is she?

MR. GAINES: Oh, is she here?

MR. SMITH: And we have a flower with us, also.

TREASURER KOPP: I was going to say, isn't there anyone?

MR. GAINES: And so these are the folks that over the last three years have worked diligently to bring this project to fruition. And we're happy to present it for your approval here today.

GOVERNOR O'MALLEY: Madam President, there has been a lot of community involvement in all of this?

MS. YATES: Absolutely. We wouldn't allow it any other way.

GOVERNOR O'MALLEY: Okay. Is there anything, anything that the neighbors would like to share with us? Reverend Hathaway, and the two Presidents?

REVEREND HATHAWAY: Thank you, honorable Board of Public Works, and indeed each one of you represent us well. It began in 2005 with myself. I'm Reverend Al Hathaway, Pastor of Union Baptist Church. Indeed, I also serve on the board of Maryland General

Hospital. I also represent the United Missionary Baptist Convention whose headquarters is at 940 Madison Avenue. So since 2005 we've had numerous meetings there at our church.

We have sought, something came out of this which was prior to 2005 the nine communities had never entered into dialogue one with each other. And out of this we've begun dialogue. Out of this relationships have evolved. It has been really a community building process.

We are in support of it. I do not want, I want to identify John, this is Jim Hamlin with the Neighborhood Alliance that grew out of those meetings; Monique Yates and the McCulloh Homes Tenant Associations. The relationships developed out of that. My prayer is, is that as we continue this process, Ms. Caroline Moore and her team has really been open to community participation, community engagement. I believe that's going to be key. This first phase will be the test for each one of us to ensure that this relationship that we developed does hold firm. And my prayer is, is that as this new

community evolves that it becomes a community of people that understand that the silos that previously had existed are broken down.

So indeed I support this. I'm excited about it. I know we have to be diligent. And when you start talking of dollars these large you have to be diligent in the management of it and the fiduciary responsibility of that. But indeed, we see it as a good investment on the part of public resources to indeed strengthen a community in West Baltimore that I believe will be an excellent community, an outstanding community, in the life of our State.

GOVERNOR O'MALLEY: Thank you, Reverend.

Madam President?

MS. YATES: Good morning. Monique Yates, President of the McCulloh Homes Resident Council. I just wanted to thank all who was involved for making sure that we were involved and considered. And as part of the Human Capital Committee of the State Center Alliance I just wanted to make sure that McCulloh Homes and the surrounding communities were kept in the midst of making sure that when the first

people that are available to have employment, to have training, that we are definitely considered as opposed to going outside of the neighborhood, to keep it within the community. To make sure that there is real progress for capital within and around State Center. Keeping everyone in mind as far as the Antique Row, McCulloh Homes, Upton Planning Committee, then the various religious organizations. And I wanted to thank you guys and make sure that from this point on that McCulloh Homes as far as the individuals that live there are looked upon as saying, "Well, we do know that you are there. And we don't want to overlook you." Thank you.

GOVERNOR O'MALLEY: Thank you. Identify yourself --

MR. KYLE: Sure. John Kyle, co-chair of the State Center Neighborhood Alliance. I think that the one comment I want to make is that there has been a lot of community involvement to date. But this is only to date. There needs to be community involvement, as my colleagues have pointed out, going forward. And perhaps the community involvement going

forward is even more important than the community involvement we've had to date. And we hope to continue that, look for your support in doing that. We know that we're looking for the support of the whole team that's standing behind me, and think that this will be something we can hopefully memorialize and make sure is documented so that regardless of the individuals involved this kind of community involvement will continue going forward.

GOVERNOR O'MALLEY: Mr. Hamlin, anything to add?

MR. HAMLIN: Just certainly as John and I are co-chairs of the Alliance, and certainly we have the eighteen organizations as members and one of which certainly is Historic Pennsylvania Avenue. And all the communities around were wanting to make sure that as this moves forward that it enhances all of the communities and that we are a part of that. And we're excited about the fact that we are at the table. And we're working with the developer and things are moving well. And so we're excited about the project.

GOVERNOR O'MALLEY: Thank you. Mr. Gaines, how many jobs does this create in phase one, and through the life of it?

MR. GAINES: In phase one construction jobs will include, and these are direct, indirect, and induced, so it's all possible jobs that could be created, will be about 2,000. And then long term permanent, both direct, indirect, induced, all of those multipliers, permanent about 1,500 out of phase one.

GOVERNOR O'MALLEY: And in the life of the project?

MR. GAINES: In the life of the project you're looking at approximately 9,000 construction jobs over the period of fifteen years. And permanent on the site, direct jobs, about 5,400. And then an additional 4,600 of multiplier, induced, indirect jobs.

GOVERNOR O'MALLEY: And this has already received an award and you're not in the ground yet, huh?



MR. GAINES: We have not put a shovel in the ground yet and we are already named one of the seven best urban mixed income sustainable projects in the world.

GOVERNOR O'MALLEY: Wow. In the world? That's pretty good. Okay --

MR. GAINES: If we could, the person responsible for leading the sustainable and green aspects of design for the project is Bert Gregory, the CEO of Mithun. They are in the world in the top five, I may be exaggerating a little bit, but --

MR. GREGORY: Don't exaggerate.

MR. GAINES: -- but a great, great firm. And has helped us to see the value of sustainable development which is dear to your heart. Instead of creating boxes that continue to divide, they've been able to bring about a design that does open up a huge site to access from many sides, uses the water appropriately, the air, heat, and sun. And they've just done a tremendous job in helping us see that opportunity.

GOVERNOR O'MALLEY: And the stormwater, too, huh?

MR. GAINES: Yeah.

MR. GREGORY: That's correct. Obviously, the protection of the Chesapeake is a high priority community value. And we have similar issues all across the nation. So looking at very advanced stormwater strategies that would implement the State's new policy around protection of watersheds. And so we see that as a very creative opportunity also to bring nature to the City.

GOVERNOR O'MALLEY: And you believe you can do that and contain it all on site, huh? Exceed what the State's requirement is?

MR. GREGORY: We have targeted that. It will be very, as with challenges, all challenges, it will be a challenge. But we believe we can do that and exceed it, and make a beautiful place at the same time.

GOVERNOR O'MALLEY: That's great. Okay. Anything --

MR. GAINES: I think I may have forgotten one person. You actually mentioned him earlier. Mr.

Eddie Brown is here and is part of the development team and we want to make sure we recognize him. Of course, he's sitting at the back.

GOVERNOR O'MALLEY: Mr. Brown, good to have seen you.

MR. BROWN: No comment.

(Applause)

GOVERNOR O'MALLEY: All righty. Mr. Franchot?

COMPTROLLER FRANCHOT: I have some questions for Mr. Gaines, or Ms. Moore. But I don't want to have everybody stand up here while I say them. Thank you.

TREASURER KOPP: Could I just comment on the people here, as somebody who grew up in a city that went through a renaissance myself, decades ago in Chicago, I see the signs of a renaissance here, although one hesitates to say renaissance because it's really a creating of a new broad community, in fact. And I really appreciate, sir, what you said about creating essentially the community that will outlive the individuals who are standing here. Because I

think that's really going to be the test. If everybody participates, and then their children participate, and it continues to have a life of its own. And that's what, from my perspective, I'm going to be watching with this wonderful project.

We need the buildings. We need the space for the State employees to work in well, productively, and safely. But we also need to build a total community in a new way with the infrastructure of public transportation. There are a lot of issues. There are a lot of questions. There's going to be a lot of challenges. But the potential is just absolutely magnificent. I just want to thank you for all you're doing.

MR. GAINES: Yes, ma'am.

COMPTROLLER FRANCHOT: Yes, I have, feel free to stay if anybody wants to stay. But I'm -- thank you all for appearing. I appreciate it.

MR. GAINES: My support is leaving me.

(Laughter)

COMPTROLLER FRANCHOT: Maybe they shouldn't go far.

TREASURER KOPP: Comptroller, can I interrupt just for a second?

COMPTROLLER FRANCHOT: Sure.

TREASURER KOPP: Do we need a vote? Okay. We have to announce something. Show us. This is the BABs. This is the BAB.

MS. KONRAD: We received the bids at 11:00 so we just wanted to show you those bids. These are for the \$75 million of general obligation bonds, and they are the Build America Bonds. These, we offered these bonds two ways, either as taxable with the federal subsidy or tax exempt. So in some cases, for instance Citigroup you can see that the TIC and the BAB TIC are the same so they bid them as tax exempt. Whereas J.P. Morgan, who I think is probably going to be the winning bidder, bid them as taxable BABs with the subsidy and their BAB TIC is 2.75. We are already checking these bids and we'll be back shortly with the resolution to accept the winning bidder.

TREASURER KOPP: It looks a little confusing.

MS. KONRAD: It is confusing. But we did offer it either way so that we were sure we got the best possible bid, yes. Yes.

TREASURER KOPP: -- what they were bidding on, each of them?

MS. KONRAD: Yes. Thank you.

GOVERNOR O'MALLEY: Okay. So back to the State Center channel.

TREASURER KOPP: The Comptroller --

GOVERNOR O'MALLEY: Comptroller?

COMPTROLLER FRANCHOT: Yes. I just have a couple of questions, because obviously we approved this last summer, I think, the master development agreement.

MR. GAINES: Yes, sir.

COMPTROLLER FRANCHOT: And I'm a little bit concerned with changed economic circumstances. And recently I was talking to one of the biggest developers in the country, and he informed me that all their new buildings have been put off in the D.C. area for three to five years. And he said, "That's our strongest market." So the, kind of the impact, I

think, is significant. I guess if you could refresh my recollection on how many square feet we're going to do for commercial, residential, and government? And when construction of the first parcels is expected to begin?

MR. GAINES: The expectation is that construction will begin this fall. And the first project will be the MDOT garage, which will serve as the base. And the garage is all underground and it will serve as the base for the buildings on top of it. And that's on parcel G, which is at Martin Luther King, Eutaw, and bounded on the west side by Madison. On that parcel that will be 390,000 square feet of office. 375,000 will be leased by the Department of Health and Mental Hygiene, and the balance of that will be for spec office space. So that's about 15,000 of spec office space. 55,000 square feet of retail, which will include a 35,000 square foot grocery store which the community is extremely excited about. There will also be 130 units of housing. All of that will be on parcel G. The garage is about 930 spaces.

On lot I-2 there will be a 125,000 square foot building. 100,000 will be leased by MTA and 25,000 will be leased by the Maryland Department of Planning. And I must apologize. It's 140,000 square foot. It also includes 15,000 square feet of retail on the first level. So that will be in phase one and that will kick off this fall.

COMPTROLLER FRANCHOT: So obviously by far and away the largest tenant is us.

MR. GAINES: Yes.

COMPTROLLER FRANCHOT: Which I understand the economics. But at what point are we going to be looking for private sector tenants? You mentioned the 15,000 spec. What --

MR. GAINES: Well they are looking for private tenants now. And on parcel G there is another pad available for 125,000 square foot private or spec office building that won't be built until there's demand in the market to build that.

COMPTROLLER FRANCHOT: Well let me, maybe I should ask Ms. Moore.

MR. GAINES: Sure.



COMPTROLLER FRANCHOT: What are the trends as far as vacancy rates, and --

MS. MOORE: Vacancy rates in --

COMPTROLLER FRANCHOT: -- leasing rates in the kind of commercial market in Baltimore?

MS. MOORE: Baltimore City's vacancy rate is high right now. It's been going, it's around 17 percent presently. We will not build the 125,000 square foot spec office until we have a tenant. And it's our belief that Baltimore will be a much stronger market if we're able to market buildings that can go quickly as build to suit with large contiguous floor plates along with also being on top of a Metro stop in kind of a new mixed use community, marketed right along with the central business district. So we believe the diversity of that product and our ability to go quickly is an asset for the City and the region.

COMPTROLLER FRANCHOT: Mm-hmm. And a lot of commercial real estate developers are communicating with me and others, I take it, about the fact that a lot of their mortgages are underwater. And when it comes to refinance they are concerned about the

impact, in addition to how, the damage that's been done already. Are you factoring that, some of those economic conditions in for your assumptions?

MS. MOORE: I --

COMPTROLLER FRANCHOT: You know, since you are going to, I guess we're going to own it and we're going to rent out the space. Are we going to be able to do that?

MS. MOORE: Right. I guess my response, it's a complicated response. But because of the way the market conditions are right now, we have such an anomaly in the marketplace. That but for this strange economic situation it would be difficult to meet the rates that we've agreed with the State. So we're really using the downturn in the market to the State's advantage because we would never be able to get the low cost financing and be able to price this the way we are pricing it today.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. MOORE: So it's not great to say that we're benefitting by the misery in the marketplace.

But this project is benefitting by the misery in the marketplace.

COMPTROLLER FRANCHOT: Let me just ask you or Mr. Gaines, the parking garage that was mentioned in the summation. Why exactly are we paying for that? Isn't this a great time for the private sector to build and manage these kinds of revenue generating projects?

MR. GAINES: Well typically it is good for the private sector to build and manage these garages. But in this case it isn't the right time. And I'm going to ask Chris Patusky, my partner from MDOT, to answer that since it's his garage.

(Laughter)

COMPTROLLER FRANCHOT: That's what I do when I get, I say, "That's such an easy question. I'll have my staff answer it."

MR. PATUSKY: I think I defer ownership to Secretary Swaim-Staley, who is sitting here to my left. Chris Patusky, Maryland Department of Transportation. On this project to help us structure the agreement, the State retained two consulting

firms, Jones Lang LaSalle, which is a national real estate consulting firm, and Bay Area Economics, which is another. And we ran the economics of the garage every possible way that we could. And because more than half of the garage will be occupied by State employees, and because of the location of the garage, the economics for the private market do not work with this garage.

We have known this for some time. Since early 2008 we have had this element as the capital contribution of the State to make this project work. And so it needs subsidy from the State to make it work.

COMPTROLLER FRANCHOT: So the \$28 million-plus we're adding to the State debt, that is not something the private sector would have liked to have built using the State employee parking revenues as a -

MR. PATUSKY: Correct. The revenues would not sustain the cost.

COMPTROLLER FRANCHOT: Okay. Since I've got you up there, what, this is counter the whole idea of

a parking garage. What are we going to do with encouraging transit, plan to, commuter arrival and departure as opposed to driving cars?

MR. PATUSKY: We're doing a couple of things, Mr. Comptroller. First, all State employees received free fare on bus --

GOVERNOR O'MALLEY: All State employees.

MR. PATUSKY: Yes.

GOVERNOR O'MALLEY: Allstate's not a leasing entity here, right?

MR. PATUSKY: Yes.

GOVERNOR O'MALLEY: An insurance entity?

MR. PATUSKY: They're going to pay. The State employees receive free transit on the bus system and on the Light Rail and on the Metro. And so the State does encourage that. In addition, the site is going to have a traffic management association, which is going to develop a plan, it has already begun developing a plan, to help all residents and office workers there, and the public, understand better how to get to and from the site using transit.

COMPTROLLER FRANCHOT: Okay. I think this may be for Mr. Gaines. I noticed that I guess there are three State agencies, Office of Planning, DHMH, and MTA, that are going to enter into twenty-year lease agreements?

MR. GAINES: Yes, sir.

COMPTROLLER FRANCHOT: How were those agencies selected for --

MR. GAINES: The initial goal is to have the employees and agencies who currently reside on the campus to remain on the campus. So that was the first goal. The second was to ensure that agencies only had to move one time. And then other agencies were looking to consolidate operations. And so those were sort of the first parameters for deciding who would be at State Center. And you achieved those goals with the Maryland Department of Planning and the Department of Health and Mental Hygiene.

MTA being there is, in our estimation and in their estimation, a representation that this is a TOD, MTA being in a signature building across the street from the Light Rail, a half a block away from the

Metro, makes a statement that this is in fact a transit oriented development project. MTA is a major supporter of that effort.

COMPTROLLER FRANCHOT: Okay. So it's not just an ad hoc process? You've got an overall review for these agencies?

MR. GAINES: We do. In fact, you know that last year in the fall the State hired CB Richard Ellis to help us look at and evaluate our overall portfolio, leased as well as owned portfolio. And so as a part of that, as well as the goals set out for State Center, we're looking at the entire portfolio to find ways of reducing our overall costs by consolidations, coming out of space that is not used, it's inefficient. And so the combination of this total portfolio review, the goals set up in State Center lead us to decide what agencies to be there.

COMPTROLLER FRANCHOT: Okay. So where for example would the Office of the Attorney General, or Department of Public Safety, where are they in this possible relocation contemplation?

MR. GAINES: We actually met with the Attorney General's Office. And again, as we looked at the portfolio, in our conversations with the Attorney General, actually Secretary Collins and I met with the Attorney General directly on this, there was an assessment made. We have goals for moving agencies into State Center, but we also have goals for maximizing the efficiency and effectiveness of the portfolio and trying to reduce our occupancy costs. And so given that the project is a fifteen-year build out, we thought it was more prudent to renew the Attorney General in place and take advantage of a reduction in occupancy cost that I think was about \$1 million savings, and their lease is ten years. So it still gives us an opportunity to go back to the Attorney General and look at a location in State Center. And so with every agency we're looking at when is the right time? When is the right phase for them to go in? And hopefully we'll make the right decisions as we go through.



COMPTROLLER FRANCHOT: And the twenty-year lease is for the three agencies? I take it they have some opt out provision, or --

MR. GAINES: If --

COMPTROLLER FRANCHOT: If there's some other configuration that has a better signature?

MR. GAINES: Well, they don't have an opt out. In this particular financing structure we would normally not agree to an absolute rent start and remove our termination for convenience. We do have termination for non-appropriations, but we don't have a termination for convenience. By committing to a twenty-year term we would enable the developer to achieve the best affordable financing in the bond market possible, which ultimately is reflected in our rates and costs.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: Anybody, anything else? Why don't we hear from, there's an opponent here on this? Okay. Mr. Jolivet, you want to be heard?

SECRETARY MCDONALD: Mr. Jolivet?

MR. JOLIVET: Good morning. Arnold M. Jolivet, and I will attempt to be very brief because I, too, am here this morning to actually support the project. I think the project has many positive features for our community and I'm just simply here to embellish and to give the Board my testimony in terms of how I perceive and what my position is on it. And I'm going to ask the Board, once I have finished my testimony I'm going to ask the Board of course to approve the project with certain, assuming the Board sees fit this morning to approve the project, the developers' agreement, my request to the Board is to approve it with certain conditions with regards to the construction management aspect of it. And my concern would be, is that it certainly is a positive project. And I sent you a brief a week, or maybe perhaps not a week ago, but it did illustrate some of my concerns. And primarily my concern would be is that I believe very strongly that the manner in which the procurement agency looked the public parking garage which the State will own and presumably will operate.

My position is that the manner in which the State locked the public parking garage into the master development agreement is a clear violation of applicable State procurement law, which requires a construction project of this nature to be competitively bid through the processes that are enumerated in the procurement article. Now, by locking this public parking garage in with the master developer agreement, which I believe the State procurement agency at the time, I know the people over there and they are good, honorable people. I just believe that it wasn't an effort of conscience, deliberate effort to violate the procurement law. It was just a matter of oversight. But I think any one of us who are familiar with the State procurement law, and familiar with the Court of Appeals decisions on this very subject, will affirm that you cannot take a State procurement of this nature, which is the construction of a State building that is going to be owned and financed by a State agency, and just lump it into some type of master or any other type of agreement. And so I'm going to ask this Board to take

a look at that to see if that is the kind of thing that we want to do.

Now, I have no opposition, I have no criticism against the remainder of the project. And assuming that the developer, which I would admit is essentially a private endeavor, would want to select the construction manager for the remainder of the project that the State is not owning, or is not perhaps infusing any monies, I would simply say that is a matter that I of course probably would not agree with. But I don't think it violates any of our State laws.

But in this case my research indicates, very clearly and unequivocally, that the manner in which this public parking garage is infused into the project master developer's agreement will violate the State's procurement law. It was not a sealed competitive bid. It was not a sealed competitive proposal as required by the State's procurement article. And I would submit to you, your Honorable Board, that it makes a lot of sense for this Board to review this matter or to defer it until this matter can be investigated and

some determination made as to whether or not this is an appropriate way to handle this.

And here's why. The budget for this parking garage, I believe the State has set aside in excess of \$30 million for the public parking garage. And assuming that's the correct, reasonable number, when you don't put this type of project out for public, open, competitive bid, you are likely, the State is likely to pay tremendously more money than what they would normally pay had there been competition for it. And I think the taxpayers of the State of Maryland deserve that this project, at least the public parking garage. Again, I confine my comments to the public parking garage.

I believe very strongly that this Board has a duty to the taxpayer to make sure at least this public parking garage is not a part of this developer's agreement where we can get no assurance that the State and the taxpayers are getting to maximum bang for their buck.

I want to just speak about one other issue, and I would respectfully ask this Board to approve the

project if in its wisdom that it sees fit to approve it. And that is I want to just take one minute to allude how the construction manager was selected. And throughout this State, at least in the last few years, we have had a conscious effort to be inclusive, and to be fair and impartial, in things that the State has its hands in. And I am very, very much concerned that in this case the construction manager was literally handed this project on a silver platter without competition. Now, again I emphasize that if this were the private aspect of the job I would not have any valid concern. But when you are talking about managing the State finance project, I would submit that we have an obligation to require some process, some process that at least on the face of it it's fair and inclusive and gives everyone an equal opportunity to bid, to participate, and be competitive.

I want to also allude to the fact that --

COMPTROLLER FRANCHOT: Mr. Jolivet, could I just ask that you, if you could just summarize?

MR. JOLIVET: I will.

COMPTROLLER FRANCHOT: Because you are recommending, I take it, that we approve this project?

MR. JOLIVET: I recommend that it be approved. But I want to also recommend that we take a look at how we, how we structure the minority participation on the project, particularly the State financed portion of it. And I would ask, I have a lot of confidence in Ms. Luwanda Jenkins. She seems to have a great grasp of what we're doing with regard to minority participation. And I would ask that you have her involved. Because what I have seen thus far with regard to the construction manager, I would submit to this Board that it is not consistent with what we do as a State and as an entity in Maryland.

So I would like to summarize by simply asking you to, well informing you, or reiterating again, that I am very supportive of the project. But I believe I have an obligation because when competitive bid process is used everybody has an equal opportunity. And right now I hate to tell you, the process is closed. There has been no openness at all with regard to the bidding. And so with that, I just

want to thank you for having the opportunity to be here and hearing my views. I like coming down to be able to tell you in terms of how I'm, I view this thing. And I think I'm right on the law. I think I'm right on the facts. And I would respectfully ask you to consider my request as we move forward.

Governor, thank you so much for allowing me to be here.

GOVERNOR O'MALLEY: Thank you, Mr. Jolivet. Mr. Collins, anything you would like to say in response to that?

MR. COLLINS: Yes, sir. Let me just ask, on the public garage piece of this. Why don't you take the garage?

MR. PATUSKY: Thank you, Governor. The State and MDOT have not procured a builder for the garage.

GOVERNOR O'MALLEY: Say your name --

MR. PATUSKY: Chris Patusky, Maryland Department of Transportation. Yes, the State and MDOT have not procured a builder for the garage portion yet, and the subcontracts have not been selected for



the garage yet. All of that will happen according to State law and State process once the project is approved and there is a project to design and bid out.

GOVERNOR O'MALLEY: Okay.

MR. PATUSKY: That's the simple answer.

GOVERNOR O'MALLEY: All right.

MR. GAINES: And with respect to the overall sort of, it's not even a procurement. This project for DGS is a disposition of land and is not a procurement. And so the procurement laws do not come into play here.

GOVERNOR O'MALLEY: I understand.

MR. GAINES: The only thing that's being procured is the office space, once it's built, by the developer.

GOVERNOR O'MALLEY: Got you. 2,000 jobs?

MR. GAINES: Yes, sir.

GOVERNOR O'MALLEY: We've got to keep creating jobs. We've had four positive months of job creation, a rate of job creation that's twice the nation's. And part of that are the public/private partnerships like the one we're doing at the Port, and

like this one. And we've got to keep fighting to create jobs. We've got one goal and that is to get Maryland out of this recession ahead of other states. And so I appreciate all the work that's gone into this.

Is there a motion to approve? The Comptroller moves for approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

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

(No response).

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

MR. GAINES: And Governor, if I may, we can't leave the podium without thanking the Treasurer and her team for the work that they have put in on this, thanking the Comptroller and his team. The Comptroller actually, as well as the Treasurer, have met with us on a number of occasions, actually sat down with the developer. Your team has been fantastic. The Executive Committee, including the Legislature. The State has worked in a very

innovative and unique way on this project and we just want to thank you for your leadership.

GOVERNOR O'MALLEY: Thank you. And that is why we approved Items 8, 10, 11, and 12. And that wraps up your Agenda, right?

TREASURER KOPP: Just so I can say --

GOVERNOR O'MALLEY: Madam Treasurer?

TREASURER KOPP: -- on behalf of the Treasurer's Office we do appreciate the cooperation and to point out that we are continuing to be involved in an ongoing discussion on some of these matters.

MR. COLLINS: Yes, ma'am. Yes, ma'am. I understand, Madam Treasurer.

GOVERNOR O'MALLEY: Thank you all very much. Thank you. Thanks a lot. See you. Okay, let's go to Program Open Space. Program Open Space?

MS. LATHBURY: Good morning, Governor, Madam Treasurer, Mr. Comptroller, Meredith Lathbury with the Department of Natural Resources. We have nine items on the Program Open Space Agenda this morning. There are seven local projects, one Rural Legacy easement,

and one timber sale. And I'd be happy to answer any questions you might have.

GOVERNOR O'MALLEY: All right. 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, "Nay." The ayes have it. We move on now to the Department of Budget and Management. I'm sorry. Excuse me, we are now going to return to the Treasurer's portion of this program. Madam Treasurer?

TREASURER KOPP: Comptroller, Governor, to go back for a moment to the Second Series C Bonds. Those were the BAB bonds? There are actually, as Patti can describe to you, some issues with the transmission of the bids. And we have spoken with our attorneys. And despite what the screen says, when bidding the BAB TIC column, the Citigroup Global Markets BAB TIC was actually amounted to 2.740950. That is this amount minus 35 percent, which is the federal contribution.

MS. KONRAD: That is right, Madam Treasurer. Either because of an error in their bidding platform itself, or an error in the firms in the way they submitted the bid, it didn't calculate the BAB TIC. We have verified with all three firms. It was Citi, and Bank of America, and Stifel, who that happened to. We verified with all three of those firms that they intended to bid it as a BAB, and the system should have calculated the BAB TIC. We have verified the correct BAB TIC with them and the Attorney General's Office has looked over this and has agreed that Citigroup is the winning bidder.

TREASURER KOPP: They put in a TIC of 4.203693. They didn't click the tab, the BAB button. Or something happened in the mechanism with the translation of that bid into a BAB equivalent. The only difference being that on the BAB the feds pick up 35 percent of the interest. And so we were trying to get the lowest interest rate possible for the State. Is that --

MS. KONRAD: That's fair to say. And we can show you what the D bonds bid on because we received

those at 11:30. And then you can move approval of the, both bids, C and D.

TREASURER KOPP: But I just want to make sure everybody is comfortable because what we are seeing is --

COMPTROLLER FRANCHOT: No, I just want to make sure, who was the losing, who was the second?

MS. KONRAD: J.P. Morgan Securities.

COMPTROLLER FRANCHOT: Are they aware of all this?

MS. KONRAD: Yes. Yes. I mean, they all concede that the BAB, the BAB TIC did not get calculated correctly for Citi, Merrill, and Stifel. And --

TREASURER KOPP: There is no challenge, no controversy?

MS. KONRAD: No.

TREASURER KOPP: I mean, that was my obvious, so for the Second Series in that case I would move that Citigroup Global Markets be declared the successful bidder for the Second Series C Taxable BAB, tax exempt bonds in the aggregate principal amount of

\$75 million, with a discount of \$238,500 which the federal government, which is incorporated in the federal payment?

MS. KONRAD: The discount? That would be incorporated into the actual proceeds that we get. But they can, because of these types of bonds, they have the minimum premium. So there can be very small amounts of premium and to be on the safe side most of them did it with a discount.

TREASURER KOPP: Okay. And at a true interest cost of 2.740950 percent. And move that the Second Series C Bonds be issued in the amounts and maturities and at the interest rates and prices set forth in the successful bid for the bonds.

MS. KONRAD: Okay. Kina, if you would take a look at the bids that came in for D?

TREASURER KOPP: For D?

MS. KONRAD: Now these are taxable bids. And the way these Qualified School Construction Bonds work is the federal government will give the issuer a subsidy of the lesser of the bid, which in this case would be Morgan Keegan's bid of 4.4 percent. Or the

tax credit rate as of today, which was 5.37 percent. So we will have a 100 percent interest rate subsidy on these bonds, which means that for \$45 million the interest cost to the State will be zero. And we had a similar transaction in late 2009 with these Qualified School Construction Bonds of \$50 million that with the federal subsidy as a result of the American Recovery and Reinvestment Act, the interest cost to the State there, too, is zero.

TREASURER KOPP: So essentially, courtesy of the federal stimulus legislation, we are borrowing about \$45 million to build schools in Maryland at no interest cost to the taxpayers of Maryland.

GOVERNOR O'MALLEY: Wow.

TREASURER KOPP: So I would move that Morgan Keegan and Company be declared the successful bidder for the Second Series B Taxable Qualified School Construction Bonds in the aggregate principal amount of \$45,220,000 with a discount of \$285,790.40 and at a true interest cost of 4.408204 percent; and further move that the Second Series D Bonds be issued in the amount and at the maturity and at the interest rates



and price set forth in the successful bid for the bonds. So the motion will be on both the C and D, the BABs, and the School Construction Bonds.

Excuse me. I further move that the Board authorize and approve the issuance of the final official statement for the bonds. These are all the series. And the Board authorized the sale and issuance of the postponed Second Series Qualified Zone Academy Bonds, QZABs, in the amount of \$4,540,000 as a separate issue on a negotiated or competitive basis at a date and time and maturities and amounts, and by the method determined by the Treasurer, all as set forth in the resolution which was previously passed; and further move that subject to further favorable market conditions that Board authorized the sale and issuance of the postponed Second Series E Refunding Bonds in an amount up to \$100 million either as the 2010 Second Series E Bonds, or as a separately funding issue on a negotiated or competitive basis at a time and date and maturities and amounts, and by the method determined by the Treasurer, all as set forth in the resolutions.

Those last two deal with issues that we had hoped to do today, but with market conditions prevented. But we hope that within the next little while the market will allow us to make more money for the taxpayers.

COMPTROLLER FRANCHOT: Well, to all the thousands of people watching over the internet, God bless you all real good. That's, it's not normally this technical, but --

TREASURER KOPP: No. But the bottom line --

COMPTROLLER FRANCHOT: -- second the motion.

GOVERNOR O'MALLEY: The Comptroller moves, seconds --

TREASURER KOPP: -- is that we have issued Maryland State General Obligation Bonds. We have been rated AAA on all of those bonds. Some of those bonds the federal government will be paying the interest on behalf of the Maryland taxpayers. In any case, the interest rate is unusually low because of the AAA ratings. And we will now be able to go forward building, as I said, mostly the money goes to build

schools and college and university buildings, and other necessary State projects. And one more thing.

MS. KONRAD: When we take into consideration the subsidy from the federal government the overall rate of this borrowing today, 485 million, will be less than 2 percent. Which is phenomenal. I think our lowest, the last time we were raving about was in the neighborhood of 3 percent. So this has been a great sale.

TREASURER KOPP: Well it also shows the true fight for quality, and that people would rather be secure and buy a good Maryland bond than make a high yield, high interest rate.

There also was a total premium going to the bond, annuity fund of --

MS. KONRAD: That was on Series B.

TREASURER KOPP: -- \$47 million, Mr. Romans, you will take back to the Secretary, I'm sure.

GOVERNOR O'MALLEY: All right. The motion has been moved and seconded. 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, thank you all very, very much. Thank you, Madam Treasurer. We move on now to the Department of Budget and Management.

MR. ROMANS: Thank you, Governor. David Romans for the Department of Budget and Management. We have seven items on our Agenda today for your review and approval. I'd be happy to answer any questions.

GOVERNOR O'MALLEY: Any questions, Department of Budget and Management? Questions grow fewer as the hour grows later.

COMPTROLLER FRANCHOT: Move approval.

SECRETARY MCDONALD: Is there a Mr. Schwartz here? Mr. Schwartz asked to speak on the DBM Agenda, I have no idea what item.

GOVERNOR O'MALLEY: Sure, Mr. Schwartz?

MR. SCHWARTZ: Governor, Comptroller, Madam Treasurer, thank you very much. I just came here today, and I also represent a group called Americans

for Prosperity. We are a grassroots, free market organization. And we are, my members, we're pretty unhappy and wondering about the \$389 million that is missing from this budget. And Governor, you're putting in the budget, allowing \$389 million from the federal government. It is not coming here. So we are wondering when is that, we are running a deficit right now. When is that going to be taken care of? And how is it going to be taken care of?

GOVERNOR O'MALLEY: Mr. Schwartz, thank you for your questions and thank you for being here all morning. It's taken care of in two ways. One is by the contingency that was contained in that matter when it was approved in the budget with regard to the local income tax reserve. The second manner in which it will be addressed is the degree to which the federal government, as they have extended health, or rather unemployment benefits and other things, the degree to which they return to do that in September after the break. And these are matters that, as you might imagine, we are watching very closely and we appreciate your input.

MR. SCHWARTZ: So we are going to be raiding the local income tax fund again?

GOVERNOR O'MALLEY: No. I wouldn't, I, no. that's not, that's not --

MR. SCHWARTZ: So if you could explain that part of it? The first part?

GOVERNOR O'MALLEY: We do have a contingency for that. And Mr. Schwartz we appreciate --

TREASURER KOPP: There also is a slightly larger unallocated surplus coming over from 2010.

GOVERNOR O'MALLEY: That's true. Mr. Schwartz, because we've had, because we have had four months in a row of positive job creation we also have seen our revenues exceed forecast for four months in a row and therefore we are going to have a larger unallocated reserve at the end of the fiscal year which ended June 30th. And I, we've given you the courtesy to come up and ask a question that was not on the Agenda and we appreciate --

MR. SCHWARTZ: Well, it is a public meeting, Governor.

GOVERNOR O'MALLEY: Yes, sir, I know that. And we've got to go forward with the rest of it. And I appreciate your being here, and I appreciate your questions.

MR. SCHWARTZ: Well, thank you for answering it. But please, we want responsible budgeting. We don't want to rely on the federal government to balance our State budget. And we certainly don't want to rely on tax increases just like 2007.

GOVERNOR O'MALLEY: Thanks, Mr. Schwartz.

MR. SCHWARTZ: Thank you. Thank you, Governor. Thank you.

GOVERNOR O'MALLEY: Thank you. And Madam Treasurer, thank you for reaffirming that AAA bond rating as well. We are one of only eight states that still has a AAA bond rating, a seal of fiscal responsibility that many other states have not been able to maintain during these tough times.

TREASURER KOPP: Governor, could I just add that some people, and we recognize the AAA bond rating as a seal of approval of budget and fiscal policies as well as the economic situation of the State. But the

real test was not just from the AAA bond rating but in the fact that today people have invested almost \$500 million in those bonds at what is really quite a low interest rate. Because they know that these are very safe and prudent investments because of the management of the funds. And it's really today that is the proof of the pudding and the fact that the AAA bond rating really is an outstanding and prime indicator of the strength of the State.

GOVERNOR O'MALLEY: Okay. 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: We move on now to the University System of Maryland.

MR. STIRLING: Good morning, Governor, Mr. Comptroller, Madam Treasurer. I'm Jim Stirling for the University System. We have eighteen items on today's Agenda. We'll be happy to answer any



questions you have. I did want to highlight a couple of minority business success stories. Items 2-C and 15-C are both MBE prime contract awards as a result of competitive bidding. So you know, that's sort of proof that even in a competitive environment our minority businesses can be successful.

TREASURER KOPP: Governor, I could I just take one second to say something that is not on this Agenda. But Dr. Moye and I had the pleasure of visiting the new administrative center for University College --

MR. STIRLING: Mm-hmm.

TREASURER KOPP: -- in --

MR. STIRLING: Largo.

TREASURER KOPP: -- Greenbelt, yes, Lanham? Lanham? Greenbelt?

MR. STIRLING: Largo.

TREASURER KOPP: Largo, Largo, two weeks ago. And I was just tremendously impressed by, it's a LEED Platinum building. If you haven't been there, I really recommend you going. Former headquarters of the Hechinger Company. Unfortunately, Hechinger

folded about six months after they moved into it. But really an extraordinary building that I think is a great model. Both the building itself, the landscaping, the power conservation, the energy conservation, the environmental impact. And I just commend everybody --

MR. STIRLING: Well, I don't have anybody here from UMUC today but I'll be sure to pass it along.

TREASURER KOPP: I'm sure you can pass it along. Yeah, thank you.

MR. STIRLING: Will do.

GOVERNOR O'MALLEY: Great. Any other questions on these items? The Treasurer moves approval of the University System of Maryland Agenda items, 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.

MR. STIRLING: Thank you.

GOVERNOR O'MALLEY: We move on now to the Department of Information Technology.

MR. SCHLANGER: Good afternoon, Governor, Madam Treasurer, Mr. Comptroller. Elliot Schlanger, Department of Information Technology. This afternoon we have three items on the Agenda. We'll be happy to answer any questions at this time.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. And we now move on to Department of Transportation.

MS. SWAIM-STALEY: Good morning, Governor.

GOVERNOR O'MALLEY: Good morning.

MS. SWAIM-STALEY: Beverley Swaim-Staley representing MDOT. We have sixteen items today, as Item 10-M has been previously withdrawn. For the

record, Item 17-S has been previously submitted as a supplemental item.

GOVERNOR O'MALLEY: Any questions?

COMPTROLLER FRANCHOT: Yes.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: This actually goes back to an item from a June Board meeting. But I've been giving a lot of thought in the aftermath of the MARC train situation and break downs.

On June 9th we approved a two-year operating contract with CSX to continue operating MARC service on the Camden and Brunswick lines while we solicit for a new third party operator. And I think that the events that have occurred in the interim are just a reminder of how important that contract is. I don't want to interfere with the contract at all, but I would like to be assured, I guess, that at the end of the day we're going to have an operator with sufficient experience in providing commuter rail services that some understanding with the rail freight company that owns the lines. Where we can end up with as much dependability as achievable for our commuter

rail services. I mean, I don't know whether there are iron clad benchmarks you can put in as far as service reliability. And I don't know how much we're digging into the paths of the companies that are bidding. Obviously, I don't want to interfere with the procurement process. But I think it's very important that we figure out how to keep, store, and maintain high standards of commuter service.

It's not unique to Maryland. In New York there was a big issue up there with the fact that their commuter trains are 95 percent on time, but the customers, the commuters, are irate because the 95 includes all these lines that are outside of the normal commuter rush hour. When you look at the commuter rush hour, they are terrible. And I'm not saying that's the situation here. I'm just saying let's, in these negotiations, whatever we can articulate and put in writing I hope that we do.

MS. SWAIM-STALEY: Well I think you've, two things. One, we are in the process of a procurement. Two, you have identified some of the significant national issues that we are looking at across the

country with regard to commuter rail. Since we do, almost all states run it on someone else's right of way, and are not always a welcome visitor on those right of ways. Also, liability continues to be a major issue that we've actually recently discussed with USDOT. Because it has a major factor, quite frankly, in the amount of competition that one receives. And as we discussed in a June meeting competition is limited to begin with. So I appreciate your concerns on all of those issues and we're happy to continue the dialogue as we --

COMPTROLLER FRANCHOT: And, okay, well while I've got you, what is the on time percentage for our commuter lines?

MS. SWAIM-STALEY: The on time percentage? It varies from 85 percent to 100 percent depending upon, I would say on the average, we have been paying obviously a great deal more attention. Amtrak, I think because of the problems, they have really stepped up their monitoring. I get those reports every morning on a daily basis and we've seen significant improvements on our on time performance.

It does vary by line. We run three lines. The Brunswick Line and the Camden Line are operated by CSX, and of course the Penn Line, which has been getting a great deal of attention is operated by Amtrak. And we can certainly share those with you --

COMPTROLLER FRANCHOT: And those on time --

MS. SWAIM-STALEY: -- we are monitoring them daily, weekly, monthly, as well as historical.

COMPTROLLER FRANCHOT: And do those include Light Rail? The Light Rail on time --

MS. SWAIM-STALEY: No, Light Rail is a separate --

COMPTROLLER FRANCHOT: Separate?

MS. SWAIM-STALEY: Yeah. I mean, the performance for the Metro and the Light Rail are separate --

COMPTROLLER FRANCHOT: Yeah, I'd be interested in the on time performance during the rush hours. Because that's what obviously --

MS. SWAIM-STALEY: And we are now monitoring all the rush, specifically monitoring the rush hour trains everyday. Because you make a very good point.

On time performance is most significant during the rush hour. That is when we carry the bulk of our riders.

COMPTROLLER FRANCHOT: Okay. I have, switching subjects but same agency, I have some concerns, like everybody I think during the summer travel season. Because there's nothing more aggravating to citizens than when they are driving along a big highway, see all these cones that maneuver people from three lanes to two lanes, and then sometimes to one lane. And then you finally get up to the point of construction and there's nobody there.

MS. SWAIM-STALEY: Yes, I've seen those myself, Mr. Comptroller.

COMPTROLLER FRANCHOT: And it raises the question on our procurement for these important infrastructure projects, is there a criteria for implementation, I guess is the way to describe it. In other words, obviously we're interested in low bid and technical evaluation. But is there also a procurement item that encourages us awarding business to contractors that can actually get the job done



quickly? You know, or in fact reward contractors that complete work ahead of schedule so that non-weather related delays or non-justified delays are avoided?

MS. SWAIM-STALEY: Well, it varies by contract. Obviously, most of the contracts are issued on a low bid basis. But in particular areas, for example the bridge last year in Ocean City where we wanted to make sure that things got done in time, we obviously then are able to put much higher specifications. It's generally in all contractors' interest to get in there and get the work done. We can't, by federal law I don't think we can penalize them if they take longer unless they are outside of the actual contractual agreements that we have with them. So it's something, again, they are primarily issued based on the low bid. But depending upon the circumstances we certainly can encourage them or give them time frames in which, when we do want the work to be completed.

COMPTROLLER FRANCHOT: But in the meantime -

MS. SWAIM-STALEY: Sometimes when we step up to those work zones ahead of time, some of it again is

related to getting them set up at the most optimal times to do that with regard to work zone safety and all of those other kinds of things which have also been an issue for us this summer.

GOVERNOR O'MALLEY: But it seems like there is an inspection and management problem if you are blocking off lanes when there is no need to block off the lane.

MS. SWAIM-STALEY: Well no, I will double check to confirm we're not blocking them off when there's no need. I have seen them in some cases in advance of, for example they may set up the situation just prior to a starting. For example, on Route 50 we had one of our fatalities in the work zone was in fact they were setting up the night before. The construction was actually supposed to begin in the morning. But again, there is some time frame for when you do set up for the --

COMPTROLLER FRANCHOT: Well it may just be me, but sometimes I think it's the same spot I passed six months ago during another holiday season and so maybe you're --

MS. SWAIM-STALEY: If you see those please let me know and we will try to --

GOVERNOR O'MALLEY: Route 50 --

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR O'MALLEY: -- heading into D.C.

COMPTROLLER FRANCHOT: Exactly. But I guess what I'd like to ask you to do, Madam Secretary, if you could get back to us, whether in fact within the law you can require bidders to state how much time it will take them to complete the work that they are winning the bid on in theory. And that those answers from the contractors be looked at in the technical evaluation, obviously whatever is appropriate given your regulations. But particularly I think now with all of the push to employ people and get this infrastructure repaired and the dollars coming in, I want to avoid a situation where there is a very, very, very slow pace for some projects. And I'm sure you share that.

MS. SWAIM-STALEY: Yes, in fact our contractors are pretty hungry now. So they should be completing the work as quickly, you know, quickly,

it's in their best interest as well. So if there are particular areas where we are not seeing that please let me know and we will find out why.

COMPTROLLER FRANCHOT: Thank you, Governor.

GOVERNOR O'MALLEY: All right. I've got two more things to take care of. The first one is this Transportation Agenda items. If there are no further items the Comptroller moves approval of Department of Transportation Agenda items, seconded by the Treasurer. All in favor signal by saying, "Aye." All opposed, "Nay."

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We have one more matter and that is that in our channel changing to the Treasurer's channel we neglected to consider the balance of the Secretary's Agenda items. So we are considering everything else that was on the Secretary's Agenda items. Are there any other questions on the Secretary's Agenda items? Okay. Hearing none, the Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Thank  
you all very much for your attendance here today.

Thank you.

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

.

.