

December 15, 2010

STATE OF MARYLAND
BOARD OF PUBLIC WORKS
GOVERNOR'S RECEPTION ROOM
SECOND FLOOR, STATE HOUSE
ANNAPOLIS, MARYLAND

December 15, 2010

10:00 a.m.

P R E S E N T

GOVERNOR MARTIN O'MALLEY, Presiding;

HONORABLE PETER FRANCHOT, Comptroller;

HONORABLE NANCY KOPP, Treasurer;

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

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

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

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.

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P R O C E E D I N G S

SECRETARY MCDONALD: Well, it's okay. We just wanted to make sure the court reporter knows the meeting is starting because we were going to start it after the pictures. But let's go ahead and turn the tape on. Thank you, sorry. I just needed to signal them, sorry.

GOVERNOR O'MALLEY: We adjust.

TREASURER KOPP: But then we're going to award these and get pictures taken.

GOVERNOR O'MALLEY: Okay. Does it matter?

TREASURER KOPP: No.

GOVERNOR O'MALLEY: Okay.

COMPTROLLER FRANCHOT: Are they started up?

TREASURER KOPP: No, this is officially part of the meeting now. This is good.

GOVERNOR O'MALLEY: All right, well that's good. We want the recognition to officially be a part of the meeting.

SECRETARY MCDONALD: Absolutely.

COMPTROLLER FRANCHOT: Nancy, go ahead. You wanted to say --

TREASURER KOPP: Oh. I, well I, can we get another bite of the apple after --

GOVERNOR O'MALLEY: Yes. You can do --

TREASURER KOPP: But for right now I do want to thank you, Joan, the Department, and all the people who are in charge of maintaining our schools. They are our State's number one investment. And to maintain it is the most critical thing we can do after building them. And to maintain them extraordinarily well, as the people in this room have done, is really a great service to the public, to the students, to the families, and to the teachers who go in there every day and see a reflection of how people think about them and the importance of their work. So I think this is extraordinarily important. I'm not real keen, usually, on photo ops and getting my picture taken. But with these outstanding people it's an honor.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Well, I love photo ops. If --

(Laughter)

COMPTROLLER FRANCHOT: But I do want to just take a minute, Governor, if I could and congratulate the people that are sitting in front of us for getting superior scores on their maintenance reports. Obviously, it's no surprise we're in an age of austerity where we have to make a number of efficiency cuts and other things. And the work of the people in front of us today I think assures that our tax dollars are being spent effectively. Taking care of older school buildings is an under recognized, underappreciated, but incredibly important initiative. And I want to thank Dr. Lever and his staff for really rising to the occasion, getting the word out that not only he but the three of us on this Board are concerned about maintenance efforts.

I've asked a number of systems to nominate schools that have done an extraordinary job. Fifteen schools across the State, including several that are here this morning, are being honored with the inaugural Silver Hammer Award from my office. This award goes to schools that have demonstrated a commitment to fiscal responsibility through superior

school maintenance. And I've been visiting these schools so I can see the commitment in real time. And it's so much more than just a clean hallway. We're talking about really systemic change in how maintenance is viewed.

At Beall Elementary School in Frostburg they've been able to reduce electrical usage by 35 percent since 2002. At Martin Luther King Middle School in Germantown the entire student body partners with the custodial staff and shows school pride by becoming a member of their Dream Team to keep the maintenance and upkeep. At Talbot Springs Elementary in Columbia, a school that's almost forty years old, they have worked to maintain a strong maintenance record and have been named one of the State's Green Schools. Potomac Heights Elementary in Hagerstown is also a forty-year-old facility. It's been cited as the perfect role model for extending the life span of a building through superior maintenance efforts. And St. Michaels Elementary School in Talbot County is a truly beautiful place. It has become a Statewide model for functionality and sustainability, one that

has inspired extraordinary pride throughout the entire community.

The common theme that runs through all of these schools is a resolute commitment by the people in front of us and the custodial staffs to have a, literally a passion for a team effort of students, teachers, and parents alike to keep the schools looking great and running smooth. They are perfect examples of the value and difference made by protecting investments made in existing older schools and to create a welcome learning environment for the students. And I want to emphasize in my opinion, and it's somewhat anecdotal, there is a direct connection between faculty morale and student achievement if the school is well maintained.

So I look forward to visiting the rest of the Silver Hammer Award winners. And again, I applaud the efforts of all of the people in front of us this morning. I really thank the Governor and Treasurer, because this Board has worked hard to ensure that maintenance efforts remain a top priority as we try to

invest the State's tax dollars in the most strategic and effective manner possible. Thank you, Governor.

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

MS. SCHAEFER: Okay.

GOVERNOR O'MALLEY: Hi.

MS. SCHAEFER: Good morning, members of the Board of Public Works, Governor O'Malley, Comptroller Franchot, Treasurer Kopp. My name is Joan Schaefer. I am the Deputy Director of the Public School Construction Program. We are very happy to be here this morning for the Governor's award ceremony for schools that received maintenance ratings of superior in the fiscal year 2010 survey year.

One hundred and eight-seven inspections were performed by our office this year, including five reinspections of schools that received not adequate last year. Of these 187 schools, thirty-two were rated as superior. We are delighted to have representatives from the eighteen school systems where these schools are located with us this morning to accept these citations and be recognized.

At this time I would like to read out the names of the school systems, the schools who are receiving the awards, and the representatives from each school system.

TREASURER KOPP: Joan, if you're not prepared for this I apologize, and we could insert it.

MS. SCHAEFER: Okay.

TREASURER KOPP: But could you just spend a minute talking about the program and what it is you are looking at, and how we know these are the best maintained?

MS. SCHAEFER: We look at a number of categories. We, the categories have a level of one, two, or three applied to them. As the surveyors go through the schools they make notes and they check off for each category.

TREASURER KOPP: Category.

MS. SCHAEFER: And then there is an equation. We come, so everything is fair for everyone, and it comes out in the end. And there is, between the score, it's based on 100 points. Between

the scores of ninety-five and 100, that is the superior.

TREASURER KOPP: Okay.

MS. SCHAEFER: We --

TREASURER KOPP: So this is a common, essentially grading system, rating system, across --

MS. SCHAEFER: Yes, it is.

TREASURER KOPP: -- the State --

MS. SCHAEFER: Mm-hmm.

TREASURER KOPP: -- in a number of schools pulled out of each LEA?

MS. SCHAEFER: Well we, that's correct. And we select schools based on the last date they were surveyed. Now a few have been added in over the years and we are getting closer to our, to being caught up. For our sixth, we have a window. We had initially established it for six years, to survey all the schools within six years. The last two years we've cut back on our surveys because of staff availability, essentially. And so that now has stretched to seven years. But next year we will be back to doing 230

surveys a year, new school surveys, new surveys. Plus the resurveys.

TREASURER KOPP: And how do you apportion them among the LEAs? The surveys?

MS. SCHAEFER: We select at least one school for each system. And we just, we try to balance the numbers so that we will get, we'll have an equal number for every year for a school system for each year until we get through the cycle. And that is why you'll see some, some school systems only have one school surveyed. But if it is a small school system -
-

TREASURER KOPP: School system.

MS. SCHAEFER: -- like Kent County, ten schools, you'll get through the, once in a while it will be two schools. But that is --

TREASURER KOPP: So this is not to say that the schools that are not being surveyed this year in fact are not outstanding?

MS. SCHAEFER: That is correct. That is correct. And often it is, we find that it is just the random selection of schools that are surveyed. So one

year you can have a better result, overall result,
from --

TREASURER KOPP: But what there is no doubt
of is that these thirty-two schools --

MS. SCHAEFER: Thirty-two schools.

TREASURER KOPP: -- are in fact outstanding
in terms of their maintenance, in terms of their
safekeeping of the public, safeguarding of the public
investment?

MS. SCHAEFER: That is correct.

TREASURER KOPP: Okay, this is something,
Governor, the Capital Debt Affordability Committee in
1995, 2005, started pushing for a program --

MS. SCHAEFER: Mm-hmm.

TREASURER KOPP: -- like this to be as, as
strong as possible across the State because of the
concern of the public. As we increase our investment
in our --

MS. SCHAEFER: Mm-hmm.

TREASURER KOPP: -- public schools we want
to be able to demonstrate that it is a well guarded
investment. And you all have done that.

MS. SCHAEFER: Mm-hmm.

TREASURER KOPP: And today is the fruit of that effort, and I appreciate it.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Not to delay the wonderful session we're going to have in a minute with everybody, but I want to emphasize that this is not just symbolic. I'm going to urge this Board and also the legislative leaders to make maintenance and extending the life of our facilities a priority. And I'm going to ask Dr. Lever, I'm sure, and your expertise, to help us encourage the local jurisdictions to really get rid of this old mentality where some jurisdictions, frankly, don't do the proper amount of maintenance. And I think it is related to the kind of disposable culture that we had, hopefully are getting rid of, where people just say, "Hey, let's build a new school." Well, hopefully when Dr. Lever comes up and presents this we can have some discussions about rewarding jurisdictions that really pay attention to stretching the taxpayer's dollar. It's I don't think discretionary. I think it's going

to be mandatory in this new budget environment we're in. And I don't want to usurp the authority, obviously, of the Legislature, or the Governor, in making school construction decisions. But I definitely think we need to figure out some incentive that rewards those jurisdictions that are doing exceptional work in this area.

But, so I, for all of you that have waited so patiently, what you are doing is going to be translated, I hope, into some concrete action that will recognize what you have managed to achieve, frankly, just on your own. Thank you.

GOVERNOR O'MALLEY: So take us away.

MS. SCHAEFER: Okay.

(Presentation of citations.)

GOVERNOR O'MALLEY: Okay. The Secretary's Agenda? I'm sorry, did the Comptroller or the Treasurer have anything that either of you wanted to say? Something before we began, before we begin the body of the meeting? No?

TREASURER KOPP: I was just going to, what I punted on before, some of the folks are here right

now, I just wanted to thank all of the agencies with whom we work all year and who have worked so hard with Howard responding to questions, answering our concerns, and providing information that's really important to the public. I understand that this Board and the global recession have left you with insufficient resources, and we're pushing very, very hard. But as the Governor once said, as I recall, that the hill is steep but our legs are strong.

GOVERNOR O'MALLEY: Did I say that?

TREASURER KOPP: Yes, I think you did. Several years ago, actually. But I really do appreciate it and thank you all, and beg your pardon for the pains we cause. And wish you a joyous Christmas season and a very good New Year.

GOVERNOR O'MALLEY: Okay, Secretary's Agenda?

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. There are fifteen items on the Secretary's Agenda with zero reports of emergency procurements. We are withdrawing Item 12 and we are withdrawing Item 14.

GOVERNOR O'MALLEY: Okay. Any questions on the Secretary's Agenda? Mr. Comptroller?

COMPTROLLER FRANCHOT: Item 13?

GOVERNOR O'MALLEY: Item 13.

COMPTROLLER FRANCHOT: Dr. Lever?

SECRETARY MCDONALD: All right, 13-M is the item with the actual acceptance of the maintenance report from Dr. Lever's office. So the pictures that we take, that we've taken already. But this is the item to accept the report.

DR. LEVER: Good morning.

COMPTROLLER FRANCHOT: Good morning.

DR. LEVER: I'm happy to answer any questions you have, Mr. Comptroller.

COMPTROLLER FRANCHOT: No, I just want to applaud you again and your staff. I know it's hard to get out and do these studies with, as the Treasurer was mentioning, we have all sorts of budget constraints. But there are a couple of concerns that I had amidst all of the celebratory proclamations and stuff and I just wanted to get your read on this. In your report, which I read, you mention that there's a

national trend towards reducing a maintenance, routine maintenance of schools. Specifically you say preventative maintenance, the most cost effective type of maintenance activity, is generally underfunded within shrinking maintenance and operation budgets. You go on to report that as the result of budget constraints many counties are skimping on crucial maintenance positions, maintenance initiatives such as roof inspections. They've been cutting back on school safety inspections, which according to your report could create safety issues in schools as they come to depend more on local fire departments to oversee their safety equipment and procedures.

And I just want to applaud you and your staff. I think what we're trying to do here is emulate responsible families, that when they see a little leak in their roof they go and do something to take care of it. They don't just try to patch it up and move on. And we've had many conversations, Dr. Lever, about this. I do not believe that it's just a matter of budget. I think a lot of what we're talking about here can be accomplished at relatively minimal

cost. Certainly a fresh coat of paint, and power washing, and picking up around the schools, that's something that can be done under existing budgets and in partnership with the private sector which is very interested in these aspects.

As I mentioned earlier, to me it's not so much the budget constraints as it is this idea that we just live in a kind of throw away society where every time something wears out we get it replaced. And I'm trying to be critical there. I'm just saying, what are some of your strategies, I guess, to restore at the county level that commitment to maintenance that we recognize today?

DR. LEVER: Well, thank you for bringing up the issue. I'd like to preface my response by just saying that this is a problem that all public owners do face. I'm sure that Secretary Collins, the people from the University System, from the Prison System will all echo this, that we are all very much stretched. And school systems particularly are stretched because I think they face competing

imperatives of the cost to hire ten teachers might be the same as the cost to replace one roof.

COMPTROLLER FRANCHOT: Mm-hmm.

DR. LEVER: The ten teachers are going to address today's problem with children in the classroom. The roof could possibly be deferred for one or two years with a patch and repair approach. And so just like you mentioned in the house, there are competing imperatives that do pull the budget in several directions.

But I think the way that we can achieve progress here is first of all through continuing emphasis, just like we're doing today, by events like this. We do place a great deal of stress on maintenance through our survey process of course but, and the annual report which school systems take a good deal of pride in, of getting a good report and having that be publicized. We do meet periodically with maintenance managers around the State. We've also met with the superintendents from time to time to talk about maintenance issues. We also provide technical assistance. We advise the school systems and we try

and promote good practices from one jurisdictions to another.

We do focus on specific issues. About two years ago we began to focus specifically on roofs and we've seen considerable progress in the maintenance of roofs because it was an issue that we focused on. And currently we're focused on fire safety, on equipment rooms, and electrical distribution and we expect to see the same kind of progress in those areas.

I think the most critical thing is to maintain a high level of school construction. We hear repeatedly from the school systems about the positive impact that school construction has on maintenance. That it frees up workers. Charles County reported to us in October that they used to have one person who had to visit one school for half of his time every single day that school was in session, to babysit an old boiler, I believe it was. After the boiler was replaced with State money and local money, that maintenance person was freed up to be able to take care of other issues so they could use their personnel much more efficiently.

We've also heard from school systems that the State funding allows them to remain proactive in addressing maintenance issues rather than reactive. It helps them to avoid the crisis that every maintenance manager fears, which is hearing that a boiler is out in December or January or February, a school has to be closed, the kids have to be relocated, the entire school system is affected by that. So capital funding is absolutely critical for this and it also helps us to defer major renovations, which of course are much more costly than addressing simply the system when the system becomes due.

We are identifying what we think is a structural issue. We've discovered by looking at four years of data that the large school districts, if you look at the five large school districts, they have a disproportionately smaller number of superior and goods compared to the medium sized and small school districts. And they also correspondingly have a higher number of adequates, not adequates, and poors. And we're speculating, we don't have a real conclusion why this is. But we can speculate the size; the age

of the facilities; the complexities simply of running a school system of that size; the interface between different departments that have to be coordinated; the fact that the central office is going to be more distant from the school level and also more distant from the community, necessarily. So this is an area that's really just emerged for us as something to focus on. We have to draw some better conclusions about why this is and then --

TREASURER KOPP: This is a common, a perception that all the large districts have in common.

DR. LEVER: We find it through the statistics, actually.

TREASURER KOPP: Yeah.

DR. LEVER: By checking the record. Now in general, the larger systems also have more capacity. They have specialists in specific areas --

TREASURER KOPP: Right.

DR. LEVER: -- as opposed to the generalist who takes care of everything at a smaller system. But

their problems are correspondingly that much greater because --

TREASURER KOPP: But I'm say it's not just particular large jurisdictions. It's something you believe correlates simply with the complexity of the jurisdiction?

DR. LEVER: I think so. There are variations from one school system to another, quite clearly. And I think that shows in the record as well. So we do see that it's a complex issue. But we do think that we are addressing this. And the Board is helping us tremendously in this task by the attention that you give to the whole issue. This annual ceremony, and also by raising the issue from time to time in discussions. The meetings of the CDAC, for instance, are very helpful in this respect.

TREASURER KOPP: When the superintendent meets with the, county superintendents and you all, is this an issue on the agenda?

DR. LEVER: It is. When we meet in October with every school system that submits a request for capital improvement this is one of the agenda topics.

And we discuss the record, we discuss what they've doing. We might raise specific issues having to do with a capital request. We have held up several requests while we investigated whether the reason it was being presented to us was because of a history of poor maintenance or were there other factors that were involved. So that also helps to highlight the issue. And we also are making it a requirement for roof replacements that they have to submit three maintenance inspection reports to ensure that they are conducting, that is a State requirement, it's in regulation, they have to inspect the roofs twice a year. This is one way that we can ensure that that is actually being done.

TREASURER KOPP: Do you think, David, I mean this is mostly the maintenance budget at the LEAs, the counties. With the fiscal problems as they are now, and the potential of larger strains actually on county budgets --

DR. LEVER: Correct.

TREASURER KOPP: -- because of actions that have to be taken, is there a way to maintain the important high profile of maintenance?

DR. LEVER: Yes. I think we have to. We really don't have any alternative, otherwise our plan's going to deteriorate. We recognize the strain, and that's aggravated by the increasing cost of materials and equipment. And also the deferred backlog tends to increase even if budgets are increasing somewhat partly because the complexity of our systems is so much more advanced now than it was, say, twenty years ago or thirty years ago. Mechanical systems --

TREASURER KOPP: Yeah.

DR. LEVER: -- require a great deal more attention than they used to. So our problem in a sense is being aggravated. But what we do find is that leadership is absolutely critical from central office, support for the people in the field. Motivation, awards that are granted to people in the field. Like this one, but also at the local level. Community involvement and community expectations are

absolutely critical. When the community expects a good school, the central office responds.

TREASURER KOPP: Are there programs like this or like the Comptroller's at each of the local LEA levels?

DR. LEVER: Every LEA does have a maintenance program. They all are aware of the problems.

TREASURER KOPP: But maintenance award recognition, emphasis?

DR. LEVER: That I'm not sure of. We know that Cecil County does and that actually is one of the reasons --

TREASURER KOPP: I mean, I think what, what the Comptroller points out is really important. And in fact because the LEAs, the county governments are closer to the particular schools than we are I would think that having something like a Silver Hammer or Shovel really, I don't know --

DR. LEVER: Yes.

TREASURER KOPP: -- it's something worth proposing to them.

DR. LEVER: The local recognition is extraordinarily important. Correct.

COMPTROLLER FRANCHOT: Yeah, no I think, I'm glad the Treasurer zeroed in on that. But I also think we need to get the data that you just mentioned. The, you know, the Governor and the Treasurer I think are right to focus on that data. Because to the extent there's some jurisdictions that for whatever reason, I'm sure I'm not trying to criticize somebody here, but for whatever reason they have a much, you know, from the outside, much less of a priority, I guess, or effectiveness based on your data, not anecdotal --

DR. LEVER: Mm-hmm.

COMPTROLLER FRANCHOT: -- impressions. I think that that's something that we need to really examine. And I, once again I'm very sensitive to the whole school construction budget. But maybe there's some way, working with the Legislature and others, that a local jurisdiction's record on school maintenance can be considered when we're, when everyone's evaluating the annual request for school

construction dollars. And in addition to the proclamations and the awards and the recognition, which I think are very important because these folks are underappreciated as I said, I think it's important to reward those systems that are stepping up and really doing a focused effort to change things. And we need to send, I think, a clear message to, in this case if it's the five big jurisdictions, that are not for whatever reason, complexity or mind set or culture or whatever, do not have that same emphasis on taking care of what they actually have and extending its useful life.

So I'd be interested, A, in your data if you could give it to members of the Board, and also your thoughts as to how we can, without upsetting the apple cart, establish some incentives and some messages, I guess, is how I would put it. Because, anyway I just think it's very important. And this is not a criticism, but in the future if you could give us more than just one inspection in a given county. Because these schools are so, you know, hard to compare apples to apples, I think.

DR. LEVER: I understand. But the problem is, to cycle through, Kent County has now seven schools. If we did two per year in a sense we'd be coming back on them every three and a half years. Whereas another county, like Baltimore County, we wouldn't be able to do that. So that's one of the reasons we do select one school or two schools in the smaller jurisdictions.

COMPTROLLER FRANCHOT: And then finally I noticed Cecil County did so well. I mentioned that in the photo op. But Wicomico did also. And any lessons learned from how they, how they implement their maintenance programs that we can be of help to you in disseminating I would be appreciative of you giving us that.

DR. LEVER: Certainly.

COMPTROLLER FRANCHOT: Thank you very much.

DR. LEVER: Thank you.

TREASURER KOPP: It is pretty stunning when you look at the list, and these are just the outstanding ones, of the difference between the small and the large counties, one of which isn't even here

at all. One of the major jurisdictions.

DR. LEVER: Right.

TREASURER KOPP: The others have one school each. The largest school system in the State has one school. Whereas Allegany has two, Cecil has three. I mean, it does raise concern.

DR. LEVER: It struck us when we were looking at the list, and then we went through and did the data analysis, and that corroborated with our impression from simply looking at the list. And so it really does seem to raise that the large jurisdictions face a different kind of issue and in order to achieve the same kinds of results proportionately that the small systems do they would have to put in place management approaches that are really --

TREASURER KOPP: And you are looking at exactly, I mean, you are applying the same instrument --

DR. LEVER: Oh, absolutely.

TREASURER KOPP: -- to each school?

DR. LEVER: Absolutely, yes.

TREASURER KOPP: Each system?

DR. LEVER: Yes. Well, thank you for your concern about this issue. We really appreciate it.

GOVERNOR O'MALLEY: Thank you. Right. We have another item that I know a number of people here are interested in, and that is Berman Academy. And we are joined by Roger, Senator-to-be Roger Manno, and also by Delegate who is Ben Kramer. And --

SECRETARY MCDONALD: Okay. Dr. Lever, do you want to come back up and introduce Item 15? It's the recommendation of the Interagency Committee. And Senator-elect and Delegate can come up with, Doctor, if you can do the introduction of the item for us?

DR. LEVER: The item is to approve the sale of the former Peary High School property to the Hebrew Academy. The IAC approved this at their most recent meeting. At the request of the County government we bifurcated the issue so that the sale would be approved separately. I understand that they requested that because the acquisition cost that's been negotiated only holds for another two days from today. And in the meantime we need to calculate whether the State is owed back any funds from the sale. The

State, the County has already repaid all of the outstanding bond debt that was repaid when the school system transferred the property to the County government so that's not an issue at all. And we're in the process of communicating right now with the County government to arrive at a final settlement about the amount of money that would be owed back to the State.

TREASURER KOPP: So this is simply to approve the transfer, not --

DR. LEVER: The sale.

TREASURER KOPP: -- to get into the question --

DR. LEVER: That's correct. We will come back to you, if money is owed back to the State, which I believe it is, we will be coming back to you probably in January with a motion on the amount of the money.

GOVERNOR O'MALLEY: The, Senator Manno? Anything you'd like to add, Delegate? They're also joined by Ron Halber of the JCRC. We have a number of other distinguished guests who are here with us, I

assume from the Berman Academy. Janice --

TREASURER KOPP: No.

GOVERNOR O'MALLEY: No?

SECRETARY MCDONALD: I think Benham Dayanim is from the Berman Academy and Diane Schwartz Jones is from Montgomery County. We have three other individuals who have asked to speak, and I'm not sure --

GOVERNOR O'MALLEY: Okay. All right. Well, let's start first with Roger Manno.

DELEGATE MANNO: Thank you, Mr. Governor, Madam Treasurer, Mr. Comptroller. I appreciate the opportunity to be here. Firstly, we appreciate your service and look forward to our tough work these next four years. But I'm glad that we're all together again. We are here to support the transaction, the sale of the Academy, by Montgomery County to the Berman Academy.

Just by way of background, the delegation in District 19, the incoming delegation, supports this sale, myself, Delegate Kramer, the two delegates-elect, Arora and Cullison. The sale was approved by

the Planning Board unanimously. It was approved eight to one by the County Council. The County Executive supports it. And the IAC last week voted unanimously to support the sale.

In 1960 the Peary School came into existence in Aspen Hill. And for twenty-four years served the Aspen Hill community. It was closed in 1984 due to declining enrollment in the area. The County, excuse me, the School Board allowed for the unoccupied school to kind of fall into a state of disrepair. And for three years it remained that way and it was eventually transferred back to Montgomery County where it remained for, until 1994. And by that time it had really come into a state of disrepair. And the County put out bids for a private school to take over the site for a long term lease. And the Hebrew Academy of Greater Washington bid and took over the former Peary School for a thirty-year lease with an option to purchase. It invested substantial dollars, almost \$9 million, in bringing the facility up to standards of having a school there, and have maintained pursuant to the lease signed in 1996 the facilities for public

use, the track and field and the auditorium. And it really has been a model partner with the County in the revitalization of the Aspen Hill community.

Just one last thing about the option. The option contained, or the contract which contained the lease provision, excuse me the option provision, contained covenants that the school shall forever after only be used as a school. So with regard to the sale price, and I appreciate the Board of Public Works bifurcating the transactional sale issue from the price issue, that sale can only be in the future made for the purposes of a school. So some of the reports that you might hear, or you have heard, about what the value of that property is are extremely exaggerated. That property can only be used as a school. It will never be a commercial property for commercial development or a residential property. So that's why the price is reflected as it is.

And I'd be happy to answer any questions but I very much appreciate your consideration of this issue, and Governor O'Malley for taking us so early. And we hope for your favorable vote today.

GOVERNOR O'MALLEY: Thank you, Senator.

DELEGATE MANNO: Thank you.

GOVERNOR O'MALLEY: Delegate, anything you would like to say?

DELEGATE KRAMER: Good morning, Governor O'Malley, Treasurer Kopp, Comptroller Franchot. Thank you all for the opportunity to be here this morning. I will keep my comments brief. I believe Senator-elect Manno covered all of the basics. But I would just ask for your enthusiastic support of the transfer of the former Peary High School to the Melvin Berman Hebrew Academy. This is a transaction that has been years, years in the making. And the Berman Academy when it was induced into signing a contract with the County with the knowledge of having an option to purchase they willingly invested millions of dollars into what was absolutely a community blight. And they have been wonderful partners with the community.

As you heard the Senator say, this transaction has had the overwhelming support of Park and Planning in Montgomery County, our County Council, our County Executive, and the IAC unanimously

recommended the transaction. I ask that you honor that and allow the Academy to have the opportunity to continue the fine work that they are doing in Montgomery County. I thank you for your consideration.

GOVERNOR O'MALLEY: Thank you. Anyone else wants to be heard on this matter? Hi.

MS. SCHWARTZ JONES: Good morning, thank you. My name is Diane Schwartz Jones. I work for County Executive Isiah Leggett. And I thank you for allowing me the opportunity to speak on this.

I think, I don't want to repeat anything that anybody has said but I think a few more facts are very relevant to this. First of all, I also want to thank staff for allowing the bifurcation of these issues. The sale, the price, that is what is in front of you today. The amount of proceeds that will be payable to the State is the matter that's going to come back. Our staffs have worked it out. We are in agreement on what that amount is and we'll be bringing it back to the IAC and back to the Board of Public Works.

The former Peary High School, you heard the dates that it closed but there are a couple of other things that I think are very, very relevant. In 1996 the County had a problem on its hands. They had a school that was in a terrible state. There were drug deals going on inside the school. There were hypodermic needles found inside the school. It was a, I forget the exact number of acres, but approximately twenty acres of buildings, the ceiling was falling down. There was graffiti all over it. I've got the pictures if the Board is interested in receiving them. And the County didn't have the funds to turn around, nor did MCPS under its own stewardship, have the funds to turn around and stop this building from being a blight, stop it from being a drain on the community.

And so with the approval of the County Council, with the resolution approving the sale or the disposition of the property, the County Executive, the executive branch, then County Executive Doug Duncan, did a solicitation to find a use. The Berman Academy, what is now known as the Berman Academy, was the successful responder. There wasn't a lot of interest.

And they agreed that they wanted to acquire the property and they were willing to do what it took to restore this building to a good state. And that is what they did.

At that time we set the price. It was agreed. It was a lease with an option to purchase. We set the price. It's based on appraisals. There were three appraisals based on what the property is actually zoned as. The property is zoned as residential, single family residential property. They agreed to make the fields available to public use. They agreed to make the auditorium available to public use. They agreed to make the gymnasium available to public use. And for the next fifteen years that's exactly what they've been doing.

They intended to purchase it outright. They raised funds for that purpose. But recognizing the need and the extreme need to renovate this property they went about renovating it for a cash investment of \$9 million, approximately, an untold amount of sweat equity that went into restoring this property. They now educate 700 students there, more than 700

students. They have been trying for the past probably ten years to purchase this property. That was their intention initially.

Why do I tell it to you this way? Because I also want you to know that this is not news to the Board of Public Works. In 1998, on December 2, 1998 the Board of Public Works approved the lease purchase option. So clearly what the deal was was known at that time.

Now we have a request for approval before you, they're exercising the option. And as you have heard, everybody has agreed to this exercise. It's a slightly modified exercise of the option and slightly modified to the betterment of the public good. It is modified because there's a covenant that will now be on the property that the fields will remain for public use and not one penny to Montgomery County, or the State for that matter, in perpetuity. The auditorium and the gymnasium remain available to public use. If for some reason the school use, and there's a covenant that the building can only be used for a school. If for some reason it's not used for a school the County

can repurchase it, or MCPS can repurchase it, at the very same 1998 price that the County is being paid for it now. It's the 1998 price adjusted for CPI. So we can repurchase it at the same price, and at the same 1998 construction prices for the improvements that were made. And we would get the full benefit of the sweat equity that the Berman Academy has invested in this property.

So this is a win-win-win. And I've described it that way previously. It's a win for the County. It's a win for the State. It's a win for the community. And it's a win for the Berman Academy. And by the continuing education of these 700 students in Montgomery County at the Berman Academy, Montgomery County Public Schools does not have the burden of educating these students.

So, you know, I am, I will answer any questions that the Board might have. We thank you for your favorable, what we hope will be your favorable consideration. And I will look forward to seeing you all in January to inform you on what the share of proceeds are back to the State. Thank you.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: You, has the, an agreement been reached already on what the proceeds to the State are?

MS. SCHWARTZ JONES: Yes, we have. We agreed with staff, with your staff.

COMPTROLLER FRANCHOT: What is that amount?

MS. SCHWARTZ JONES: It is \$82,402.

COMPTROLLER FRANCHOT: How much?

MS. SCHWARTZ JONES: \$82,402. I'd like to add that the purchase price is based on the land, because as the appraisals noted, as we thought at the time and as the appraisal substantiated, the building was in such a bad state it added nothing to the value of the land. And the highest and best use was single family residential so it would have had to have been taken down, which it wasn't, it was completely restored, if the highest and best value of the land were to be realized.

It's also noteworthy that while we're being paid for it as if it could be developed as single family housing, with those covenants on the fields,

the school covenant, none of that can ever happen. And no developer would ever pay what we are going to get for this land.

Any other questions? Thank you very much.

GOVERNOR O'MALLEY: Okay. Anybody else want to be heard on this matter?

SECRETARY MCDONALD: If Ms. Satucci, Ms. Brenenfeld, and Ms. Hurwitz is here, now is the time to stand up. We have Satucci, Brenenfeld, and Hurwitz. Okay.

GOVERNOR O'MALLEY: Dr. Lever, anything about this unusual? I mean --

DR. LEVER: There was nothing unusual in the process of the transaction calculation. The only thing unusual was a request to bifurcate the issue, which we thought was fine. I mean, we didn't see any objection to that at all. The IAC didn't see any objection when we brought it to them.

GOVERNOR O'MALLEY: Well, this isn't the first time a county has sold an old school?

DR. LEVER: Oh no, not by any means. It's a very normal process and transaction.

GOVERNOR O'MALLEY: And we do appraisals, and so this is the way this goes, huh?

DR. LEVER: We calculate whether there is any potential money that comes back to the State. And when there is a, the Board of Public Works does have discretion about whether to forgive the money or not on the recommendation of the IAC. In this case we didn't see any particular reason to recommend that so we're in the process of finalizing.

GOVERNOR O'MALLEY: All right. Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes. I just want to thank Senator-elect Manno and Delegate Kramer for coming down here and presenting their testimony, and the County Executive has spoken to me about this also. And I do think that this is a win-win in the sense that obviously something that was an eyesore, and frankly a danger for the community from your testimony, sorry I don't, I forgot your name. But whatever it is, I, we appreciate the data that you brought from the County Executive's Office. Because it was a danger to the community you turned it into

something that obviously is a, you know, very successful and vibrant center of life and learning in the community. The Melvin Berman Hebrew Community is a thriving success. And I want to thank the Jewish Federation and others who communicated with me because, you know, they've done something which is extraordinary here. And I believe they have the support of the community from everything I gather, except I assume there are some critics perhaps. But I think it's a very good resolution to a longstanding problem. And not easy to do in these economic times. And I'm sure that the payment, although modest, is something that could be worked out and brought back before us. But I'm very appreciative of the many individuals that spoke to me very eloquently about the need for this proposal to move forward.

GOVERNOR O'MALLEY: Anybody else have anything on this one? How about anything else on the balance of the Secretary's Agenda? Okay, the Treasurer moves approval, seconded by the Comptroller. All those in favor signal by saying, "Aye."

THE BOARD: Aye.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

Congratulations, and thank you. We now move on to, we now move on to Department of Budget -- I'm sorry, Open Space.

MS. LATHBURY: Good morning, Governor.

GOVERNOR O'MALLEY: I should know this by heart by now, shouldn't I?

MS. LATHBURY: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Meredith Lathbury for the Department of Natural Resources. We have thirteen items on the Open Space Agenda today. There are two local projects, two timber sales, two Rural Legacy conservation easements, and seven Conservation Reserve Enhancement Program easements. I'd be happy to answer any questions.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

We now move on to Department of Budget and Management.

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. We have ten items on the Department of Budget and Management's Agenda for today and I'll be happy to answer your questions.

GOVERNOR O'MALLEY: Any questions, Department of Budget and Management?

MS. FOSTER: Item 1 is a revision. It's just a revision in terms of the term of the contract.

GOVERNOR O'MALLEY: Okay.

TREASURER KOPP: It's a date change.

GOVERNOR O'MALLEY: Any questions, Department of Budget and Management? 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: And the ayes have it.

We move on now to University System of Maryland.

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

GOVERNOR O'MALLEY: Mr. Comptroller, anything?

COMPTROLLER FRANCHOT: I did note Item 11-RP. I just wanted to ask anyone, is there anyone here from Salisbury?

MR. EVANS: We have someone from Salisbury here.

COMPTROLLER FRANCHOT: Who's here? Oh, great.

DR. OLMSTEAD: Good morning and thank you. I'm Karen Olmstead, I'm the Dean of Science at Salisbury University. And we're here about a proposed simulation center, the purchase of a property in which to house it. Just as background, you probably know that simulation is key for medical education, nursing education, health sciences education. And this will be the first type of facility for high fidelity

simulation on the Eastern Shore. So we're very excited to go forward with it. We're funding the simulators with a \$937,000 grant from the Maryland Hospital Association. They are allowing us to use some of those funds to renovate the building. The purchase is of a medical practice that we were able to, our foundation was able to secure for less than appraised value and the University would like to purchase it. If approved, we'd be able to move forward very quickly. We have the A&E already done, and we'd be ready to open our doors next fall for nursing and other health sciences students. Also, we're very excited to open a Doctor of Nursing Practice program, our first doctorate at Salisbury University, in Fall 2012. And this will certainly be key to that as well. I'd be happy to take any questions and I appreciate your attention to this issue.

COMPTROLLER FRANCHOT: Well, I'm very appreciative of that fact that you purchased this condominium for less than appraised value --

DR. OLMSTEAD: Yep.

COMPTROLLER FRANCHOT: -- and if the System wants to detail you over to the State come on over. We would --

DR. OLMSTEAD: Okay, all right. Well, our foundation can do that.

COMPTROLLER FRANCHOT: -- like to take advantage of your negotiating skills. But just underline for me the importance of this Doctorate in Nursing program? Because I know it's pretty unique and significant, and I think the Eastern Shore, obviously, and Maryland --

DR. OLMSTEAD: Sure.

COMPTROLLER FRANCHOT: -- are going to benefit from the people that you produce from that program.

DR. OLMSTEAD: Right.

COMPTROLLER FRANCHOT: How many, is it up and running? And how do you --

DR. OLMSTEAD: No, we're launching it in Fall 2012, the Doctorate of Nursing Practice. We have, we already produce nurse practitioners. But in 2015, as mandated by the accrediting body, you'll have

to have a Doctor in Nursing Practice to practice primary care or other specialties as an NP. So we need to move our NP program to the doctoral level, and we have approval from the Board of Regents to do that effective 2012. That's already set up.

TREASURER KOPP: What is, your, to be a nurse practitioner in sole practice, right? Not --

DR. OLMSTEAD: Right.

TREASURER KOPP: You have to have a doctorate?

DR. OLMSTEAD: Currently you do not. You can have a masters level NP. But as of 2015 the credential will move to the doctoral level, as it has in some, you know, in physical therapy it's moved to the doctoral level, some other fields. So we needed to ramp up our program to the doctoral level.

TREASURER KOPP: What is the thinking behind, what is the additional program?

DR. OLMSTEAD: You mean, curriculum wise?

TREASURER KOPP: Specifically, yeah.

DR. OLMSTEAD: Oh, it's many more, 200 more, clinical hours and a much broader training. It

includes things like healthcare policy, healthcare records keeping, informatics. So it's a much broader degree. We're going to launch our DNP with a, for masters students, people who already have masters, and thirty-seven additional hours of curriculum so that they have more kind of professional skills in health sciences and nursing care.

University of Maryland has a DNP. There are other institutions in the State that do as well. But given the crisis in primary care delivery, having more primary care providers like DNPs is really important. And so this simulation center --

TREASURER KOPP: I think building up the roles of primary, of well trained --

DR. OLMSTEAD: Mm-hmm.

TREASURER KOPP: -- qualified primary care deliverers is, but it clearly is quite expensive, I would think.

DR. OLMSTEAD: To do?

TREASURER KOPP: To do doctorate programs.

DR. OLMSTEAD: It is.

TREASURER KOPP: In all of these, in any of

these --

DR. OLMSTEAD: It is. We're kind of building that, not an item before you today but I'm happy to speak on it. We're building that program based on increased enrollment in part in our undergraduate nursing degree. We have no lack of interest in nursing careers. And so we're generating some tuition that's helping with that program. Also, we're looking at tuition models that allow us to develop that. We're also courting healthcare providers, hospitals and things like that, looking for them to underwrite some tuition for their students because they are in, you know, key need of advanced practice practitioners and primary care deliverers like an NP, DNP.

TREASURER KOPP: And this is basically because the credentialing agency has required it? Or is this, who else has come to this conclusion that the doctorate is required?

DR. OLMSTEAD: For a DNP?

TREASURER KOPP: Yeah, substantively.

DR. OLMSTEAD: It's a national trend for

many advanced health professionals, like for example physical therapy is now delivered at the doctoral level. Occupational therapy is moving that way. Audiology now, the credential is at the doctoral level. So it's not surprising that nurse practitioner has moved to the doctoral level also. This isn't a Maryland thing, this is a national, national trend.

TREASURER KOPP: Oh no, I don't want to take up the Board's time. I would love to learn more about this. I don't know if you --

DR. OLMSTEAD: Sure. We'd be happy to tell you more about it.

TREASURER KOPP: Yeah, thank you.

DR. OLMSTEAD: But the sim center is going to be integral to that program as well as our very large undergraduate nursing program as well.

TREASURER KOPP: Thank you. Has anyone done a correlation between this and the increase in healthcare expense?

DR. OLMSTEAD: Actually from what I've read increasing the, actually having more primary care providers that are PAs and NPs helps manage costs.

TREASURER KOPP: Right. And the difference between those --

DR. OLMSTEAD: Between a PA and a --

TREASURER KOPP: -- people having a Ph.D. and not having --

DR. OLMSTEAD: The Doctorate of Nursing Practice isn't a Ph.D., it's a doctoral degree. It's just a lot more clinical training and then also kind of broader training about healthcare generally, and more clinical hours. So they are more, they are better prepared professionally.

TREASURER KOPP: I mean --

DR. OLMSTEAD: I think in terms of healthcare outcomes -- yep, they are, right Pharm.D., exactly the same. They are just better educated, probably better at practice.

TREASURER KOPP: I apologize.

DR. OLMSTEAD: No.

TREASURER KOPP: I would like to learn --

DR. OLMSTEAD: Sure, absolutely. Thank you for your interest.

GOVERNOR O'MALLEY: Anything else?

COMPTROLLER FRANCHOT: Move approval.

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

THE BOARD: Aye.

DR. OLMSTEAD: Thank you.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

We now move on to the Department of Information Technology.

MS. CROPPER: Good morning, Governor. Stacia Cropper, Department of Information Technology. Madam Treasurer, Mr. Comptroller, we have three items on the Agenda today. I'd be happy to take your questions.

GOVERNOR O'MALLEY: Any questions?

TREASURER KOPP: The Secretary is --

MS. CROPPER: He's doing well.

GOVERNOR O'MALLEY: Good.

MS. CROPPER: He came back for a limited time yesterday.

TREASURER KOPP: Oh, good.

MS. CROPPER: Yes. So he's going to start sharing his presence with us a little bit more often now.

GOVERNOR O'MALLEY: Good. Tell him we're thinking of him --

MS. CROPPER: Thank you.

GOVERNOR O'MALLEY: -- and need him. And as a gift we might actually approve this without actually dragging any of these matters through the, no they've all been carefully scrutinized. Any questions on this? The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

(Laughter)

MS. CROPPER: Thank you.

THE BOARD: Aye.

GOVERNOR O'MALLEY: Nay?

(No response.)

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

MS. SWAIM-STALEY: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, Beverley Swaim-Staley presenting for the Maryland

Department of Transportation. We have twenty-six items today. Item 17-M-MOD has been withdrawn. For the record, Items 26 and 27 have been previously submitted as supplemental items. Item 26 has been previously revised. And Item 19, which is the garage for State Center, is actually linked to a DGS item as well. So I'm not sure if you want to put those two together.

GOVERNOR O'MALLEY: Should we hold that until the DGS? Or what do you want to do?

MS. SWAIM-STALEY: You might want to do that.

MR. COLLINS: Governor, good morning.

GOVERNOR O'MALLEY: Good morning.

MR. COLLINS: Madam Treasurer, Mr. Comptroller. I have actually five items associated with State Center in addition to the State Center garage that Secretary Swaim-Staley has just referenced to. So I can either introduce these five items now, or we can hold --

GOVERNOR O'MALLEY: Yeah, what's that item, what is the item on yours? We'll just hold it off until --

MS. SWAIM-STALEY: Item 19.

GOVERNOR O'MALLEY: Item 19. So we're going to hold off on Item 19 with the Department of Transportation Agenda. I move that we do that, seconded by the Treasurer. All in favor signal by saying, "Aye." It's been moved and seconded, so.

TREASURER KOPP: You never know.

GOVERNOR O'MALLEY: We are now considering the balance of the Transportation Agenda items, and holding off on that item which was Item --

MS. SWAIM-STALEY: Nineteen.

MR. COLLINS: Nineteen.

GOVERNOR O'MALLEY: Nineteen. Okay, everything but Item 19, any questions on that? Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, I have questions on Item 20 and Item 22. Item 20 is a new five-year lease agreement. And, but I understand the current five-year contract was never approved by the Board of Public Works. At least that's my information?

MS. SWAIM-STALEY: That's correct.

COMPTROLLER FRANCHOT: And it obviously

doesn't have anything to do with the people at this table because it was some time ago, but it does remind me of the DGS situation. Not, it's not analogous but you know, that was 150 retroactive contracts. Excuse me? DJS, I'm sorry. DJS, not you, relax.

(Laughter)

COMPTROLLER FRANCHOT: I'm not sure whether to ask you, Madam Secretary, or Secretary Foster. Is there some way State government can do an inventory of whether there are more of these retroactive reviews that need to be done? And --

MS. SWAIM-STALEY: Well again, I don't know if anybody is here who was here when this item, but my understanding is this was because it was actually with a federal, it was a federal required lease for TSA. And I guess, what I'm told is at the time it wasn't ignored but it was felt that it didn't need to come to the Board of Public Works. But that's, again, that's just the history --

COMPTROLLER FRANCHOT: Yeah, no, I think there are perfectly honest explanations for a lot of these --

MS. SWAIM-STALEY: Yeah. But we don't, right, as we're uncovering these now, and you know, from time to time we're bringing them forward.

COMPTROLLER FRANCHOT: But some of them frankly are not as easily explained.

MS. SWAIM-STALEY: Right.

COMPTROLLER FRANCHOT: And I'm just, I guess Madam Secretary, is it your, do you have any thoughts or ability to inventory what we have elsewhere in other cubbyholes if, or have you already, I guess, asked everybody to step forward and get these, get this area --

MS. FOSTER: I have done nothing with leases.

COMPTROLLER FRANCHOT: Well, I think it's important that we make an effort. And I just take this opportunity to say I hope we, you know, limit this in the future. And to the extent we can send word out to the agencies that anything they find when they scrub their contracts that's in this category, please bring them forward now so that we're not finding them this way. But rather --

MS. SWAIM-STALEY: I know we've identified, with the staff over the past year we've been bringing them to you, quite a number of the things that were done in commercial management.

COMPTROLLER FRANCHOT: Thank you.

MS. SWAIM-STALEY: But, so with regard to the Airport I know they have been working on that.

COMPTROLLER FRANCHOT: Well, I think it's important. And as you say, often there's a --

MS. SWAIM-STALEY: Sometimes.

COMPTROLLER FRANCHOT: -- honest misunderstanding and that's okay, and sometimes there isn't. But I think the taxpayers need that kind of transparency and oversight and anything that can be done to accelerate this would be great, and I'm not sure there is anything out there.

TREASURER KOPP: Yeah.

COMPTROLLER FRANCHOT: But if there is, let's get the word out to the agencies to bring them before us, retroactive or not.

TREASURER KOPP: I, just to emphasize what the Comptroller is saying, I really appreciate that

Transportation has been pushing in fact to do this.

MS. SWAIM-STALEY: We've been trying to clean out all of the --

TREASURER KOPP: You've done extraordinarily. There are other agencies with leases, too, and I would hope that they would follow your lead in doing this.

MS. SWAIM-STALEY: Thank you. Well like I say, we've been working with the, it's been your staff that's really been helping us on these.

TREASURER KOPP: Yeah. Well, very good.

GOVERNOR O'MALLEY: Anything else?

COMPTROLLER FRANCHOT: I have --

MS. SWAIM-STALEY: Item 22?

COMPTROLLER FRANCHOT: Item 22 is the \$5.5 million payment to British Air. And if you could just give me your thoughts on that. Or are there other examples where we do this?

MS. SWAIM-STALEY: No, this is very unusual. I think this is certainly the only one of its kind. And if I could ask Paul Wiedefeld, who is our administrator for BWI Airport in case you have

specific questions? This is something that we've been doing for a very long time. It's the way, quite frankly, that we've been able to keep British Airways, which is our only significant international carrier, at BWI Airport. It is something that we negotiate with them on an annual basis and we do believe it has been essential. And in fact I've had them tell me on numerous occasions they would not be at the Airport without this. But let me let Paul provide some more information.

MR. WIEDEFELD: Good morning, how are you? Just to pick up on what the Secretary has just mentioned. They have left Pittsburgh, Charlotte, Detroit, San Diego, and Miami because they haven't come up with programs. This is an important program to us. Obviously it has a huge economic impact to the State, roughly \$110 million annually.

But if you just look at the direct cost, or the direct benefit that we get at the Airport, they actually pay us \$1.5 million in fees every year. So every time they land and use a jet bridge and stuff they have to pay us for that. So they passed \$1.5

million for that. They spend roughly \$1.3 million in fuel and handling costs a year at the Airport. They spend another \$1.4 million in passengers through just parking and using some of the services we provide at the terminal. Another \$1 million in food every year at the Airport. And then their crews spend roughly \$800,000 a year. They actually lodge in Baltimore, downtown Baltimore every night, the crews do. They spend roughly \$300,000 in advertising. So just those numbers are roughly \$6.6 million worth of economic activity that if they're not here disappears that we get. And obviously, we get a portion of all those things that are spent at the Airport, whether it's concessions or whether it's parking, and clearly it supports employees.

That's before the passengers get off and do what they do. And roughly, the service supports just over 100,000 passengers a year. About 52 percent of those are visitors to this country. So, you know, they're out there spending lots of money over time. And the other harsh reality is, if we lose them it just puts us at such a disadvantage to continue to try

to build that international business. Because if you can't make it to London it's very, very difficult. You know, when you go to London you, you know, people speak the same language. When you're trying to market Japan or Germany, wherever, it just makes it that much more difficult if they say, "Well, you couldn't make London work, one of the premier locations in the world. How could you make these other ones work?"

So that's the challenge we're up against. There are some things that changed I think are very positive. In October they entered into a co-chair agreement with American Airlines. That is something that has been really a huge stumbling block for us. What that means is, A, when you book you can get frequent flier miles, which you couldn't get before. You could only get them on British Airways. So if you're a U.S. citizen now you can use it for other things. But more importantly, it allows people that are doing government work to fly this service. Historically you could not use that and apply it towards a government contract. And in our market between Fort Meade, NSA, that's gigantic. And that's

what's changed on October 1.

The other thing is, obviously, the international market has picked up quite a bit. It's up 7.2 percent in North America, over 10 percent in Europe. And then finally, the ICC, as that opens up that opens up a market where a lot of this international traffic comes from. So, you know, we really feel it's important that we maintain this. It's not a flat \$5.5 million. It's the difference between the margin of what, you know basically their margin is 8 percent and it's that difference. And I think just the combination of all those factors, to tell you, I really thing, I would really recommend that we stick with it. We can pull out anytime. They can pull out anytime. There's an opt out. But I think it's real important that we really push now. And we have been working with them directly, obviously, on promoting this service. But that's the biggest thing is the co-chair that really I think changes, it's a game changer for us.

COMPTROLLER FRANCHOT: Well, I have a lot of confidence in you, Mr. Wiedefeld --

MR. WIEDEFELD: Thank you.

COMPTROLLER FRANCHOT: -- and the Secretary. So your testimony is that without this type of subsidy they would discontinue the BWI-Heathrow service. And, but I noticed Aer Lingus and Ghana Airlines, remember them?

MR. WIEDEFELD: Mm-hmm.

COMPTROLLER FRANCHOT: Had something similar to this and they just walked away without so much as an apology. So is there any indication that if we continue this that they will stay? As opposed to if you don't do it we're going to leave?

MR. WIEDEFELD: Sure. I mean, we have a different relationship with them, to be frank, than we had with the other airlines. It's a very strong relationship. You know, they're doing it by the numbers. That's how they make their decisions. And we're working very hard with them to make the numbers work. And again, I think, I'm confident they will stay and I'm confident the market will pick up. And we're starting to see that in terms of the bookings through the American Airlines. But I think we just

need to play this out just a few more months or so.

COMPTROLLER FRANCHOT: Excellent. And if maybe there's some way to communicate with these federal agencies and federal presences in Maryland that we would really encourage them to use this option to Dulles, I guess, is the --

MR. WIEDEFELD: We've actually been meeting with the government travel, there's actually a group that does that for the federal government. We've actually been in front of them, both MAA, my staff, and British Airways. We meet on a regular basis with the travel, because that's really where you've got to get. You've got to get to the travel managers to educate them to this and that's what we've been doing.

COMPTROLLER FRANCHOT: Thank you.

MS. SWAIM-STALEY: And you're right, we'll follow up on that.

TREASURER KOPP: Just, one of the major changes facing us in the next year is BRAC, actually, you know, really bringing the thousands in.

MS. SWAIM-STALEY: Mm-hmm.

TREASURER KOPP: Well if military people,

who I assume fly militarily, I don't know, and civilians, and contractors --

MS. SWAIM-STALEY: A lot of the contractors --

TREASURER KOPP: Are we reaching out, yeah, to them particularly regarding --

MS. SWAIM-STALEY: I think that's where Paul is saying this is going to be a game changer. Because with many of them in the Fly America and some of the other restrictions that they've had we really haven't been able to be in the game so much. So that's why we're really hoping --

TREASURER KOPP: But I mean for BWI in general, not just the --

MS. SWAIM-STALEY: Absolutely, right, it would help. But I do want to take the opportunity to say that actually we have had five months of record growth at BWI.

TREASURER KOPP: Yes. Yes.

MS. SWAIM-STALEY: June through October, not only did we exceed pre-recession but we have exceeded all the records set from fifty years at, sixty years

actually, at BWI. So we've had some very good economic news and hopefully that will continue as we look at the November and December numbers.

GOVERNOR O'MALLEY: That's great. You do a good job there, Paul.

MR. WIEDEFELD: Thank you, sir.

GOVERNOR O'MALLEY: Thanks. I never leave it, I'm saying that to all the cabinet secretaries.

TREASURER KOPP: Yes, I imagine you are.

COMPTROLLER FRANCHOT: Move approval.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: Now we go to Department of General Services.

MR. COLLINS: Yes, sir.

GOVERNOR O'MALLEY: Wherein we will pick up Item 19 from the Transportation Agenda item overhanging.

MR. COLLINS: Good morning again, Governor, Madam Treasurer, Mr. Comptroller. The Department of

General Services has twenty-seven items on our Agenda. Item 11 has been revised. And we'd be glad to answer any questions. I'll point out, Governor, that in addition to Item 19 from MDOT's Agenda concerning the State Center garage, I have on my Agenda Item 14-LL-MOD, which is page twenty-eight; Item 17-LT, page thirty-four; Item 18-LT, page thirty-five; and Item 22-LT-MOD, page forty-four. And we'd be glad to answer any questions associated with these items and anything on our Agenda.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, I have some questions about Item 19?

MR. COLLINS: Yes, sir?

COMPTROLLER FRANCHOT: My first question is concerning MEDCO and your arrangement with them. The State Center project has been advertised as commercially viable and I believe the State of Maryland can be described as a major player in underwriting the project by serving as an anchor tenant. I mean, we're going to occupy a lot of office space up there. Why wouldn't this be an attractive

venture for a private developer of parking garages? Why do we have to go to MEDCO and require the State of Maryland to pay for insurance, and sign an agreement that says we'll subsidize the operating expenses?

MS. SWAIM-STALEY: I can start. We have Michael Gaines from DGS and Chris Patusky here as well. They've actually been working with the developers who are here with us as well today. I think in putting together the State Center structure, which has been going on for a number of years, as with many of the TODs the belief has been, particularly in these tough economic times, that you do need to provide some sort of anchor. And maybe Secretary Collins and others could address any attempts in the past. But not just with this, but with a number of other TODs that we're doing such as Owings Mills. We have typically used a State asset to help bring the development. In this case the developer is also contributing to the cost of the garage so we are not actually paying for the whole cost of the garage as well. They are investing in that. And with regard to MEDCO, I think again the structure, because it does

provide the kind of flexibility that it provides to bring these public/private partnerships together, bring these groups of developers together which a normal structure wouldn't do. So it's really part of the whole public/private partnership philosophy that we're trying to, I think, develop here in the State of Maryland. And this is just another example of that.

GOVERNOR O'MALLEY: Can I ask your indulgence one second? We're joined by Delegate Murphy from Charles County. And he has a matter of, that's not going to require as much discussion as this one.

MR. COLLINS: Yes, sir.

GOVERNOR O'MALLEY: And I just thought, Peter, that Delegate we would call your item, which is 6-GM?

MR. COLLINS: 6-GM, Governor. The Aventine Mansion on DNR --

GOVERNOR O'MALLEY: I'm sorry to be herky-jerky like this but we do try to be mindful when our delegates take the time to be here.

DELEGATE MURPHY: Thank you. I appreciate

it.

GOVERNOR O'MALLEY: What do you want to tell us about this one?

DELEGATE MURPHY: Well first I appreciate that very much, and for those of you that know me it will be very brief. So I thank you very much and I apologize for that.

I am here today, I thought it was fairly important for me to come up on behalf of some of my constituents regarding the Mt. Aventine project which you're going to be addressing today. And particularly a small group of folks, the Friends of Mt. Aventine, that have for about nine years now been working tirelessly and totally dedicated to trying to maintain that mansion. And along with certainly the help of the Department of Natural Resources and the Parks Service they've been great at doing that. So they're not at all short in terms of their commitment to this mansion. What they've needed has been the resources. And so I'm here just to thank you today for supporting that and to give them the resources that they need to save this historic site.

The good news is is that as we move forward to establish what would be a bi-state historical district, Mt. Aventine is one of the cornerstones. And it shares that with the Marshall Family, Marshall Hall. It shares that with the Washingtons at Mt. Vernon. And it shares it with the Masons at Gunston Hall. So it's one of the cornerstones as we move forward. So it's very important that we continue to really preserve this structure. So I want to thank you for that.

And I know this is very premature. But I would certainly offer an invitation, I know that when this project is finished --

TREASURER KOPP: I was going to ask.

DELEGATE MURPHY: Absolutely. We would love to have you there. We would love to have all of you there, actually.

(Laughter)

DELEGATE MURPHY: And to not only see, and to see the product. And what good it will do to this home. But to look at the incredible view that Mt. Aventine commands. It looks straight up north the

Potomac River. It's absolutely breathtaking. And so I will make sure that you all are invited when that happens and I will look for that to be sometime in this year. So I'm really just here to thank you very much for giving us the help that we need, the resources, to save this mansion. Thank you.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: It was unanimous, Delegate.

DELEGATE MURPHY: Great.

GOVERNOR O'MALLEY: Well done.

DELEGATE MURPHY: That doesn't happen often, so I'll take it. Thank you very much. I appreciate it.

GOVERNOR O'MALLEY: That was 6-GM, for those of you playing along at home.

TREASURER KOPP: And thanks, will you thank

all those folk, actually, on behalf of their fellow citizens?

DELEGATE MURPHY: I absolutely will. They'll be thrilled. Thank you.

GOVERNOR O'MALLEY: All right. Let's return to our originally scheduled programming, State Center.

MS. SWAIM-STALEY: You are correct, Mr. Comptroller. The State is a large, I mean, we are I think half of the --

MR. COLLINS: At least, right.

MS. SWAIM-STALEY: -- facility will be leased by the State. But I don't think, and they can talk more, that this structure stands on its own in either from the State, the State has to subsidize it, or from the commercial side. So it really does require the partnership to make the project work. And --

MR. PATUSKY: That is correct. The garage is half utilized by State --

MS. SWAIM-STALEY: Chris Patusky --

MR. PATUSKY: I'm sorry.

MS. SWAIM-STALEY: -- with the Maryland

Department of Transportation, and Michael Gaines with the Department of General Services.

MR. PATUSKY: Thank you, Secretary. The garage is half utilized by State employees. And so the revenues generated by the other uses are insufficient to support the financing, construction, and operation of the garage.

COMPTROLLER FRANCHOT: The Secretary indicated that, what are we putting into this? \$33 million? Is that what you're asking for today?

MR. PATUSKY: The, yes.

MS. SWAIM-STALEY: For the garage.

MR. PATUSKY: Yes.

COMPTROLLER FRANCHOT: So those are lease revenue bonds that we're going to issue through MEDCO? The State is going to --

MR. PATUSKY: Correct.

COMPTROLLER FRANCHOT: -- finance the construction. Is that going to count against the State's existing debt capacity?

MR. PATUSKY: It does.

TREASURER KOPP: Yes, it's already

incorporated into this, which you approved.

COMPTROLLER FRANCHOT: So our existing debt service to revenue ratios, according to the Treasurer, already reflect that?

MS. SWAIM-STALEY: That's correct.

MR. PATUSKY: Yes.

COMPTROLLER FRANCHOT: And so we're putting in \$33 million of public spending for the garage.

MR. PATUSKY: Correct.

COMPTROLLER FRANCHOT: How much is the, how many dollars is the private sector putting in?

MR. PATUSKY: The private sector for phase one of this project, including the vertical, the retail, the office, is approximately \$175 million. There are members of the development team here who can provide more detail on that.

COMPTROLLER FRANCHOT: Well, I understand that. I assume that's, they're going to take out loans or something for that money?

MR. PATUSKY: Oh, yes.

COMPTROLLER FRANCHOT: What I want to know is, how much are they putting in for, we're putting in

\$33 million real dollars with this action.

MR. PATUSKY: Yes.

COMPTROLLER FRANCHOT: What are they putting in simultaneous to us --

MR. PATUSKY: Into the garage?

COMPTROLLER FRANCHOT: -- real money. Not, "We're going to go and ask for a loan somewhere."

SECRETARY MCDONALD: If somebody is going to speak from the audience, can they come and identify themselves?

MR. PATUSKY: Yes. Comptroller, do you mean the developer's contribution to the garage? Which is approximately --

COMPTROLLER FRANCHOT: To the garage.

MR. PATUSKY: They are contributing approximately \$3.5 million to the construction of the garage.

COMPTROLLER FRANCHOT: And what form is that going to take as far, and timing, if I could ask?

MR. PATUSKY: That will be invested as the garage is being constructed.

COMPTROLLER FRANCHOT: And it, that's in,

you have that in writing? I didn't see that in my briefing material here.

MR. PATUSKY: Yes. The way the project is structured is MEDCO will finance, construct and operate the garage, or own the garage. They will lease it to MDOT and MDOT will make rent payments and that will support the bond. Back in July of 2010 the Board of Public Works reviewed the State's commitment to paying for the garage. And the State capped its exposure on the garage at \$28.36 million in hard and soft costs for construction, plus financing costs which brings you up to the \$33 million. However, the garage is going to cost approximately \$3.5 million more than that to build. The developer, in order to build its office tower on top of the garage, must complete the garage. And so they must front the additional \$3.5 million for the garage before they can complete the private portion of the project.

COMPTROLLER FRANCHOT: And has that been found and is it real?

MR. PATUSKY: The financing?

COMPTROLLER FRANCHOT: Yeah, the \$3.5

million.

MR. PATUSKY: They cannot finance the garage until they receive the approvals that we are seeking today. And that is what we have been pursuing to get to financing.

MS. SWAIM-STALEY: And that's in the agreements.

MR. PATUSKY: It's in the, it's --

MS. SWAIM-STALEY: That is what he's asking.

MR. PATUSKY: Yes.

COMPTROLLER FRANCHOT: And let me ask about the transit oriented development aspect of this. What number and percentage of State employees are actually going to commute to this facility via mass transit? I take it we're, this is for cars we're building this garage?

MR. GAINES: Again, Michael Gaines, Assistant Secretary, Department of General Services. It is a TOD and the intent is that we will begin to move employees and others who currently drive to State Center to transit. Currently, we estimate about 20 percent to 22 percent of the existing workforce out of

3,500 plus or minus use mass transit today. We expect for that to increase as the project is built out.

One of the things that we're doing is limiting the number of garage spaces that we're building over time. But we have to balance the construction of parking so that the private sector, the retailers, and other commercial users have access to parking. So it's a balanced approach to moving folks from cars into mass transit, but at the same time providing enough parking to support the utilization of other commercial activity on the site.

COMPTROLLER FRANCHOT: Okay. So the number of spaces is what?

MR. GAINES: In the current garage being planned is 928.

COMPTROLLER FRANCHOT: And how many are, how many is the State, assuming, how many --

MR. GAINES: We'll be getting 50 percent of those. It is, essentially it replaces the current spaces that are on the surface parking lot now. There are about three, three and a quarter spaces there now. And so half of those spaces in the garage, most of

those, will replace what we're losing.

COMPTROLLER FRANCHOT: I guess what I'm having trouble understanding is even with the statement you just made there's a significant private sector involvement, half of the spaces. And I assume we could contractually obligate the State's share of parking revenue to them. Why don't we explore having the private sector pay more than, well it's a little less than 10 percent, of this project?

MR. GAINES: Well as Chris has said, and I'll turn it back over to him, but the garage, there isn't enough private use to support the debt service on these bonds. And so the, we have to subsidize the garage in order to provide it as a component of the mixed use project.

COMPTROLLER FRANCHOT: So the private use is only equivalent to 10 percent of the bond value, I guess?

MR. PATUSKY: Yeah. The other users of the garage, the non-State users, are going to pay market rate for that use. And the way the project is structured is all of that revenue comes to the State.

So the developer does not receive any benefit from the use of those other spaces. There's a complex balance structure of the financing and cost of the project, and that was the balance struck on the garage.

COMPTROLLER FRANCHOT: Yeah. But all of the payments come to us but all the debt is sitting on our books. And so I just find it hard to believe that this is not a low risk, attractive operation for private capital to be used. But anyway, I have an additional question about the fact that this is now, as you testified, going to be a major garage. It's largely subsidized by us, the State. And it is a State objective about transit oriented development. Have you considered, given the state of unemployment among the building trades and other skilled workers in Maryland, constructing this garage as a project labor agreement? And I ask this because I've brought this up repeatedly at the Board, and I've, Salisbury University was here earlier and they, I remember very clearly touring the new business facility down there and talking to the out of state company that had won the \$200 million contract. And hearing from them

about all the out of state workers that they were employing to build the facility, in Maryland, with our dollars. And this is a large company from Georgia, and I said, "What, do you ever have project labor agreements?" And they said, "Well, we come from a state, right to work, where that's not part of it. But we're a big national company. There are lots of projects where we have a project labor agreement. Our experience is that these projects are built on time, on budget, high quality work." In fact he said, "We prefer if there is a trade union involvement that it be across the board for the whole project." And so I'm wondering, since we have so many out of work, highly skilled labor in the local market, and it's unclear who's going to win the bid. I take it this has not been bid yet?

MR. PATUSKY: The --

COMPTROLLER FRANCHOT: Has this been bid?

MR. PATUSKY: The general contractor has been selected by the developer.

COMPTROLLER FRANCHOT: Right. But we're going to bid this out, are we not?

MR. PATUSKY: MEDCO and the developer will bid out all of the work on the project, yes.

COMPTROLLER FRANCHOT: Yeah. So it, we're, basically have the whole garage is going to be bid out. Why wouldn't we use highly skilled, local labor who can deliver the project on time and on budget, good quality? And, you know, I understand that the general contractor, as you mentioned, we've already selected. But we're not talking about additional cost, and we are talking about the jobs of local people.

MR. PATUSKY: Mm-hmm.

COMPTROLLER FRANCHOT: Why wouldn't we go that route here?

MS. SWAIM-STALEY: Well I think as Chris said, the garage is part of the building. So we can't sever the garage from the rest of the building and the rest of the development. And the deal with the developer has already been structured and come to the Board previously. So to go back and do a, to change the structure of the deal would really be to go back and renegotiate the project, as I understand it. And

I think we did talk to the unions this summer about finding, looking at other State projects that would be appropriate. But I think given that this deal has actually been structured for over a year or so now.

MR. PATUSKY: Yes.

MS. SWAIM-STALEY: And they are actually ready to move forward.

MR. PATUSKY: When that decision was made before the prior approvals, there really were a series of reasons why the decision was made. The first is that this developer has made a very, very high commitment to inclusion in the project. Minority inclusion is at 35 percent, and women inclusion. The local hiring commitment is extremely strong and is in the process of being negotiated. And so it is understood that it's much more difficult to achieve those high levels of commitments while having the constraints that a PLA puts on the agreement. So that was really the first reason.

The second is the reason that the Secretary has mentioned, and that is this is one structure. A privately owned and developed and paid for office

building integrated into a publicly owned garage, which is an extremely complex construction process. And so we need to have a flexible process to have a labor force for the entire project, not one for the garage and one for the private tower which would increase risk and potentially increase cost for the State on the project as well because of that issue.

And so when the decision was made, those were felt to be pretty compelling reasons. And when we met with the unions over the summer that was discussed. And what was agreed was on the garage that the developer would commit to prevailing wage on the garage, and also that they would commit to an open and competitive bidding process. And in our meetings with the unions they expressed satisfaction that they would be given a fair shake on participation in the project. And in our discussions with the developer, because this is so complex a project it is going to require highly skilled and highly experienced trades. So we anticipate a high level of union participation in the project through that process that we discussed with the unions.

COMPTROLLER FRANCHOT: Is the developer here?

MR. PATUSKY: Yes.

MS. SWAIM-STALEY: Do you want to introduce your team, Caroline?

MS. MOORE: My name is Caroline Moore with Ekistics and we are the lead managing member for the development team. And with me is Kevin Johnson from the State Center Baltimore Development Group, and Chris McCoy from Midtown Convergence.

COMPTROLLER FRANCHOT: Okay, well here's my question. Since it's such a highly skilled, complicated construction project, and since it is as far as I'm concerned almost entirely State funded, and since my conversations with developers around the country is that PLAs can be adopted without increased cost, why don't we enter into a PLA? Or why wouldn't you accept a PLA requirement from the Board in this instance?

MS. MOORE: The pricing of the project, the GNP contract that's been negotiated, was not based on a PLA. And we believe that it would have an impact on

the cost to the job.

COMPTROLLER FRANCHOT: What do you base that on, if I could ask?

MS. MOORE: Prior experience and our contractor's information that they have brought to the table saying that they would negotiate a higher GNP for the job. So we --

COMPTROLLER FRANCHOT: Well just --

MS. MOORE: I'm sorry.

COMPTROLLER FRANCHOT: -- I just find that hard to, obviously they're going to say they don't want it because that's who they are. They want flexibility or whatever. But the problem here is that these, we have 40 percent, 50 percent unemployment in building trades, all these public dollars are being spent, and they're reading about it. And they drive by these construction sites, they see out of state license plates from workers that are coming in from Pennsylvania and Delaware and Virginia. And I think there's a legitimate case to be made that in something like this of all things, I'm not talking about the whole office tower and everything else, this is just,

you know, an absolute State project this garage that we should have a project labor agreement.

MS. MOORE: Well they, if I could comment on that, thank you for bringing up the notion of out of state plates parking all over our job site. And that is exactly what we don't want to occur. And we believe the PLA would create a situation where that was more likely to occur than, and a competing and perhaps debilitating goal coupled with our community hiring and MBE goals for the project.

COMPTROLLER FRANCHOT: Okay. Well I totally, just for the record, I totally reject that. I believe it's a false conflict when MBEs are pitted against project labor agreements. I think it's wrong. And I'm sorry to hear that presented. You know, I'm in favor of, obviously, MBEs. I've been on record repeatedly. But it is, that is an absolutely false choice that's being presented to us. And I'm going to move, Governor, that this particular project, the parking garage, be approved by us under a project requirement that there be a project labor agreement. And for all of the reasons that I've cited, and I'll

let that motion --

MR. GAINES: I would, if I may, I would just reiterate the points that Chris has made. The complexity of building the garage, which is essentially the platform for building the 300,000 to 400,000 square foot building on top of it has to be built by the same contractor. And, and so adding a PLA to agreements now that were really constructed over the last two years would unwind a very complex project. And what we believe is that we have commitment from the developer for inclusionary local first source hiring. We have unprecedented minority participation at the equity level and throughout subcontracting. And all of those benefits, we believe, counter the idea of a PLA particularly at this time in the project.

GOVERNOR O'MALLEY: And you're not going to exclude --

MR. GAINES: The unions, we have met with the unions, we continue to talk with the unions. It is an open, competitive process. We expect, as Chris said, that this is a complex, high skilled required

job that there would be significant union participation, there would be local hiring.

GOVERNOR O'MALLEY: So you expect to have local hiring, significant local union participation, and significant MBE participation?

MR. GAINES: Absolutely.

MS. MOORE: And prevailing wage.

MR. GAINES: And prevailing wage.

GOVERNOR O'MALLEY: Right. There's a motion on the table. Is there a second? The motion fails for lack of a second. Any other questions on State Center?

COMPTROLLER FRANCHOT: On Item 19, I am going to vote against this item. Not because of the PLA, frankly, but because of my earlier concern about the fact that this is a prime candidate for using private sector capital. And I think it's easily achievable given, despite the complexity of all of your arrangements, financial arrangements. I think it could fairly easily be restructured where in effect the private sector would produce the capital based on the guarantee of State payments, etcetera. And I just

don't think we have the economic flexibility now to be the substitute for the private sector in something like this. So I'm going to vote against Item 19. I will approve the other items, because I think they are amendments to agreements that were previously supported.

GOVERNOR O'MALLEY: Any other questions on anything else in the DGS Agenda?

SECRETARY MCDONALD: Governor, Reverend Hathaway did ask to speak.

GOVERNOR O'MALLEY: Sure. Reverend Hathaway?

REVEREND HATHAWAY: Indeed Honorable Board, Honorable Governor, Honorable Treasurer, Honorable Comptroller, I represent the concerned churches in this community. I'm a pastor of Union Baptist Church. I do believe that we do need to, we support the project. Indeed we look forward in terms of revitalization. We look forward in terms of a new face for our community. But I do believe that we have not really computized a local hiring agreement. And so there are some principles that I believe that

should be included in that, which I believe is important that we do have. And these principles I do have written. I could read them to you, I could present them.

The first is that there should be a goal of local hiring. Fifty percent of all journeymen apprentices on the project, Baltimore City residents with the following priority. The first priority are residents living within 21217, 21201. I would say to you that I do want to thank Secretary Collins and his police staff. They are simulcasting this. There are 300 residents that have attended with us that are watching this now in the State Senate building. I do want to say hello to them.

Second, I want you to know that the second priority should be residents that live within two miles of this project. The third priority is that all Baltimore City residents. So 50 percent of the journeymen and apprentices should come from Baltimore City in that priority range.

There should also be a goal for apprentices that are new entry level workers shall be 20 percent

of the overall workforce. And indeed, we have begun a process in our local community where we have identified some 2,300 local residents. We are taking them through a partnership process of training. Indeed, we have partners with LIUNA, the Laborers' International Union of North America that is conducting that training, providing certification around OSHA standards, around safety, CPR, around workforce so that we are taking people through that process currently as we speak.

There should also be wages and benefits and employment training. We believe that it should pay Maryland prevailing wages. There should be a contribution to a defined benefits plan, and they should provide employer paid medical insurance. They should also permit the employees to continue to move up. So they should, the contractor should utilize bona fide, certified apprenticeship training programs so that these employees over this length of time over this project can advance within this career area.

It is a significant project. I grew up in this community. I was born at 1211 Druid Hill Avenue.

I'm honored to serve as Pastor of the church in which I grew up within. I do remember this community prior to the State coming in here and building this complex. That's where I would play. I had my tonsils taken out at Maryland General Hospital. And I know that we need to transform this enclave to be an integral part of this community. So it's not just the local people being hired. I believe that there should be significant, I believe that with that high employment area, if local people are hired you will find, one, crime going down. You will find participation in the good of that community will go up. I also believe that this project will permit the State to be good tenants. Not only good tenants in terms of actually working there, but also good tenants in terms of being involved in the life of this community.

So with that I would just say that there are some concepts and principles that I believe that this Honorable Board should direct the development team to adopt. And in that way I believe that we can move forward with a very specific, a very computerized, and a very detailed local hiring agreement that will involve

all of the residents in this community.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Reverend Hathaway and thank you for your leadership on this.

And --

REVEREND HATHAWAY: Well I do have two armor bearers, and they are Reverend Dr. Todd Yeary of Douglas Memorial --

COMPTROLLER FRANCHOT: Oh, great.

REVEREND HATHAWAY: -- Community Church, and Reverend Dr. Lester McCorn of Pennsylvania Avenue AME Zion Church.

COMPTROLLER FRANCHOT: Excellent. I'm delighted they are here. Do they want to say something? Okay.

GOVERNOR O'MALLEY: Who --

COMPTROLLER FRANCHOT: Let me ask --

GOVERNOR O'MALLEY: I was just going to ask, Reverend, who are you talking to on the development team about the local hiring?

REVEREND HATHAWAY: We've had conversations I believe with Mr. Chris McCoy, Kevin Johnson, and

Caroline Moore. But I do believe that we need to computize that. Right now we have not placed that into the kind of specificity of which the agreements that you have placed with them have been.

GOVERNOR O'MALLEY: Mm-hmm.

COMPTROLLER FRANCHOT: Okay. Well, if I could, Governor, since you do not have something in writing right now between you and the developer?

REVEREND HATHAWAY: No, we don't.

COMPTROLLER FRANCHOT: And -- you know, I'm not implying that you're not going to have a concrete proposal. I'm sure you will. I think that you should have as much leverage as possible, frankly. So I would ask us to defer this until, for another couple of weeks, and maybe you could come back and have something in writing. And maybe the other community interests can be memorialized so that it's not just, you know, I guess I want the reality to be as good as the rhetoric. And I'm not saying it's your rhetoric. I'm saying on everybody here. So I'd, I guess, move to have this deferred for a couple of weeks based on the, I'm not saying you want it deferred, but I would

want it deferred --

REVEREND HATHAWAY: I would say --

COMPTROLLER FRANCHOT: -- so we can have something in writing.

REVEREND HATHAWAY: I do appreciate your concern, Comptroller. But I do find that on the development team they are honorable people. And I do believe that I would not want anything that would delay this project from moving forward. I would say to you that I believe that it's not a matter of leverage. I believe it's a matter of integrity. I believe that if we stand here on this day and can make a firm commitment, the State, the developer, the faith community, that there will be a local hiring agreement I believe that that will be done. And so in that sense, Honorable Comptroller, from my perspective I would want the project to move forward. I would want them indeed to be able to secure the financing. I mean, that's just speaking from my community perspective. On my part I would not want to delay the project. The project is significant to the community. I believe they are honorable people. I believe that

in a public arena such as this they will understand the urgency and indeed our insistency that there is a local hiring agreement that speaks to the principles of which I have addressed.

COMPTROLLER FRANCHOT: I applaud your idealism, and I hope it all works out exactly like that. As I said, I'm going to vote against this particular garage project, I'm going to be for the other items. And I look forward to monitoring this as we move forward.

REVEREND HATHAWAY: Thank you.

GOVERNOR O'MALLEY: Thank you. Okay, any other, and Mr. Johnson, or Ms. Moore, whoever wants to speak for the development team, I just want to, on the local hiring, you heard the Reverend Hathaway go through a number of principles. What's the, are you, is the team committed to local hiring?

MR. JOHNSON: Thank you, Governor, Kevin Johnson. We are very, very excited to work with Reverend Hathaway. It is a pleasure having been involved in so many of these types of projects, you know, our firm was instrumental in the success that we

had at EBDI in achieving tremendous amounts of statistical goals that, you know, have been a national standard, as always under your leadership, Governor. And to have a community organization like Ministerial Lines, what they have done, how they have thoughtfully kind of gone about making sure that local people are trained, how they are hired, you know, trained and prepared for employment is going to be a huge benefit to us maximizing our commitment to first source hiring, first in the local community, you know, second to the two-mile radius, and thirdly to the Baltimore City.

So we are absolutely committed. We've also been working very closely with the Neighborhood Alliance over many, many years. And we also have similar commitments to them. There has been a Human Capital Committee that has been meeting for years and continue to make, you know, great strides and progress in building an absolute trusting relationship. And we're absolutely committed to this and we will absolutely make it happen.

GOVERNOR O'MALLEY: Okay. Anything else on

these matters? Anything else on the DGS Agenda?

TREASURER KOPP: I just want to thank the Department and you all for working with the Legislature, legislative leadership as well. They had concerns, as you know, about oversight, both about the spending, the impact, and the community impact. And I trust that that close relationship will continue. I think that the goals that are set out for local hiring and for local participation both in the construction and then the project as a whole, if it can go on the way we, if the project can in fact be realized the way we hope, is very important. I think those priorities are very important. I would hope you would remember that it is being paid for by the taxpayers from around the State and is not simply a Baltimore City or a community project. We all have folks who are interested in participating. But those orders of priority seem to me very sensible. And I look forward to being informed, the Board being informed, on an ongoing and frequent basis on how this is proceeding.

MR. PATUSKY: Well said, and thank you very much.

MS. SWAIM-STALEY: Thank you for your support as well.

GOVERNOR O'MALLEY: Okay. Any other questions on this or any other matters? All right. The, that item that the Comptroller --

SECRETARY MCDONALD: Comptroller, it's Item 19 on the DOT Agenda and Item 14 on Secretary Collins' Agenda. Those are both garage items.

GOVERNOR O'MALLEY: All right. Let's do them individually and --

SECRETARY MCDONALD: So the 19 on DOT and 14 --

GOVERNOR O'MALLEY: I've got it. Item 19 on the Department of Transportation Agenda items. The Treasurer moves favorable, seconded by yours truly. All in favor signal by saying, "Aye." Aye.

TREASURER KOPP: Aye.

GOVERNOR O'MALLEY: All opposed?

COMPTROLLER FRANCHOT: No.

GOVERNOR O'MALLEY: The Comptroller votes no. That item passes. We now go on to Department of General Services Item 14. The Treasurer moves

approval, seconded by yours truly. All in favor signal by saying, "Aye." Aye.

TREASURER KOPP: Aye.

GOVERNOR O'MALLEY: All opposed?

COMPTROLLER FRANCHOT: I vote no for the same reason I voted no earlier, which is I believe that the private sector should be providing the capital in this and not the taxpayers.

GOVERNOR O'MALLEY: The Comptroller votes no. The item passes. Now, the balance of the Department of Juveniles Services -- not Juvenile Services. Now you have me doing it.

MR. COLLINS: Thank you, Governor.

GOVERNOR O'MALLEY: And now the balance of the Department of General Services Agenda items. The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. And that concludes DGS. Is that the end of our Agenda?

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That concludes our whole Agenda. Thank you all very much.

(Whereupon, at 12:18 a.m., the meeting was concluded.)

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