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HONORABLE NANCY KOPP, Treasurer;

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D'ANDREA WALKER, Deputy Secretary,
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P R O C E E D I N G S

GOVERNOR O'MALLEY: I apologize for my tardiness. The final St. Patrick's event of the season. I was very honored to have just been with the Vice President at his house, and the Irish delegation. And so I thank you for your patience.

Today is March 20, 2013. This is the meeting of the Board of Public Works. I understand Jay Newcomb is here, President of the Dorchester County Council. Is Mr. President here? Mr. President, how are you sir?

MR. NEWCOMB: Good.

GOVERNOR O'MALLEY: Good. And he is here on Secretary's Agenda Item 6. So why don't we call Secretary's Agenda?

COMPTROLLER FRANCHOT: Shouldn't we, could we wait for the Treasurer? Is she here?

GOVERNOR O'MALLEY: Here she is.

TREASURER KOPP: I was watching democracy in action.

GOVERNOR O'MALLEY: Good. How was it?

TREASURER KOPP: It was an honor. It was in action.

GOVERNOR O'MALLEY: How are you? Good. So Secretary's Agenda?

COMPTROLLER FRANCHOT: And I was --

GOVERNOR O'MALLEY: I'm sorry --

COMPTROLLER FRANCHOT: I would, yeah --

GOVERNOR O'MALLEY: Mr. Franchot, I apologize.

COMPTROLLER FRANCHOT: Thank you. I was actually, Governor, going to defer the opening statement because of the late start we're getting. But I love Louis Goldstein. So I'm going to say a few words. Because last week, Thursday, Marcy 14th would have been Comptroller Goldstein's 100th birthday. And I just want to say to Maryland that I continue to be humbled every day to go to work in the building that rightfully bears his name, in the office that he held for over four decades. I look out the window at his statue. Sitting next to me Jerry Klasmeier, who worked very closely with Louis, and there are probably other people in the room that worked for Louis. His

name still invokes smiles, warm recollections, and due reverence nearly 15 years after his passing. It continues to be a profound thrill to follow in his legendary steps. Yes, he was famous for this gold coins. I'm trying to think about how to do that myself. But he's just a unique personality. And his favorite saying, "God bless you all real good," personally answering the phone at 7:30 in the morning everyday at his office, just made him a timeless and beloved Maryland icon.

But voters did not overwhelmingly vote for Louis ten times to serve as their Comptroller simply because he was a charming and likeable politician. They supported him because he was a fiercely independent steward of the taxpayer money, a man who set a standard for honorable public service, a standard we all try to emulate. He built an agency that has as its slogan, "Serving the people."

So in celebrating his centennial I remain deeply honored to follow in his legendary footsteps building off his legacy of renowned taxpayer service. And underappreciated aspect of Louis Goldstein's

tenure was the cutting edge technology advances made under his leadership. As the first state in the country to employ computerized tax collection. Think about that, the first state in the country to employ computerized tax collection. And prior to his death the agency began plans to allow electronic filing of tax returns. I'm proud to continue and build upon that legacy. We're now on pace to exceed 75 percent of all tax returns are now being filed electronically. Think of that. Think of all the trees we've saved, paper we're not using. And think about the security and efficiency we give taxpayers.

With Louis in mind I wanted to let everyone know I'll be hosting an online chat tomorrow from 2:00 to 3:00 p.m. to answer last minute tax questions as we approach the April 15th deadline. That chat can be accessed through our website, marylandtaxes.com. I'd also like to point out that taxpayers can visit any of our 12 field offices throughout the State and a member of my staff will help you file your Maryland taxes free of charge, regardless of your income or status or place, and wherever it is. We are absolutely open

door, open access, guaranteed it will be right. We look forward to continuing to provide Marylanders with the cutting edge legendary taxpayer service that defined Louis' life and career. I understand his daughter is here with us. And please give my regards to the other members of your family, and tell them that your dad is alive and well. And we honor him everyday. (Applause.)

COMPTROLLER FRANCHOT: Thank you, Governor.

GOVERNOR O'MALLEY: Sure, thank you. A very good man. Okay. Secretary's Agenda, can we take Item 6 first?

SECRETARY MCDONALD: Good morning, Governor. Yes. This is an item from the Department of Business and Economic Development for the Dorchester County Technology Park. That is Item 6. We have 12 items on the Agenda this morning, and one emergency report, one report of emergency procurement. If you'd like to introduce yourself and the project?

MR. COLE: Good morning, thank you. I'm Greg Cole with the Office of Finance Programs with the Department of Business and Economic Development. And

in keeping with Comptroller Franchot's technology, that's exactly what we're doing here today. This is to develop the first technology incubator on the Eastern Shore in the Technology Park in Dorchester County. We're asking to repurpose \$1,263,500, which is the remainder of \$1,750,000 that the Board of Public Works had approved for this project in 2004. The reason we're here today is we have a difference in purpose. In 2004 the money was intended to buy the property. Since then a lot of things have occurred in the long development of the Park. The county as its participation in the project stepped up and purchased the property. Therefore it was not necessary for the State to purchase the dirt, so to speak. So, but as a part of this project, if I could call it phase two, after we develop the Park to attract technology companies, we needed to build an incubator to incubate those technology companies. That's what this phase two is.

So in addition to the \$8.7 million development of the Park, we're now building a \$2.3 million technology incubator. And what we simply want

to do is take the money that we would have used on the land, and instead of dirt buy bricks. This is being matched through other sources, including the county who is putting up a half a million dollars in operating funds for this incubator to successfully operate it over the next five years. So it is not net new money. It is simply repurposing old money for a different reason and actually for the State's purposes getting greater value.

I'd be happy to answer questions.

GOVERNOR O'MALLEY: Good. Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes. Thank you. I'm supportive of this. I think it's a great project for Dorchester, and the Cambridge area, etcetera. I would like you if you would, since you're here, take back a message. Which is I hope people in Dorchester reexamine the public charter school proposal that has been put forward down in Cambridge and Dorchester by William Akridge. It's a STEM program. This public, public charter school focused on science, technology, engineering, and math. That proposal that was submitted to the Dorchester, I don't know what it was,

School Board, or something down there, is described by experts to me as the finest public charter proposal in the country. It has the backing of the Akridge family, one of the most generous philanthropic families in the State. And apparently it has just been rejected. And I'm not quite sure what is going on down there with the leadership, but I hope that you would ask them to take this proposal back up and understand that it is a very significant complementary idea that really merges with the proposal that you have today. And it is, as far as I can tell, hopelessly ensnarled in the local education bureaucracy. So please, try to dynamite it out.

MR. COLE: You have my word.

COMPTROLLER FRANCHOT: Because it's a great proposal. And just anyone that looks at it understands the A++ first rate quality.

MR. COLE: I will do that.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: Thank you. Mr. President, anything you want to say on this?

MR. NEWCOMB: Well sir, it's a, we're done the school technology back to the School Board, we built a new School of Technology thanks to you all's help with that, \$30 million. It's full to capacity. So this is our next step --

GOVERNOR O'MALLEY: Great. When did that open?

MR. NEWCOMB: Excuse me?

GOVERNOR O'MALLEY: When did that open?

MR. NEWCOMB: Last, this is the second year.

GOVERNOR O'MALLEY: That's awesome. Are the kids psyched about it?

MR. NEWCOMB: Yes. Beautiful, high tech school, everybody comes real excited. And it's the next step to this Tech Park.

GOVERNOR O'MALLEY: And it's county-wide?

MR. NEWCOMB: Yes, sir. It's for the whole county.

GOVERNOR O'MALLEY: And so --

MR. NEWCOMB: So South, North Dorchester, all of the kids are bussed, coming into that school, yes, sir.

GOVERNOR O'MALLEY: So is this the next generation of CTEs, so kids are going to be able to, students there will have --

MR. NEWCOMB: -- when they move out, yes, sir. Into nursing, and tech school. And I mean, it's very good. Like I say, it's full to capacity.

GOVERNOR O'MALLEY: I can't wait to come down and see it. As soon as the session is over. As soon as they let me out.

MR. NEWCOMB: They might let you come. Come down and have a good crab cake.

GOVERNOR O'MALLEY: Maybe I will.

MR. NEWCOMB: But on the Shore, sir, that's our, our Tech Park is our next stage of this, after we've got this School of Technology, now we want to move on with the incubator. We've hired an incubator manager to get this building up and we're hoping that we can get this Tech Park, you know. We need jobs in Dorchester, so we're at your mercy trying to keep this money to get this building up and expand this Tech Park.

GOVERNOR O'MALLEY: Okay. Thank you, Mr. President.

MR. NEWCOMB: Thank you.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: If I could just add my, what I said to the previous gentleman, and if you could dress it up and make it sound a little more polite and less adversarial, but --

MR. NEWCOMB: The School Board, we met with our local School Board last night over test grades and all. Last night they had probably an hour discussion. But when I get back I will hold a Council and we will send a letter to the School Board.

COMPTROLLER FRANCHOT: Excellent.

MR. NEWCOMB: Our elected, we will send it to your, make sure your comments --

COMPTROLLER FRANCHOT: Well no, you don't --

MR. NEWCOMB: No, let me say, your comments will be relayed back to them.

COMPTROLLER FRANCHOT: Yeah, please. Because this is a quality project and it really --

MR. NEWCOMB: Yeah, he made a presentation to us. And we said well, that's up to the School Board. And he went to the School Board, and they voted it down. But we will certainly pass your message on to them.

COMPTROLLER FRANCHOT: Yeah, thank you. Isn't Cambridge International a great company down in your area?

MR. NEWCOMB: Yes, sir. Yes, sir.

COMPTROLLER FRANCHOT: And don't they employ some of the kids from the program?

MR. NEWCOMB: Yes, sure do.

COMPTROLLER FRANCHOT: Yeah, no, that's a really exciting employment opportunity. Keep up the good work.

MR. NEWCOMB: Thank you, sir. We thank you for all your visits and all you all do for us.

COMPTROLLER FRANCHOT: Thank you.

TREASURER KOPP: Could I just add? Getting back for a second to the Agenda, how impressed I am by the county taking the initiative and moving quickly to get this property for the Tech Park, to tie it down as

well as getting so close to the next generation's supply of technology experts. But you don't always see the local governments moving that quickly to assure something. And I just thank you.

MR. NEWCOMB: Yeah, I was on the Board originally when they purchased the land. It's been an ongoing project. And we had infrastructure, to get water and sewer. We have the annex. We've got fiber optics right across the street from the Airport. So we hope everything is in the right place. We just want to go to the next step.

GOVERNOR O'MALLEY: And that fiber optic was part of the build out from the Obama administration Recovery and Reinvestment Act, right?

MR. NEWCOMB: Yes, sir.

GOVERNOR O'MALLEY: That's what it's all about, right?

MR. NEWCOMB: And it's all right there at the Tech Park. It's all ready to go.

GOVERNOR O'MALLEY: Good. Connecting businesses, and young people to the opportunities. Awesome. That's great.

TREASURER KOPP: Well I look forward to going down and seeing Mace's Lane, seeing all the schools, and the Tech Park, which I think is particularly good.

MR. NEWCOMB: I think you will be very impressed with that facility.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?(No response.)

GOVERNOR O'MALLEY: And the ayes have it. It's unanimous. Congratulations.

MR. NEWCOMB: Thank you very much. Come to see us. I appreciate it.

GOVERNOR O'MALLEY: Thank you. Thank you. All right, the balance of the Secretary's Agenda. Questions?

SECRETARY MCDONALD: Yes, we have someone who has requested to speak in opposition to the wetlands license in Item 5. If you would like to hear the Wetlands Administration first to explain this

license? And Mr. Munns can come up after that.

Doldon Moore, do you want to introduce yourself and tell us the background of this license?

MR. MOORE: Good morning, Governor, Madam Treasurer, and Mr. Comptroller. For the record, I'm Doldon Moore, Wetlands Administration to the Board of Public Works. And before you today is Wetlands License 12-0224. Timothy Beckwith is the applicant. And we do have a few, four pictures, to kind of orient you to the project site.

Okay, this first picture, it's St. Mary's County. On the upper right is Leonardtown. On the bottom part of the picture is the Potomac River, and Breton Bay is running through the center of the slide. And Protestant Point is the project site.

GOVERNOR O'MALLEY: Protestant Point? I guess that tells us who was in the neighborhood first.

(Laughter.)

MR. MOORE: Okay. On this slide -- Kevin, it should be the other, the boundary slide, the property boundary slide that shows all the owners.

GOVERNOR O'MALLEY: Are you stuck, Kevin?

MR. LARGE: Yes. There's a lot of pictures to go through here.

MR. MOORE: Well this one I can --

MR. LARGE: -- this one --

MR. MOORE: This is a, it shows a historic erosion rate map that was put together by Department of Natural Resources Shoreline Erosion Control Division. And what it shows is three different shorelines. The red shoreline being 1942; the green shoreline being 1958; and the yellow shoreline being 1993, which is the important one to look at. The base aerial is 2008. What you will note is on the northern shoreline, which would be at the top, is that we actually have lost shoreline. But there has been some accretion since 1993, or erosion. As you come around the Point there has been substantial erosion, and then substantial accretion as you come to the east side on it. This is actually, Lot 5 is on the east site, Lot 4 is in the middle. I don't know if --

GOVERNOR O'MALLEY: Define accretion, please?

MR. MOORE: Accumulation of sand. Have you been able to find the other picture, Kevin, or not?

MR. LARGE: No.

SECRETARY MCDONALD: The inverse of erosion.

MR. MOORE: And this is Protestant Point that it is showing.

TREASURER KOPP: So what is Protestant mean? That it was the only place --

GOVERNOR O'MALLEY: That's the name of the property. I don't know for a fact but --

MR. MOORE: Well see I'm, the joke that I tell is I'm from Calvert County and we have Pagan Point.

GOVERNOR O'MALLEY: You have Pagan Point?

MR. MOORE: We have Pagan Point. If you can't find it, that's okay. Do you have --

GOVERNOR O'MALLEY: So at issue here is, is this the larger picture? Is this the one you're looking for?

MR. MOORE: Yes. Yes.

GOVERNOR O'MALLEY: Kevin, that's what the larger one looks like, if you're flipping through.

MR. LARGE: Yes, sir --

GOVERNOR O'MALLEY: All right. So the question before us today is to be or not to be, to allow or not to allow --

MR. MOORE: Correct.

GOVERNOR O'MALLEY: -- somebody to lay down the rip wrap in order to keep the shoreline from, in order the protect their property? Is that the question before us?

MR. MOORE: Correct. Why don't I continue with my presentation in case Kevin, what this project encompasses is two existing single family home lots from a minor subdivision of a number of years ago. The applicant has requested a license to construct a living shoreline and other structures at the two properties. And the elements of the project are for Lot 4, which is the interior lot that does face on Breton Bay Channel, or excuse me, River, is to construct a 190-foot long by six-foot wide timber pier, a platform, one boat lift, and mooring piles. The maximum channelward encroachment is 200 feet. It's also to plant marsh vegetation along 80 feet of

the eroding shoreline and to construct four eight-foot wide by 35-foot long sand containment structures along 714 feet of the shoreline, extending a maximum of 35 feet channelward.

On Lot 5, which is the lot that has most of the interest and opposition on, is to construct a 217-foot long by three-foot wide walkway over a vegetated tidal wetlands and a tidal pond, and to construct 240-foot long by six-foot wide timber pier with a platform, a finger pier, and six mooring piles. That's a maximum of 226 feet channelward. It's also to plant marsh vegetation along 20 feet of eroding shoreline and to construct one eight-foot by 35-foot long sand containment groin extending a maximum of 35 feet channelward.

Again, living shorelines are the preferred method of protecting one's shoreline. They are natural and provide both low and high marsh habitats. Environmental Article 16-201.C states that improvements to protect a person's property against erosion shall consist of nonstructural shoreline

stabilization measures that preserve the natural environment, such as marsh creations.

In summary, this proposed project will provide riparian access for two existing residential lots and over time result in the stabilization of approximately 714 feet of eroding shoreline out of the overall 1,100-plus feet of shoreline that encompasses these two properties. In the areas adjacent to each of the five groins, or sand containment structures, a total of 100 square feet of marsh will be planted within one year as required by conditions of the Tidal Wetlands License. Over time additional plantings will take place as the beach planned form is stabilized by accretion of sandy material. Because high marsh plants and sea stark are present it is expected that marsh vegetation will volunteer on its own in these stabilized areas.

And this is the overall view that shows the Brown five-lot subdivision to the left. It shows the Beckwiths' properties, being Lot 5 along the eastern shoreline of the cove, and then the other Breton Beach inner Lot 4. It also then gives you an overview of

the lots to the east. The Slaby property, the Munns property, and Johnsons' property.

Were you able to find, get the other two?
Why don't you bring them up?

This picture just kind of shows you an overall aerial view of the Point. It shows the Beckwiths' property down on Protestant Point, and then Mrs. Slaby's and Mrs. Marsh's property. Which is protected by the revetment. And are you oriented? Or

And this final picture just shows you, this is the nearest property to the Beckwiths' property. And it shows that the majority of their shoreline has been bulkheaded and revetted, and is stabilized.

And again, with that we have Mr. and Mrs. Beckwith and staff from MDE to answer any of your questions. And Mr. Thomas Munns wishes to speak in opposition to granting the license. And I thank you, and I am available to answer any of your questions.

GOVERNOR O'MALLEY: Can you go back to the larger map? So show me on the map -- I'm on the larger picture, Kevin, this one. So who is proposing to do what, where?

MR. MOORE: If you notice, Timothy and Kathy Beckwith. They are 21085 Breton Beach Court. That arrow down, that is Lot 4. And then Lot 5 is showing below that.

GOVERNOR O'MALLEY: Okay. So it's all around, so is it all around the Point in essence?

MR. MOORE: It actually stops, in terms of the erosion control, stops just east of the Point. And most of it is along the, would be the lefthand shoreline there.

GOVERNOR O'MALLEY: Okay. So facing north?

MR. MOORE: Mm-hmm. Facing north, yes.

GOVERNOR O'MALLEY: So it's the north shoreline, not so much the east shoreline?

MR. MOORE: No. The east shoreline is pretty well stabilized by natural processes. That's why the applicant has not proposed to do anything there.

GOVERNOR O'MALLEY: All right. Okay. Great. Okay. Do you want to hear, do we want to hear from the property owners? Are they here?

MR. MOORE: Yes. Tim?

GOVERNOR O'MALLEY: Come on down.

SECRETARY MCDONALD: I think they are in support --

GOVERNOR O'MALLEY: All right. You don't have to.

SECRETARY MCDONALD: Right.

GOVERNOR O'MALLEY: How about the property opponents? The people that are opposed? Come on down.

SECRETARY MCDONALD: Just introduce yourself. And I also have --

MR. MUNNS: Mr. Governor?

GOVERNOR O'MALLEY: Hi.

MR. MUNNS: Good morning. Mr. Comptroller, good morning. Madam Treasurer, good morning.

TREASURER KOPP: Good morning.

MR. MUNNS: My name is Thomas Munns. With me is my wife Dr. Jocelyn Munns, Louise Slaby, Ms. Geraldine Marsh, and Ms. Cynthia Slaby. Can I have my first slide, please? Can you help me with that? That's not exactly -- I do have the slides in order. And may I please --

GOVERNOR O'MALLEY: Sure.

MR. MUNNS: Thank you.

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

SECRETARY MCDONALD: Make sure we have, can I have all, is this what you gave Mr. Moore before?

MR. MUNNS: This is, yeah, this is what I actually brought the slides --

SECRETARY MCDONALD: Okay. I just want to make sure the record has it.

TREASURER KOPP: Thank you.

MR. MUNNS: Let me start off my comments briefly by saying, Mr. Governor, we are not attorneys. We are not shoreline experts. We are laypeople. But during this 19-month journey we have spent countless hours trying to become educated and informed about the aspects of the applicant's proposed project on his property. I'd like to direct my comments immediately to the slides that are in front of you. Mr. Beckwith depicts his property on the application that sits before you as sort of a uniform type of land. May I have the, if you would, please, go to the next slide? Or if you have that, please?

No, that's not going to, what I'd like to focus on is the actual Protestant Point that is highlighted in front of you in the blue area, and that's where I will put my, I'd like to focus my comments on. That is the Point, Protestant Point, the area in blue. Next slide, please?

This is very low lying tidal wetlands. You will see in this particular slide right here, the very lightest blue that is depicted is an average elevation of one foot above sea level. As such, named storms, natural high tides, inundate this property. And the land down there becomes obviously overrun with water. Certainly not every tree or shrub, but the land in general. I have personal knowledge of this. I live very close to this. I have tidal wetlands on my property. And when this happens my entire front yard floods. Which brings us to our issue.

Per the applicant's process, in January of 2012 a public hearing was held in St. Mary's County where Mr. Beckwith had the opportunity to present his project to our neighbors and friends who live along Breton Beach and Breton Bay. At the conclusion of

that meeting we reached out to the subject matter experts, because we are not those. DNR, MDE, Army Corps of Engineers, Mr. Bruce Young, who is the St. Mary's County District Erosion Manager, and also Maryland Fisheries. I'm going to take this time, Mr. Governor, to thank DNR and MDE for all of their hard work in supporting us. Educate us. Take a look at this property. Take a look at what Mr. Beckwith is proposing, and inform us and educate us as to the aspects of this. They walked, many of these organizations walked the property and they are on hard record, hard record as saying the shoreline is stable, and no groins are required. A very important point. Further --

COMPTROLLER FRANCHOT: And what was your second point?

MR. MUNNS: A very important point. My second point is this, that -- oh, I'm sorry, sir.

COMPTROLLER FRANCHOT: You said there were two things, one was it was stable, and what was the second one?

MR. MUNNS: That no groins that he is proposing are required to stabilize the shoreline. Secondly, and I really appreciate MDE's support here, we are laypeople. And MDE did a wonderful job of educating us, that if Mr. Beckwith is allowed the place the groins in these shallow waters as he proposes, and as you can see from the black and white that it is, obviously tides, obviously storms are going to come. The water deposited on the other side of these groins will stay in place until those tides and storms go. While there, it will attract and grab the sand sediment. And when that tide does go out and those waters do flow, that sediment, those sands will go with it. We believe that is detrimental to the tidal wetlands. As important to that is, we believe where will those sands and sediment go? To our properties down the road. It may irrevocably affect our beach property and our beachfront.

MDE has asked Mr. Beckwith, this effect that I've just described is known as scouring, a term I've never heard of. But I was educated by MDE. Mr.

Beckwith was asked by MDE to address this point. He has not. Or there is no record that he has.

Secondly what I'd like to, may I go to my fourth slide please? Throughout this entire process we have asked these questions. In the 19 months that we have done this, this next slide is the first and only piece of information that we have received from Mr. Beckwith that discusses shoreline erosion. And it is your fourth slide that I believe Doldon Moore placed in front of you.

SECRETARY MCDONALD: It's in the packet --

MR. MUNNS: It's in the packet. It's the fourth slide. That's the one. Thank you very much. This piece of information that describes Mr. Beckwith's shoreline erosion and the calculus for that we received one week ago. We've had one week to review this. Trying to educate ourselves on what this was and how this calculus was obtained we reached out to DNR, and particularly the Maryland Geological Society, and Ms. Lamere Hennessee, and asked her to please educate us on this. Her results and her comments were that utilizing this type of topography

is problematic in determining shoreline erosions. But more importantly than that, how does this mitigate or remove the agencies who came down and said the shoreline is stable? Where is that calculus? And more importantly, because we believe this is the most important attribute to us, how does this address the scouring? Where would we see this? How is that addressed? We believe these are two very important points that need to be addressed prior to this.

Let me move to my second issue. And if I would, distinguished Board members, if you could go back to Mr. Beckwith's original black and white slide? At the same public hearing in January of 2012 when Mr. Beckwith presented his property, as you can see on the eastern side of his property he has proposed a pier. At that public hearing my wife and I suggested to Mr. Beckwith that he strongly consider taking that pier and moving that to the northern portion of his property. And we had two reasons specifically. Our recommendations with our friends and neighbors on Breton enthusiastically supported us.

In this part of Maryland the storms that come, particularly the named storms, Sandy, Isabel, Irene, we all can name them, the most vicious weather, the most vicious waves come directly from the north. We believe that it was in Mr. Beckwith's and everyone's best interest to move that pier from 90 degrees impact of that to a more, to mitigate that, to a more north-south structure.

Secondly, the area that is proposed as we speak, the water in that area is very shallow, thus requiring him the size and scope to reach the deeper water so we can utilize watercraft, which would make sense. And move -- and we'd also like to take this time to thank DNR for validating those measurements. By moving that pier 90 degrees, he reaches deeper water sooner.

Third issue, as this pier exists out in front of you per his application it is restrictive to Mrs. Slaby's property. This mitigates that.

Final and fourth point, as we have learned throughout this educational process, DNR and MDE are very concerned about the shading caused by wharfing

out. I.e., to try to minimize or mitigate an east-west morning to evening shading and align it to more of a north-south for environmental aspects.

In spite of all those options, I will bring you one more point. The same agencies, the exact same agencies that requested that Mr. Beckwith, that indicated that Mr. Beckwith's shoreline was stable and did not need groins recommended this option. Please look at this option. We have received nothing. And as it sits before you now for your judicious deliberation, the pier is where it is. What was the calculus? What options were looked at? We believe these are reasonable questions.

Let me quickly summarize, because I know your Agenda items are busy. Mr. Beckwith has property rights and we support those. We support his property rights. We want him to access Breton Bay. We believe, and if you've never seen this area before, we believe it's the most beautiful part of Maryland. But we have property rights, too. And we think it's very important, we have to get this right the first time. Because once this project is completed it's going to

outlive everybody in this room and our grandchildren. Our questions have been reasonable. These two questions I bring before you we have asked from the very beginning. He has not provided a document, a discussion point, or a piece of information to alleviate our concerns, and we think that's fair.

Thank you very much for this opportunity. This is why we are here, to bring these important points to you for your judicious deliberation. We thank you for the opportunity. We thank you for your time. And most importantly, we thank you for the service to our State.

COMPTROLLER FRANCHOT: Thank you.

MR. MUNNS: I'm subject, if you have questions, please.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: No, I'm fine. Nobody ever thanks us for anything, so thank you.

(Laughter.)

MR. MUNNS: I know the feeling.

GOVERNOR O'MALLEY: Madam Treasurer?

TREASURER KOPP: Just as I understand it, there were some changes made between the --

MR. MUNNS: Yes, ma'am. Yes, ma'am.

TREASURER KOPP: But your concern is regardless of those changes, the jetties will cause sort of a scouring?

MR. MUNNS: Yes, ma'am.

TREASURER KOPP: On the shoreline on Ms. Slaby's --

MR. MUNNS: And, yes, ma'am. Down the --

TREASURER KOPP: Down that far south? That's what I'm trying to --

MR. MUNNS: Down the, if you will, around the Point to the south in front of, first stop, Mrs. Slaby's property, next ours, and then down the line.

TREASURER KOPP: Right. Right.

MR. MUNNS: And our question still remains is, how has that been addressed?

TREASURER KOPP: Yeah. No, I got that.

GOVERNOR O'MALLEY: And sir, your name is?

MR. MUNNS: Thomas Munns.

GOVERNOR O'MALLEY: Mr. Munns?

MR. MUNNS: I'm the property down from Mrs. Slaby's.

GOVERNOR O'MALLEY: I see. Okay. Is there anything on your property?

MR. MUNNS: We have a pier, and we do also have a revetment that we have placed to stop the, due to the named storms, our property sits probably about this high above Breton Bay and was caving in.

GOVERNOR O'MALLEY: Global warming.

MR. MUNNS: There is certainly --

COMPTROLLER FRANCHOT: Governor, if I could just --

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: And your, the piers that are, I see on the map here, there seem to be a half a dozen of them. Are they similar to Mr. Beckwith's pier?

MR. MUNNS: Based on the measurements that he has proposed, his pier is six-foot wide. I could say mine is probably four.

COMPTROLLER FRANCHOT: Uh-huh.

MR. MUNNS: And my pier goes out about a 150 feet. The one on the eastern goes about 220, and I think that's more of an aspect in my opinion to reach the deeper water. Because the water if you will in the cove just to the right of our picture, to the east portion of Protestant Point, is very shallow. And at low tides you can walk many feet if not many yards out into the sand. It's just the way, with all due respect, God made it.

COMPTROLLER FRANCHOT: But the piers that are out there already are in the 150-foot range --

MR. MUNNS: Yes, sir. And perhaps --

COMPTROLLER FRANCHOT: -- 200-foot range?

MR. MUNNS: -- may be able to answer. I don't want to predispose it to an incorrect answer.

GOVERNOR O'MALLEY: Can I ask MDE to come back up?

MR. MUNNS: Yes, sir.

SECRETARY MCDONALD: Mr. Moore is here from your Wetlands, but if you would like Mr. Setzer from MDE --

MR. MOORE: MDE, Mr. Setzer is here.

GOVERNOR O'MALLEY: Or whoever professional

--

SECRETARY MCDONALD: Mr. Moore, why don't you come up. And Gary Setzer, why don't you introduce yourself for the record. Gary Setzer is with the Department of the Environment. Mr. Moore is the Wetlands Administrator for the Board of Public Works. So they worked together on this --

GOVERNOR O'MALLEY: Address the scouring concern. Which as I understand it is that if you put, unlike the one, two, three, four, five piers that are already there, if you put these three piers there somehow it's going to collect sediment and it's all going to muck up on the beach south of it.

MR. MOORE: Typically --

GOVERNOR O'MALLEY: Is that the argument?

MR. MUNNS: Yes, sir. Along the piers, or along the jetty --

TREASURER KOPP: The jetties.

MR. MOORE: Yeah. The open pile, the pier open pile structures typically don't, you know, affect the littoral drift, the sand, the currents, and so

forth. However, on the groins it's correct. They are there to trap sand. And, however the formula that we use and historically have used is that when we look at a groin structure, we take the length of it, this is 35 feet, maximum channel or distance. And we take a ratio of two times or three times that, so which would result in the worst case scenario on the last groin, number five, on the Point, it would potentially have an impact of 105-foot downstream, potentially. And that would only occur until that groin reaches equilibrium. In other words it's filled either through the construction process or by Mother Nature. And then sand is going to start bypassing. But with that said, that still leaves over 200 foot of property on Mr. Beckwith's property in all. This structure is about 300 feet away on it. And the things I showed earlier is that with Ms. Slaby's property it is hardened, it is revetted, bulkheaded and revetted. So even if this groin was placed closer, my analysis in years past when I was doing permits is that with that type of structure there would be no scouring. Because that shoreline is already hardened and stabilized.

GOVERNOR O'MALLEY: So if there is a scouring effect, which is trapping the sand and putting more of it upon the beach, which we have to pay a lot of money to do in Ocean City, that that would happen on Mr. Beckwith's property and not on the adjacent neighbors?

MR. MOORE: No it would happen, and the other thing, too, that also is, again this is a living shoreline so there would be plantings included, to once that beach, as I said that beach form stabilizes, either by manmade process filling or by natural process, those grasses are there as they are in your yard, you know, to hold the dirt, the sand in place. And that's what provides the storm protection.

GOVERNOR O'MALLEY: Is that part of the proposal? To replant those?

MR. MOORE: Yes. Yes. Yeah, as I said too, because we believe that the seed stock is in the area. There's quite a bit of high marsh in those wetlands. That there will be voluntary planting. And Mr. Beckwith is a marine contractor with St. Mary's

County. So, you know, he is familiar with these type, he does build these structures in his business.

GOVERNOR O'MALLEY: Mm-hmm.

TREASURER KOPP: But --

GOVERNOR O'MALLEY: Go ahead.

TREASURER KOPP: So he is required, whether they are volunteers or --

MR. MOORE: He is, right now, under the condition of the license --

TREASURER KOPP: -- drafted?

MR. MOORE: -- there's, these conditions right now within the immediate vicinity of each of the groins to plant 20-square feet. And then to wait and see what Mother Nature does, and then plant those. So he has to --

TREASURER KOPP: Mr. Munns' good point, which is that it looks like there will be periodic inundation with storms, what impact does that have?

MR. MOORE: Yeah, well typically if you walk his shoreline now, especially the northern shoreline where the structure is proposed, when the sand is on the beach, when a storm attacks it washes it up in,

landward, and it starts to form a natural dune. And if you come over on the east side, actually between the wetlands and pond there, there is a slight dune area. There is wetlands, a dune, the beach.

TREASURER KOPP: Mm-hmm.

MR. MOORE: And once those dunes get stabilized, as we do in Ocean City, they provide some degree of storm protection on it. And this is sandy material. If it was silts and fines, I would agree with you. Once it gets suspended in the water column, it is going somewhere. It is very sandy and there is quite a bit of sand in the system.

MR. SETZER: There is also a monitoring requirement, and an 85 percent coverage requirement, that we will go out and make sure that if we don't get the volunteer of the plants, then he will have to come in and plant to make sure he gets that 85 percent coverage.

TREASURER KOPP: And how is that inspected? How often and by whom?

MR. SETZER: Generally it's a five-year monitoring period. And it's reported once every year

to give us an idea of how the plants are coming in. And at the end of that monitoring period we would make a decision as to whether or not he needs to go back in as a result of that inspection.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, Governor I'm going to vote for this permit because, not out of lack of sympathy for the opponents because I know these are very emotional issues. They tend to mushroom. And but there are existing docks, piers. You all seem to have some scientific basis for saying that it's okay. And so I hope we can, without truncating it I hope we can move on. We have some items that are up in the \$800 million area that we're going to be voting on. And, but I say to the opponents, I'm not unsympathetic. I understand, I think, some of the, obviously the input you have had is enormous. And I'm sorry that there is a clash here. I guess I have some faith, I hope it's not misplaced, that Mr. Beckwith will do a nice job and that this will look good and be, you know, not negative for the environment. And

so I'm happy to vote for it whenever you want to call the vote, Governor.

TREASURER KOPP: Could I ask one more question, Governor? The question of the relocation of the pier from a sort of northeast to --

MR. BECKWITH: I'm a little bit out of my element here. But anyway, as far as the location of the pier --

TREASURER KOPP: Could --

MR. BECKWITH: -- originally there was, the property had a difference in the boundary line between --

GOVERNOR O'MALLEY: I'm sorry. I don't mean to interrupt, but you just need to identify yourself because --

MR. BECKWITH: I'm sorry. I'm Tim Beckwith. My wife Kathy is in the back row.

GOVERNOR O'MALLEY: Thank you.

MR. BECKWITH: We're the owners of the properties, of Lots 4 and 5 on Breton Bay. There are blue and red lines up there that are indicating the erosion and, or actually the property line. I don't

see them very well. There's the red line, which is the current boundary line between Lots 4 and 5. There is a blue line up there that I can barely see, but that was the previous boundary line between Lots 4 and 5. The reason the boundary line adjustments were done, it was to allow direct access to the sewage easement areas. Originally the sewage easement area on Lot 5 was almost landlocked. It would have required having to alter the wetlands in order to access the sewage easement area. So my first thing, what I did was I went to the County Health Department and I asked if they would be in agreement to allow me to do a boundary line adjustment between the two lots. And so doing so, giving direct access to the sewage easement area for each lots, we were trading. We were trading the sewage easement area. So the sewage easement area, which was originally landlocked on Lot 5, now belongs to Lot 4. The sewage easement area for Lot 4 now goes to Lot 5, and that gives direct access without any alteration to the wetland. And by doing that we did a boundary line adjustment which took the new boundary line, which is indicated in the red, that

was the reason why when originally MDE had suggested that we relocate the pier to the northern side of the property, that wasn't an option. Because for us to have direct access to the sewage easement areas without disturbing the wetland, it wasn't an option to move it onto the other property because of course we all know there's only one pier per deeded lot.

With that being said, that was the reason why the pier was never even considered. Everybody that, Mr. Munns had mentioned DNR, Soil Conservation, MDE, Tidal Wetlands, there's a long list of people. Everybody on that entire list, and I have it in documentation, has promoted this idea, was in agreement with this idea, and reinforces the proposal for these structures. Everything was definitely, without question, in the best interest of the environment. There was one, at one point they wanted me to, even though the pier on Lot 5 was on the eastern direction they wanted me to move it further north. But by moving it further north it created an area, it put it into an area closer to the sandbar. I'm trying to get to some navigable waters. That's

the reason for the dogleg in there. In order to, it was a recommendation that we try to avoid the tidal gut for the inlet as much as possible. So we moved the piers as far north as it was reasonable to get still access to the deeper water.

The groins that were located closest to the Slaby's, there is only one groin that is located on Lot 5 closest to the Slaby property and it is well over 200 feet away from their property. So there is no way that I've ever experienced that a 35-foot groin could influence a shoreline that far away.

GOVERNOR O'MALLEY: So the groin is the --

MR. BECKWITH: Is a sand containment system.

GOVERNOR O'MALLEY: And that's what's identified as a jetty on your black --

MR. BECKWITH: A jetty? It was originally proposed as a jetty. And during this process, over the 23 years that I've been in business, that I've learned the difference between a groin and a jetty. And the difference between the two is the length. And that's 35 feet, which dictates, which identifies a groin as opposed to a jetty. And the groins go

perpendicular to the shore. They do not go parallel to the shore. So the likelihood of trapping water behind them is nil. There's no way. The only thing they can do is acquire and hold sand as a containment system to allow the natural sea stock of the wetland grasses to expand. If they don't expand on their own, I've already without question agreed, and it's in the permit through MDE, that I will be required to plant them. I have no problem. I've replanted many, many wetland plants as part of --

GOVERNOR O'MALLEY: And so I'm understanding, the dogleg pier, that's something that would stand in the water, the pier, and the water would flow under it? Right?

MR. BECKWITH: Yeah. So, typically, yeah.

GOVERNOR O'MALLEY: Okay.

MR. BECKWITH: Yeah, there's, it's, I've never seen a pier influence sand flow.

GOVERNOR O'MALLEY: Got you.

MR. BECKWITH: The pile spacings are every ten feet. The pilings are this big around. So --

GOVERNOR O'MALLEY: So as far as the scouring concerns from the groin, that is from the one that is further up north. At the edge of --

MR. BECKWITH: It would be the one that would be closest to the red line, which is only a few feet over the property line on Lot 5, which is the lot that adjoins the Slaby property.

GOVERNOR O'MALLEY: Got you. I'm sorry.
Madam Treasurer?

TREASURER KOPP: No. That was -- thank you.

MR. BECKWITH: Okay. And forgive me, I've had some recent throat surgery.

GOVERNOR O'MALLEY: No, you're fine. Okay.
Well look, thank you all very much. 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. Thank you.

MR. MOORE: Thank you very much.

GOVERNOR O'MALLEY: Thank you.

TREASURER KOPP: And I assume if there are any problems that develop, we're going to hear about them.

GOVERNOR O'MALLEY: And how about, so what item was that?

SECRETARY MCDONALD: That was Item 5 --

MS. FOSTER: Five --

GOVERNOR O'MALLEY: All right. So we have now approved Item 5 and Item 6. How about on the balance of the Agenda? Secretary's Agenda? Any questions?

COMPTROLLER FRANCHOT: Move approval.

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

(No response.)

GOVERNOR O'MALLEY: And the ayes have it. We move on now to DNR Real Property.

MS. WILSON: Good morning, Governor, Madam Treasurer, and Mr. Comptroller. Emily Wilson with the Department of Natural Resources. We have eight items

on our Agenda today. I'd be happy to try to answer any questions.

GOVERNOR O'MALLEY: Any questions? What's the most interesting one?

MS. WILSON: I would say, I would say it's probably the Mid-Maryland Washington Rural Legacy Area, the Morgan property.

SECRETARY MCDONALD: 6A.

MS. WILSON: This is, it's within sight of the old Antietam Ironworks, which of course played a role during the Battle of Antietam. And it's also the likely site of a signal tower used by the Union troops at the close of the battle.

GOVERNOR O'MALLEY: That's pretty cool.

MS. WILSON: Yeah.

GOVERNOR O'MALLEY: And what role did it play in the battle?

MS. WILSON: What, the signal tower?

GOVERNOR O'MALLEY: No, the Ironworks and the signal tower.

MS. WILSON: Oh. The Ironworks actually produced cannons for the Continental Army.

GOVERNOR O'MALLEY: Uh-huh. Huh. For the Continental Army?

MS. WILSON: Mm-hmm. That's what the notes say.

GOVERNOR O'MALLEY: For the Union Army?

MS. WILSON: This --

GOVERNOR O'MALLEY: Was it the Continental Army?

MS. WILSON: Yeah, that's what's in the notes.

GOVERNOR O'MALLEY: Continental Army would be Washington's Army. But it was also the site of a signal tower in the Battle of Antietam?

MS. WILSON: A likely site. It's not actually proven, but there's a lot of circumstantial evidence that suggests that that was there.

GOVERNOR O'MALLEY: Mm-hmm. And it provides base and buffer for the Maryland portion of the Appalachian National Scenic Trail. Okay. The Treasurer moves all of the DNR Real Property items,

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

Department of Budget and Management?

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. There are 18 items on the Department of Budget and Management's Agenda for today. I'd be happy to answer any questions the members of the Board might have.

GOVERNOR O'MALLEY: Are there any that are interesting?

(Laughter.)

TREASURER KOPP: That's not, which is the most interesting?

GOVERNOR O'MALLEY: Mr. Comptroller, any questions?

COMPTROLLER FRANCHOT: Thank you, Governor. Items, Madam Secretary, Items 10-S through Item 16-S.

MS. FOSTER: Okay. I'm going to ask Anne Timmons, who is the Director of the Employee Benefits Program, to come up. She's the resident expert on these items. But essentially, Mr. Comptroller, what we are doing with Items 10 through 16 is we are extending the term of our health contracts for six months. It's applicable to the medical contract, the dental contract, the mental health, our flexible spending account, pharmacy, long term care, and the group term and accidental death. And the purpose of this extension is just basically to allow us to change the plan year for our health contracts from being on a fiscal year basis and putting it on a calendar year basis. And we are making this change basically because this year's budget provides for us to participate in a program that's known as EGWP. It's stands for Employer Group Waiver Plan. And under this plan State retirees are going to be able to enroll in a hybrid Medicare Part D program as well as a State drug plan. In this program, Medicare Part D is going to be the primary payer. The State will be the secondary payer. And the reason, bottom line, why

we're doing this is it does allow us to save \$26 million annually and in addition it allows us to reduce our OPEB liability by \$400 million. So that's the purpose for this item.

GOVERNOR O'MALLEY: Hm, \$400 million?

TREASURER KOPP: Every little bit helps.

COMPTROLLER FRANCHOT: You know, I'm probably going to vote against it. And I'd like to have a, I have no idea what all of the EGWP and everything else that was just described. But we're spending \$770 million with this group of items. And the question I have is, why aren't we competitively bidding that? And what, I know we want to be cooperative with the federal government. And would like to, I guess, pursue grants and savings or whatever. I'm all for that. But what about competitive bidding for \$769,677,000? I guess I can't see this. 631, or something. That's a lot of money. And we're voting it today. And I just am mystified as to what the mandate is that is forcing us to move forward on contracts that expire in June of 2014? We have to extend it six months now, a year, almost a

year and a half in advance? I mean, that just -- anyway, I don't, I'm not going to fall on my sword here.

But I support healthcare. I support all of the Obama program. I'm just incredulous that this amount of money would be put in front of us for a vote and without any competition.

MS. FOSTER: Let me try to address that. First of all, we are going to rebidding these contracts. We plan on issuing an RFP later this year. We will be rebidding them and reviewing the RFPs next year. The goal is to have a new contract start date of January of 2015. In terms of the \$770 million that is reflected in these items, this represents six months of estimated employee and retiree claims for the short enrollment period.

Our health benefits program is a \$1.4 billion program. So, you know, this \$770 million that you cited represents what the six-month cost of this program is.

I would just point out that we have, you know, talked with all the carriers. They are holding

all of their current rates constant. No one is getting additional rate increases or additional monies for this period. And again, as I said, in order to participate in this program one of the requirements that CMS has put forward is that the program needs to operate on a calendar year basis. What we are asking today is to be able to have a short enrollment period which basically provides a bridge for us to get to January, to be able to participate in the program. And as I said, the goal here is we get to have \$26 million annually of ongoing savings. And of course a big thing for us is reducing our OPEB liability.

MS. TIMMONS: Right. And so we have to convert all of our plan years --

COMPTROLLER FRANCHOT: Right.

MS. TIMMONS: -- from a fiscal plan year to a calendar year.

COMPTROLLER FRANCHOT: Why don't we just do that?

MS. TIMMONS: Well that's what --

MS. FOSTER: That's what we're doing.

COMPTROLLER FRANCHOT: No, why don't we do it now as we speak? And get all the parties involved? If it's a technical issue with the federal government wanting us to not be on a fiscal year, but on a calendar year, let's just get together and do it. The contract doesn't expire until June of 2014.

MS. TIMMONS: But if we cut that off now we would be shortchanging the union's opportunity to negotiate the benefits that would go into the next contract. So we have to extend the current contract by six months in order to align the plan years, and that gives us more time this summer in order to hold the negotiations with the unions in order to prepare the RFP for release in this Fall.

MS. FOSTER: And as I said, we're trying to move to a calendar year. I think the IRS regulations that govern cafeteria plans, which is what we have, really require that we have an open enrollment period to be offered once every 12 months. We can't do it on 18 months. So essentially we're put in a position where we have to have an open enrollment period for the short period, and then we will have one for the

calendar year period that we will use going forward to participate in this EGWB program and to realize those benefits.

COMPTROLLER FRANCHOT: That just doesn't make any sense to me. And it's a lot of money. It should be competitively bid. And I'll leave it at that. I'm happy to support healthcare and the unions and negotiations, and all of this. But to vote \$770 million without any competitive bidding is just something that on principle I'm against. It's wrong.

GOVERNOR O'MALLEY: And how about --

COMPTROLLER FRANCHOT: Because think of all the changes -- sorry, Governor. Think of all the changes we've been promised in healthcare. How many savings there are, how much innovation there is, how much we can manage and save all this money. And I'm all for that.

MS. TIMMONS: But the only piece that's competitively bid is the admin fee, which represents less than four percent of that total. Claims are what claims are. They are based on the utilization of our employee population.

COMPTROLLER FRANCHOT: Well that's an interesting thing, that you brought that up. Because according to the most prestigious organizations in the country 30 percent of the money we spend of the \$1.4 billion is completely wasted. And that our employee, according not to me, go read the Institute of Medicine. So what are we, this is what I'm getting at here. We vote for these huge contracts, saying they are just paying for services. And who is working on managing the expenditures of these dollars so that our people are healthier and we are saving money? Who is doing that?

MS. TIMMONS: Well and that's part of what the Employee Benefits Division does. We have external auditors. We work closely with our carriers to monitor waste and fraud. And then when we go forward with the new RFPs we fully intend to build in a value based benefit design that is more focused on that, as well as the integrated wellness initiative.

GOVERNOR O'MALLEY: Yep. All those are good points, and we will be doing, and we have been working towards those things. We should probably also get

Josh Sharfstein in here to do an update to the Board on our mapping and health IT. You know, for six years as one of our strategic goals we have had the build out of a common platform for healthcare services. The goal not being just to watch it on a map and wave at it, but to actually deploy the interventions further upstream so that we can dial up the prevention and the wellness. And actually, private sector is ahead of us on this one. I mean, ahead of all of us on this one in terms of what they demand. You look at Dow Chemical and some of the other folks, and what they have been able to do.

Having said that, I think I heard in your presentation, Madam Secretary, that there is a \$26 million savings in this?

MS. FOSTER: Yes.

GOVERNOR O'MALLEY: And from what does that stem?

MS. TIMMONS: Well that's over, currently we participate in the Retiree Drug Subsidy Program with Medicare. So they reimburse us 28 percent of our Medicare eligible retirees drug costs between \$320 and

\$6,500. And that gives us about \$20 million. By switching to this EGWP program, it actually doubles that savings and so the net is the \$26 million. But it also allows us to offset our OPEB liability, which under --

GOVERNOR O'MALLEY: That was my next question.

MS. TIMMONS: -- under the RDS we're not allowed to do.

TREASURER KOPP: Explain offsets OPEB liability.

MS. TIMMONS: So the \$26 million will, because we're being subsidized by Medicare, so Medicare is paying those Part D, those prescription drug claims first and we are paying the difference to --

TREASURER KOPP: And OPEB is?

MS. TIMMONS: Is Other Post Employment --

TREASURER KOPP: It's retirees' health benefits?

MS. TIMMONS: Right.

TREASURER KOPP: Retired State employees' health benefits?

MS. TIMMONS: Exactly. So it allows us to reduce the actuarial value of that liability because of the payment arrangement between Medicare and the State for those --

GOVERNOR O'MALLEY: By \$400 million?

MS. TIMMONS: Yes.

GOVERNOR O'MALLEY: Well that's good.

MS. TIMMONS: Indeed it is.

GOVERNOR O'MALLEY: In our favor. Because we know how painful that was to go through the retirement reforms.

MS. FOSTER: Before we did retirement reform our liability was in excess of \$16 billion. As a result of the steps that were taken by you and the members of the General Assembly adopting the proposal we are now below \$10 billion. So again --

TREASURER KOPP: That's a lot more than \$400 million.

MS. FOSTER: -- another \$400 million. So every little bit helps.

GOVERNOR O'MALLEY: Well \$400 million is a big chunk of that. What would you say, \$16 billion is the long term?

MS. FOSTER: It was over \$16 billion. It's now below \$10 billion.

GOVERNOR O'MALLEY: In our drive to get back to 80, huh? Or is it 85?

MS. FOSTER: That's the funded.

TREASURER KOPP: No, that's the funded.

MS. FOSTER: That's the percentage --

TREASURER KOPP: The liability for the cost of retired employees health benefits, because of the reforms, went from at that time at least \$16 billion, down to --

MS. TIMMONS: Just over eight, yeah.

TREASURER KOPP: I was going to say about \$9 billion.

MS. TIMMONS: Yeah.

GOVERNOR O'MALLEY: Okay. And this knocks another --

TREASURER KOPP: That's a lot of money.

GOVERNOR O'MALLEY: And this knocks another \$400 million off of that \$9 billion?

MS. FOSTER: Yes.

GOVERNOR O'MALLEY: Well that's good. We also, I know that part of our supplemental considerations was an underutilization of what we had anticipated would be our, the dollars we outlay for Medicaid, no? Yes? This year?

MS. FOSTER: Mental health.

GOVERNOR O'MALLEY: It was on the mental health side?

MS. FOSTER: That was the mental health side.

GOVERNOR O'MALLEY: Okay. And I thought we had some favorable forecast, I could have sworn we had some favorable --

MS. FOSTER: It was favorable --

GOVERNOR O'MALLEY: Was that in the construction of the budget for this year that we had favorable Medicaid trends? In other words, that they were not going up like they had been, they were leveling off and saving us dollars?

MS. FOSTER: And as we have gone through the year we have continued to realize that the trends are better than what we were projecting.

GOVERNOR O'MALLEY: Yeah, so some of this stuff, I'll be damned, some of this stuff actually works.

MS. FOSTER: Yes.

GOVERNOR O'MALLEY: Okay. All right. And we need to do more of the things that work and less of the things that don't. All right. This makes sense to me. Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, no, and I appreciate the Governor's measured response. I get a little antsy over here when we spend these large sums of money, as I say without a real --

GOVERNOR O'MALLEY: No, they're all good questions.

COMPTROLLER FRANCHOT: -- justification in my point of view. And I, and my, I'm reminded of my trip to Hagerstown a month or so ago where I went out and promoted the Governor's initiative of tax free weekend, President's Day weekend, if you bought an

energy efficient washing machine or refrigerator, a big appliance. And I went out to promote it. And I stood up and said, "Look, this is a great program. It's good for the consumer, because they save the six percent sales tax. It's good for the stores, because they have a lot of business. It's great for the environment, because these are energy efficient appliances." It's kind of bad for the State because we lose about \$600,000 in sales tax revenue because of the three-day weekend.

Well the owner, Curt Spiker, a family-owned business out there in Hagerstown, sent me an email. He said, "Well, you were right. We had a lot more traffic, six times the normal traffic. You're right it was good for me, because I sold every energy efficient appliance in my store, which is good for the environment. But you're dead wrong as far as the sales tax loss. I estimated on a normal holiday weekend I would send you \$2,300 in sales tax revenue. I'm enclosing a check for \$7,000. Because we had so many people in the store they bought all these non-energy efficient appliances that are not, obviously,

ready for, you know, they are like dishwashers and things that are not energy efficient. So we had an enormous change. Would you please go and talk to your experts about the loss to the State?

So I went back and asked my experts. And they said, "Yeah, we just took the number of energy efficient appliances that are sold in the State, multiplied them by six percent, and that's the loss. I said, "Well what about the associated sales?" And they said, "Oh, you know, that's, you're asking us to tease out information that's too complicated."

Well, you know, this healthcare issue is something where we rely on all these great projections and expert analysis, etcetera. I take it these are these federal dollars that are coming into the State to make savings for us. So there's somebody who is paying those dollars. All I'm suggesting is that, you know, when we are talking about these huge sums of money we need to be, well, much more careful as far as the presentation and preparation. And it's not good enough just to say, "Oh by the way, we're going to save a lot of money down the road because the feds are

going to give us a whole lot of other taxpayers' money." And my bottom line issue here is with our State employees, that they are not, healthcare is broken in the sense that it's providing a lot of services that are redundant or actually hurt people. And for us to not address that with our own employees, where we can tell them they are going to be healthier, they are going to feel better and sleep better and look better, and live longer, and they will be healthier. And we can save hundreds and hundreds and hundreds of millions of dollars. Not because the feds give us money, but because we are managing these programs in a much more businesslike way, I guess, is the way to describe it.

MS. TIMMONS: We improve that every year, and we improve that with each new contract. So we are working towards that.

COMPTROLLER FRANCHOT: Yeah, but we never see it in the budget. We never see it in these figures. All you do is the number of people and the average that the companies say, and you multiply it out, and that's, you add four percent for

administration, and that's where we end up. So I'm sorry, I'm a little frustrated.

GOVERNOR O'MALLEY: Maybe we can get some more background about the savings that we've realized over the course of this year and what allows us to fund some of those deficiencies in the supplemental and better, you know, bending down the cost curve on the Medicaid. I mean, this is all, we, the Comptroller is right. We should have been doing this 40 years ago, and we should be doing it better than we have been. But having said that, I mean, the whole world is learning how to bring down what has been this bizarre American phenomenon of hyper-escalation of healthcare costs for lower quality of treatment, more disconnected, more specialized, and not contributing much to our quality or length of life. So that's who we are and what we're doing now in the United States.

But the Health IT platform allows us to do that, will allow us to do that, in ways that technology was just never there to do before. The good things that companies like United have done with private sector employers, they are starting now to do

for us, for all of our Medicaid recipients. But I think the point is well made. Since we are the behemoth healthcare purchaser in the borders of this State adjusted, that we can and we just be much more performance focused when it comes to these contracts. And that's going to take a, that's a, it's a big shift from what we've done in the past. But it's one that's already starting to bear some rewards and some returns. If we can, you know, but commensurate with this, to be able to dial up the earlier interventions for the diabetes, to bring down the unnecessary hospital admissions from asthma, to the congestive heart disease. If you look at sort of the bubble map of where the greatest costs come from, it's all those, it's all our neighbors who suffer from those symptoms that we are not addressing in a more holistic and upstream way, that instead with our, you know, our love and trust in high technology and high specialization, you know, we relegate to the line of high cost. And it's a, you know, the expense oftentimes of their wellness and of everybody's checkbook. So let's do a, let's do a briefing here,

Peggy? Or let's get Josh in to bring us up to date on where we are in terms of that big issue in a nutshell. Which is bending down the healthcare costs by dialing up the wellness. Stated another way, when it comes to our, you know, stated another way, or rather, part B, how we're doing, how we're engaging in much smarter contracting for the huge amount of healthcare services that we purchase as a buyer. Okay? All right.

Anything else on this? Mr. Comptroller?

COMPTROLLER FRANCHOT: No, thank you for those comments. My wife tells me I go overboard too easily. But these are important issues. And based on the Governor's very measured comments I will switch my vote and be in support. But --

GOVERNOR O'MALLEY: I've never persuaded you to vote for anything.

(Laughter.)

COMPTROLLER FRANCHOT: I didn't say I was going to buy you lunch, but --

(Laughter.)

GOVERNOR O'MALLEY: All right.

COMPTROLLER FRANCHOT: But you understand he articulated, the Governor articulated a lot of my concerns. And so thank you very much for --

GOVERNOR O'MALLEY: Thank you. Happy St. Patrick's Day.

(Laughter.)

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We move on now to the balance of Department of Budget and Management Agenda items? Any other items? That one, by the way, I should get better at calling these up front to clean up our record, huh? The one we were all talking about?

SECRETARY MCDONALD: Right. Well it was 10 through 16 --

GOVERNOR O'MALLEY: Ten through 16?

SECRETARY MCDONALD: Right.

GOVERNOR O'MALLEY: Okay. Anything else on Department of Budget and Management? The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We move on now to the Department of Information Technology. Oh, I'm sorry. Mr. Evans? University System of Maryland.

MR. EVANS: Good morning. Joe Evans, representing the University System of Maryland. We have nine items on the Agenda today. We are withdrawing Item 7-C-MOD.

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

COMPTROLLER FRANCHOT: Yes. Item 6-C?

MR. EVANS: Yes, sir?

COMPTROLLER FRANCHOT: Okay. I see that we're awarding a contract to Turner Construction for Towson University's new four-year campus in Harford

County. This is an exciting initiative, both for the University and for the families of Harford County, which due to BRAC and other natural economic patterns has emerged as one of our State's fastest growing jurisdictions. Congratulations. There is an obvious public demand for four-year degree granting programs right in Harford County, as well as Cecil County for that matter, and this new facility will go a long way toward satisfying demand. Whether it is the commuting student who will save money on housing and gas by completing his or her coursework just a few miles up on the road, or an adult student who will now find it easier from a logistical situation to go to school while balancing work and family, people throughout Harford County will benefit from this newfound access to quality education.

Employers will benefit from the highly trained and workforce ready graduates. It's a sound investment of public resources. It definitely fits with everything that's going on in Harford County, at the HEAT Center, etcetera. Hats off to everyone who has been working on that program.

But as happy as I am with this project, I have to say I'm deeply disturbed. In fact, I'll just say it straight out, I'm pretty disgusted by what Towson has done with recent events concerning their athletic teams. It's no surprise that I'm referring to the recent decision to disband both the men's baseball and soccer programs. I won't spend a lot of time going through the forensics on how that bizarre decision was made. If only to relieve the burden of some, I guess, bureaucrat sending me a letter that recites the company line, and I won't have to read that letter.

I'll simply say I have had the privilege of being on the Towson campus on many, many occasions. It's an exceptional institution that's risen to national prominence thanks to the work of dedicated faculty and staff, and the boundless generosity of so many private donors. But I would hardly characterize the campus climate as austere based on the construction and good works. I don't think any sensible person truly believes there is a fiscal

justification for eliminating the storied, successful baseball and soccer programs.

But what was more troubling than the substance of the decision was the manner in which the administration chose to share the bad news with the student athletes whose lives have been disrupted. According to several news reports and firsthand accounts, which to my knowledge have not been contested by the administration, these athletes were given less than an hour to report to an emergency meeting. As a result only a fraction of them were on hand to hear the news. The meeting, if you can call it that, only lasted a few minutes. No questions were accepted or answered. The coaches were themselves being pink slipped over in another room and therefore were not allowed to be in the room with their players and be a source of comfort, guidance, and perspective.

In what has to be one of the most insulting gestures of disrespect that I've seen in my 27 years of public life, the President of the institution arrived at the meeting in the company of uniformed police officers, presumably as protection from acts of

violent retaliation by the aggrieved players, as if they were a band of violent thugs and not dedicated, disciplined young men and women who represented their school proudly in NCAA competition and brought dedication to the Towson name by virtue of their conduct.

These are not big money, big revenue sports we are talking about. These kids, you are not going to see them on ESPN. I suspect none of them are going to get to the professional level. These are just kids who are out there playing for the love of the game in order to get their education, and most important of all to understand the importance of values such as loyalty, teamwork, and respect. None of which they received from the leadership of their own college. I think it is a severe black mark on the record of an otherwise exceptional university. And one that frankly reflects poorly on the entire University System. If this awful decision is not reconsidered and reversed, I hope many if not all of these kids will go to play their chosen sport at another Maryland university that respects their talent and sacrifice.

I hope the coaches who lose their jobs as a result of this will find other suitable opportunities. I hope that everyone who has a stake in Towson University's success will make it abundantly clear that they expect far better from a university of such stature and big league aspirations.

Do I have my facts wrong?

MR. EVANS: I only know what I read in the paper also. I really can't speak to, you know, Towson's athletic program, or what they did. I read the same thing, I heard the same thing last week or week before last in the paper. And it was basically repetitive of what you just said. But I can't speak to what happens out of Towson as far as their athletic program.

GOVERNOR O'MALLEY: If all of that went down like that, that is pretty outrageous.

MR. EVANS: I will take it back to --

GOVERNOR O'MALLEY: If I were a parent, I would be --

MR. EVANS: I will take it back to the System, when I go back. I will mention it to --

GOVERNOR O'MALLEY: Does Towson have anything on this Agenda today?

MR. EVANS: Yes, sir.

GOVERNOR O'MALLEY: Let's defer it to next week. The President can come down and tell us if that's how they really treated those kids.

MR. EVANS: Yes, sir.

GOVERNOR O'MALLEY: What items --

MR. EVANS: I had withdrawn Item 6-C. The other one that I had was 7-C, which is the Harford Community College --

SECRETARY MCDONALD: -- Item 6, that was the one that the Comptroller, it was the Harford --

MR. EVANS: 7-C is the one I withdrew.

GOVERNOR O'MALLEY: The Comptroller moves to defer Item 6, seconded by yours truly. All in favor signal by saying, "Aye."

GOVERNOR O'MALLEY: Aye.

COMPTROLLER FRANCHOT: Aye.

GOVERNOR O'MALLEY: All opposed?

TREASURER KOPP: I don't agree with it.

GOVERNOR O'MALLEY: So the Treasurer --

TREASURER KOPP: I have no sympathy with what happened if what happened happened the way it did. But I don't know why this project should be denied. But hey --

GOVERNOR O'MALLEY: Okay. The Treasurer votes no on that one. How about the balance of the University System of Maryland Agenda items?

COMPTROLLER FRANCHOT: I just want to confirm that next meeting we're going to have the Frostburg State University press box at Bobcat Stadium? Is that going to be on the calendar?

MR. EVANS: Yes. It's my understanding that it will be on the April 3rd Board meeting.

COMPTROLLER FRANCHOT: Excellent, thank you.

GOVERNOR O'MALLEY: I mean, we're not a State that's been, that's been gutting and cannibalizing higher education through the recession.

TREASURER KOPP: On the contrary.

GOVERNOR O'MALLEY: On the contrary. Okay. Anything else for the University System?

COMPTROLLER FRANCHOT: No.

GOVERNOR O'MALLEY: The Comptroller moves approval, the Treasurer second. 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 now we move on to the Department of Information Technology. Good catch, Peter. Why didn't my people catch that?

MR. SCHLANGER: Good afternoon, Governor, Madam Treasurer, Mr. Comptroller. For the record, Elliot Schlanger, Department of IT. This afternoon we have but one item on the Agenda, and I'll be happy to answer any questions at this time.

GOVERNOR O'MALLEY: Any questions?

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: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

MR. SCHLANGER: Thank you.

GOVERNOR O'MALLEY: Thank you. Department of Transportation?

MR. SCHLANGER: Good afternoon, Governor, Madam Treasurer, and Mr. Comptroller. For the record, Acting Secretary Darrell Mobley presenting 15 items for MDOT. Items 1, 4, and 9 have been revised. I'll be happy to answer any questions that you may have.

TREASURER KOPP: There are no appeals filed in any of these now?

MR. MOBLEY: No, ma'am.

GOVERNOR O'MALLEY: Okay. 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. Department of General Services?

MS. WALKER: Good morning, Governor, Madam Treasurer, Mr. Comptroller. D'Andrea Walker, Deputy Secretary for DGS. We have 26 items on the Agenda. I'll be happy to answer any questions you may have.

GOVERNOR O'MALLEY: Any questions, Department of General Services? I don't think we have any. So the Treasurer moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. And that concludes our Board of Public Works Agenda for the day. Thanks very much for your patience.

(Whereupon, at 12:01 p.m., the meeting was concluded.).