STATE OF MARYLAND

BOARD OF PUBLIC WORKS

GOVERNOR'S RECEPTION ROOM

SECOND FLOOR, STATE HOUSE

ANNAPOLIS, MARYLAND

November 6, 2013

10:14 a.m.

C O N T E N T S

P R O C E E D I N G S

GOVERNOR O'MALLEY: Good morning everyone, and welcome to the Board of Public Works. Today is Wednesday, November 6th, a beautiful fall day in Annapolis, Maryland. Does the Comptroller or the Treasurer have any opening thoughts, comments?

TREASURER KOPP: Not I --

GOVERNOR O'MALLEY: It's a standoff.

(Laughter.)

COMPTROLLER FRANCHOT: I have a --

TREASURER KOPP: Except to say it truly is a very beautiful day. I, no I don't.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you. Thank you, Governor. I just wanted to mention I hope everyone had a nice Halloween last week.

TREASURER KOPP: Oh, do you want to see a very cute picture of my grandchildren?

(Laughter.)

COMPTROLLER FRANCHOT: It was a little bit, it was a little rainy in Takoma Park but on Sycamore Avenue we had over 200 kids visit at least the block and Annie and I greatly enjoyed seeing everybody.

But I particularly remember Halloween because earlier in the day I was able to spend the morning with Ed Grenier of Junior Achievement along with Congressman Steny Hoyer and Donna Edwards, Elijah Cummings, Rushern Baker, and senior executives from Capital One Bank for the groundbreaking of the new finance park in Prince George’s County. And I’m particularly pleased because I’ve been able to participate in another finance academy event in Talbot County, the Cadmus Building in Easton. And when the Prince George’s County park is built, and within a year I believe, these finance parks absolutely provide phenomenal opportunities for our kids to get personal financial lessons that they have learned in the curriculum of their eighth grade courses in the public school system and then apply them to real world situations.

And I’ve seen these finance academies in action. There is one in Fairfax, Virginia, which is the model for all of this. It’s amazing to watch the students’ enthusiasm, see them soak up financial information like a sponge. There is absolutely no doubt that the kids who are learning these lessons in the classroom, who are supplementing that classwork with the applied knowledge that they gain in those finance parks, are substantially more prepared to lead productive, financially secure lives as they enter the real world. I say all elected officials should take the course at some point, but I'm just kidding.

But it's a wonderful addition to these kids' curriculum. And it's often been left out. I've been a champion of mandating a stand alone course in financial literacy for every Maryland student as a condition of graduating from high school.

Organizations like Junior Achievement and programs like this finance park are a wonderful way to complement that initiative. Frankly, I'd love to see the same type of synergy between the government and private sector. Capital One is putting several million dollars into this as a public private partnership. And also the not-for-profit community that we are seeing in Prince George's and Talbot, I would love to see a finance park right in Baltimore City for all of our kids in that region to get this experience.

Governor and Madam Treasurer, I would encourage both of you to stop in and see the phenomenal learning that is going on in these academies. I guarantee you you will walk away impressed.

And Governor, if I could just, a personal note or privilege, I would like to recognize my Chief of Staff Len Foxwell who is sitting over there. He is a young man. He's wise beyond his years, as we all know. A wonderful friend to me personally and a great asset professionally to me. But also as Chief of Staff to the Comptroller's Office, which is pretty amazing because he has basically got a part-time job with me, his full-time job is head of the Easton Little League in his hometown. But he's an absolutely outstanding, wonderful asset to the State of Maryland. And I'd like to wish him a Happy Birthday.

TREASURER KOPP: Ah --

GOVERNOR O'MALLEY: Happy Birthday --

(Applause.)

TREASURER KOPP: So I wasn't going to say anything. But I am moved to say something, besides Happy Birthday Len. I'm a graduate of Junior Achievement about 50 years ago myself. And I do have to say while the Comptroller and I may not agree on everything, we agree on an awful lot. And Junior Achievement is one of those things. It was an eye-opening, wonderful experience. I and some of my friends started a little business, and it didn't last beyond high school. But it really was, it was just the right time to grab people with a hands on experience that tied a lot of what we were learning in school, in finance and, you know, how to balance a checkbook. People had checkbooks then. And that sort of thing. But really to become intrigued with the business world and with the broader community. And it actually brought not only the students out but the community together supporting them, too. Menlo Park, California, about 1960, a great experience. And I thank you for reminding us.

COMPTROLLER FRANCHOT: Well I didn't take Junior Achievement, and my wife when she found out what this job was, looking after the books of the State, she said, "God help the State of Maryland." But I will say that in the last seven years working with Treasurer Kopp and the Governor, it's such a valuable, omitted part of the kids' curriculum. I know we try to embed it. But boy, is it powerful and helpful for these kids to have it. They are hungry for it. They soak it up. And when they realize that it is essential to getting a job after school, that if they have that credit they are in trouble, it's a pleasure to be part of this new era. And thank you, Madam Treasurer, for --

TREASURER KOPP: Yeah. Yeah.

COMPTROLLER FRANCHOT: No wonder you are Treasurer, Junior Achievement.

TREASURER KOPP: I don't think that Junior Achievement was why. But Junior Achievement had a lot to do with, absolutely, with shaping that whole graduating class.

GOVERNOR O'MALLEY: Okay, so here we are. Secretary's Agenda?

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have 12 items on the Secretary's Agenda this morning. We have three reports of emergency procurements. I am withdrawing Item 4, Item 5, and Item 11. We are prepared to answer any questions on the remaining Agenda.

GOVERNOR O'MALLEY: Any questions on the Secretary's Agenda? Hearing none -- I'm sorry?

COMPTROLLER FRANCHOT: No.

GOVERNOR O'MALLEY: You're good? Hearing none, 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. We move on now to the Department of Natural Resources Real Property Agenda items.

MS. WILSON: Good morning, Governor, Mr. Comptroller, Madam Treasurer. Emily Wilson with the Maryland Department of Natural Resources. We have seven items on our Agenda today. I'll be happy to try to answer any questions.

GOVERNOR O'MALLEY: What is the best one?

MS. WILSON: I am partial to Item 3A, the Three Notch Trail in St. Mary's County. This item today is for a five-mile portion but when all the phases are complete it will be nearly 28 miles of trail, ADA compliant, lots of leverage funding between Hughesville all the down to Lexington Park.

GOVERNOR O'MALLEY: That's awesome. And that's what? Item 3A?

MS. WILSON: Correct.

TREASURER KOPP: Mm-hmm.

GOVERNOR O'MALLEY: Three Notch Trail. Is there a map of Three Notch Trail?

MS. WILSON: I have one.

GOVERNOR O'MALLEY: I didn't see a map. I see that the Facchina Family Irrevocable Trust II.

MS. WILSON: Right. That's an acquisition. I can certainly send, we can send you the link to the information on Three Notch. They have a nice website that describes --

TREASURER KOPP: From Mechanicsville to New Market.

GOVERNOR O'MALLEY: Yeah, I'd love to see it.

MS. WILSON: Sure.

GOVERNOR O'MALLEY: Eleven-mile section of trail from beyond the County line in Charlotte Hall to Baggett Park in Laurel Grove.

MS. WILSON: Right. This item will complete an 11-mile section. But when all of the phases are complete it will be almost 28 miles.

GOVERNOR O'MALLEY: Tell me about the Facchina property.

MS. WILSON: Okay. That's down in Charles County next to Nanjemoy Natural Resource Management Area. It actually provides great public access in the Taylor's Road portion for that Natural Resource Management Area, much needed public access down that way.

GOVERNOR O'MALLEY: And what's the need for it and how much are we paying for it?

MS. WILSON: It is, again the need is for public access. And we are paying $108,000 which is actually an eight percent discount from the recommended value. It's extinguishing about two development rights.

GOVERNOR O'MALLEY: What does it give us access to? The creek?

MS. WILSON: To the Wildlife Management Area in that part of Nanjemoy.

GOVERNOR O'MALLEY: Uh-huh. I'm having a hard time, I need a slightly bigger -- no, there it is. Okay.

MS. WILSON: It's direct road frontage access.

GOVERNOR O'MALLEY: Is there a road that goes back to the river there now?

MS. WILSON: To what, Nanjemoy Creek?

GOVERNOR O'MALLEY: Yes.

MS. WILSON: It looks like Taylors Neck Road might take you there.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

MS. WILSON: Thank you.

GOVERNOR O'MALLEY: Can you let us know by the next Open Space Agenda, how much Open Space have we protected in these last seven years?

MS. WILSON: Sure.

GOVERNOR O'MALLEY: And equate it to, say, a Maryland county or a portion of that?

MS. WILSON: Okay.

GOVERNOR O'MALLEY: And you can define however you will. I mean, maybe you want to do Open Space only, maybe you want to do Open Space and --

MS. WILSON: Recreational projects?

GOVERNOR O'MALLEY: Or the MALP program, or what --

MS. WILSON: Okay --

GOVERNOR O'MALLEY: We have a number of programs that protect by way of easement or by way of purchase. So it would be good for all of us to be able to tell people what we have done over these last seven years. Because I suspect with the combination of that Jesuit property purchase, as well as the down real estate market, and our protect of these dollars of our children and their application to these permanent uses, I would, my gut tells me we have probably preserved a lot of future in these last seven years.

MS. WILSON: No question.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We move on now to the Department of Budget and Management. T. Eloise Foster. And the T stands for Tough Choices.

(Laughter.)

TREASURER KOPP: No, it doesn't.

MS. FOSTER: Good morning, Governor, Madam Treasurer, Mr. Comptroller. There are seven items on the Department of Budget and Management's Agenda for today and I'd be happy to answer any questions you may have.

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. We move on now to the University System of Maryland.

MR. STIRLING: Good morning Governor, and Mr. Comptroller, and Madam Treasurer. I'm Jim Stirling from the University System. We have three items on today's Agenda and I would be happy to address any questions you have.

GOVERNOR O'MALLEY: Any questions?

TREASURER KOPP: Not for the University.

COMPTROLLER FRANCHOT: Just Governor, if I could, on Item 2? Is there anyone from Salisbury here?

MR. STIRLING: I don't believe anybody from Salisbury --

COMPTROLLER FRANCHOT: Oh good, yeah.

MR. STIRLING: Oh, they are, behind me.

COMPTROLLER FRANCHOT: Come on up here, gentlemen, because --

TREASURER KOPP: Len had a question?

COMPTROLLER FRANCHOT: Are you graduates or just with the University?

MR. VIENNA: I'm Mike Vienna, the Director of Athletics.

COMPTROLLER FRANCHOT: Oh, fabulous. Just the person I wanted.

(Laughter.)

SECRETARY MCDONALD: Do you want to approach the microphone? It will be easier for the court reporter, please.

COMPTROLLER FRANCHOT: So what are some of the recent national accomplishments of Salisbury University's men's and women's athletic programs?

MR. VIENNA: Most recently our women’s lacrosse team is the defending Division III women’s lacrosse national champions. They have won two national titles. Our men have won, men’s lacrosse have won ten national titles, and women’s field hockey has won five national titles.

COMPTROLLER FRANCHOT: And the men’s baseball team? How are they doing?

MR. VIENNA: They are doing great. They were regional champions last year, conference champions and regional champions.

COMPTROLLER FRANCHOT: And thank you for that. Thank you for doing a great job down there. Is there, what is the capacity of this stadium? Because my briefing document said 3,500, which seems a little tight for the success of these programs?

MR. VIENNA: This proposal would be adding 3,500 seats.

COMPTROLLER FRANCHOT: It would be adding 3,500?

MR. VIENNA: Yes, we have 2,000 now.

COMPTROLLER FRANCHOT: Okay. Thank you. Keep up the great work and say hi to President Janet.

MR. VIENNA: We will.

COMPTROLLER FRANCHOT: Please. Thank you.

GOVERNOR O'MALLEY: Okay. Anything else? 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 we move on, thank you, we move on now to the Department of Information Technology. Isabel Fitzgerald, the first woman ever to be the Secretary of Information Technology.

MS. FITZGERALD: Good morning Governor, Madam Treasurer, Mr. Comptroller. Isabel Fitzgerald, Department of Information Technology. We have ten items before the Board and we're here to answer any questions that you may have.

GOVERNOR O'MALLEY: Questions? Mr. Comptroller? No? Yes? No? 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: The ayes have it. That was a suspense filled moment, wasn't it?

(Laughter.)

GOVERNOR O'MALLEY: We move on now to the Department of General Services.

MR. COLLINS: Governor, do you want me next? I'll be glad to do it.

GOVERNOR O'MALLEY: Is that who is on next?

MR. COLLINS: No, it's --

GOVERNOR O'MALLEY: I'm sorry. I apologize. I skipped over. Sorry, Al, thank you for your kind and polite correction. Mr. Enton, what one are you here on? You don't want to mention anything, huh? You are just watching? Okay, Mr. Enton. So I could, you know, at that time on Sundays when you just keep your mouth shut and hope that nobody said time to go up. As long as you just keep quiet, and keep watching Bonanza, they might not notice you are still staying up. All right. We're on to the Department of Transportation. Jim Smith is looking at me like I'm bonkers. Yes, Jim?

MR. SMITH: Not really. Good morning, Governor, Madam Treasurer, Mr. Comptroller, for the record Jim Smith, Secretary representing MDOT. MDOT is presenting 12 items as Item 4 has been withdrawn. I'd be happy to answer any questions that you have on everything other than Item 10. We'd like to make a presentation on Item 10 and address that after you have questioned anything else.

GOVERNOR O'MALLEY: Is Item 10 the --

TREASURER KOPP: Purple Line.

MR. SMITH: Item 10 is the P3, Purple Line.

GOVERNOR O'MALLEY: Okay. Any questions on the balance of the Transportation Agenda items? That is, everything except Item 10 which is the public private partnership on the Purple Line? Peter?

COMPTROLLER FRANCHOT: Yes. If I could ask on Item 11, please? Just before we get to the --

MR. SMITH: Well we have Wayne Pennell and Jim Walsh from the MAA available.

COMPTROLLER FRANCHOT: Right.

MR. PENNELL: Good morning. Wayne Pennell, Chief Operating Officer at BWI.

COMPTROLLER FRANCHOT: It's really -- yeah, good.

MR. WALSH: Jim Walsh, Chief Financial Officer.

COMPTROLLER FRANCHOT: Good. This is actually more a question probably for the Secretary --

MR. SMITH: Oh, okay.

COMPTROLLER FRANCHOT: -- but I'll go through it with you guys if possible. We're being asked to authorize an expedited a procurement for a contractor to maintain the Four Points Hotel at BWI Airport after the current lease with

Sheraton expires on November 30. It's my understanding that MAA, Maryland Aviation Administration, actually owns the hotel and has taken steps, or has to take steps to preserve it during an upcoming period of vacancy, such as preserving interior finishes, preventing pipes from freezing during the winter, safeguarding against vandalism. I guess my question is fairly simple, you guys can take a shot at it. Why does the State of Maryland still own a hotel at BWI Airport?

MR. PENNELL: When the lease expires, Comptroller, the ownership of the hotel will revert to the Airport. We actually negotiated a lease extension with the tenant for five years. But unfortunately they couldn't secure financing as required by Starwood, the parent of Sheraton, so they elected not to extend the lease. So when that lease expires we will own that property. We are currently out on the street with an expedited procurement to seek a new hotel operator to lease this property for a five-year term. But we do expect that hotel to be dark, if you will, for a period of time while we go through that procurement. So we need someone to maintain and preserve that property. And that's the purpose of this particular procurement.

COMPTROLLER FRANCHOT: And so your reasonable anticipation is that this is going to maintain, or remain a hotel as opposed to being used for some alternative purpose?

MR. PENNELL: We hope so. We hope that there is a hotel management company out there who can maintain this property as a hotel for at least a five-year period. But if not we are looking at alternative uses for the near term. As part of our FAA master plan, sir, we do have a roadway in a seven- to ten-year time frame that will go through that property.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. PENNELL: But we do think it has value as a hotel property for the next five to seven years.

COMPTROLLER FRANCHOT: And Sheraton basically said we are not interested, and was it the lease holder? Or was it the chain that was the cause of all this?

MR. PENNELL: Starwood, the owner of Sheraton, required the tenant to invest over $2 million in the property.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. PENNELL: But the tenant couldn’t secure financing for that requirement.

COMPTROLLER FRANCHOT: Okay. Thank you very much. That has answered all my questions.

TREASURER KOPP: So what is the goal in terms of the hotel at the Airport?

MR. PENNELL: We'd like to find an operator for this property, as I said, for the next five years.

TREASURER KOPP: Yeah.

MR. PENNELL: Our longer term goal --

TREASURER KOPP: Right.

MR. PENNELL: -- madam, is actually to put out a request for proposal for a new hotel behind our hourly garage, closer to the terminal complex.

TREASURER KOPP: Okay. That's where it should have been. Yeah.

MR. PENNELL: So we're looking to do that in 2015.

TREASURER KOPP: And how did it happen? I thought this was what the Comptroller was asking at the beginning. But how did it happen that we own it?

MR. PENNELL: Well we don't own it yet. It's common in airport real estate that tenants who lease land for the long term --

TREASURER KOPP: From the Airport.

MR. PENNELL: -- from airports, you know, maintain the property over the lease term. And when leases expire the ownership of all those improvements of the property revert back to the Airport operator.

TREASURER KOPP: So we owned the property, leased it to Starwood, who had a franchisee, or I don't know --

MR. PENNELL: We leased it to the franchisee.

TREASURER KOPP: Leased it to the franchisee when?

MR. PENNELL: 1966.

TREASURER KOPP: 1966. That was a while ago.

GOVERNOR O'MALLEY: I was three years old.

TREASURER KOPP: I remember 1966 but not well.

MR. PENNELL: I was too, sir.

MR. SMITH: I'm not joining that conversation.

(Laughter.)

COMPTROLLER FRANCHOT: Yeah, smart move, Mr. Secretary.

TREASURER KOPP: Okay. So we continue, it's because it's Airport property --

MR. PENNELL: Correct.

TREASURER KOPP: -- and therefore all the improvements revert. So whatever they build reverts to the --

MR. PENNELL: Correct.

TREASURER KOPP: Huh.

MR. WALSH: That's fairly standard in that business.

TREASURER KOPP: Yeah. Okay. Thank you.

GOVERNOR O'MALLEY: Okay.

MR. SMITH: Any other questions on anything else?

GOVERNOR O'MALLEY: Hearing none, the Treasurer moves approval of the Transportation Agenda items with the exception of Item 10, 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. Now we go to the remaining item, Item 10. Mr. Secretary?

MR. SMITH: Governor and Comptroller and Treasurer, it's an honor to present for your consideration Maryland's plan to deliver the Purple line through the public private partnership or P3, and to seek your approval of our competitive method for selecting a private partner. With your approval we will proudly move forward on Maryland's first transit P3 project.

And before I turn the presentation over to Henry Kay, who is the MTA's Executive Director for Transit Development and Delivery, I really want to acknowledge the Lieutenant Governor Anthony Brown's leadership in the P3 legislation and passing that legislation that establishes a framework for P3 solicitations.

I also want to recognize the staff of MTA and MDOT for the work they have done on this project. They have really invested hours and hours and hours in trying to prepare for this very day and then to prepare for the RFQ and RFP in the future.

A special thanks also goes out to the Board of Public Works staff and your offices for your patience, as well as for your willingness to digest an awful lot of material over a long time. We really wanted to get this right. This is kind of a maiden voyage for Maryland with regard to P3s. And so we have invested a lot to roll this out successfully. I think after today's presentation, or at least I hope after today's presentation, that you will agree that we did get it right.

Governor, you actually challenged all of us at MDOT to come up with a process that reflects not only your leadership but also a project that reflects Maryland's values. As you will hear from Henry, there are many different P3s throughout North America. But the Purple Line P3 project, this Purple Line P3 project, is in keeping with Maryland philosophy and is the most economically inclusive project of its kind. The Purple Line solicitation includes provisions to realize economic benefits for Marylanders, including goals for participation in construction, operation, and maintenance by disadvantaged business enterprises; encouragement to purchase equipment manufactured in the United States; agreements to assure labor peace; and encouragement to provide wages and benefits that compare with existing operations in Maryland.

Finally for anybody concerned with respect to a private partner operating and maintaining the Purple Line, please rest assured that the MTA will own the assets and the Department of Transportation will play a prominent role in the construction, operation, and maintenance of this key rail line. We will remain engaged with local communities to ensure that all State goals, responsibilities, and commitments are fulfilled. After all, our name is going to be on the train.

With that, I would like to turn it over to Henry to explain the details of the P3. I would be more than happy to take questions at the end of this presentation.

MR. KAY: Thank you. Thank you, Mr. Secretary. Governor, Comptroller, Madam Treasurer, good morning. I’m Henry Kay with MTA. I’m pleased to be here. I have a short presentation for you that describes the characteristics of the P3 that we are proposing for the Purple Line that I’d like to go through with you. So if I could look at the next slide?

This is just to remember, you know, what it is we are proposing to build here: a 16-mile light rail line in suburban Maryland, about half in Prince George's County, about half in Montgomery County; 21 new stations, four of which would connect directly to existing MetroRail stations; and all three branches of the MARC train line are served by this line. We would open in 2020 with over 50,000 riders. By the time the ridership matures ten or 15 years later we would be carrying over 70,000 riders. It's a very important transportation asset and a very important economic asset for that area. If I could have the next slide, please?

What we are proposing is a public private partnership mechanism to deliver this project. This is a map that depicts P3 transportation projects across North America. You can see they are in a variety of categories. Highways, there are airport projects, parking projects, transit projects, and port projects, including our own port P3. These P3s have, there are two types. There are revenue projects, which you would be familiar with. Those are the two P3s we have done to date. And then there is the type we are proposing for the Purple Line, which is based on an availability payment and I'll talk more in a moment about what that, how that concept works.

This is just a long list, too long to read certainly, of what all those projects are. You can see the categories they fall into. A large number of highway projects, but also a significant number of transit projects. It’s a little hard to tell but those that are in lighter blue are structured around an availability payment. So again, that’s the mechanism we are proposing for the Purple Line. Next, please?

We’ve taken, gone through a fairly long process to get to this point. It ends at the bottom there with the issuance of a pre-solicitation report which came out in August. And that was the mechanism that was required under the State P3 statute to get to this point. But if you go back and look at all those steps that we’ve taken there are several years of due diligence, both exploring with stakeholders, the industry, the FTA, the Federal Transit Administration, which is an important funding partner, to get to a point where we can make this recommendation to you. So, you know, I would just focus on last spring we issued a request for information to the industry, which is local and national and international. We conducted an industry forum in mid-May to solicit their participation directly and their interest and their ideas. After the statute became effective the State issued regulations to allow MDOT to proceed with its own P3 program under that. We finished our screening process and again issued that pre-solicitation report in August.

So we have had a very comprehensive program of both technical analysis and also input from stakeholders. This was the subject of, you know, two years of debate in Annapolis. The legislation passed in the second year. We had a regulatory regulation issuing process that had public input, two hearings in the General Assembly, meetings with major stakeholders including Montgomery and Prince George’s County governments which are both investors in the project but also, you know, significant beneficiaries of the new transportation service. We have our capital budget. The Secretary is now out meeting with each county about that. We are making very long presentations to both counties about that. As well, as I said, a variety of stakeholders in the communities that the project will go through. So when we come to you today with this recommendation it’s based on this due diligence.

This is a summary of the major reasons for using a transit P3 for the Purple Line. The term and the title there DBFOM stands for Design, Build, Finance, Operate, and Maintain. So this is a comprehensive program of services that we would be asking a private partner to provide for us.

There are several items culled out there that are, that were sort of overwhelming reasons why we made this recommendation for Purple Line. I would just start at the top of what we call operational factors. The Purple Line is a free standing asset. It is not connected to any current MTA service. It is not connected to any Washington Metro service. We would need to build from scratch an organization to build it and run it. And so when we have to do that anyway it raises the question whether there's a way to, you know, build that structure and incentivize certain efficient behavior and risk management. So we think that it's, delivering the Purple Line as a P3 greatly increases the likelihood that we're going to be able to provide uniformly high quality service to riders over a long period of time.

The second point there, risk transfer efficiencies. This is a factor that, you know, we need to ask ourselves when we approach any P3. Are there risks that we would otherwise be taking on, or our contractors to build the project would be taking on, that we can assign through a P3 process in a way that makes the management of those risks more efficient. So a specific example of that that, you know, I think as anyone can understand is during the construction process, you know, we would typically let a series of smaller contracts. That work would be constructed, you know, in adjacent to one another. There is a whole complex process of managing that construction in a way that everything that we have promised that constructor is available to him or her when they need it. And if we can't provide that then, you know, there is a financial penalty to us for doing it. You know, we are good at this. We do that everyday. But, you know, anyone who manages a large capital project can tell you that there is, you know, a few white knuckle moments when you wonder whether all the pieces are going to come together correctly.

If we deliver this project through a P3 all of those interface risks, and they don't go away but they become the responsibility of that third party and that third party is committed to deliver this project to us for the price that he or she has bid. So we have essentially transferred all of that interface risk to this third party. Presumably that person, that group, has confidence in their own ability to manage them and they therefore offer us a price that is lower than we would otherwise pay.

The third point there, whole life cycle planning and cost optimization. So what we have is a situation where our P3 concessionaire will look at the designs we have provided, will make decisions about how to specifically construct this. They will do that in a manner that anticipates the fact that they will also have responsibility for operating the project later on. So if they see a way to invest more up front, for example, in a more robust structure, and reduce their own maintenance costs over that 30-year period of time, they will do that. And honestly, it works the other way, too. If they see a way to save money in what they build up front because they think it is more efficient to just put more money into operations over a longer period of time, they may do that. But the point is they are thinking of the project as whole, in terms of the whole life cycle cost. Something that we try to do as public agencies, but don't fully succeed. We think much more honestly about the cost to build a project and then when it comes time to maintain it, we cross that bridge when we come to it. So this is a way of building in all of the State's responsibilities and liabilities up front and making sure that those are handled correctly.

Schedule discipline, this concessionaire will be highly motivated to deliver this project on time because he or she will be paid by us only if it is delivered on time. There are opportunities for innovation. You know, we have structures in mind that will carry these trains over and under roads. We have a way that we would build them but we think there are very smart concessionaires out there who could perhaps think of more innovative ways to do that. They will be able to propose those innovations to us during the solicitation process and they will be able to implement them once they are selected as the private partner.

And then finally financial value, something we always have to be concerned about in terms of the bottom line. This is a project that the State has to pay the bill and a project the State has to pay to operate. It’s a transit project. You know, we will charge fares and the project will earn revenue but those won’t be enough to pay its operating costs. So we have to, you know, we think the P3 gives us an opportunity to package all of that together and have a concessionaire deliver this project to us in a more efficient way than we could, which eventually delivers financial value back to the State.

This is a, this colorful background is a simple version of a structure that we imagine with the State there at the top in the blue box and the purple box is the concessionaire itself. So the State has access to sources of funding, State funds, federal grants that would come to us specifically for this project, local contributions. We use those funds to make two kinds of payments to the concessionaire. Milestone payments during the construction process to buy down the cost of construction, and then once the project is open availability payments. Annual payment for, that we make to the concessionaire because, if he delivers the project to us or she delivers the project to us as we specify. That concessionaire then goes to the market and seeks financing for his or her part of the project. So they may have equity investors, they nay have creditors. Normally equity may represent about ten percent of the overall cost of the concessionaire’s investment, creditors about 90 percent. And then that concessionaire will either hire or, you know, do him or herself two functions. They will build the project and then they will operate the project for us through a series of contracts and subcontracts. So that is the relationship that stays in place throughout the term of the concession.

This is a break down of how the project looks on the capital side. So the top two parts of the diagram, the concessionaire’s equity and the concessionaire’s debt, form the private financing that it takes to support the project. The bottom half are the payments the State makes, milestone payments during construction and then what we call State retained responsibilities. So we are doing the preliminary engineering, we are purchasing the right of way, we are performing quality assurance functions during construction, these remain our responsibility and our cost through the project.

This is how availability payments work. So these are the payments that kick in once the project is open to service. So sometime after the year 2020. Three main parts there: operations and maintenance costs; rehab and rehabilitation costs which we will specify in the contract what standards of rehab the concessionaire has to meet and funds he has to make available for that purpose; and then the payments that he will make toward repaying the funds that he has borrowed to finance the project.

A question here has been, you know, what the significance of that red portion is there now in terms of, and how it affects State debt affordability. So we have gone through a process of consulting with the Capital Debt Affordability Committee. We understand that we may be receiving a letter providing some preliminary guidance from CDAC establishing parameters of a deal that we would bring back to the Board of Public Works and the CDAC in a year. And the next slide lays out the provisions of those parameters as we had proposed them. As I say, we understand we will get soon some guidance from CDAC about that.

The significance of it is that because the capital portion is, can be paid, our portion of the availability payment can be paid by annual operating revenue of the Purple Line, fares that the Purple Line brings in, and then secondly backed by additional fare revenue that the MTA brings in in its system in general, those are non-tax revenues that are being used to make those payments. So that is the basis of our discussion with the CDAC, which we hope will lead to a conclusion that this is while debt, it is non-traditional debt, and is therefore, does not count against State debt affordability. Next slide, please?

This is, this table represents some selected key terms from the concession agreement that we will eventually bring back to the Board of Public Works for a final approval. It is, we will bring back an agreement that establishes that basic terms under which this concessionaire will provide for us the track, the stations, the vehicles, the maintenance facility, and will operate it for us. We believe at this point that this will be a 35-year term, five years of which will be construction and 30 years will be operations. At the end of that term we would solicit a new operator to continue to operate the asset.

Federal requirements apply. There will be federal funds in this project. The Secretary mentioned that we will set a disadvantaged business enterprise goal for this project as part of our effort to meet federal requirements. Indemnity, the concessionaire indemnifies the State. We have requirements that we will impose on him or her for insurance and for surety bonding to make sure that the assets are delivered as he or she promises.

The concessionaire will be responsible for fulfilling any third party commitments that MTA has already made. For example, through the environmental approval process we made a series of environmental commitments to regulatory agencies, to communities. Those commitments become part of our P3 agreement and the concessionaire is responsible for fulfilling them. And finally at the bottom there, renewal work and handback requirements. Thirty years is a long time away but in the world of, you know, infrastructure this is a valuable asset, it’s not that long. So we have to think about controlling the circumstances under which those assets will come back to the State. So we will have requirements in place that establish maintenance that the concessionaire has to do of those assets during the term and the condition that those assets have to come back to us so that, as I say, we could contract with a new entity to continue to operate them.

This is a depiction of the evaluation structure that we are proposing in our solicitation plan. This applies, generally drafted here, so it applies both to the RFQ phase, which will happen soon with your approval, and then the RFP phase that will happen in calendar year 2014. It's a process overseen by a contracting officer in the same way a procurement would be. It starts with technical and financial review at the bottom there, and so we would use MTA staff, we would use staff from Montgomery and Prince George's County, and we also have some advisors we have brought on board who have done P3s all over the world who can tell us whether what we are getting is solid. So they make, they look in detail at the proposals that we receive. They pass their notes and thoughts and ideas on to what we are calling a management committee. And this is essentially playing the role of an evaluation committee in a procurement. So these are the State employees who would end up scoring these proposals in either the RFQ or the RFP phase. Their recommendations are then made to an executive committee, which is made up of senior folks from MDOT and then also a representative of the Prince George's Executive and the Montgomery County Executive. Again, because their role, you know, and over the lifetime of the project is very important. We want to make sure that they, we have access to their thoughts as we make a final recommendation which again goes to the Secretary.

For the RFP process next year, that will, the Secretary's recommendation will then go back to the Legislature for review and comment, to the Treasurer and the Comptroller, and then we would foresee bringing that agreement back to the Board of Public Works for final approval.

This last slide is just a calendar of the key milestones that we hope will take place over the next year. We are at the very top there with the request for qualifications issued. We are prepared to do that with your approval imminently. We would receive statements of qualifications from proposers in a month and then we would go through the evaluation process that I described on a prior slide to select a short list of proposers. Those proposers would immediately be issued draft RFP documents. The complete agreement itself, the technical provisions and specifications that we would expect them to meet. And then we start going through a process a refining that RFP in consultation with them before a final RFP is released in the spring.

The teams then have until the fall of 2014 to submit proposals. We’d go through the same evaluation process again and select a final proposal. And then we would bring, after that consultation process with the Comptroller and the Treasurer and the budget committees and the Department of Legislative Services, we would bring a recommendation for a final agreement back to the Board near the end of 2014. And assuming that that is approved by the Board, there is a several month long period after that in which the concessionaire would finalize all of his financing and present that to us and we would go to what we call in this case a financial close. And so we anticipate that taking place in the spring of 2015. And then the concessionaire will be issued a notice to proceed, and he or she would start the process of building the project.

So with that, that's my presentation. On behalf of the Secretary we're happy to answer any questions.

TREASURER KOPP: Could I just start out by saying, laying out something about the Capital Debt Affordability Committee? And then I know the Comptroller I'm sure has a number of questions, as do I.

And that is, Mr. Kay, that I know in the beginning of September you and the Secretary came to the Capital Debt Affordability Committee and requested some preliminary guidance regarding the anticipated funding methodology and its impact on debt affordability, and tax supported debt and debt affordability. And we did point out at that point that the law actually asked for that sort of examination a year from now, when you have an actual contract proposal in place and we can judge it. And that what you were looking for, I gather, was some sort of preliminary, more high level guidance of what sort of factors would impact the question of whether it would be considered tax supported debt or not. And it was with that understanding then that you came and talked to the Capital Debt Affordability Committee in mid-October? Mid-September? Mid-September. And we said essentially the same thing. And you made an excellent presentation.

At that point we said that we would, and we have, consulted, and I'm speaking now both as Treasurer and as Chair of the Capital Debt Affordability Committee, as the person who sort of interfaces between the Board of Public Works, on behalf of the Board of Public Works and the State with capital markets and rating agencies and all those folks. So we have sought guidance from the State's auditor, who contracts with actually GAD in the Comptroller's Office, and with the Attorney General's Office, and with the State's financial advisor, and in more general terms with the rating agencies. And we looked at the proposal that you made and the sort of factors that you believed would render this process not tax supported debt and therefore not contained within, under the rubric of capital debt and capital debt affordability process. And I will tell you right now that we have worked through a lot of that.

We believe that the basic factors which you laid out, and which I could lay out, plus an additional factor regarding the funds coming into the TTF and then going into a segregated account, a trust actually with a separate trustee to assure that they are not mixed or moved or anything else, would, I would say based on discussions with all these authorities, make this most likely to be categorized as not tax supported debt. You pointed out the factors earlier.

The Capital Debt Affordability Committee, however, has not had a chance to meet and go through an actual draft. We will do that as soon as we can and get it to you. But I think it is safe to say that those criteria that you laid out, plus the creation of a trust with a separate trustee, would as far as we know now make it most likely to be not tax supported debt. But we cannot say, although you would like us to. We can't say until we see a final document and a final proposal what is that final conclusion.

So that, I mean, that's all I wanted to lay out before we get into other sorts of questions.

MR. KAY: Okay. Thank you, Treasurer.

MR. SMITH: And we understand that, Madam Treasurer. And we appreciate very much the --

TREASURER KOPP: Your people have been great to work with. And you understand that I am simply following the directions of the State's Debt Manager Ms. Amber Teitt, who is sitting back there --

(Laughter.)

TREASURER KOPP: -- making sure. She'll stand up and start screaming at me if I stray --

MR. SMITH: No, we don't want Amber screaming.

TREASURER KOPP: No. And one more outstanding State official.

COMPTROLLER FRANCHOT: I have some, a line of questioning, if I could, just to put it on the record. We are being asked to officially classify the Purple Line project, which is a light rail line that runs from New Carrollton to Bethesda, and in so doing will connect the suburban spokes of the MetroRail system as a public private partnership. And in so doing authorize the Maryland Department of Transportation to go out and select through a competitive bid process a private vendor who will design, build, operate, and maintain the system.

If approved and completed as proposed, the Purple Line would become the first rail expansion in the National Capital Region to be constructed as light rail and not heavy rail. It would also be the first transit line to be built, operated, and maintained by a private vendor since the inception of the Washington Metropolitan Area Transit Authority, or WMATA, back in the Johnson administration. And when completed would be the first transit line that would run exclusively in the Maryland suburbs for the sole purposes of connecting suburban population and employment centers without running through the District of Columbia.

So it’s a big deal for our State and for the region. I’d particularly like to comment Secretary Smith, because he has provided such access and leadership on this issue. Of course, Deputy Secretary Leif Dormsjo has been superb, and Mr. Kay as, we all know your reputation within the State as far as these complicated projects. And thank you for putting all the thought and effort into this proposal. You have reached out, as you mentioned, to everyone at the table. It’s very apparent to me that you have tried to anticipate any potential, unforeseen problems that could arise out of this new, I see it as an unprecedented arrangement. I know you had a map with a whole bunch of projects around the country. But my understanding is the Eagle project out in Denver is really the only transit proposal that we are hanging our hat on. And so I have a few questions because it is such a momentous project. It is an enormous investment. Regardless of how the process works out on State supported debt or not, it’s still going to be a significant investment by the State’s taxpayers. And I just want to have a little bit of a conversation so that taxpayers and future riders have a sense that this is all being thoroughly vetted.

So first of all this is going to be the first regional rail expansion that would be constructed under the, how do you pronounce that, DBFOM? Or Design, Build, Finance, Operate, and Maintain --

MR. KAY: DBFOM is the only way to say it.

COMPTROLLER FRANCHOT: DBFOM. Okay, yeah, DBOM is probably not a good acronym. Okay. So in the background materials you cite a variety of benefits to justify the approach we are taking: greater likelihood of quality service; the potential for long term financial savings; and given that the private vendor has his own skin in the game or her own skin, incentives to ensure that they will stay on schedule during construction, a great point; to properly maintain the asset and seize upon opportunities to provide service enhancements. Assuming that all of this is true, why is the State of Maryland the first jurisdiction, and why is the Purple Line the first piece of light or heavy rail infrastructure that is being built under the terms of this model? Why for example did Virginia opt for a more traditional approach in constructing the Silver Line extension that will ultimately connect the Orange Line to

Tysons, Dulles Airport, and other destinations in Northern Virginia?

MR. KAY: Yeah, thank you. Yeah, thank you. I'd be happy to address that. I think the biggest thing with regard to the specific example you are citing, which is the Silver Line, which is just now, the first phase of which is being completed in Virginia and the second phase is planned, the significant difference there is that is an extension of an existing system. So once it is completed a train will operate all the way through the MetroRail system and out to the end of the Purple Line. So everything about that project, the way it is built, the rail vehicles themselves, the operators, is an extension of the MetroRail system. So in a situation like that you cannot package up work and put a box around it and give it to a P3 concessionaire.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. KAY: There is too much interface with the existing agencies. So that is a very important difference between that, and many other transit projects around the country, and the Purple Line. Which is a freestanding operation, a freestanding asset with no, you know, other rail or transit operation touching it in an operating sense. Certainly in a passenger service sense there is lots of services touching it, but not in an operating sense. So we can, we can, you know, we can draw a line around those assets and around the operating responsibilities, and give them to a concessionaire, and say to him or her you are one hundred percent responsible for this. And so that is the way that that concessionaire can think about how to manage, you know, his or her own risk and package the project and deliver it back to us in a way he can control.

In a broader historical perspective I think the P3 model for infrastructure delivery has been evolving slowly in the United States. I mean, we can look overseas, even in Canada, you know, and see this as almost the universally accepted model for delivering public infrastructure, public transit, and many kinds of transportation infrastructure. And you know, there are probably a variety of reasons why that is not so true in the United States. One of them is the concept of tax exempt municipal debt, which is not common around the world and it has always made it cheaper for governments to borrow money as opposed to private entities.

And actually just to that point the way we overcome that in this particular case is that we are applying on behalf of a future concessionaire for, you know, for a federal TIFIA loan. That loan will be eventually held by the concessionaire and not by us. But the significance of it is that it gives, you know, this subsidized interest rate to the concessionaire. So the cost of the financing is not significantly different than ours. But I think that is, that is probably the reason, chief among all others is the reason why P3 has been a little slow.

TREASURER KOPP: But Henry, just, we are a AAA rated state. Most jurisdictions are not. So their cost of even tax exempt is higher than ours. And yet even then they didn't use this device. So why --

MR. KAY: Yeah, I think even in a circumstance where their debt is not rated as well as ours, they pay more for it, it's still going to be cheaper than private debt. And so if you are talking about hundreds of millions or billions of dollars, there is a very significant financing cost that would place a burden on those projects.

But I think that, if I can, you know, predict, I think we will see many more P3 availability payment transit projects, you know, in the United States in the future. Our advisors who are familiar with the way the market is working say there are several coming through the pipeline. And that, you know, that model that was demonstrated in Denver, it seems to be working out well for them, we'll certainly be a further demonstration of it with our own twist on it. But that will start to be a model that you see much more frequently.

COMPTROLLER FRANCHOT: Okay. Well let me just continue that a little bit if I could. Because following up on exactly where the savings are for Maryland taxpayers in this new model, I'm assuming that the primary cost variables are going to be more or less identical. The project is going to be constructed with union labor. Operators, station personnel, mechanics, and police will earn comparable salaries and benefits. And the frequencies, hours of service, ridership projects are generally similar. How do you arrive at the conclusion that the P3 model is going to result in substantial cost savings for Maryland taxpayers given that possible scenario?

MR. KAY: Right, yeah. I think, what we've looked at so far, and this has been part of the analysis we have done to get to this point to be able to bring this recommendation to you, is that there are really two types of savings, some that are achieved during the construction phase and some that are achieved during the operating phase. So during the construction phase it gets back to the idea of risk transfer. So if we can make a concessionaire fully responsible for a set of risks that he or she can, has the confidence to manage themselves then, and can find savings in the way they do that. So, you know, an example would be, there would be, you know, we need a substantial bridge in Silver Spring that takes the line, you know, up and over the CSX line and into the Silver Spring, or into a new structure adjacent to the existing Silver Spring Metro Station. So how, exactly how that bridge is constructed, how many contractors are on site, what materials they use, where those materials are stored, those are all things that we would normally specify and a contractor would bid on that specific work. In this case all of those decisions will be up to this concessionaire. And so we will specify what the product has to be at the end, how it looks, its durability, how it operates. But how exactly that bridge is put together will be under the control of the concessionaire. And so we are, you know, the analysis we have done of other projects has told us there are savings there. And the information we have sought and received from the industry has told us there are savings there. So that and many other just, you know, aspects of the construction project like that. So that is on the capital side.

On the operating side I think your observations are correct. We don’t expect that, you know, the cost of labor will be any different for this project than it would be if we were operating it ourselves. And so where the savings will come is in the more efficient deployment of that labor and particularly resulting in we think fewer people. Not fewer folks on the operating and maintenance side, not fewer people driving trains, because trains can’t drive themselves. Not fewer people maintaining the trains. But more in the layers of management that we tend to create, you know, as a public agency. We think the concessionaire will be highly motivated to control that in a different way. So he or she will have a much leaner management structure. And then that will result, you know, particular over a 30-year time, in some significant savings.

I think it’s important not to overstate the savings aspect of this. While we are very confident saying this will not cost the State more than if we had done it, the extent of those savings really we will only be able to characterize once we receive bids. You know? And are able to see exactly what their cost structure is.

COMPTROLLER FRANCHOT: Okay, thank you for that. Just continuing on this, what is going to be in the agreement, do you think, that will give protections to Marylanders that the vendor will not, or cannot, simply walk away from the project if unexpected cost overruns, either in the construction of the line or in the operation of it, cuts into the expected rate of return on investment? Or if unfortunately the company declares bankruptcy? How do you protect the taxpayers over a 30- or 35-year period in this area?

MR. KAY: Thank you, that's an excellent question. I certainly don't think that's likely but we have to plan for it as a possibility because there's, you know, such a significant public investment that is potentially at risk there.

The responsibility is built into the structure of the P3 itself and then it can actually be improved upon by specific provisions that we put in our agreements. In terms of the structure itself, we are asking the concessionaire to invest somewhere between $500 million and $900 million of his or her own money. And so, and to invest that at the same rate the State or the public money is being invested. So at any point in time that private entity, you know, with that private debt will have a significant amount of ownership of the assets, or investments in the assets. And so that entity and his or her banks will be highly motivated to watch carefully and make sure that the ultimate delivery of the project and the payment of the availability payments is protected. So that is inherently built into the structure of this kind of P3. Their money goes in at the same rate our money goes in. But then beyond that it comes down to that fact that at any moment in time all the assets that have been built are publicly owned. We will always own the assets. They will be the concessionaire's assets to use for the duration of the term, but we will own them. So if the concessionaire were to default and disappear, any asset that had been constructed would come back to us and we would simply pick up where they had left off with a new concessionaire under a new contract and finish it.

So, and in addition to that the agreement itself will have a number of surety requirements. The contractor will have to post bonds that are performance bonds and project delivery bonds that are related to the amount of assets that have actually been constructed. And so and, you know, everyone has an interest in making sure that happens. We have an interest as the public partner. I mentioned before the federal government will be investing a significant amount through the TIFIA program so we expect they will take steps to safeguard their investment in the same way. So there will be lots of eyes on this concessionaire to make sure that if he is not performing he takes steps to correct it, and at the end of the day if he does walk away those assets come back to us and they are, you know, and all the value we have invested comes back to us, in addition to any value he has invested. So I think we can be confident that the State’s interest, you know, whether it’s financial or in the actual successful outcome of the project, is protected all the way through the process.

COMPTROLLER FRANCHOT: Yes. And I, thank you for that answer. And I can definitely understand the incentives to the private sector and I believe the model has a lot of validity. But I guess my concern is let's take on time performance. Let's put aside the construction. I know all the milestone payments are there. But suppose when you are, when they are operating this they decide, the private entity partner decides to create a larger profit as well as providing on time service, and all of a sudden some stations are not getting regular service. There are other ways to be "efficient" that clash with the kind of quality service you are accustomed to overseeing. How do you control the quality aspect versus the efficiency?

MR. KAY: We control that through the performance specification that is part of the agreement. So we lay out in very detailed terms what our expectations are for performance during the operations and maintenance phase. So how the service is delivered, what the assets look like, how the employees of the P3 interact with the public. And to the extent that the concessionaire doesn't meet those, for whatever reason, perhaps he has decided to save money by cutting back on his investment, we would have the opportunity reduce those availability payments. So, and so we will have staff on site who are checking data that comes in from the concessionaire and verifying that and auditing that. And where we see any situation where he has not met those specifications, we can reduce that payment. And because that concessionaire has to use that payment both to run the service but also repay his bank, we think he or she will be highly motivated to maintain that service. And that, you know, if you are, that is a precedent that we have seen with these other P3 transit projects. Again, none delivered now in the U.S., but plenty overseas. And in every one of those cases the owners of those projects have reported to us that that operator is highly motivated to meet that O&M spec.

COMPTROLLER FRANCHOT: And that's because of the financial penalties?

MR. KAY: That's right. That's right --

COMPTROLLER FRANCHOT: Okay. So let me ask just a little bit more about the oversight in addition to the financial penalties. With WMATA obviously we have a board that is made up of representatives of Maryland, Virginia, and the District of Columbia. They are all supposed to ride the WMATA system, or they are supposed to, I guess. They allegedly do. But they live locally. So when things go bad they get an earful from people, and a lot of the elected officials. They meet in regular public session on Thursday mornings down in the

District. They are regularly apprised of issues from general managers, staff, and the public. And they are all basically local. And my concern here is that since WMATA is not part of this equation, they are going to work collaboratively I guess with the Purple Line operator but they don’t have any real involvement. So as you say it’s either going to come from, oversight is going to come from either MTA, based in Baltimore, or MDOT, the Secretary located near the Airport. No aspersions on you or on Leif or others, but you are all elite public servants. But how can you guarantee us you are going to be able to run this railroad, or transit line, without personally being there?

MR. KAY: Well the, thank you, it probably won’t be me. But the MTA will have a staff that is on site. And those people will have the same, you know, ownership and familiarity with the way the system is serving the public that, you know, the employees of any system would do. So we are there to assure that the terms of the agreement are being met, because that is the mechanism that would be used to reduce the availability payment --

TREASURER KOPP: Who will these people be?

MR. KAY: Well they would be, I mean, this is the first level and I’ll get to a few more. These people would be

State employees who are, you know, working for the MTA or working for MDOT who would be assigned to monitor this service. And they would also be the interface between the public and the project. So if for example someone had a complaint about service, something was not clean or an operator was not polite, that complaint comes in, it comes into a State employee, that State employee then has the responsibility for following up with the concessionaire either get the problem fixed, or if it is bad enough to reduce their availability payment. So there is the same customer service mechanism that there would be under an MTA operated project.

We also recognize that, you know, this is a, these availability are made by the State. They are subject to appropriation. So they have the same kind of involvement of, you know, the General Assembly, the elected officials who live in the region, that a project that MTA operates would have. And so we would be, you know, listening for input from them about aspects of the project that weren't performing in a way that they had expected. So there would be that same kind of accountability that there would be if it were a State operated project.

So I think there will be the same accountability, the same ability to commit to a good level of service that we would if we were operating it. And in fact if I could say, I think because of the financial motivation of the concessionaire there is a greater chance the service will be consistently operated well because somebody has a profit motive to do that, which is as hard as we try today I think not something we can promise about our current service, or WMATA can't. So you know, there is in addition to sort of our concern and our monitoring of them, there will be also that financial incentive.

COMPTROLLER FRANCHOT: Let me just get your response to possibly resurrecting the Washington Suburban Transit Commission. That's an entity that used to have legitimate oversight in the Washington region back in the days when Montgomery and Prince George's County directly paid into the Metro system. Now it's kind of a reduced shell of its former self. It's basically a mechanism for processing State grants to WMATA. But it certainly strikes me that we will have a whole slew of policy and management issues to deal with on a daily basis. I can't imagine it wouldn't make people feel a lot better if we had a structure within the region, one that had Montgomery and Prince George's County representation at the table so that we could deal with some of these issues systematically. I noticed in the review you have got Montgomery and Prince George's represented in the recommendation to the

Secretary on the procurement. But do you have any comment on whether a Washington Suburban Transit Commission might be appropriate? Or some --

MR. KAY: I don’t know, I mean I can certainly call on the Secretary. Do you have any thoughts about that?

COMPTROLLER FRANCHOT: Yeah. Sorry to toss a hot potato at you.

MR. SMITH: Well, we haven’t talked about that. But, and you can respond.

MR. KAY: Okay, yeah, I mean I think that’s an excellent suggestion. It’s not something that honestly we considered previously. But that entity exists. I mean, it is, it’s alive and well. It serves a different role than it did in the days when the counties invested but it is there. The legal structure is there. There is some staffing for it. And it could be the place that, you know, we provide that interface with elected officials with the community. We can certainly consider that.

COMPTROLLER FRANCHOT: And are Montgomery and Prince George’s going to be asked to make payments as well as the State?

MR. KAY: They, we have approached the two counties about making a contribution up front. So their funding would come in during the years the project was under construction mostly and so it would go toward the construction of the project. It would be, we are viewing contributions the counties make in the same way we are viewing federal grants, which is they come into the trust fund and then they are used for whatever purpose we need at the time. So if we are making milestone payments, they are part of them. If we are beyond that point and we are making availability payments, then they are part of that too. They are, they are for that specific purpose but they get co-mingled with the trust funds once they come to us.

TREASURER KOPP: And how will they be set?

MR. KAY: We have, what we have suggested so far is that each county make, that the counties together make a contribution to the project that is equivalent to ten percent of its capital costs. So that is $220 million, split evenly between the two counties $110 million each. They have, but we're also, you know, happy to talk to the counties, they have certainly suggested this, that they, that contribution be made in the form of in kind services. So you know, an obvious example is the value of the Georgetown Branch right of way, which was purchased by Montgomery County previously. They are donating it to the project. It has significant value. We would have had to purchase it otherwise. So they have asked us to try to account for that value in terms of a contribution they might make, which seems reasonable to us. So we're still in the process of discussing that with the counties. But the principle we have laid out is that ten percent of the capital costs comes from the counties.

TREASURER KOPP: And will this all be incorporated in what we see a year from now?

MR. KAY: That particular aspect of it won't because that's sort of behind the curtain as far as the P3 concessionaire is concerned. That's part of the source of the State's responsibilities.

TREASURER KOPP: Okay. But it will be, it will be finalized before the Board has to act again?

MR. KAY: Yes. Yes, Treasurer --

TREASURER KOPP: -- even if it's not in that particular document?

MR. KAY: Hopefully well before that.

COMPTROLLER FRANCHOT: Thank you, Madam Treasurer. I've got just a couple more questions. But this issue of the Purple Line, you mentioned Georgetown Branch. It's, to get to what my question is, when that connects up in Bethesda with the WMATA system, how is that exactly going to operate? Is that analogous to the Orange and Blue Lines operating alongside the Red Line at Metro Center?

MR. KAY: It's not. And the reason is because the rail technology, as you mentioned before, is different. So there can't be that type of interface, the sort of cross platform transfer. Because the whole, sort of the structural mechanism of a light rail is quite a bit different than heavy rail. So in each of the four interfaces with Metro, and Bethesda is one of them, we do the next best thing which is --

COMPTROLLER FRANCHOT: Where are the other three?

MR. KAY: The other three are in Silver Spring, and they are in College Park, and they are at New Carrollton.

COMPTROLLER FRANCHOT: Okay.

MR. KAY: So yeah, as each of the branches of MetroRail comes out into Montgomery and Prince George's, we are touching each one with the Purple Line. So in each of those cases we worked very carefully with the county and with WMATA to create the best possible interface we can. So in the case of Bethesda specifically what will happen is the Purple Line will come along the Georgetown Branch right of way so it passes under the buildings, under, that are alongside Wisconsin Avenue, under Wisconsin Avenue. And the train will stop almost directly below Wisconsin Avenue. You will get off the train. You will be faced with a bank of elevators. You can either take them up to the street or down to the Red Line Station below you. And then you, once you get off below you walk through a short passage and you would be in the MetroRail Station. So never coming above ground, never out of cover in that particular case. So, you know, it’s a really excellent transfer that takes place as a result of the kind of, the vertical separation between the Purple Line coming in at one level and the existing MetroRail Station being below it. So each of the --

TREASURER KOPP: And you know now that that is indeed how it’s going to be done?

MR. KAY: We do. Because we, with Montgomery County, with WMATA, we have designed it. And so that is part of the design that is then passed on to the Concessionaire to build in that way.

COMPTROLLER FRANCHOT: But you know what the problem potentially is, where you have different entities side by side, or on top of one another I guess here, it’s a bit of a project to make sure they work and complement each other. Because, you know, how exactly do they even communicate?

MR. KAY: Yeah, that’s a good point. Yeah. We will, in a situation like that where we have physical interfaces with other entities, we will have a, you know, a very detailed agreement about how that works. We have to have a point at which, you know, that specifies how things are built in a way that, you know, minimizes risk to either of those entities, how they will operate later, who maintains each element of it, who is responsible for security, who is responsible for safety certification inspections. All those things will be spelled out in agreements, a series of agreements, with all adjacent owners. So WMATA is one of the more complicated ones. But there are a whole variety of, you know, next door neighbors that we are going to have to have interface agreements with.

So in the end if you are a person riding the service you really won't see that interface. It will be completely seamless to you. You know, the same fare payment system. The same marketing material. Same customer information process. You will just pass from one --

TREASURER KOPP: Well indeed you are calling it the Purple Line. I daresay most people will think it is the Red Line, the Orange Line, the Blue Line, the Purple Line. It will not even occur to them --

MR. KAY: Actually we hope that they do think that. Because they may, I mean, they certainly will notice that it is a different rail technology. But we hope that it interfaces well enough with fares in a physical way that people don't, you know, mind that they are passing from one to another. I don't, I mean, if any of you have ridden rail service in Los Angeles that's the way it works. You pass from heavy rail to light rail in Los Angeles. Each of the lines has a color name. They don't market the difference between them because it is rail service. I think any rider will see the difference.

TREASURER KOPP: Either very clever or very misleading.

COMPTROLLER FRANCHOT: Maybe we can market it to Ravens fans. Come on down and ride the Purple Line. Okay. So you are pretty confident that the fare system is going to be consistent and clear for the customer?

MR. KAY: Yes. And we can assure that because we will control that, not the concessionaire. So we will, we will specify how the fare system operates. We will set fare levels. We will manage the relationship with Metro so that it's the same smart care, using the same financial clearinghouse. So that from the standpoint of a rider it works seamlessly. You would not have to, you won't have to cross to another jurisdiction to pay a fare.

COMPTROLLER FRANCHOT: And just the last couple of questions. Are you considering a P3 for the Red Line up in Baltimore also?

MR. KAY: We are considering a P3 not for the entire project as we are proposing for Purple Line, but nested within the large project. So the question is are there, is there a package of elements of that project that can be segregated enough from the larger project, and built and operated by a concessionaire, you know, with that same level of risk management and quality that we are going to expect from the Purple Line, and not somehow interfere with the rest of the Red Line operation or the rest of MTA's operation. So we have not yet finished scoping out, you know, what we think that is. But, you know, if I can look ahead I think it will be, you know, only a small piece of the overall project. But we think the tool is powerful. And so it has some applicability to the Red Line.

COMPTROLLER FRANCHOT: And my concern may not be legitimate but it's a concern that I have that as we move into this area of independent systems, new independent operators, that we keep the rider, the constituents that we have first and foremost. Because it could lead to considerable confusion if it's not does properly.

MR. KAY: Yeah.

COMPTROLLER FRANCHOT: And then finally what is the effort to secure federal funding for the Purple Line project, what is that --

MR. KAY: We are, yeah, thank you. We are seeking a federal, what they call a New Starts Grant, that is the name of the federal program administered by the Federal Transit Administration, that would put money toward this project. We are hoping for a $900 million federal grant. So that would come into the MTA and would be used to either make milestone payments or availability payments. We are fairly far along in that process. So the project has been accepted by them in the process. We have submitted the documentation to have the project rated as kind of the first step. We are, within the next month we will be in what they call the engineering phase and we will have a record of decision marking the end of the environmental process. And all of that is what is required to be eligible for a New Starts Grant. So they make decisions about that each year as part of the President’s budget so we would hope for a New Starts recommendation in the upcoming budget, which would be for federal year fiscal 2015. If that doesn’t happen we are certainly going to, you know, think about how we might carry ourselves another year until there is another round of recommendations. But all indications we have received from FTA is that this is an excellent project, it's highly competitive. That the program has, despite cuts under the sequester and, you know, just sort of the uncertain future of discretionary federal funding programs that New Starts remains robust. And that, you know, the Purple Line is coming at a time when other projects they have been funding are moving out of their pipeline. So they certainly can't say to us, they can't give us any specific assurances. But we are I think very confident that we will get federal funds.

COMPTROLLER FRANCHOT: And does the Federal Transit Administration, do they have any opinion about P3s? Does it make our project more competitive, or neutral?

MR. KAY: They have opinions about P3s. They were active partners in the Denver project so that's where their experiences come from. And they mostly look to make sure that the requirements that are placed on them for the administration of that money can be met through a P3. And as long as they can I don't get a sense they have a feeling about it one way or another. I mean, they see that they will be getting many more projects in the door that are delivered that way. That's, I mean, they are telling us they are seeing lots of other project sponsors talking about that. But I can't, I don't think it's actually advantaging us or disadvantaging us in terms of the funding recommendation.

COMPTROLLER FRANCHOT: Thank you, Governor. Thank you, Mr. Kay.

GOVERNOR O'MALLEY: Any other questions?

TREASURER KOPP: Yeah, I do have a couple.

GOVERNOR O'MALLEY: Madam Treasurer?

TREASURER KOPP: I think the Comptroller and Mr. Kay for engaging in that conversation. Because it covered a lot of the things I was concerned about. But one, just to get to his, the Comptroller's last point, if federal funds don't come, if federal funds are short, what happens to the project?

MR. KAY: Well that's the, you know, that's where we need a Plan B. I mean, we certainly have, I mean, I will be honest with you, we have, we are counting on the federal funds. You know, we have been since the very first day we started talking about this project. They sort of make it, you know, from our standpoint much more financially feasible. But we recognize that the federal, you know, the funding programs are competitive and so it's never certain. And we have to make a substantial investment up front in order to even get to a point where we are eligible for that funding. So, you know, under a scenario where those funds come late or they don't come at all, you know, we're going to have to, you know, you know, look at ourselves. And I mean there are several obvious options. One is that we could use State funds to pay that share. That would come at a very significant cost, you know, $900 million through the trust fund which means we would be foregoing other kinds of investments in the transportation system. Which, you know, is a question for, you know, all of us in terms of whether that's worth it.

Another option would be to defer the project until a time when we could get that federal investment. So, you know, at that point we would have to make a decision about whatever status, wherever we were in the process of soliciting a private partner and stop, and wait until we have that recommendation.

Another is that we could ask, we could restructure the deal in a way that the private partner invests more so some of that comes in the form, you know, of additional private investment. And that has implications in terms of the cost of the availability payments in the future. But it is a way to go. And we think there is some appetite for that in terms of the private market.

TREASURER KOPP: So which brings me to another question, is that how, I see your plan. But in fact how will MDOT or MTA or whomever be communicating with the other stakeholders as this goes through? I trust it will not simply be a report annually --

MR. SMITH: Oh, no, no, no.

TREASURER KOPP: -- like the budget. And this sort of issue obviously is going to be of great concern.

MR. SMITH: We will be reporting regularly to the three of you, as well as to the budget committees.

TREASURER KOPP: And when you say regularly you don't mean just at your budget hearing?

MR. SMITH: No, no, no, not just at the budget hearing. No. Like every four weeks, every five weeks, that kind of thing.

TREASURER KOPP: You don't have to overdo it.

MR. SMITH: And certainly, you know, when we get to the RFQ we'll report to you.

TREASURER KOPP: Right.

MR. SMITH: When we get to the RFP we'll report to you. So you know, at those milestone places in the process we will bring you up to date as to, you know, where we are and what we are anticipating.

TREASURER KOPP: And to the local governments as well?

MR. SMITH: And to the local governments as well, yes.

TREASURER KOPP: Let me just say I think the, I do hope you will consider the Comptroller’s point about the --

MR. SMITH: Oh, we certainly will. We just hadn’t talked about it.

TREASURER KOPP: -- it was a great, I mean, it’s an arena in which everybody can be together.

MR. SMITH: Right. Right.

TREASURER KOPP: As I understand it, the role of the counties in the Capital Crescent Trail, or whatever the trail, whatever happens to the trail, how is that, who is responsible for what?

MR. SMITH: Well the counties are responsible for what they want, and we are responsible to build it, basically.

MR. KAY: Yeah. Yeah. In that particular case, because we are displacing the interim trail, it has always been very important to the county to replace that with a permanent facility. It’s well used. It’s very popular. It’s an important asset in the county. So from the very first days of planning this project we have laid it out physically within that right of way in a way that we could account for a permanent trail alongside it. So and the longstanding agreement is that Montgomery County will pay the capital costs of that trail and then once the asset is delivered they will take over responsibility for maintaining it. So what will happen is it will be part of the project and the concessionaire's responsibility from the standpoint of constructing it. And then once the project is commissioned and the trail is completed it will be handed over to the county to operate after that. So it isn't part of, it's part of the capital part of the project, not part of the O&M part of the project.

TREASURER KOPP: And what is the role of the county in laying out exactly where the trail goes and, I mean, they don't have control over the trees that you all are taking down --

MR. KAY: The form of the trail, the standards to which the trail is built, are solely determined by the county. So they have said to us --

TREASURER KOPP: Within the, within the --

MR. KAY: -- within that right of way.

TREASURER KOPP: -- denuded right of way.

MR. KAY: Yes. And so, but I mean I think what you are getting is that, you know, including both of those facilities in the same right of way means that we have to do a significant amount of grading and a significant amount of tree removal within that right of way. And you know, it's, you know, it's currently occupied by, you know, a lot of vegetation, and you know, a good amount of that vegetation will go. And --

TREASURER KOPP: We call them trees.

MR. KAY: Trees.

TREASURER KOPP: But they are vegetations.

MR. KAY: Some of them are barely trees.

TREASURER KOPP: Yeah.

MR. KAY: But it is, you know, we have, the project itself, both the trail part and the transitway part, include a significant amount of relandscaping themselves. So those, you know, that vegetation, the trees, will be replaced, you know, with new plantings. They will be native as opposed to invasive. They will eventually fill in. You know, I don't, I don't think it's realistic to assume that you will have the same canopy overhead because that center portion will be occupied by those two facilities. But this use of that right of way was, you know, what the county intended when it purchased it in the 1980s. And --

GOVERNOR O'MALLEY: I remember when the coal train used to go by there.

TREASURER KOPP: Right --

GOVERNOR O'MALLEY: And I used to spend many, many, many an hour --

TREASURER KOPP: Pitching pennies?

GOVERNOR O'MALLEY: -- at the dead end of Sleaford Road where it came in there. Well not pitching pennies so much, but taking them to the track. And the listening --

(Laughter.)

GOVERNOR O'MALLEY: -- for hours on end for the train to come. Of course, my mother told me whatever you do don't play at the dead end down by the railroad tracks. So we would spend the whole day at the railroad tracks --

(Laughter.)

GOVERNOR O'MALLEY: And it was a coal train that used to come by there. There was dumping and people threw their yard waste back there and all. And then people came to enjoy it as a greenway once we tore the tracks out, and now we're trying to preserve greenspace by using an existing right of way but people have grown to love the greenway that the coal train line became.

TREASURER KOPP: Well the reason we were able to get it in the first place was rails to trails, because it was going to be preserved for future, I mean, that's --

GOVERNOR O'MALLEY: Right.

MR. KAY: -- legal aspect of it, yes. That's true.

GOVERNOR O'MALLEY: That's the problem --

TREASURER KOPP: But still, we get used to things as they are.

GOVERNOR O'MALLEY: In the City of Baltimore out there we had this great tract of property, and it kind of overlooked Druid Hill Park. And I said to Paul Graziano, our Housing Commissioner early on, I said Paul, for crying out loud, the weeds are so tall there, it's such a nice, cleared open space, could you please just maintain it and make it nice like a park? He said if I do that people will come to own it as if it's a park, and we want to use that to build stuff. So if I make it too nice there will be no way we will be able to build what we want on it.

MR. SMITH: Right.

GOVERNOR O'MALLEY: So kind of a similar dilemma here, huh?

TREASURER KOPP: So really quick questions. The first that I've been asked to ask, how MTA will ensure the concessionaire will satisfy promises for noise and right of way maintenance. And your answer is basically on site --

MR. KAY: On site --

TREASURER KOPP: -- monitoring --

MR. KAY: Yes. Yes.

TREASURER KOPP: -- and financial, withholding payments?

MR. KAY: And even more specifically, I mean, any commitments that we make, you know, with regard to environmental mitigation for example, become part of the concession agreement. So those are --

TREASURER KOPP: So we will actually see them?

MR. KAY: You will see them in the agreement. And you know, any commitment that we have made so far will be there. And then of course we are going to have to, we will negotiate with the concessionaire about who it is most appropriate to physically implement, you know, that mitigation. Some of it may for example be off site, and so it may make more sense for us or for another State agency to do that. But at the end of the day the MTA still remains legally responsible for implementing any commitment that we have made.

TREASURER KOPP: And that includes noise?

MR. KAY: Yes, it does. It does. So --

TREASURER KOPP: So that if a certain height barrier it turns out doesn't work, there is a commitment to go in and mitigate it --

MR. KAY: Yes.

TREASURER KOPP: -- further?

MR. KAY: Yes. Yes.

TREASURER KOPP: How will MTA resolve conflicts between competing standards, such as speed limits and on time performance? You answered the Comptroller if they try to shortcut things.

MR. KAY: Yeah.

TREASURER KOPP: But what if they are not shortcutting, there is actually is a conflict?

MR. KAY: The, speed limits always governed. So in a situation where the train is operating, you know, in the middle of University Boulevard, or in the middle of Wayne Avenue, whatever the civil speed is that train is required to abide by it. And so the performance standard, the on time performance standard we will establish for that concessionaire is based on, you know, speed analysis that incorporates those limitations already.

TREASURER KOPP: And in fact they are violating the regulations if they exceed --

MR. KAY: Yes. Yeah. Those speed limits apply to any vehicle traveling in that right of way so, including the trains. And so for example if those speed limits were reduced in the future from 30 to 25, we would have to adjust the standard to which we were holding the concessionaire because she couldn't operate 30 in a 25-mile-an-hour zone.

TREASURER KOPP: I'm sure she wouldn't try to but he might. How will unexpected changes in energy costs, or any other built in costs, impact the concessionaire --

MR. KAY: We will negotiate a mechanism under which we will share some of that risk. So we will receive a price from the concessionaire that will assume a certain utility cost curve, and there are probably other examples of those kinds of costs as well. But you know, no one has a choice or can control. And then if those costs increase beyond that we will find a mechanism to split the increase. So we will --

TREASURER KOPP: And that will be in the concession agreement?

MR. KAY: It will. It will.

TREASURER KOPP: In the contract?

MR. KAY: So that, Madam Treasurer, is an example of a risk that we will share in the future. There are some risks that are 100 percent on the concessionaire, some 100 percent on us, and some shared. So that is an example of a shared one. So the concession agreement will be explicit about --

TREASURER KOPP: If something happens with technology so that a rather significant change would in fact allow significant cost savings, does the concessionaire have to come back to you? Or how much in the way can he or she do --

MR. KAY: Well I think what would happen like 15 years out --

TREASURER KOPP: Yeah.

MR. KAY: -- there is a new type of rail vehicle that is so much more efficient than the current one --

TREASURER KOPP: A portable maglev or something --

MR. KAY: -- yeah I think in a story like that we would expect to hear from the concessionaire about an opportunity, you know, that existed and we would have to negotiate with them at that time.

TREASURER KOPP: But they couldn't just go off on their own and change it radically?

MR. KAY: No, they would not. Well, I mean, let me clear. I think, I mean, as long as they are meeting the specification that we required, they are delivering the level of service, the frequency, the quality, then you know they could change. But if they are, you know, for example they implement a technology that creates more impacts, is noisier, we would not allow them to do that. So they still have to live within the agreement that they have signed.

TREASURER KOPP: Can, you are going to, we are going to be acquiring the properties, in charge of the property. Can they go off and get other properties that we don't?

MR. KAY: You mean for a purpose of their own? Or something that they define as being necessary for their own delivery of the project? Yes, they can. So we have defined --

TREASURER KOPP: Do they need any, I mean, do we have oversight if they start going in and buying up people's backyards?

MR. KAY: Well they would be doing that without any of the powers we have. So for example they would not be able to condemn property in our name. They would have to, it would have to be a transaction that they would, you know, that a seller would enter into voluntarily with them. So an example might be if they decide that they need more staging areas than we have provided and bought right of way for they might try to go out and find right of way on their own.

TREASURER KOPP: But that is subject to county --

MR. SMITH: Yes. Yes.

TREASURER KOPP: -- zoning and --

MR. KAY: It's subject to zoning and the property owner would have to be willing to do it and then --

TREASURER KOPP: Right. But the property owner's neighbors might not think so much of it.

MR. KAY: Yes. It would be governed by any county zoning and land use regulation in terms of the use of the property. So yeah, I don't, if zoning didn't allow you to stockpile material you wouldn't be able to do that.

TREASURER KOPP: One I think last question, Mr. Secretary. I have made no secret of the fact that I think often when we contract out things we really, in all different areas of State government, we slip up because we don't do appropriate monitoring and oversight. I mean, that has happened in all sorts of areas. What sorts of resources will you need or how will we structure it so that even if you are not there, and Mr. Kay is not there, that we are assured that the resources are there? And if so what sort of resources in the best of all possible worlds would be needed?

MR. SMITH: Well number one we are going to look at the idea that the Comptroller suggested as far as oversight.

TREASURER KOPP: Excellent.

MR. SMITH: And number two, we are going to have dedicated employees, just like we have with regard to MTA operations, on site to monitor. And it doesn't have to be Mr. Kay, or it doesn't have to be me. I mean it's going to be --

TREASURER KOPP: It has to be somebody with enough clout to actually make people pay attention.

MR. SMITH: Well it's going to be whoever the Executive Director of MTA's, the title that he holds will be the overseer of that. But there will be employees dedicated to doing exactly that. So there are going to be people on site who will be answerable to a supervisor. And it’s going to, this is a project that is a big deal. And it’s going to be a big deal for a long time. Because if this works, and one of the reasons that we spent so much time in trying to address and we appreciated the input we got because it enabled us to tink of things that maybe we would not have thought of on our own initiative. We want to make this a model so that if we decide there are other projects that would qualify and benefit from this kind of an approach that we would have an approach that works. So this is going, this is going to be a --

TREASURER KOPP: Well I think that’s the way we’re seeing it.

MR. SMITH: Yes.

TREASURER KOPP: And why we are taking time doing due diligence into it.

MR. SMITH: Exactly. Exactly. So there will be employees dedicated to the oversight of the Purple Line. And it won’t depend on any one person. It will be part of the budget of MTA.

TREASURER KOPP: I suppose in the end it's going to be a question of continuing oversight by the Legislature and the Comptroller's former subcommittee --

MR. SMITH: Right.

TREASURER KOPP: -- to assure that.

MR. SMITH: And the transportation committees.

TREASURER KOPP: Okay, I appreciate that. I know you have received, and you know we have received, a number of letters of concern --

MR. SMITH: And we're --

TREASURER KOPP: -- which you are responding to and we are going to get copies?

MR. SMITH: Right. It will be part of our record of decision. So it will be available to everybody. I mean, we have about a thousand. And some of them, many of them you can group together.

TREASURER KOPP: Right.

MR. SMITH: But every one of them will be responded to. And the responses will be available to the public, as will the input in the record of decision.

TREASURER KOPP: One last question to build again on the WSTC. The other party who was very intimately impacted is the University of Maryland College Park campus. Will they have a role in ongoing discussions?

MR. KAY: They will, we're not proposing a role for them in the solicitation process. But we are executing a very detailed agreement with them about how the project will be built and how it will operate. The University is probably, I think you have hit upon one of the most challenging settings. Because you know, we need quality, we need safety, they need a certain level of service. They have an aesthetic standard that we're going to need to meet. We need to mitigate vibration, noise, electromagnetic interference. These are all things we have identified with them previously and agreed to in concept.

TREASURER KOPP: Right. And you've been very good about it.

MR. KAY: Thank you. And now we are executing a detailed agreement with them that will control that. And they are a much more sophisticated entity than frankly we are dealing with on most of the rest of the corridor. So it has been, you know, it has been helpful that they can, we can talk back and forth about engineering standards that we can then meet on their behalf.

TREASURER KOPP: Well you are going through the middle of a University campus with thousands of people crossing it everyday.

MR. KAY: Yes. Yeah, it’s, I think the University sees it as exciting opportunity in terms of access to the region. But yes it will, I mean, students are apparently, you know, they are unusual pedestrians and, you know, we are going to have to operate --

(Laughter.)

MR. KAY: And you know, we have all been there ourselves. And the University is happy to share with us that challenge. So we will manage it.

TREASURER KOPP: Thank you. Let me only say that we urge, we introduced and thanked all of your gentlemen who are, all the hard work you have done. But it is my understanding that Ms. Misiak actually was the guiding hand --

MR. SMITH: She was a vital part of this entire process.

TREASURER KOPP: And certainly deserves due recognition.

MR. SMITH: Absolutely.

TREASURER KOPP: Thank her for all her hard work.

MR. SMITH: Jodie should be here. She is here.

GOVERNOR O'MALLEY: And if I could add to the litany of thanks, I want to thank John McDonough, our Secretary of State who also doubles, you know because we have the smallest executive branch since 1973, so he often doubles and performs great service to our State in working with, speaking with, disagreeing when we must, agreeing when we can with the men and women and leaders of organized labor. And so I want to thank Secretary McDonough as well as Secretary Smith, who jumped on this fast moving train so to speak. And I want to thank both of them.

I also want to thank Maia and Ben and all the able people in Lieutenant Governor Anthony Brown's Office who have cared so passionately about three Ps. And I know I speak for the Lieutenant Governor and everyone in this administration that in our desire to move forward with this 3P approach is, yes, it's about innovation, it's about getting it done, it's about making greater strides to our strategic goal of improving transit ridership, Mr. Smith.

But we don't intend to do this by undercutting the wages or building this on the backs of substandard wages, or of the people who either build it or the men and women who operate it. That's not how we do things here in our State. We believe that when we are all doing better, we are all doing better.

Public private partnerships avail us of certain mechanisms and flexibilities that allow the private sector to bring its expertise that allows all of that private capital that's sitting on the sidelines doing not very much productively for jobs and job creation and a stronger middle class, we want that, those dollars to be invested here in this project along with public entities. And hopefully there might even be an opportunity for some pension funds or the like to be able to invest in this long term return as well.

But our desire to do public private partnerships has everything to do with the dignity of work, with the dignity of a job. And nothing about this approach should be painted with the image that it has given rise to in some other states where they try to go on the cheap and treat workers poorly in order to stretch a buck and get it done more cheaply. I mean, this is a big project. It happens over time.

One of the pillars of our country's economic genius has been our ability to make investments long term in public infrastructure. That's not where all the jobs come from, but it's an indispensable part of what, of how nations and how states build up wealth.

So I do want to thank everyone. This is new. Whenever you try something new, it's fraught with all sorts of fears and questions and potential pitfalls and perils. But I really do want to thank all of the Lieutenant Governor, and his staff. Lieutenant Governor Anthony Brown, Secretary of State McDonough, Secretary Smith, and all of those who have been so involved in this process here to, here so far. So thank you all. A lot of hard work. A lot of midnight oil. A lot of long meetings. A lot of, a lot of, well, a lot of consensus, a lot of compromise, and a lot of digging deep to the common values and the goals that we all share. So thank you all.

Anything else? Is that it?

COMPTROLLER FRANCHOT: If I could just --

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: -- echo the thank yous of the Governor. And I love the Lieutenant Governor. And let's be honest. There is only one person in the room who is totally responsible for this unbelievably important project. And that's Governor Martin O'Malley. Governor, I'd like to salute you on the fairness and objectivity and accessibility. This project is going to improve the quality of life in the State of Maryland. It's a big deal. Mr. Secretary, I know how complicated it is. But I've given these Comptroller medallions around the State to Marylanders who make a difference. And I'd like to present one --

(Applause.)

GOVERNOR O'MALLEY: And here you caught me coinless. So I owe you a beer.

(Laughter.)

GOVERNOR O'MALLEY: Well thank you, Mr. Comptroller. That's very, very kind of you. Very nice words.

COMPTROLLER FRANCHOT: They are not paid for by the taxpayer, those medallions. But it's --

TREASURER KOPP: And it's real, too.

COMPTROLLER FRANCHOT: -- it's well deserved. This is an enormous feather in the cap of your administration. This project is really, really important.

GOVERNOR O'MALLEY: But explain to me the symbology on your coin. Did you choose these yourself?

COMPTROLLER FRANCHOT: I chose them. The wording, as you note, is Treasury Department on top and Comptroller's Agency below. But most importantly it has my name on the back.

(Laughter.)

GOVERNOR O'MALLEY: And what is this little bit of Latin here? Multipli commini? Increase the revenues?

(Laughter.)

COMPTROLLER FRANCHOT: I think it says don't go down to the railroad tracks.

GOVERNOR O'MALLEY: Don't go down to the railroad tracks. This is very nice. And there's an eagle up here. Is that an eagle? Is this your dog? What is that dog?

COMPTROLLER FRANCHOT: -- the dog.

GOVERNOR O'MALLEY: Who put this together? Jerry, was that you or Len? I mean, what did you, did you have a committee of artists? Did the Comptroller do it himself? That's very cool.

SECRETARY MCDONALD: Since you asked for the artist, the artist is James Point DuJour who is currently working with the Board of Public Works. But he did design it, as I understand. And the Comptroller, I mean it is the Comptroller's coin. But since you asked who the artist is --

GOVERNOR O'MALLEY: Yeah, I'd like to get a rendition of the symbology. There's these, it looks like the, they look like they are keys here. They look like papal keys.

(Laughter.)

COMPTROLLER FRANCHOT: I thought it came from colonial Maryland, but it is a nice --

GOVERNOR O'MALLEY: That's very cool.

SECRETARY MCDONALD: I think the dog is the guard dog of the --

COMPTROLLER FRANCHOT: Watch dog.

SECRETARY MCDONALD: -- public fisc.

GOVERNOR O'MALLEY: Ah, how about that. Well that's very cool. Thank you. I will return your kindness with a Governor's coin. Thank you very, very much. My son Jack has, he is the keeper of the coin collection. He can tell you stories. All right. Anybody else?

TREASURER KOPP: I got ten louis for one --

GOVERNOR O'MALLEY: Do you have a Treasurer's coin?

TREASURER KOPP: I don't have a Treasurer's coin. I have Comptroller Goldstein's coins.

GOVERNOR O'MALLEY: Okay. Well the Treasurer --

TREASURER KOPP: Well now that you mention it --

GOVERNOR O'MALLEY: The Comptroller moves approval of Item 10, 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. SMITH: Thank you all very much.

MR. COLLINS: I'm still here, Governor.

GOVERNOR O'MALLEY: Still have one more item.

TREASURER KOPP: Let me just add one thing, just to point out about the Comptroller, having said all those nice things about. You know, I don’t think, I know Eloise does, but there are a lot of people in this room who don’t know that the Comptroller chaired the House Budget Committee on Transportation for a long time and was a very significant supporter in that role of mass transit, of WMATA, as well as all forms of transportation. So recognition from him about a new very, very significant step in Maryland for public transportation is actually, is a very significant commendation.

GOVERNOR O’MALLEY: Thank you. I thought it was as well.

TREASURER KOPP: Yeah.

GOVERNOR O’MALLEY: Thank you. Today’s date is November, what, 6th? We still have one more item.

MR. COLLINS: One more item, Governor.

GOVERNOR O’MALLEY: We have one more item. The ever patient Al Collins.

MR. COLLINS: Yes, sir. Governor, DGS presents 24 items on our Agenda. We’d be glad to answer any questions on these items.

GOVERNOR O’MALLEY: Any questions? I’m just stalling to wait until they bring out a Governor’s coin for you. I’ll send it over to the office. All right. Hearing none, 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.

MR. COLLINS: Thank you, sir.

GOVERNOR O’MALLEY: Thank you and this concludes our meeting of the Board of Public Works.

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