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*STATE OF MARYLAND*  
**BOARD OF PUBLIC WORKS**

*GOVERNOR'S RECEPTION ROOM, SECOND FLOOR, STATE HOUSE  
ANNAPOLIS, MARYLAND*

**October 29, 2014**  
**10:29 a.m.**

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# **PRESENT**

**HONORABLE MARTIN O'MALLEY**

Governor

**HONORABLE NANCY KOPP**

Treasurer

**HONORABLE PETER FRANCHOT**

Comptroller

**SHEILA C. MCDONALD**

Secretary, Board of Public Works

**BART THOMAS**

Deputy Secretary, Department of General Services

**T. ELOISE FOSTER**

Secretary, Department of Budget and Management

**JAMES SMITH**

Secretary, Department of Transportation

**EMILY WILSON**

Director, Land Acquisition & Planning, Department of Natural Resources

**CARMINA PEREZ-FOWLER**

Assistant Secretary for MBE Compliance and Procurement,  
Governor's Office of Minority Affairs

**MARY JO CHILDS**

Procurement Advisor, Board of Public Works

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# PROCEEDINGS

GOVERNOR O'MALLEY: Good morning, everyone.

AUDIENCE: Good morning.

GOVERNOR O'MALLEY: Today is October 29th, and this is a meeting of the Board of Public Works on a beautiful October day. There are people, young men and women who have gone from Maryland, put on the uniform of our armed forces to fight in foreign lands to secure the right of people to determine their own destiny and to be able to vote. And we have that right here. And I just wanted to encourage everyone to please go out and vote. Whatever your decision is, it's an important part of the decision that all of us can only make together. So we're in the middle of early voting right now and that early voting will continue through --

TREASURER KOPP: Tomorrow. The 30<sup>th</sup>.

GOVERNOR O'MALLEY: -- through Thursday. Through the 30th, through tomorrow. So please, that means only two more days for early vote, right? Today and tomorrow.

Also there is, we are heading into flu season right now. So make sure you get your flu shot. There has been a big uptick in people getting their flu shots. That will help our health system as we deal with other things as, as they arrive. So make sure you get your flu shot.

Any opening comments, Mr. Comptroller? Madam Treasurer?

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COMPTROLLER FRANCHOT: I'm looking forward a lot more to voting than my flu shot. But I'll go and get it.

(Laughter.)

COMPTROLLER FRANCHOT: I couldn't agree with the Governor more about the fact that voting is a civic obligation. We're right in the middle of the election season. Early voting, as the Governor noted, finishes off tomorrow.

I'd just like to take a minute and recognize those who give their own time to ensure that everything goes smoothly at the polls. And those are the volunteers from Maryland. Whether it's the poll workers who manage the traffic of hundreds of thousands of voters, the election judges who ensure fairness in the process, or those volunteers who help our elderly, disabled, or special needs voters cast their ballots, these folks put in very long hours to help mitigate issues and make our democracy work. They sacrifice time away from their loved ones and friends to ensure Marylanders can exercise their sacred right and civic responsibility. And frankly, we owe them all a debt of gratitude. I went around to a lot of the early voting polling areas and it's, it's unappreciated volunteerism for a lot of these folks. So if you happen to see one of them, give them a pat on the back. And I totally concur with the Governor, that everyone should take time to vote either by tomorrow evening in early voting or on Election Day. I'm a little old-fashioned so I like to go on Election Day. And I enjoy standing in line.

And it's just part of America. But for everyone else who is so busy that they can't get there to vote, please do by tomorrow evening. And once again, if you get a chance give one of our volunteers thanks for their service to our State.

GOVERNOR O'MALLEY: Madam Treasurer?

TREASURER KOPP: I couldn't say it better and I won't try.

(Laughter.)

GOVERNOR O'MALLEY: Okay. Let's go to the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have 19 items on the Secretary's Agenda today. No reports of emergencies. I'm going to need to call out Item 8 to make some revisions on the record. But before that I will tell you that Mr. Mack is here on Item 17, the African American Heritage Program. Mr. Mack? There you are. Do you want to come up? He has some introductions on Item 17 from Union Baptist Church and St. Luke's Methodist Church Fellowship Hall.

MR. MACK: Good morning, Governor --

GOVERNOR O'MALLEY: Good morning.

MR. MACK: -- Comptroller and --

TREASURER KOPP: Good morning, Mr. Mack.

MR. MACK: -- and Madam Treasurer. We have two people here with us today that I would like to speak to you about the projects that they are undertaking. So I have with me first Reverend Hathaway.

REVEREND HATHAWAY: Good morning.

GOVERNOR O'MALLEY: Reverend, good to see you again.

REVEREND HATHAWAY: Good to see you as well. Good to see each one of you. I have with me Ms. Carol Jones. You know with any, anything that, where you have someone up front you have someone who actually does the work. And so she is, she is our grants administrator and has done a fantastic job in terms of pulling together the requirements and pulling together the documents that, that you require for this amazing program.

We are happy to report that you awarded a program for our archives and artifacts area. And I wanted to let you know that we use the same resource that the State uses to digitize our records. The Church of Latter Day Saints is working with us to digitize our records. That's an amazing thing.

This grant will help us address our roof. Our roof, our church was built in 1905. It has a slate roof, that slate that comes from Madison, Wisconsin. And so of course there are all kinds of requirements around matching and replacing. And so this, this grant will help us greatly in being able to, for the first phase of our roof repair, to repair central areas where there are some water penetration. So I want thank you, I want to thank Mr. Mack and his amazing

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Commission, for this opportunity to address really what is a critical problem at our church.

GOVERNOR O'MALLEY: 1905, hm.

REVEREND HATHAWAY: Yes.

GOVERNOR O'MALLEY: Thank you.

TREASURER KOPP: Every 110 years we all need new roofs.

REVEREND HATHAWAY: Thank you.

GOVERNOR O'MALLEY: Anything else, Mr. Mack?

MR. MACK: Yes, Mr. Jim Martin.

MR. MARTIN: Good morning, Governor.

GOVERNOR O'MALLEY: Good morning, Mr. Martin.

MR. MARTIN: And good morning to the rest of the Board of Public Works, and other members that are here from the Maryland Historical Trust, and also Mr. Mack's Commission on African American History and Culture.

St. Luke's United Methodist Church, located in the historic district of Reisterstown, Maryland, was actually founded by 43 slaves in 1834. The project that the grant is directed toward is for the historic renovation of our fellowship hall and that hall originally started its life in 1898 as a lodge for the Grand United Order of Odd Fellows. That hall was used by the Odd Fellows for, it was a mutual aid and benefits society and it was used for community outreach

and it remained their lodge until 1941 when it was put on the market and it was purchased by a member of St. Luke's United Methodist Church and actually donated the building to the church to be used as the fellowship hall. The building was repaired and from that point until now it is still used as the church fellowship hall for community outreach. And the grant funds will be used to renovate both the exterior and the interior portion of the buildings.

This is our phase one on this particular round and we're focusing on the exterior renovations. But we are certainly appreciative of the opportunity to continue the church fellowship hall and its community outreach. St. Luke's United Methodist Church is still an active church in, in Baltimore County. And we hope to continue the, the work in the community with the renovation of the fellowship hall.

GOVERNOR O'MALLEY: When was the structure built?

MR. MARTIN: 1898.

GOVERNOR O'MALLEY: Okay. Thank you.

MR. MARTIN: Thank you.

GOVERNOR O'MALLEY: Anything else on this?

TREASURER KOPP: What, just out of curiosity, what's the timing? When do you think the exterior --

MR. MARTIN: We hope to have the exterior completed I'd say within a year from now. Hopefully by the --

TREASURER KOPP: By next winter?

MR. MARTIN: -- the end of next fall, roughly a year from now.

And then we'll be moving into the interior of the building.

TREASURER KOPP: Nice graphic.

MR. MARTIN: Thank you.

GOVERNOR O'MALLEY: Thank you, Mr. Martin. Anything else on the Secretary's Agenda?

SECRETARY MCDONALD: We need to discuss Item 8 because there have to be revisions to that on the record.

GOVERNOR O'MALLEY: Item 8, which is?

SECRETARY MCDONALD: It's Carol Gilbert. Ms. Gilbert, do you want to come to the podium? Number eight is a proposed recommendation, it was a recommendation from the Department of Housing and Community Development to award two grants for Food Hubs. It says to award a grant of general obligation bond proceeds to American Communities Trust, which is the Baltimore City Food Hub, and it also says the Eastern Shore Food Hub for a grant of \$500,000. DHCD is withdrawing for now, the time being, the second grant, the Eastern Shore grant. So Item 8 is before you now, being revised to withdraw part two and only be the American Communities Trust grant for \$750,000.

In addition the Authority, our funds source, of MCCBL of 2012 and 2013 must be stricken and inserted for the MCCBL of 2014. Are these both correct, Ms. Gilbert?

MS. GILBERT: That's correct.

SECRETARY MCDONALD: Okay. And then the third thing is I think there is going to be questions about the matching fund for American Communities Trust, Inc., because the Board has to certify the matching fund under the bond bill provisions. So anyway, I don't know if that question is first, or if you want to talk about the matching fund? Or --

MS. GILBERT: Correct. The --

SECRETARY MCDONALD: Maybe you want to set the stage --

MS. GILBERT: Yes.

GOVERNOR O'MALLEY: Do we need to --

SECRETARY MCDONALD: -- or tell us what a great deal --

MS. GILBERT: Okay.

SECRETARY MCDONALD: -- the Food Hubs are? And, because they are.

MS. GILBERT: These are to --

GOVERNOR O'MALLEY: Do we need to move that amendment, I guess, to this item? And --

SECRETARY MCDONALD: Well, and to, DHCD is revising the item here and when you, but you, yes, you can. But, that might be the most effective way --

GOVERNOR O'MALLEY: Okay. The Treasurer moves the aforementioned amendment, seconded by the Governor. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. The item as amended stands before us. So, Food Hubs?

MS. GILBERT: Food Hubs.

GOVERNOR O'MALLEY: Buy local.

MS. GILBERT: They are --

GOVERNOR O'MALLEY: Don't force those poor tomatoes to drive cross-country --

MS. GILBERT: Sure.

GOVERNOR O'MALLEY: -- just to be chopped up on your plate.

(Laughter.)

MS. GILBERT: We did learn in this process that 95 percent of tomatoes in Maryland come from California whereas --

TREASURER KOPP: Where they are running out of water and won't have the tomatoes.

(Laughter.)

MS. GILBERT: Right. Right. And but apparently also in the 1920s Maryland was one of the largest producers of tomatoes. In fact, in Cambridge the food processor there was the largest in the world. So the Food Hubs we're presenting for your consideration are very innovative entities that in fact are so innovative it's been hard to sort of find a way to support them within the structures we currently have, but we, but we have found that. The Baltimore City Food Hub will be on a historic site, and I believe we have a few pictures of that, a former industrial site now being used really for --

GOVERNOR O'MALLEY: Ah.

MS. GILBERT: -- DPW trucks. And this is a multiphase project, the first phase --

GOVERNOR O'MALLEY: That place has been an eyesore --

MS. GILBERT: Yes, but the --

GOVERNOR O'MALLEY: -- forever.

MS. GILBERT: -- and the buildings have a lot of potential. They are really quite, they are not built like that anymore. The new Food Hub will have a kitchen incubator that provides space for food entrepreneurs, food service providers, to build their businesses.

GOVERNOR O'MALLEY: The people here that are doing the Baltimore Food Hub, you might as well come up around the --

MS. GILBERT: Yaroslav Kovaliv is the Director of Finance for the American Communities Trust.

GOVERNOR O'MALLEY: Yes, this is exciting stuff. I mean, all over the country there is this --

TREASURER KOPP: Locavore.

GOVERNOR O'MALLEY: Locavore? Is that what it's called? Yeah, there's yearning --

MS. GILBERT: Locavore movement, locavore.

GOVERNOR O'MALLEY: -- to take control --

TREASURER KOPP: Yes.

GOVERNOR O'MALLEY: -- of your own food and fuel and health needs locally.

MS. GILBERT: And, and our two, these two Food Hubs are part of a network of about, as the Governor mentions, 200 nationally that are rising to establish a venue, a marketplace really, for small scale producers and to access wholesale markets rather than just ship their, you know, carry their goods to the local farmer market and take the time to do that, these aggregating hubs will help them sell for more money and make their own operations more profitable. Another statistic we've learned in this process is that more than 50 percent of

small farms on the Eastern Shore make more than, make less than \$20,000 a year. So there's great potential to grow our small farming community through the establishment of regional Food Hubs. And there --

GOVERNOR O'MALLEY: This is almost like an incubator for food.

MS. GILBERT: Exactly.

GOVERNOR O'MALLEY: I mean, kind of like a business, like the same principle behind all of our very successful incubators --

MS. GILBERT: Right.

GOVERNOR O'MALLEY: -- but in this case it's for food production and processing?

MS. GILBERT: In some cases there will be food businesses, such as in the case of the City Food Hub there will be salad dressing, granola making, so there will be an industrial kitchen that is provided as part of the first phase for these food entrepreneurs.

GOVERNOR O'MALLEY: And hopefully this will allow us to provide better food in Montgomery County Schools, Prince George's, Baltimore City?

MS. GILBERT: Right. The big, the big markets, clients for these, these kind of operations will be schools and hospitals and universities and grocery stores themselves. So that grocery stores, now they tap, or have to tap for cost



reasons, you know, industrial scale processing can tap more locally-based markets.

GOVERNOR O'MALLEY: Ten years ago you didn't even have a section that said locally grown, right? I mean, that's a, I'm sorry, keep, so keep going.

MS. GILBERT: That's sort of, that's the big picture. This does complement our new initiative at DHCD, a food desert initiative. We have enhanced our Neighborhood Business Works program and statute to allow us to finance food operations like the Hub, but also grocery stores and corner stores and farmers markets that are located in areas with low access to fresh food. We commissioned a study that came out in January of this year that showed nine and a half percent of Marylanders lived in census tracts that had very low access to, to grocery stores, and that's about 600,000 folks. And of those, that number of folks, 48 percent live in low and moderate income census tracts where it's also less likely that folks will have cars and be able to drive to the market of their choice. So we feel that this Food Hub initiative is also very complementary to trying to meet the nutritional needs of lower income populations.

TREASURER KOPP: What, what is the organizing group? I mean, in terms of the business and development, how is it being done?

MS. GILBERT: How, well they are slightly different between the two Food Hubs, the one in the City and the one --

TREASURER KOPP: Take the one in the City.

MS. GILBERT: So the American Communities Trust is a nonprofit organization that's working with partners, shown below, to pull together the financing and be the sort of general contractor for the site of which HEBAC, the Historic East Baltimore Community Action Coalition, will run the food incubator. But ACT will be managing the rest of the site operation. This is Yaroslav Kovaliv --

MR. KOVALIV: Yes.

MS. GILBERT: -- who is their Finance Director.

MR. KOVALIV: Good morning. American Communities Trust will be the owner of the project and we are working on the land disposition agreement with the City of Baltimore for the, for the site. So we will contract for all of the site work and also for the development of the actual facilities. So the three historic buildings that you saw earlier on the slide, those will be renovated into a kind of shared office space for, for the related businesses and the other two facilities will be converted to kitchen production, kitchen production facilities. The kitchen incubator will actually be a new construction facility built on the site. And as Carol mentioned, HEBAC has received a \$1.4 million grant from U.S. Department of EDA and, you know, combined with the, the current grant request and some of the other funding that's in place, we are able to construct the, the

kitchen incubator, and then following that, the renovation of the three historic buildings.

TREASURER KOPP: So after it's all renovated and constructed, and each group sort of has something, you all will be, I mean, somebody has got to be in charge of the infrastructure and the pulling it together and the maintenance and the --

MR. KOVALIV: Yes. American Communities Trust will be, I mean, we are, we are in the project for the long term. We will be the owner of the project. We will manage, you know, the kitchen incubator, its relationship with the operator, you know, all sorts of kind of maintenance issues around the whole site.

TREASURER KOPP: And in terms of transportation, and the connection to the City services, and --

MR. KOVALIV: As far as --

TREASURER KOPP: -- you do that?

MR. KOVALIV: The, well the biggest, one of the biggest kind of the --

TREASURER KOPP: Water? Sewer?

MR. KOVALIV: Oh, yes. That's part of --

TREASURER KOPP: Utilities?

MR. KOVALIV: -- I'm sorry, yes, that's part of the site work component that's, we're actually right now we're drawing up construction documents for that component. But we will be responsible for bringing in water, electric, gas. Electric, we actually have to, going to have to upgrade a whole, you know, series of electrical conduits around the, the site. But we will be responsible for that.

TREASURER KOPP: What's the roll out time?

MR. KOVALIV: The, the site work component, we are able to start at the end of January. The actual construction of the new facility, we are looking at May. The historic buildings, that renovation will take a little bit more time as we have applied for the historic tax credits and we are awaiting a decision on that. There is also additional tax credits involved in that project, the New Markets Tax Credits. So that development will follow approximately a year after the kitchen incubator will start.

GOVERNOR O'MALLEY: Will you actually be raising food on that site?

MR. KOVALIV: We will have hoop farms.

GOVERNOR O'MALLEY: Or is that the phase two part?

MR. KOVALIV: No, the hoop farms are actually part of phase one. We are able to have a few hoop, hoop houses and they will be able to grow

produce during the extended growing season. So we're hoping for up to nine months of the growing season for that.

GOVERNOR O'MALLEY: That's great.

MR. KOVALIV: And that produce will be able to be used in the, by the clients of each incubator to produce whatever it is that they are, that they are making.

TREASURER KOPP: Are there models?

MR. KOVALIV: There are. I myself and the Director of American Communities Trust, Gregory Heller, we worked on a similar project in Philadelphia that we completed about a year and a half or so ago and right now it's in operation. That project only sort of had the one component of our current model, which was the kitchen incubator. And it's fairly successful. I mean, these types of projects are dependent on the kind of procurement contracts that we're able to receive from institutions.

TREASURER KOPP: Right.

MR. KOVALIV: In this case we are working closely with Johns Hopkins University, Goucher College, and their food service provider, which is Bon Appétit, to be able to get a commitment from them to purchase locally a certain percentage of whatever food they --

TREASURER KOPP: So you've got sort of a market waiting for you?

MR. KOVALIV: Yes. I mean, there's lots of work has to be done beforehand to, not to create the market but to make sure that the food service providers see the value of local. And also through these types of projects we are able to bring down the cost of local food to a competitive kind of price point so that those food service providers can purchase local and not kind of go over whatever their internal budgets in their systems are.

GOVERNOR O'MALLEY: Are you talking to Baltimore City Public Schools?

MR. KOVALIV: We are.

GOVERNOR O'MALLEY: It's like a power purchase agreement, huh?

TREASURER KOPP: Mm-hmm.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, you mentioned the U.S. Department of Agriculture.

MR. KOVALIV: Mm-hmm.

COMPTROLLER FRANCHOT: Have we gotten an opinion and an endorsement from the Maryland Department of Agriculture for this particular project that we're voting on today?

MS. GILBERT: The Maryland Department of Agriculture is a part of a newly formed group that is part of our Food Desert Initiative and they have

also been invited to participate in what is informally being called the Food Hub Coalition.

COMPTROLLER FRANCHOT: So is there anyone from the Department of Agriculture here? Because, I mean the only reason I bring it up is that we're talking about a relatively new model of agricultural activity. I mean, it's one thing to produce locally. It's another thing to produce organically.

MS. GILBERT: Mm-hmm.

COMPTROLLER FRANCHOT: And so I'm just wondering whether you have an endorsement, or an opinion even, or a, I don't know, something from the Maryland Department of Agriculture since this is obviously their subject matter that we're talking about.

MS. GILBERT: We've been involved in conversations with them and have no indication that there's anything but support from the Department of Agriculture. But we haven't solicited a formal support letter.

COMPTROLLER FRANCHOT: Well why wouldn't you solicit a

--

MS. GILBERT: We certainly could.

GOVERNOR O'MALLEY: I can get you one.

(Laughter.)

COMPTROLLER FRANCHOT: I mean I, is there anyone here from Ag?

SECRETARY MCDONALD: Behind you. Behind you, Carol.

MS. GILBERT: Oh, behind me.

GOVERNOR O'MALLEY: He meant the Department of, not the general activities.

MS. LAWRENCE: Good morning. My name is Louise Lawrence. I work for the Department of Agriculture. I do not represent the person who serves on the Desert Food Hub panel but our department is fully supportive of this initiative. I don't --

COMPTROLLER FRANCHOT: Oh really? Then let me just ask a question, if I could. Were you ever asked for your opinion on this?

MS. LAWRENCE: I was not and I am not in the unit of the department that relates to this particular project.

COMPTROLLER FRANCHOT: Okay.

MS. LAWRENCE: But I have heard conversations about, from the folks who are. So I --

COMPTROLLER FRANCHOT: Because we received a notice last night from the, well, this is not the Secretary, it might as well be. We have not been asked for an opinion or an endorsement.

MS. LAWRENCE: That's probably correct. But I believe that we do serve on that and are supportive of the effort.

COMPTROLLER FRANCHOT: Okay. Thanks.

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GOVERNOR O'MALLEY: Maybe the next time, we're going to have to revisit this issue on the Eastern Shore one. So we'll make sure the Department of Agriculture comes in with both feet. Anything else on this one?

SECRETARY MCDONALD: I have one other clarification that has been desperately requested by the attorney. The Board has to certify the matching fund. The requirement in the American Communities Trust Baltimore Food Hub is that the grantee provide an equal and matching fund of the \$750,000. The Board under the law has to find that satisfactory evidence has been presented of that matching fund. So the Housing and Community Development Department has satisfactory evidence of the \$750,000 match from American Communities Trust.

MS. GILBERT: We do. We have evidence of all of the commitments that add up to the phase one cost of \$5.5 million. And this would be, the \$750,000 would be the final gap needed to proceed with phase one.

GOVERNOR O'MALLEY: How much is USDA putting in?

MR. KOVALIV: I apologize, that was the EDA.

GOVERNOR O'MALLEY: U.S. what?

MR. KOVALIV: U.S. EDA, Economic Development Administration.

MS. GILBERT: Department of Commerce.

MR. KOVALIV: Department of Commerce.

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GOVERNOR O'MALLEY: I see.

MR. KOVALIV: And they are putting in \$1,430,000. And those funds have been committed and we are receipt of the grant letter.

GOVERNOR O'MALLEY: That's great.

COMPTROLLER FRANCHOT: Oh, so let me correct the record. It wasn't the U.S. Department of Agriculture?

MR. KOVALIV: It wasn't, no. I apologize.

COMPTROLLER FRANCHOT: Okay, I just --

MR. KOVALIV: I'm sorry if I misspoke, but it was the Department of Commerce.

COMPTROLLER FRANCHOT: Okay. Well --

GOVERNOR O'MALLEY: Mr. Comptroller, did you want to hear from our State Department of Agriculture or our U.S. Department of Agriculture the next time this comes around?

COMPTROLLER FRANCHOT: I would very much, frankly I --

GOVERNOR O'MALLEY: Because I don't control the U.S.

COMPTROLLER FRANCHOT: Yes, and well I'm aware of that. But I would feel a lot more comfortable if the subject matter experts in agricultural food production, particularly if we're moving from a model of locally produced to a model of locally organic produced -- I'll put it this way. At my farmers market, an organic tomato costs about two dollars, as far as I can tell.

And these are expensive. It's a different business model, is what I'm suggesting. And I'd just feel more comfortable if the State Department of Agriculture were here saying this is something that they support and they think is a sustainable business model as opposed to just a good idea.

MS. GILBERT: So the Food Hubs will certainly encourage organic food production but it's not a requirement, especially in the early stages when we're, the systems are trying to educate small farmers and help them simply reach a, reach a market. So it's not, it's not a, necessarily organic. It's freshly produced, real, real food.

COMPTROLLER FRANCHOT: Well, that's good. Because organic is a very complicated subject, as anyone who has dealt with the Food and Drug Administration is aware of. I was just, I don't know where I got that idea. I'm looking through the, I guess maybe the other item that we're going to be looking at today.

TREASURER KOPP: Yes, could I suggest that the, their concern may be more directed to the other item, the Eastern Shore one?

SECRETARY MCDONALD: That would be on a later Agenda --

TREASURER KOPP: It would, yes.

SECRETARY MCDONALD: The Eastern Shore people are here to talk about it. So I mean, this is --

TREASURER KOPP: Right.

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GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: -- this is the Baltimore City --

TREASURER KOPP: But it does, it does behoove us, it seems to me, to try to get everybody as together as, as we can going forward with what I think is a really great project.

MS. GILBERT: Mm-hmm.

GOVERNOR O'MALLEY: Are there any other questions on this one as it stands before us?

COMPTROLLER FRANCHOT: I don't, I'm, I would reluctantly vote for it only because the Governor is very supportive of it. But is there any chance we could wait, since --

GOVERNOR O'MALLEY: Well we're definitely waiting on the one you had the most questions on. And we'll hear from them a little bit today. But I --

COMPTROLLER FRANCHOT: I just want to --

GOVERNOR O'MALLEY: -- don't want to make you have to retread. So let's hear from, are there any other items on the Secretary's Agenda?

SECRETARY MCDONALD: -- whole Agenda, it would be great. If you made a motion on the whole Agenda --

GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: -- then you could close this out and move on to the --

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Could we kind of hear a preview of what we're going to hear? Thank you.

SECRETARY MCDONALD: I think Ms. Wilson in the next Agenda will be able to, and Ms. Gilbert is here just for the DHCD grant of money for the Food Hubs. Ms. Wilson on her Natural Resources Agenda, which is right next, she's got the presentation about the farm, the 250 acres that the State proposes to buy in Millington.

GOVERNOR O'MALLEY: All right. Well I wonder if the Comptroller wants to hold that until we --

COMPTROLLER FRANCHOT: No I, I'm, I would reluctantly vote for this project, even though I would like to have the subject matter experts in writing or some other, in person, say that they think it's a good model if I do have some questions about the next proposal, which I think it is an organic farm

proposal. But I would, before I vote on this, if I'm forced to I'll vote for it, but I would just as soon wait until I hear from the Department of Agriculture.

GOVERNOR O'MALLEY: Okay.

COMPTROLLER FRANCHOT: That's all.

GOVERNOR O'MALLEY: So this, this is what we're doing. We've already voted on this one. We, we still have and will hear on the Eastern Shore Food Hub at the next --

SECRETARY MCDONALD: No, well the grant from DHCD whenever --

GOVERNOR O'MALLEY: Yes, the food, the Eastern Shore one has two components. One is the Open Space component, right, as I understand it? And the other is the separate bond issue grant, right? Pardon? Yes, but before your other one it's, there's two. In other words, HCD has a piece of it --

MS. GILBERT: There's two, there's two sites, there's two sites. There's the Food Hub site just outside of Easton, and then there's the farm site that's on the DNR and DGS Agendas.

GOVERNOR O'MALLEY: Okay. All right. Well, thank you. Your item passed. Thanks for being here. Go forth and multiply food.

(Laughter.)

GOVERNOR O'MALLEY: And why don't we, why don't we hear, can we hear before we get into the DNR Agenda items, why don't we hear --

I think it makes more sense to put that, that item from the DNR one off until the next meeting, too. What item is that?

SECRETARY MCDONALD: And then you also, it's 6A on the Ms. Wilson's DNR Agenda is to acquire 250 acres.

GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: And on Mr. Thomas' DGS Agenda, number 9-LL, he's turning around and renting that farm that Ms. Wilson is buying with POS money, he's turning around and renting it to the Eastern Shore Food Hub, Corp., who is here I believe.

GOVERNOR O'MALLEY: Okay.

SECRETARY MCDONALD: So those two items remain still --

TREASURER KOPP: -- come back for the --

GOVERNOR O'MALLEY: Let's hear just a little bit of a preview for what we're going to, because I know that, recognize some faces, I know that some of you have come a long way, early morning over the Bridge to be here. So why don't you give us a preview of what your, what your project entails? And then we'll, Joe, do you want to, Secretary Gill, tell us what this is in total?

MR. GILL: Yes.

GOVERNOR O'MALLEY: I mean, so there are three parts. The one that we postponed from HCD.

SECRETARY MCDONALD: Correct, exactly.

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GOVERNOR O'MALLEY: There is another part which is the Open Space. And then there is a third part which is the aforementioned lease with DGS.

MS. WILSON: Correct. But if I may clarify, the Geo Bond issue on the Secretary's Agenda is not --

SECRETARY MCDONALD: Right.

MS. WILSON: -- does not necessarily have a bearing on either the DNR Agenda or the DGS Agenda.

GOVERNOR O'MALLEY: Right. But it has a bearing on the project, so, I mean, they are kind of, I mean, I understand, I appreciate that. Mr. Gill, what is the, give us just the preview. Because we're going to revisit this in total and with the Department of Agriculture here in a couple weeks, two weeks? Two weeks. So give us kind of the broader brush --

MR. GILL: Sure.

GOVERNOR O'MALLEY: -- and that may help the members of the Board of Public Works prepare their, their questions for the next time better also.

MR. GILL: Mr. Governor, Madam Treasurer, Mr. Comptroller, the two items here are, first is an acquisition, and then the disposition to Eastern Shore Food Hub. This is one of those neat little Program Open Space projects that rings all the bells, social, environmental, and economic. The acquisition of



the Wick Farm, which is 255 acres in Millington in Kent County, currently it's a working farm adjacent to the Big Mill Pond Fish Management Area, which DNR owns and manages. This is a diverse area of wetland and wildlife habitat. The property has forested buffers which protect the streams along the property, as well as the pond. It's in a targeted ecological area, scores a high value of 98 under our ranking system. And so acquisition of the property will protect both those values and also provide public access to the Big Mill Pond Fishing Management Area.

So that's the acquisition part, but that's only part of the acquisition because what we're proposing to do with the property is to lease it to the Eastern Shore Food Hub. The Food Hub, as was noted earlier, is part of a national movement to rebuild our regional food system infrastructure to promote, market, and distribute sustainably produced foods. Under the lease the Eastern Shore Food Hub would do so within a 150- to 200-mile viewshed. And I guess the three high level components would be as follows. First, the Food Hub would engage in environmentally sustainable food production practices, freshly produced vegetables and pastured meats, reducing pesticide use and practicing crop rotation. Secondly, there would be a public education and access component, community outreach, nutrition and cooking classes. And thirdly, it would involve the use and preparation of healthy, affordable food. Lastly, the Food Hub would, would sign an operating agreement with Real Food Productions, which would then hire farmers to live on and farm the land to achieve these purposes.

So that's, from our perspective this is a great use of Open Space funds to protect both highly valuable ecological areas that we can also then take the farmland as part of that and use it to do something on a local level to promote social, locally grown food, and also to provide jobs. That's the higher level. And with me is Cleo Braver, who is with Eastern Shore Food Hub, and she can explain some of what she has in mind.

GOVERNOR O'MALLEY: Okay.

MS. BRAVER: Good morning.

GOVERNOR O'MALLEY: Good morning, Ms. Braver.

MS. BRAVER: Tell me if you wanted me to go to a higher level, or, or --

GOVERNOR O'MALLEY: Higher, higher level, because we're going to be revisiting all of this.

MS. BRAVER: -- a lower level.

GOVERNOR O'MALLEY: So, and I know how passionate, how passionately you feel about this issue. But give us the higher level --

MS. BRAVER: Okay.

GOVERNOR O'MALLEY: -- because we're going to be revisiting it again.

MS. BRAVER: So essentially the Eastern Shore Food Hub Corporation is going to be providing this post-harvest infrastructure for vegetable

aggregation on land in Easton for which we have, are seeking the \$500,000 capital budget item. And we're going to be aggregating the output of small, mostly small farmers so that they can reach the 99 percent of sales that aren't available to them right now. We're going to be expanding the practice of sustainable production technology. We're not going to be requiring organic production. We're going to be helping existing farmers move toward organic and more sustainable production.

There will be some details of required practices, only one actually, which is buffer strips. But the rest are helping to move farmers toward more sustainable production methodologies, providing the technical assistance for them to do so, providing the model for them to look at. And public education components are a part of the services that we're going to be providing. And trying to increase the percentage of the food dollar that goes to the grower. The growers work hard to produce food, we want them to get more of the wholesale and retail price realized for their food. We also want to try to work to reduce the costs of clean food to the public. We think we can do that through the economies of scale of aggregation. And we think we can do that through the tempered profit margin. No profit, low profit activities will hopefully produce these two pots of money, the foregone profit margin and the economies of scale of aggregating all of these producers' food for the market.

There's programs that are going to be carried out by Eastern Shore Food Hub both at Kent County and in Easton. Those programs include, notably at Kent County, hopefully this one first, a very intense apprenticeship program. Because one of the bottlenecks in local food production is farmers to grow the food. So there's going to be an intense two-year apprenticeship on the Kent County property, three apprentices a year. We're actually working with the State to see if we can create the first accredited sustainable farming apprenticeship program. We're also going to have this idea of apprenticeship program, these farmer linking services to try to link emerging growers, whether it's new generation growers, growers who want to transition, growers who want to immigrate from other states where they have much shorter growing seasons. So working with all these growers to link them with land that's owned by folks who want to see a ten-acre field peel off and go into vegetable production, that sort of thing.

We're going to be providing healthy food under our food access programs by working with local food banks, local neighborhood service organizations, to both provide food at low cost or no cost to these programs and also to provide the public education pieces that you need to make it meaningful, recipe cards, cooking classes, nutrition classes. So instead of just providing the healthy food, providing the understanding of how to work with that food.

And we're also going to be providing technical assistance to growers, as I said before, to move them toward more sustainable production methodologies. Because if we're not helping to move that we're not really making much of a, much of a headway.

GOVERNOR O'MALLEY: And you had some other states listed here? Those are other models if the Board is interested?

MS. BRAVER: There's actually over, there were a year and a half ago 200 Food Hubs, and now there's almost 300 Food Hubs. Very few, although increasing number of Food Hubs, are actually moving to production as well, to food production as well. When we first started this model only about a very small amount, like ten percent, 15 percent of Food Hubs, actually produced, land that produced food in addition to aggregating for other producers. They are moving now towards producing food as well. We're interested in doing production as well because we think it keeps us closer to the production issues that farmers face, that growers of produce face, that animal producers face. It also is going to enable us to provide food for our food access programs that we're undertaking in both Kent and Talbot, and it also provides food for food sales that can help fund the operation. So I think other Food Hubs are finding that that is a kind of a nifty combination and they are moving more towards food production as well.

GOVERNOR O'MALLEY: Okay. Questions? Preview questions?

COMPTROLLER FRANCHOT: Yes, I have just a couple of questions about --

MS. BRAVER: Sure.

COMPTROLLER FRANCHOT: -- the nifty and neat aspect of this. And maybe Secretary Gill, how much is, where the State is going to pay \$2.8 million for this farm, how much are you going to charge for lease payments?

MR. GILL: This is a, the \$2.8 million, it's \$2.7-something, and we received a five percent discount on this --

COMPTROLLER FRANCHOT: Oh, okay.

MR. GILL: -- in terms of the, from the appraised value. The lease payment will be, as we do with our other nonprofit organizations, will be a dollar a year because of what is, the service that's being provided to the public through this fresh food enterprise, which as noted before, is something that is growing and important in terms of the health of our people and its welfare.

COMPTROLLER FRANCHOT: Okay. And I understand what Ms. Braver -- welcome to the Board of Public Works, it's great to see you -- was talking about. But are you comfortable that the kind of operation that was just described to us as a good idea, I mean I have no problem with the concept, can possibly be implemented in a sustainable way on a large scale like we're talking about here?

MR. GILL: Well I think the fact that 200 of them at one time, and now 300, are appearing across the country, and that there are models to work off of, I think the answer is yes. We are comfortable.

COMPTROLLER FRANCHOT: No, I'm great with the model. I voted for the Baltimore model.

MR. GILL: Sure.

COMPTROLLER FRANCHOT: I don't mind a distribution facility. But I'm, how many of those states paid \$2.8 million for a farm?

MR. GILL: Well there, there are, as noted there are other values as well that this is protecting. This property scored a 98 on our scoring system. It protects Big Mill Pond, protects the streams. There are forested buffers there. Development had actually been planned for this area. So this is an acquisition that we would have pursued regardless. The additional amount of money we feel is justified by the additional values that are being provided.

COMPTROLLER FRANCHOT: Yes, but I, and I applaud the Governor's ecological sensitivity objective criteria that you all developed some years ago. But, and I understand this has a fairly high score. But how did you pick this farm?

MR. GILL: It --

COMPTROLLER FRANCHOT: I mean where did this, did this just, was this on your list of ecologically sensitive properties?

MR. GILL: This is a proposal that we've been considering. We've been looking at this issue of how to use our properties to promote this idea of a regional Food Hub for some time now. We were unable to locate any of our properties that fit this criteria and therefore undertook a search to find the best communities where this would work. And that's what got us to this Wick Farm.

COMPTROLLER FRANCHOT: Yes, and I saw the scores. I was impressed by them. But I also saw that right through the middle of the property is a railroad right-of-way, isn't there?

MR. GILL: Yes.

COMPTROLLER FRANCHOT: So how is this threatened by development if, A, it's in one of the most remote parts of the State as far as population, and you've got a railroad going through the middle of it, why would some housing developer want to build a development there? And what are we protecting what from?

MR. GILL: Well, two things. First of all the threat of development is only, is one of the components of the TEA scoring system, actually making sure we preserve those values is the other side. Secondly, as I mentioned this is one of the things that we do with our Program Open Space projects is seek to protect other values in addition to environmental values. That's our whole sort of Exhibit Appendix A approach. Where we buy parkland, for example. And this achieves that objective. So it's not simply a, if we were



simply buying land based solely on ecological scoring systems, it would be one thing. But we've never done that. We've, that's the emphasis. We seek to achieve multiple objectives and we believe this property does that.

COMPTROLLER FRANCHOT: And so that is the issue of getting access to the Pond? And where you're going to, I take it you have to build a boat ramp and a road and --

MR. GILL: No, it will be access via foot across the farm area. Right now access is otherwise rugged. It's a, it's difficult to get there. So the, the farm itself will provide that. But it's not only that. It's also the forested buffers that protect the streams, the wetland and wildlife habitat, it's all those other values that encompass that high scoring that --

COMPTROLLER FRANCHOT: Okay. Well the Governor has nicely put this off in order to get input from the Department of Agriculture, which I would like to hear. Because we have a ton of struggling farmers over on the Eastern Shore and this would be like died and gone to heaven to get \$2.8 million for land. And so -- maybe that's one of them calling in.

(Laughter.)

COMPTROLLER FRANCHOT: But you get what I'm driving at here.

MR. GILL: I do.

COMPTROLLER FRANCHOT: This is a lot of money. It's unconventional. I've been here for eight years and voted on \$75 billion in contracts. In 15,000 contracts I've never voted to buy a farm to give it to a group.

GOVERNOR O'MALLEY: How many farms do we lease all around the State?

MR. GILL: We have --

GOVERNOR O'MALLEY: Like a lot of acres, right, of Open Space?

MS. WILSON: We lease about 12,000 or so acres of our DNR land for agricultural purposes.

GOVERNOR O'MALLEY: Right. And we lease it to farmers.

COMPTROLLER FRANCHOT: Well, yes. But what do you, what do you charge them?

MS. WILSON: It, it depends on the area across the State.

COMPTROLLER FRANCHOT: Yes, it's like \$100, \$150, \$200 an acre.

MS. WILSON: It can be.

COMPTROLLER FRANCHOT: Here we're charging a dollar for the entire 255-acre farm. All I'm asking you to do is prepare for a couple of weeks from now, whenever this comes back. Because it just seems highly, well it's just, to me it's out of the ordinary. So I have quite a few questions.

MR. GILL: I'll come back. See you then.

GOVERNOR O'MALLEY: Do you have a, do you have an issue on closing on this one? I mean, is there any --

MS. WILSON: Oh, in terms of timing for closing?

GOVERNOR O'MALLEY: -- or is there a time thing? Come on up, if you do. Everybody always claims they do, that's why --

TREASURER KOPP: You mean to procure the property?

MS. WILSON: Thank you.

GOVERNOR O'MALLEY: Right, the property itself.

MR. VICKERS: Good morning. Judd Vickers, Department of Natural Resources. The sellers had requested that we close before the end of the calendar year. It would be a little difficult to close by the end of the calendar year if it did not pass today. We could go back to them. We do have a little more time under the contract to extend it.

GOVERNOR O'MALLEY: Good. Well, let's do that, the two weeks, you can get it.

MR. VICKERS: Okay.

GOVERNOR O'MALLEY: Two weeks --

MR. VICKERS: Certainly, and we'll convey that to the seller.

GOVERNOR O'MALLEY: Thanks a lot.

MR. VICKERS: Thank you.

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GOVERNOR O'MALLEY: Okay. So these, we are, so we're going to defer for two weeks, item number --

MS. WILSON: Six, 6A.

SECRETARY MCDONALD: 6A.

GOVERNOR O'MALLEY: From the DNR Agenda, and item number --

MR. THOMAS: Nine --

SECRETARY MCDONALD: LL.

MR. THOMAS: -- LL.

GOVERNOR O'MALLEY: 9-LL from the DGS Agenda.

TREASURER KOPP: Okay.

GOVERNOR O'MALLEY: That was a motion by the Comptroller, 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.

TREASURER KOPP: Could I ask when you come back with it, whichever one it is, one of the issues is access, public access. Exactly how that's going to be done?

GOVERNOR O'MALLEY: You mean the water access?

TREASURER KOPP: The two items don't look exactly like they're saying exactly like they're saying the same thing. Yes.

GOVERNOR O'MALLEY: Okay. And now we're on the balance of the DNR Open Space Agenda items.

MS. WILSON: Right.

GOVERNOR O'MALLEY: Tell me about the Ag Security thing. I can't recall having seen something like that before.

MS. WILSON: The Ag Security Corridor?

GOVERNOR O'MALLEY: Thanks, you all. Sorry.

MR. GILL: Thank you. It's all right.

GOVERNOR O'MALLEY: We'll see you in a couple of weeks.

MR. GILL: You bet.

GOVERNOR O'MALLEY: And thank you for your presentation.

GOVERNOR O'MALLEY: Ag Security, Tuckahoe, Caroline County, Jones property.

MS. WILSON: Right. This is a Rural Legacy Acquisition in Caroline County, which is great to see a project in Caroline County. It actually provides stream buffers to 1,000 linear feet along Tuckahoe Creek. And we actually negotiated a 21 percent discount on this easement acquisition. And our partner in this Rural Legacy Area is the Eastern Shore Land Conservancy. And as you can see, it is surrounded by other protected farms in this area. The blue up

above to the north is MALPF easements. And the pink are existing Rural Legacy easements.

TREASURER KOPP: What is a security area?

MS. WILSON: Well it's the name of the Rural Legacy Area on that Upper Eastern Shore.

TREASURER KOPP: It's its proper name, is Security Corridor?

MS. WILSON: Agricultural Security Corridor.

TREASURER KOPP: Like Jones Farm? Like Nancy Kopp?

GOVERNOR O'MALLEY: Okay. Any questions on the balance of the DNR Agenda?

TREASURER KOPP: It's just such a strange name. I mean, that's really, it's a, instead of Jones Farm it's Agricultural Security Corridor?

MS. WILSON: Oh no, the whole Rural Legacy Area is named the Agricultural Security Rural Legacy Area. So --

TREASURER KOPP: Why?

MS. WILSON: -- we have 31 different Rural Legacy Areas across the State and they all have names --

TREASURER KOPP: Right.

MS. WILSON: -- inherent to their area.

TREASURER KOPP: So what --

MS. WILSON: And Agricultural Security is designed to, you know, there's a lot of agriculture in this, you know, Northern Eastern Shore area.

TREASURER KOPP: And you want them to feel secure?

MS. WILSON: And well yes, we're preserving these farms into the future in perpetuity to continue to secure the agricultural economy that is so important in this area.

TREASURER KOPP: Well done.

(Laughter.)

GOVERNOR O'MALLEY: Okay. Anything else on DNR?

Hearing --

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR O'MALLEY: -- none, the Comptroller moves approval, the Treasurer seconds. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

MS. WILSON: Thank you.

GOVERNOR O'MALLEY: We move now -- thank you -- to the Department of Budget and Management.

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

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Quick question on Item 1.

MS. FOSTER: Okay. Mrs. Gray is here. Item 1 is a contract to provide technical assistance in the areas of economic studies as it relates to electrical power plants and solid waste disposal throughout the State. Ms. Gray? And she is the Deputy Director for this program.

MS. GRAY: Good morning.

COMPTROLLER FRANCHOT: Okay.

MS. GRAY: Let me get on my tiptoes here. I'm a little vertically challenged.

COMPTROLLER FRANCHOT: Okay. So this is a five-year, \$3.5 million contract to a Columbia-based firm, great, I'm glad it's in Maryland, called Exeter Associates, to do what the Budget Secretary just mentioned. So can you help me understand what exactly they do for \$3.5 million over five years?

MS. GRAY: Yes. The Power Plant Research Program has a mandate to conduct environmental and socioeconomic reviews for any kind of proposed power plant or modification to a power plant, as well as any kind of



proposed new transmission line or modification thereto. They conduct those economic and socioeconomic reviews for those proposed plants. Some examples would be we recently completed a review of a 1000-megawatt power plant that was proposed for Cecil County. Those reviews go to the Public Service Commission as recommendations that ultimately result in licensing conditions for those proposed facilities.

COMPTROLLER FRANCHOT: Okay. Well my concern is more with the procurement than it is with the actual work detail that you just suggested. Because this is a competitive procurement that wound up with the incumbent being the one and only bidder. And according to my background materials we have been informed that other potential bidders either had too many other commitments, couldn't handle the scope of work, or had conflicts of interest.

TREASURER KOPP: Could, could I ask a question about this?

COMPTROLLER FRANCHOT: Sure.

TREASURER KOPP: For how long have they been the incumbent?

MS. GRAY: Well these, these contracts run for five-year durations and they have won the award for the last three times.

TREASURER KOPP: So it's like going on 20 years.

MS. GRAY: But we have, yes, what we have found over the years is that the technical expertise that is required to do electric utility socioeconomic

and economic reviews is, you know, there's only a handful of firms that can do this work. And over the years a lot of them have conflicts of interest, which I think is the major reason why these firms don't bid on this particular contract. They work for BGE, or Pepco, or Delmarva Power. So that, that's the major reason, I believe sir, that Exeter was the only bidder for this particular, particular contract.

COMPTROLLER FRANCHOT: Okay. Do you have another question?

TREASURER KOPP: No --

COMPTROLLER FRANCHOT: How many vendors did you send the RFP to?

MS. GRAY: Well there was over 100 vendors, I think that's in the paper that you have before you.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. GRAY: And many, many potential MBEs. We always, we always look through the MDOT database --

COMPTROLLER FRANCHOT: Mm-hmm.

MS. GRAY: -- to look for any kind of potential vendor that may be able to do this work.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. GRAY: So we sent it to a very, very broad number of potential firms, both by letter, and then we also issue the solicitation through eMaryland Marketplace.

COMPTROLLER FRANCHOT: Okay. So obviously that business, or that sector is doing just great despite everything I see about the economic lethargy because no one else responded.

MS. GRAY: No, sir. I think it's just the fact that the, that doing electric utility economic work is a very, very tough and specialized business.

COMPTROLLER FRANCHOT: Okay. So how many vendors of the 100 that you sent it to are capable of doing electric utility, what is it called? Electric utility --

MS. GRAY: Economic and socioeconomic studies for power plants and transmission lines.

COMPTROLLER FRANCHOT: -- of electric utilities. How many of the 100 were able to do that?

MS. GRAY: Less than 20. But we always send it to a, just anybody that we can think of. Because, you know, their capabilities change over a five-year period of time.

COMPTROLLER FRANCHOT: Sure. So of the 20, why didn't we get more than one response?

MS. GRAY: I think, I think for example you have, you have firms that work for the electric utilities. And PPRP needs to have a, we work on a very non-biased basis. So we can't have a firm that works for Baltimore Gas & Electric that also works for the State of Maryland. It just, it just doesn't work. I mean, they can't serve two masters.

COMPTROLLER FRANCHOT: So the, we got the bidder from the incumbent. And I'm just curious --

MS. GRAY: Mm-hmm, that's fine.

COMPTROLLER FRANCHOT: -- because this is, this issue comes up all the time. And the suggestion is that the incumbents have a leg up on the whole procurement process because the agencies are biased towards retaining them and that's why we see over the last five years over \$700 million in 256 single bid contracts. Some of those I've voted for because there was an explanation that it was, that made sense.

MS. GRAY: Mm-hmm.

COMPTROLLER FRANCHOT: But a lot of them are, when you ask privately what's going on they say, hey, the agency just wants the incumbent. That's it. They don't want to deal with the hassle of having to do a competitive procurement. And for the public, the taxpayers who are not privy to all of your technical economic stuff, we never, they never end up finding out whether they

are getting a good deal, whether the \$3.5 million in this instance is the right cost, because there is never any competition.

MS. GRAY: Well there is certainly the ability to have competition in this area. In fact, you will be able to see three more results from our requests for solicitations. Every five years we go out for rebid for four major integrator contracts. This is just the first. I also manage the air integrator contract and we did receive multiple bids. So PPRP, Power Plant Research Program, is definitely not biased. We, we would love --

COMPTROLLER FRANCHOT: Well it certainly looks --

MS. GRAY: -- we would love, we would love to get multiple bids on these contracts.

COMPTROLLER FRANCHOT: Okay, well I --

MS. GRAY: For one, for one, for one reason, sir, it lowers, you know, we ask for best and final offers for the financial parts of these proposals and we strive to make, you know, the costs associated with these contracts as low as possible. So I would have, I would have been quite pleased to see multiple bids.

COMPTROLLER FRANCHOT: Yes, no, and the problem here of course is that we didn't. And the conclusion from the Treasurer's question, which I wasn't aware of, as far as I can tell Exeter Associates has a contract for life.

MS. GRAY: I don't believe that's the case, sir. Because, you know, over the years I would certainly think there would be other firms that would be, you know, potentially --

TREASURER KOPP: Have there been?

MS. GRAY: Beg your pardon?

TREASURER KOPP: Five years ago? Ten years ago? Fifteen years ago? Were there others?

MS. GRAY: No, ma'am. I don't believe that, that, there were fewer. I mean, I believe that those numbers have increased over the years. But again, you have more and more work that the utilities are doing. Recently we've seen over 3,500 mega, yes, 3,500 megawatts of, of new power plants coming into the State. So there is more work, you know, so there's basically more work to do for the firms that do come into the, do come into the State.

TREASURER KOPP: Well can I ask one other, what else does Exeter, you say all the others have sort of entangling alliances --

MS. GRAY: Well one of the things that Exeter did in the last contract is they worked on the Governor's executive order to supply the State with a long term electricity report.

TREASURER KOPP: So they work more for public, for public, or for regulators, and the others work more for the industry?

MS. GRAY: No, ma'am, they work for the Power Plant Research Program. We are not a regulator.

TREASURER KOPP: No, no. I'm saying the other, you say the others didn't compete because, or you couldn't use them because they have entangling alliances --

MS. GRAY: That's true.

TREASURER KOPP: -- with the providers.

MS. GRAY: Yes, ma'am.

TREASURER KOPP: So you're saying Exeter does not have such alliances?

MS. GRAY: That's, that's true.

TREASURER KOPP: So the question is what else does Exeter do? And you say they are working for --

MS. GRAY: Oh, I see. You mean --

TREASURER KOPP: -- a commission, or --

MS. GRAY: -- you mean in the industry, so to speak?

TREASURER KOPP: Yes. Yes.

MS. GRAY: They have other contracts with the federal government, in particularly the Air Force. So that's an example of what they do.

TREASURER KOPP: So are they the only ones --

MS. GRAY: They do not, they do not work for any other electric utility.

TREASURER KOPP: That was my, and are there other companies like that that don't work for utilities, that just work for non-utilities?

MS. GRAY: Well I'm sure there's other companies that do --

TREASURER KOPP: But they do --

MS. GRAY: -- economic work, and that's who we send these proposals out to, hoping that they've branched and now do utility, electrical utility economics. But it's a very, very specialized field. It's not something that is typically something that just an economic firm that would be doing environmental, you know, studies or environmental science studies would be conducting.

COMPTROLLER FRANCHOT: Well, it just popped up. And I guess I just have to repeat myself. This company has got a contract for life. Based on what you said, not your, you would like to have it otherwise. But if they are the only group that does this type of work for a public entity like the State of Maryland, and you have to not do it for other, is it other electric utilities in Maryland? Or other electric utilities around the country?

MS. GRAY: Well the way that we conduct our business is that it has to be electric utilities that are in and near Maryland, or will have an effect on Maryland. For example if there was a firm that did economic work for Exelon for



their Peach Bottom Nuclear Plant, which is only five miles away from Maryland, that would be a power plant that would affect Maryland. So that would be a conflict of interest.

COMPTROLLER FRANCHOT: Well I'm happy to put this off if the Treasurer wanted to take a, two weeks and look at whether there are other consulting companies in this space of Exeter Associates and --

TREASURER KOPP: Yes, I, I, I actually, I don't think, I have been persuaded that, I have been persuaded that there are not. But that this is a peculiar though not unique situation where this is really sort of an extension of staff, a specialized extension of staff.

MS. GRAY: That's, yes ma'am, that's correct.

TREASURER KOPP: Who, and I mean I guess that's what I don't understand. And we don't have the competence ourselves to do this? Or it would be too expensive to develop the in house competence?

MS. GRAY: Well we maintain a very, very small staff --

TREASURER KOPP: Right.

MS. GRAY: -- within DNR where our basically program managers, project managers, and --

TREASURER KOPP: Yes, no, I understand that.

MS. GRAY: Yes.

TREASURER KOPP: So in a way this is like the old, it's more like a regulated, not a utility, but more like a regulated consultant function that --

MS. GRAY: Well --

TREASURER KOPP: -- and you are saying, this is the only question that I had built on what the Comptroller was saying. You're saying there is no one else, although every regulator must face this same sort of problem.

MS. GRAY: Well let me, let me just clarify. I didn't say there wasn't anyone else. They were the only, they were the single bidder.

TREASURER KOPP: Right.

MS. GRAY: And what we, we always do is we survey why --

TREASURER KOPP: Right.

MS. GRAY: -- other bidders did not respond to the RFP. And over the years what we have found, including this particular solicitation, that either they weren't technically competent to do all of the things that are required for a utility, electric utility economics, or they have a conflict of interest because they either work for --

TREASURER KOPP: Well that's what I, then they're not, I'm saying that --

MS. GRAY: Right. Yes.

TREASURER KOPP: -- this is the only company that has the qualification and the lack of conflict? Is that right?

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MS. GRAY: That's correct. Yes, ma'am.

TREASURER KOPP: And so you, really essentially they are on retainer to us that's renewed very five years?

MS. GRAY: That's correct.

TREASURER KOPP: Is that right?

MS. GRAY: Yes, ma'am. That's right.

TREASURER KOPP: And how do you assure in fact, because it's a sizable retainer, that we're getting the best we can out of this firm that we have really designated as extended staff? It's not like an RFP.

MS. GRAY: Exeter --

TREASURER KOPP: In my mind.

MS. GRAY: Because of Exeter's track record, they are, they are used not only by PPRP but they are relied upon to, you know, occasionally by MEA, we, and other agencies within the, within the State.

TREASURER KOPP: You did a BAFO?

MS. GRAY: I beg your pardon?

TREASURER KOPP: You did a BAFO with them but they must have known --

MS. GRAY: Yes.

TREASURER KOPP: -- it was coming, too.

COMPTROLLER FRANCHOT: Well I would like to take two weeks because I can't imagine there aren't a dozen other companies that, in the country that are eligible and have manageable conflicts and could in theory have bid on this. And I just think it's the inertia of the incumbent that is taking over here. And I find it deplorable because we'll never, it's not that we're not getting a good deal. We're never going to know, that's the problem.

MS. GRAY: Well I mean --

COMPTROLLER FRANCHOT: I mean, what did we pay last year, last time for five years?

MS. GRAY: \$3.5 million. They haven't, their base retainer or their contract has not changed for more than a, more than a decade.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. GRAY: Now you said over the, in, within the United States. May I just address one more aspect of your comment?

COMPTROLLER FRANCHOT: Sure.

MS. GRAY: And that is, remember it has to be in and around Maryland, they have to know what Maryland economics looks like, they have to know that we are a deregulated state. They have to, you know, have the experience with understanding what, what merchant generator economics look like. And as well, so, so having a potential contractor within, anywhere within the United States that would understand Maryland electric utility economics, that's,

that wasn't even part of the RFP because we have to have a proximity. We have to have someone that is familiar and has the location that is in and around and near us.

COMPTROLLER FRANCHOT: Well that's another one of my beefs, that we not only favor the incumbent but we also put in the RFP criteria that exclude perfectly acceptable other companies. And you end up with a tilted playing field.

MS. GRAY: Well we don't --

COMPTROLLER FRANCHOT: And I just find it to be, it's not just you, it has happened over and over and over again. And I hope at some point in the years to come that we reform the process so we don't have these kinds of situations. This is \$3.5 million. Yes, it's a technical area. But boy, I, I'm not guaranteeing I could produce a dozen names but I bet there are a dozen names out there of companies that could do this work but for the process that we have here. And sure, we're used to them. But why have the, why have the, why do it for five years? Why don't we just do it for the, well why don't we just do it for the rest of the time they are in existence? Because they are going to be the company.

MS. GRAY: Well one reason that, I think the major reason we wouldn't do that, sir, is because there could be a firm that would potentially bid on this project that would be more outstanding than Exeter and --

COMPTROLLER FRANCHOT: I was being sarcastic, excuse me.

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MS. GRAY: Oh, I'm sorry. I didn't, I didn't understand that. I apologize.

GOVERNOR O'MALLEY: The Comptroller does give you points for it being a Maryland company.

(Laughter.)

GOVERNOR O'MALLEY: Begrudgingly.

MS. GRAY: And they are also, they are also a registered small business, as well as they have a subcontractor who is also a registered small business, and three MBEs. So.

GOVERNOR O'MALLEY: Anything --

COMPTROLLER FRANCHOT: Even though it's a local company, I'd like to vote no.

GOVERNOR O'MALLEY: Okay. What item number is that?

MS. FOSTER: It's Item 1, Governor.

GOVERNOR O'MALLEY: Item 1. The Treasurer moves approval, seconded by the Governor. All in favor signal by saying, "Aye." Aye.

GOVERNOR O'MALLEY: All opposed? The Comptroller votes no for the aforementioned reasons. The balance of the Department of Budget and Management Agenda items?

MS. FOSTER: You're done.

MS. GRAY: Thank you, sir.

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GOVERNOR O'MALLEY: Thank you. Any other questions?

The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We move on now to the University System of Maryland.

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

TREASURER KOPP: Yes, why doesn't the University start up a little, a little company that can do the sort of thing that they need?

(Laughter.)

TREASURER KOPP: I mean, that's what it needs, is a start up. A highly technical, qualified start up. Okay.

COMPTROLLER FRANCHOT: How is the Frederick Douglass statue doing?

(Laughter.)

MR. EVANS: Mr. Stirling?

MR. STIRLING: Well we've located the -- Jim Stirling from the University of Maryland College Park. We have located the resin mold at a foundry in the U.K. I've been in contact with a firm called Leary Ventures and on our behalf they are soliciting some information about cost and schedule for having a casting made and shipped to the U.S.

GOVERNOR O'MALLEY: Awesome.

MR. STIRLING: That's the latest.

GOVERNOR O'MALLEY: So what is the bottom line on that?  
I'm sorry, I was distracted. Tell me again what you just said?

MR. STIRLING: We're waiting on some information --

GOVERNOR O'MALLEY: Okay.

MR. STIRLING: -- to come back on cost and schedule.

GOVERNOR O'MALLEY: Good.

MR. STIRLING: We've located the mold at a foundry in the U.K.

GOVERNOR O'MALLEY: Well I think you see now from the direction from which that question came that even after I leave here you will be asked.

(Laughter.)

GOVERNOR O'MALLEY: All right. Thank you.

MR. STIRLING: I got that.



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 Department of Information Technology.

MR. URBAN: Good morning, Governor, Madam Treasurer, Mr. Comptroller. I'm Greg Urban, Department of Information Technology. We have four items on the Agenda for you today. I'll be happy to answer any questions that you might have.

COMPTROLLER FRANCHOT: Move approval.

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

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We move now to --

MR. URBAN: Thanks.

GOVERNOR O'MALLEY: -- the Department of Transportation.

MR. SMITH: Good morning. Jim Smith on behalf of the department. MDOT is presenting 13 items as Item 13 is being withdrawn. It will be reintroduced on the Budget in an upcoming Board of Public Works meeting.

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR O'MALLEY: The Treasurer, 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 Juvenile -- the Department of General Services, the Item 9-LL already having been deferred.

MR. THOMAS: Good morning, Governor, Madam Treasurer, Mr. Comptroller.

GOVERNOR O'MALLEY: Yes, sir?

MR. THOMAS: I'm Bart Thomas, Deputy Secretary, filling in for Secretary Collins who again is out doing his great service. The department has 27 items on our Agenda. We have deferred Item 9-LL and we are withdrawing Item 10-LL. We'll be glad to answer any questions you may have at this time.

GOVERNOR O'MALLEY: Any questions?

COMPTROLLER FRANCHOT: Could you just give my regards to the Secretary?

MR. THOMAS: Sure will, sir.

COMPTROLLER FRANCHOT: Please? Seriously. That --

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MR. THOMAS: I do every time.

COMPTROLLER FRANCHOT: That was not sarcastic. That was

--

MR. THOMAS: I understand.

COMPTROLLER FRANCHOT: -- heartfelt, and I hope he's  
doing fine.

MR. THOMAS: He's doing fine.

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

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. And that concludes  
our Agenda.

(Whereupon, at 11:32 a.m., the meeting was concluded.)

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