
STATE OF MARYLAND
BOARD OF PUBLIC WORKS
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PRESENT

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Treasurer

HONORABLE PETER FRANCHOT

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PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

AUDIENCE: Good morning.

GOVERNOR HOGAN: We've got a full house. Thank you very much for joining us. I see some of our friends from DNR brought some trees behind here. I think Emily is going to talk about that. I know today is Arbor Day. So welcome. We're anxious to hear about that in a little while.

I want to start out by just saying I had the opportunity last week to meet the Comptroller's Dad and help him celebrate his 93rd birthday.

COMPTROLLER FRANCHOT: Yep.

GOVERNOR HOGAN: And --

(Applause.)

GOVERNOR HOGAN: And I'll tell you what, he's a pretty sharp guy for 93 and we were happy to be there for his birthday. He has also moved back to the State of Maryland and he's a new resident of Riderwood. So we lost so many retired folks out of the State I was complaining about? He brought one back.

(Laughter.)

GOVERNOR HOGAN: And we're happy to have him.

(Applause.)

GOVERNOR HOGAN: And he's not quite 93 years old but I'd like you to join me in wishing Lieutenant Governor Boyd Rutherford a Happy Birthday today.

COMPTROLLER FRANCHOT: Oh really? Where is he?

(Applause.)

GOVERNOR HOGAN: And then last but certainly not least I do want to take a moment for an announcement. I think that the BPW meeting is a perfect place for this announcement. Over the past few months my administration has received a lot of recognition for our bipartisan approach to governance. It seems to me that that approach is something that's desperately lacking in Washington, D.C. So after much encouragement and reflection I've come to the decision to announce my candidacy today for President of the United States.

(Laughter.)

GOVERNOR HOGAN: It's April Fool's Day everyone, in case you didn't know.

(Laughter.)

(Applause.)

GOVERNOR HOGAN: And we do have two former Maryland governors that are talking about running. I figured why not one more?

(Laughter.)

GOVERNOR HOGAN: But let's go ahead and get down to the serious business at hand. Today we have 57 items before the Board totaling \$166 million. And I'm happy to turn to my colleagues for any opening remarks. Madam Treasurer?

TREASURER KOPP: Just to say it's a, it's a pleasure to be here. I really do think, Governor, spring is in the air. As a partisan I must say I think you would be one of the premier Republican candidates.

GOVERNOR HOGAN: Thank you.

(Laughter.)

TREASURER KOPP: But I'm happy --

(Laughter.)

TREASURER KOPP: And --

GOVERNOR HOGAN: She's trying to get rid of me, I think.

TREASURER KOPP: No. And, and to the, to the Comptroller, I congratulate you on having your, your father back home. And on behalf of at least myself, but probably the deputy too, we've had the same, not only is he a fine and brilliant man but one of the most attractive gentleman --

COMPTROLLER FRANCHOT: Really.

TREASURER KOPP: -- who, who have graced this room. And, and I wish him and you --

COMPTROLLER FRANCHOT: I'm going to get that transcribed and take it to him.

TREASURER KOPP: And charming. I mean, this is really one --

GOVERNOR HOGAN: Wow.

TREASURER KOPP: -- he is one fellow --

GOVERNOR HOGAN: He's going to be a big hit at Riderwood.

TREASURER KOPP: He will.

GOVERNOR HOGAN: There are not that many men over there.

(Laughter.)

COMPTROLLER FRANCHOT: Well, thank you.

GOVERNOR HOGAN: Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Madam Treasurer, and Governor Hogan, for your very generous comments about Dad. And he is from the World War II Greatest Generation. And his response, his comment to me after the Governor generously had lunch with him on his birthday on Friday. And his comment to me was meeting Governor Hogan gives me some hope that all you politicians can figure out what we did after World War II, which was all of us veterans, we rolled our sleeves up and we went to work. And we got the job done. And boy, could Washington take a lesson from, well the Governor was saying nice things about me, just because I think I was there. But he, his take away from that lunch was, boy, bipartisanship is alive and well. And it reminded

him of his generation and so thank you, Governor, for spending the time with him. And thank you, Madam Treasurer, for your nice comments.

And I couldn't be happier that April is here. And I know that we're all looking forward to warm weather. I frankly am looking forward to Opening Day. Yep.

GOVERNOR HOGAN: Me, too.

COMPTROLLER FRANCHOT: The Nats and the Os and, finally open their seasons next week. There's not much more that I can possibly enjoy than going out to the ballpark on a warm evening or weekend afternoon with friends and family. And as spring arrives, there are a lot of things for which I am particularly grateful. And the Governor mentioned already my Dad's arrival in Maryland. He lived in Maryland in the 1930s. Think of that. Up in Baltimore, went to Gilman School, and has a lot of memories. And got his first driver's license in 1938 up in Baltimore. I won't say if he's still driving.

But it was great to have him in Annapolis and spend some time with him. It's a blessing. The Governor said make sure you spend a lot of money, Mr. Franchot, and I'm sure he will. But I'm also thankful, frankly, for the great work our dedicated team in the Comptroller's Office, because we are managing to pull off, knock on wood, and I definitely don't want to jinx this, one of the most, one of the smoothest and most successful tax seasons to date. As of yesterday we had processed over 1.6 million returns, sent out nearly 1.2 million

refunds to Marylanders totaling over \$1.1 billion. And once again, just to remind us all, those of us that owe money and are not going to get refunds, the deadline is April 15th. That's two weeks from today. So please don't wait until the last minute. And remember, filing electronically allows you to get your refund as quickly as possible, or to schedule out your payments until the end of the month if you owe the State. And as always, you can visit our website, marylandtaxes.com, or stop in at any of our 12, stop in to any of our 12 branch offices for assistance. Thank you, Governor.

GOVERNOR HOGAN: Thank you, Mr. Comptroller. I, every time you remind me about the taxes. There's two weeks left?

COMPTROLLER FRANCHOT: Yes.

GOVERNOR HOGAN: I may have to file an extension. They've been keeping me pretty busy around here. The Treasurer just pointed out, one thing we forgot to mention we are all extremely proud of the Lady Terps.

(Applause.)

GOVERNOR HOGAN: In the Final Four. So after they beat UConn, we're going to be in the national championship game. We're going to have to find a way to clear the schedule and fly down to Tampa for that game, I think. And for Opening Day, Mr. Comptroller, I'd love to have you and the Treasurer join me in the Governor's Box for Opening Day if you're available.

COMPTROLLER FRANCHOT: Isn't that great? Yeah.

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GOVERNOR HOGAN: So we'll send the invitation.

TREASURER KOPP: I'll be there.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: All right. But at this point let's go ahead and get started with the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

SECRETARY MCDONALD: -- Madam Treasurer, Mr. Comptroller. We have 16 items on the Secretary's Agenda. We are prepared for your questions.

GOVERNOR HOGAN: I have a question on Item 16.

SECRETARY MCDONALD: Item 16, Dr. David Lever is here from the Public School Construction Program.

GOVERNOR HOGAN: Is Dr. Lever here? Good morning, doctor.

SECRETARY MCDONALD: This is his request to the Board to propose a regulation concerning the indoor air, or the air, inside of a relocatable classroom. And this, Dr. Lever is here to propose the Board's regulation.

DR. LEVER: Good morning.

GOVERNOR HOGAN: Dr. Lever, thanks for joining us.

DR. LEVER: Certainly.

GOVERNOR HOGAN: First of all, I'd like to ask how we're doing on the maintenance reports after we added the money to the budget to bring you the help that you needed to start to get to work on those.

DR. LEVER: The gentleman joined us about two weeks ago.

GOVERNOR HOGAN: Great.

DR. LEVER: He's already been out to about two or three jurisdictions. He's taking it on. And he's working with the Deputy Director of the agency who is responsible for maintenance, and we're making progress.

GOVERNOR HOGAN: Great.

DR. LEVER: We're chipping away at that. And we have deadlines now, September for the 2014 reports, 2013 reports, November for the 2014 reports.

GOVERNOR HOGAN: That's terrific. Good news.

DR. LEVER: Mm-hmm.

GOVERNOR HOGAN: My question on this item is I'd just like to know why it has taken a year to put this item on the Agenda. That's, you know, it dates, this item dates back to 2007. And, and then, you know, I guess there was some ambiguity and a year ago they clarified the ambiguity. And so now the regulation says BPW shall issue the change to COMAR and that's, my question is just what is the background on this and why has it taken so long?

DR. LEVER: The long history is that in 2007 there was no nationally accepted standard on volatile organic compounds, item number six in the requirement. That nationwide standard was made available in March, 2012. The International Code Council passed the International Green Construction Code as a model code. We began studying it. I'm a member of the Maryland Green Building Council and I brought this item, the regulation, to the council early summer last year. And at that time the council was in midstream of adapting the IGCC for a Maryland version as an alternative path for high performance compliance based on legislation that was passed in the 2014 session.

The council advised me, and I took their recommendation, that the IGCC should be adopted by the secretaries and become official in the State of Maryland as an alternative path and then our regulation could reference that particular document and it would give it more solidity. We had had considerable push back when we brought this item forward I think it was three times before from industry advocates and we felt that we needed to have a very, very solid basis. That's the reason for the delay, sir.

GOVERNOR HOGAN: Great. Thank you.

DR. LEVER: You're welcome.

GOVERNOR HOGAN: Any questions of Dr. Lever?

COMPTROLLER FRANCHOT: Yeah, I just want to compliment Dr. Lever on following the lead of the Governor and getting this maintenance

program back under, on track. Because it's the only way we can scientifically and objectively improve the schools that we have.

I'm particularly interested in it because it extends the useful life of a lot of facilities and saves the taxpayers the need for immediate expenditures to build new schools. But it also is important frankly in identifying schools that are in such decrepit condition that they constitute a public emergency. And I'm referring to Dulaney High School in Timonium, a wonderful high school up in Baltimore County. Great kids, great Assistant Principal, who showed me and the County Executive and County Council members around a month or so ago. The County Executive ended up the tour by saying this is a decrepit school.

Think of that, a school for hundreds and hundreds of kids, a big high school. It was built in 1964. There were termites crawling all over the kids' goggles in the science lab. We went into the art lab and there were holes in the wall as big as basketballs. It looked like something out of a war zone. We went into the girls' locker room and it was the most disgusting thing you've ever seen. All of the, none of the water, when you turn the water on in Dulaney High School it comes out brown. There's a 40- to 50-degree temperature differential from one floor to the next. The auditorium, they can't use it because it got flooded because there have been six burst pipes in the last 12 months. There are no windows, there are windows but most of the windows are Plexiglass. Think of that cheap plastic that cold goes right through.

So it's essentially a public health hazard. With wonderful kids performing, it's unbelievable to me that academically and athletically they can produce the quality that they have. And hats off to the Dulaney School kids and their parents. But in the State of Maryland to have a school like that, and it's not the only one, sitting up there unattended. Everybody goes through and says it's a hazard to the teachers and the students. Health hazard, as we speak, sits there and nothing happens. If anyone wants to understand the importance of school maintenance, there's example number one, poster child number one. And I hope all the press and everybody else gets up there and takes a look at it. Because frankly it's unacceptable as of yesterday.

And it's in complete contrast to a school like Frederick High School in Frederick, Maryland. That school is 20 years older. I toured that school, you could eat your lunch off the floor. It's an old school, needs replacement, and it is going to be replaced. But talk about being kept in tiptop condition despite its age.

So hats off to Governor Hogan for focusing in and helping you make some progress on this. But if you want to understand the urgency, stop by Timonium, up in Timonium, Dulaney High School.

GOVERNOR HOGAN: Thank you, Dr. Lever. Any other questions on the Secretary's Agenda?

COMPTROLLER FRANCHOT: Yes, I did have one.

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GOVERNOR HOGAN: Mr. Comptroller?

COMPTROLLER FRANCHOT: Item number seven, please.

SECRETARY MCDONALD: Item number seven is the Canal Place Preservation and Development Authority. It is a request from the Canal Place, is Ms. Deidre Ritchie here? Oh, yes, she is, yes. Do you want to come to the podium, please, and explain your recommendation? This is a recommendation of the Canal Place Preservation and Development Authority that the Board delegate to them the authority to lease the properties located at Canal Place and at the Western Maryland Scenic Railroad. And Ms. Ritchie can explain the advisory or Board members can ask questions.

MS. RITCHIE: Sure. For the last, well, over 12 years the Canal Place Preservation and Development Authority Board has been handling the leases at Canal Place as far as trying to recruit tenants, setting some of the market values, and renewing leases, bringing new leases in. And for some reason none of those leases has ever gone in front of the Board of Public Works. We were told, when I got there as Director two years ago they had told me that there was just an exception that Canal Place didn't have to bring leases in front of the Board of Public Works. And I'm not sure why.

So right now we're getting on board, we're consulting with the Department of General Services, and ascertaining that we're meeting market rates. Which we have Shops at Canal Place and we have the Western Maryland

Railway Station. The Western Maryland Railway Station, they are actually renting at market rates. The Shops at Canal Place are a little bit different.

They start out at a smaller amount of money per square foot, but they also have the responsibility of paying their electric and gas. And when I got there there was only, the space wasn't all full because Canal Place is not completely developed to what its original master plan was. So we kind of had to encourage people to go in there. So we started them out at a lower rate in the hopes that Canal Place will become what it's supposed to be and then they could pay a little bit more.

But over the years there has never been, like I said we have never taken it to the Board of Public Works. These are like short term leases, one, two, three years. Some people just go year to year because they're not sure if they are going to do good business or not there. But again, we'll be consulting with the Department of General Services from now on. And this is just requesting maybe we could bring them all at one time and go ahead and approve the leases that we've already accepted with our tenants.

COMPTROLLER FRANCHOT: Okay. So thank you very much for that. And I happen to have a real concern with this proposal. First for the record, is the Canal Place Authority an entity of State government? How is it funded, and what is the size of its operating budget?

MS. RITCHIE: It's funded by the tenant leases that we receive from all the rental property at Canal Place. So the tenants pay money into Canal Place. Parking lots generate revenue and we generate revenue from, our big revenue generator is the Fairfield Inn. That money comes in from a percentage of room sales from the Fairfield, which will be increasing this year. We've got another big project coming onboard, the Footer Dye Works Building, that will be generating more money. But, and then we do fundraising ourselves with special events.

Our operating budget is about \$600,000 and all that money that I just mentioned comes into the State of Maryland. We enter it into the budget system and then it turns around and is reallocated as special funds to Canal Place.

COMPTROLLER FRANCHOT: Okay.

MS. RITCHIE: And we match grants with that, we do the upkeep on Canal Place, things like that.

COMPTROLLER FRANCHOT: Okay. And what is the role of the Department of General Services in the process of negotiating executive leases at Canal Place given that the department essentially serves as the State of Maryland's landlord and commercial realtor? For example, when my office moved last year, my branch office moved last year from our old office on Baltimore Street to the Allegany Museum on Pershing Street, Cumberland, the

whole process was handled from start to finish by DGS. Is that also the case here? Or does the Canal Place Authority operate with more autonomy?

MS. RITCHIE: Well since I've taken over as Executive Director we've tried to get DGS more involved and they will be involved in our future leases, like the bigger leases with, for example again the Footer Dye Works Building. That's being negotiated with the Department of General Services. We'll go to them for consultation for lease rates. If we don't think we're getting the biggest bang for our buck we'll put them out to bid, but all under the premise of dealing with the Department of General Services. They will be like our advisory.

COMPTROLLER FRANCHOT: Hi, give me your --

MS. NAPIER: Good morning, Comptroller. I'm Wendy Napier. I'm with the Office of Real Estate. There are two existing Board advisories that this was modeled after. One is with the Department of Natural Resources and one is with State Highway. And it's procedure for both of those agencies to be exempted from going through DGS for their leases, meaning DGS bringing the leases before the Board of Public Works. We have procedures in place to review the leases internally, make sure they're being leased out at market rates or nearly market rates, and monitor the process. But we've been exempt per the other Board advisories, I can cite you those, it's --

COMPTROLLER FRANCHOT: No, that's, again, I'm not briefed on those.

MS. NAPIER: Okay.

COMPTROLLER FRANCHOT: But I guess the question I have is what's the harm in bringing these leases before the Board of Public Works?

MS. NAPIER: The --

COMPTROLLER FRANCHOT: Since you should have been doing it and --

MS. NAPIER: You're right. They recently discovered in an in house review that these leases were not coming before General Services. So this is an effort to get them in line with the procedures. And because these leases fund the Canal Place operations, and Canal Place is also a Heritage Area. I'm not sure if you're familiar with the Heritages Areas Program, sir? But they are very unique in that they are the only Heritage Area in the State of Maryland that owns real property. So they have some unique issues. And the analysis of, between Planning and DGS was that because the proceeds go right back into fund Canal Place and the Heritage operations that as long as we had oversight, similar to the other Board advisories, we would agree to come before you and suggest that these leases that are one, two, or three years come through DGS for review on the rental rates that we have --

COMPTROLLER FRANCHOT: Okay. Well, listen I'm a huge fan of Canal Place. Don't get me wrong. I make it a point to get up there every time I visit Cumberland. There are some leaks in the Canal that need to be fixed. I can't recall whether it was the Federal Park Service or whether the State, but someone needs to get up there because it looks pretty pathetic right now. There's no water in the Canal as far as I can --

MS. RITCHIE: That's been addressed. It's actually the responsibility of the National Park Service. They now know that and they are fixing the situation.

COMPTROLLER FRANCHOT: Well, good. That's really good news.

MS. RITCHIE: Yes.

COMPTROLLER FRANCHOT: And I don't obviously want to disparage your work and the Authority at all. I think you're doing a good job to preserve the economic viability of Canal Place. But obviously there are State funds involved here. I mean, this is a project that the Treasurer and I helped fund way, way back. And so I'm concerned this, going down this slippery slope where certain types of transactions that are as a matter of both statute and best practices should come before the Board, then we just start exempting big chunks of them for the sheer sake of convenience. And this Board, I'm very, very protective of the Board of Public Works because it's unique in the country. No other state has

it. None. This is a very, very rare burst of public oversight of the taxpayers' expenditures. And so I hope that perhaps we could, you know, continue the traditions of the Board.

We provide a transparent open forum for ensuring that all the Ts are crossed, all the Is are dotted, and the taxpayers are indeed getting the best deal. And if the price of those outcomes is that a State agency needs to take a few additional procedural steps and even has to drive up here once in a while and come before the Board, and to your credit stand up in public, because it's not easy, I, I would hope that we could defer this or not go along with it and just get, keep the regular order. But I'll defer to my colleagues.

MS. NAPIER: They are audited of course through DLS, they are audited. So we, we were modeling this after the other two Board advisories. But you know, we're happy to go along with whatever you recommend.

COMPTROLLER FRANCHOT: Well I'm, obviously I'm just one vote. But I'd very much like to avoid this slippery slope of less material coming before us. And but --

TREASURER KOPP: I, I, can --

GOVERNOR HOGAN: Madam Treasurer?

TREASURER KOPP: -- can I ask a question? There are, the recommendation has three parts, one of which is retroactive approval of the existing leases.

MS. RITCHIE: Right. We just, we've just renewed a handful of leases since January.

MS. NAPIER: We have, DGS has reviewed with Planning the existing leases and we are satisfied that they were completed in the appropriate, using the appropriate lease documentation and that they sought the highest rental rates possible. That they used market rates where they could and where they could not achieve market rates they got the best possible rate. So we have reviewed.

TREASURER KOPP: Okay. And normally with other agencies other than the other two you mentioned, you would have reviewed them and then they would be on this calendar?

MS. NAPIER: Correct. Correct. If it's a revenue producing lease or --

TREASURER KOPP: Okay.

MS. NAPIER: -- even not a revenue producing lease we would bring it before you.

TREASURER KOPP: Okay. And what you are proposing to do through this advisory is actually go through the normal process of an agency only abbreviated by not taking it to the Board? But go through all the other steps that you would go through normally with DGS?

MS. NAPIER: Correct. For the other two Board advisories I mentioned, their leases come before us, we confirm the market rates for them. For the DNR properties they are the employee housing at the State Parks, and every three years we appraise those and make sure we are applying the appropriate rents. So we would do the same thing here. We would make sure there was an appropriate lease document and that it had been reviewed by our legal office and that the market rate had been verified.

TREASURER KOPP: And then you send us annually a report of all of these?

MS. NAPIER: Correct. That's written --

TREASURER KOPP: That's what it says.

SECRETARY MCDONALD: That's what it says.

TREASURER KOPP: But you don't intend to do that?

SECRETARY MCDONALD: No, they do. I was just talking about --

MS. NAPIER: We would do that.

SECRETARY MCDONALD: -- any other advisories. But yes, the plan is that they would be reporting under this advisory.

MS. NAPIER: There was a concern that we have not been providing it for the DNR leases but we're going to make sure that we're doing that --

TREASURER KOPP: Oh.

SECRETARY MCDONALD: And State Highway is a separate thing. The State Highway leases and the DNR leases are particular to the situations. DNR leases, as she said some State Forest properties, Parks, have structures on them and those they try to get maybe State employees to live in or other people rent them.

TREASURER KOPP: Right.

SECRETARY MCDONALD: And State Highway is just sort of not excess property, you have a property that's being held in abeyance for a little while and there just may still be a little house on there. Somebody may have moved out but they want somebody in there for a little while and maybe time. So those are those specific instances, whereas this is actually the first time it's really an enterprise activity, an enterprise activity in that it's the shopping center and the Western Maryland Scenic Railroad. So that is a little bit different in this case than those other two, which are --

TREASURER KOPP: But you're going, you're going to be sending the other two to us as well?

SECRETARY MCDONALD: Well State Highway, they have their own responsibility under that advisory. And I'm sure they'd like to get caught up on those reports.

TREASURER KOPP: That's what I'm --

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SECRETARY MCDONALD: But it's another reporting requirement. So I'm just saying at the same time --

TREASURER KOPP: Got it. Got it.

SECRETARY MCDONALD: -- we ask for reports, but DNR does come under DGS.

TREASURER KOPP: Got it. Got it. And so this concern of, the desire to abbreviate it is simply after you've gone through the normal process with DGS that you will be going through, the walking it down the street to the Board of Public Works for the public airing?

MS. NAPIER: That was the request, was that we --

TREASURER KOPP: Okay.

MS. NAPIER: -- allow them to follow the other Board advisories that were similar. The funds from the leases go back in to support the Heritage operations.

TREASURER KOPP: I understand that.

MS. NAPIER: So it's a little bit unique that way.

TREASURER KOPP: I understand that. It's not money that goes to the General Fund.

MS. NAPIER: Correct.

TREASURER KOPP: It's special funds.

MS. NAPIER: It's special funds.

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GOVERNOR HOGAN: And there's no other similar advisory that does come before the Board of Public Works?

MS. NAPIER: No, there's no other advisory. Heritage, Canal Place Heritage Area is very unique with owning property.

TREASURER KOPP: So this is a unique instance and the concern I suppose would be, or the benefit of bringing it here as it was supposed to have been done is just so the public knows who is, who is taking the leases. And we hope maybe you'll get even more publicity about the leases and about Canal Place on streaming video.

(Laughter.)

TREASURER KOPP: And, and, and we periodically will know what's going on with Canal Place and be able to say very good things, as the Comptroller did, about Canal Place. I candidly don't see why it isn't a win-win to bring it here.

MS. NAPIER: We defer to the Board.

TREASURER KOPP: You have supporters for Canal Place. This is not an anti-Canal Place concern.

MS. RITCHIE: No, I, no, I know.

(Laughter.)

GOVERNOR HOGAN: Can you explain to me how it went so many years with nobody at Canal Place knew and nobody at DGS knew that it

had to come before the Board of Public Works? And then how did we all of a sudden discover it after so long?

MS. NAPIER: Based on our review, there has been so many changes in the principal counsel at Planning, who oversees this function, and changes in leadership at Canal Place, that it just went through. What we were told behind the scenes was that there was a verbal agreement between a former principal counsel at Planning and a former Director at Canal Place. We've searched to try to find written records of this. Could not find anything. So we wanted to bring it to you as soon as we could --

GOVERNOR HOGAN: Yes.

MS. NAPIER: -- to correct it however you see fit.

GOVERNOR HOGAN: Yes, we don't usually want to run the government by verbal agreements by former employees.

(Laughter.)

GOVERNOR HOGAN: Can you just tell me the average aggregate value of the leases that you're dealing with? You know, what's the total amount of the lease on average that we're --

MS. RITCHIE: Well, I mean, total --

GOVERNOR HOGAN: Dollar value?

MS. RITCHIE: Total we generate over \$200,000 a year with all our leases. So it's pretty --

GOVERNOR HOGAN: What's the average lease, though? Because you've got lots of different smaller tenants?

MS. RITCHIE: Well, the Shops at Canal Place start out at eight dollars a square foot. So --

GOVERNOR HOGAN: Eight dollars a square foot?

MS. RITCHIE: Yes. But they pay all their own utilities. And so they can run anywhere from \$3,000 a year up to \$8,000 a year. And then the Western Maryland Railway Station, it generates more income. So.

GOVERNOR HOGAN: So would it delay the process too much in your opinion for a \$3,000 or an \$8,000 a year lease to have to go through this process and come before the Board?

MS. NAPIER: I think that was one of our motivations, was that we were trying to make the process easier on Canal Place and, you know, follow other standing examples of how to do that. But if we'd like, if you'd like to have other further conversation and defer it and explore --

GOVERNOR HOGAN: Well, I'll defer to my colleagues. I don't have any real concerns over it. But I understand their, their concerns. So is there, do you want to, is there a motion to separate this out from the --

COMPTROLLER FRANCHOT: Yes, for me. And I don't know whether the --

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: This will not interrupt the execution of any of these leases?

MS. NAPIER: No.

TREASURER KOPP: I mean, I do think it's appropriate to approve the current leases. But I guess it really doesn't really make any difference in terms of their validity.

COMPTROLLER FRANCHOT: Well I'm, my understanding is that if we vote no on this they'll go back to their regular order, which it should have been, which is bringing these leases before the Board. So --

MS. NAPIER: And we can do that --

TREASURER KOPP: But there will be retroactive --

COMPTROLLER FRANCHOT: I'm going to vote no but I --

GOVERNOR HOGAN: But we can confirm, we can retroactively confirm the ones that are already done so we don't upset the apple cart but change the process going forward, is that the concept?

COMPTROLLER FRANCHOT: Yeah. Yeah. That would be fine by me.

TREASURER KOPP: Yeah, that was my thought.

GOVERNOR HOGAN: Yeah, how do we make that motion Madam Secretary?

SECRETARY MCDONALD: Okay the Board --

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(Laughter.)

SECRETARY MCDONALD: -- I would suggest that the Board would either defer or disapprove Item 7 in its entirety, and then take up Ms. Napier's recommendation that the Department of General Services comes back with an item for the leases, the retroactive leases at the next Board meeting or the next one where you could list the leases themselves that are currently in place and have them be confirmed. I don't think this is the item to do that part on.

GOVERNOR HOGAN: Yes.

SECRETARY MCDONALD: So I believe if this Board deferred or disapproved Item 7 and then General Services would come back with the leases.

COMPTROLLER FRANCHOT: So I would, I would move to defer this item.

TREASURER KOPP: Okay. And there are a couple here that look like they run, although at least what we have before us, there was one that expired yesterday?

MS. RITCHIE: That is definitely possible. Like I said, they expire throughout the year. And because we had -- which one?

SECRETARY MCDONALD: It's the Charis Winery, it looks like it expired March 31, '15. It could go on beyond a holdover anyway. I mean, I think you can probably still handle all of these, yes?

MS. RITCHIE: The Western Maryland Scenic Railroad is a big income generator for us. They take up a lot of the Railway Station.

TREASURER KOPP: Right.

MS. RITCHIE: And we, we send, we, a month in advance we start, you know, going through the lease process again. And all the leases have been prepared under the review --

TREASURER KOPP: But, but their, but that, that hasn't expired, doesn't expire till next year?

GOVERNOR HOGAN: Hm.

SECRETARY MCDONALD: I would mention that with two agendas left in April for the Department of General Services, I'm sure the Secretary of General Services could get these leases back on the Agenda by the end of April.

TREASURER KOPP: I mean, I have no desire to interrupt the flow of business. My desire is to make people know about Canal Place and help build it and to have an appropriate process before the Board for, so what I'm asking is is the method proposed by the Secretary, is that going to --

MS. NAPIER: Would it be possible to defer and discuss it more?

GOVERNOR HOGAN: Sure, that's what the motion --

TREASURER KOPP: Well yes --

GOVERNOR HOGAN: There's a motion on the floor by the Comptroller to defer.

MS. NAPIER: That would, I think that would be helpful.

GOVERNOR HOGAN: We can bring it back in April and hopefully, you know, have it resolved by then.

MS. NAPIER: Okay.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: Second.

MS. NAPIER: Thank you.

GOVERNOR HOGAN: Three-nothing to defer.

MS. RITCHIE: Thank you.

GOVERNOR HOGAN: Other questions on the Secretary's Agenda? Thank you very much, by the way, for your efforts. And Canal Place is a fantastic operation.

TREASURER KOPP: Yes.

MS. RITCHIE: Thank you.

TREASURER KOPP: You're doing great.

GOVERNOR HOGAN: We know you've been working hard on it, so thank you. Other questions on the Secretary's Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

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TREASURER KOPP: Second, sorry.

GOVERNOR HOGAN: The vote is three-oh, on both those motions. We're going to move on to the DNR Real Property Agenda.

MS. WILSON: Good morning, Governor, Mr. Comptroller, Madam Treasurer. Emily Wilson with the Maryland Department of Natural Resources. As you did mention earlier today, today is not only April Fool's Day but it's Arbor Day. And Arbor Day is the celebration of trees. And it started somewhere around the mid-1800s in the Cornhusker State of Nebraska, which as you can imagine back in those pioneer times there weren't a whole lot of trees in that area. And there was a gentleman Julius Sterling Morton who was very passionate about getting trees planted. And his passion caught on and it is what we now know today as Arbor Day.

So in celebration of that our department has brought red bud seedlings for everybody today. And I see Lisa Grigsby is just outside. So as you all, as the different agendas finish today and you depart and you want to take a red bud seedling and plant it, please do so. And we do have some potted seedlings for the Board members this morning. So --

GOVERNOR HOGAN: Thank you.

MS. WILSON: -- Happy Arbor Day to everybody. Thank you.

GOVERNOR HOGAN: Happy Arbor Day.

TREASURER KOPP: Happy Arbor Day.

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MS. WILSON: So as I mentioned, we have 11 items today. And I know that on Item 4 we have Paul Magness from Harford County here in support of that item. It's a local --

GOVERNOR HOGAN: Where is Paul Magness? I didn't see him. Hey Paul, welcome back. So Paul was the Liaison to the Board of Public Works under Governor Ehrlich. I had the pleasure of working with him for four years. Welcome back to your old stomping grounds, Paul. Happy to have you.

MR. MAGNESS: Thank you, Governor. It's good to say Governor Hogan, Madam Treasurer and Comptroller Franchot. Very quickly I'm here today on behalf of County Executive Barry Glassman and our department Director Jimmy Malone asking your support for \$500,000 for the Churchville Recreation Complex development. This is a project that's about \$2.4 million total. We're asking for again \$500,000 in Program Open Space funding to do an expansion of our existing facility there. This will add a couple of lacrosse fields, an archery area, and the requisite parking that goes along with it.

GOVERNOR HOGAN: Any questions of Mr. Magness?

TREASURER KOPP: You're very persuasive.

(Laughter.)

MR. MAGNESS: Thank you. It's a little different on this side of the microphone, I must say.

GOVERNOR HOGAN: It's not as much work, huh?

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MR. MAGNESS: Different work.

(Laughter.)

GOVERNOR HOGAN: Thank you very much, Paul.

MR. MAGNESS: Great. Good to see you, thank you.

GOVERNOR HOGAN: We appreciate it.

MS. WILSON: Thanks, Paul. Okay, in addition to that since it is Arbor Day it is very appropriate I feel to highlight Item 11A, which is an acquisition in Worcester County of almost 220 acres of forested property to be added to Pocomoke State Forest. It's an extremely ecologically significant acquisition, scoring a 102. It's in a targeted ecological area. This is an excellent example of the kind of property that the department looks for to add to the public's estate.

So as I mentioned, this will be part of Pocomoke State Forest. Much of the, there's three different parcels that make up this acquisition, many of which are inholdings within the State Forest which is always a nice strategic acquisition for us to be able to do. It will provide extraordinary recreational opportunities for folks in the area, including being able to expand trail connections in that area. We have a really nice bike trail that's right across Little County Road that's right there. If you follow the County Road it turns into a DNR maintained road which leads you all the way to the Pocomoke River, where we have a nice soft launch for canoes and kayaks to access the Pocomoke River.

And on one of the parcels there's a sand pit area, is what it's called, it's an ecologically significant sand pit area that was a result from the mid-20th Century of sand and gravel operations which are now a several acre pond on that area, on that parcel, which has been used for fishing for a number of decades. And we'll plan to continue that non-tidal fishing access in that area.

So we're very, very excited about this acquisition and in addition to all of what I said it's also excellent what we call FIDS habitat, forest interior dwelling species, where you look for contiguous blocks of forested canopy to be able to support important bird habitat. And I believe you all received a letter of support from the Maryland Ornithological Society to that end. And it's also very supportive of several rare, threatened, or endangered species in this area. And it's going to be managed with a sustainable forestry management plan.

GOVERNOR HOGAN: Thank you very much. I know we delayed this as a courtesy to the owner from the last meeting, and then the owner wanted to speak this morning. Is he here today?

MS. WILSON: Well we delayed it at the behest of somebody --

GOVERNOR HOGAN: Yes.

MS. WILSON: -- it wasn't the owner. It was a different person. But the owner, one of the owners is here. Mr. Don Bradley is here this morning.

GOVERNOR HOGAN: Yes.

MS. WILSON: In addition to our Secretary Mark Belton is also here.

GOVERNOR HOGAN: Great. I understand the owner wanted to testify?

SECRETARY MCDONALD: Well the person who was opposed to the sale had asked to testify, but he had contacted us this morning --

GOVERNOR HOGAN: Okay.

SECRETARY MCDONALD: -- and said that he would not, he will not --

GOVERNOR HOGAN: Great.

SECRETARY MCDONALD: -- be testifying or appearing. So he's not opposed to the sale at the hearing.

GOVERNOR HOGAN: Thank you. Any other questions on the, do you have other items you want to discuss? Any other questions on the DNR Agenda?

TREASURER KOPP: I just have a question. Emily, you mentioned the species here and elsewhere. Is there someplace where we can look to find what rare species or interesting birds and things there actually are on the property that the people of the State own or --

MS. WILSON: Well in terms of --

TREASURER KOPP: -- have access to?

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MS. WILSON: Yes, in terms of finding birds on properties I think the letter that the Ornithological Society forwarded, there was a link at the bottom of that --

TREASURER KOPP: Okay.

MS. WILSON: -- that's called the eBird Hotspot. Where it's birding enthusiasts from all across the area, in State and out of state, will come to this Blade Sand Pits Area --

TREASURER KOPP: Okay.

MS. WILSON: -- is what it's called. And as they identify birds they track them on a website known as the eBird Hotspot. So you can, you can see species from that aspect. In terms of rare, threatened, or endangered species, I would need to talk to our heritage folks on that. Because believe it or not we do have some species that are so rare that they are actually the subject of poaching. And that's something that we wouldn't want to --

TREASURER KOPP: No.

MS. WILSON: -- highlight in certain areas. So there are some species frankly that we do not publicize where they are. But depending on the level of threat I can certainly speak to our heritage folks and see what might be available.

TREASURER KOPP: This could be interesting for people to know that we actually have sites, you're right, you don't need the birders books.

It would be interesting. There are, there are I gather species so rare that no one has ever seen them, like amphipods, if that's the name.

MS. WILSON: There's evidence of them there but, you know, I think you're right.

(Laughter.)

GOVERNOR HOGAN: Any other questions on the DNR Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh --

MS. WILSON: Thank you.

GOVERNOR HOGAN: -- the DNR Agenda is approved.
Secretary Brinkley, does DBM have any Agenda to present today?

MR. BRINKLEY: We do not.

GOVERNOR HOGAN: That's a rare occurrence.

MR. BRINKLEY: It is a very rare occurrence.

GOVERNOR HOGAN: Let's move on to the University System
Agenda. Good morning.

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

GOVERNOR HOGAN: Any questions on the USM Agenda?

COMPTROLLER FRANCHOT: Is there a UMBC item?

MR. EVANS: Yes, sir.

COMPTROLLER FRANCHOT: What is that?

MR. EVANS: It's the A/E for the Interdisciplinary Building at UMBC.

COMPTROLLER FRANCHOT: Okay. And what is the, this is a new building, but what is the price that's, we're being asked to approve?

MR. EVANS: Let me bring up Terry Cook who is the Associate Senior Vice President for Administration at UMBC.

COMPTROLLER FRANCHOT: Great.

GOVERNOR HOGAN: Thank you.

MS. COOK: Good morning. The A/E contract amount is a little over \$9.2 million.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. COOK: The project construction budget is a little over \$100 million. The project consists of about 49 percent of the space is research based,

and then we have space for teaching labs as well as teaching facilities and core facilities such as a vivarium.

COMPTROLLER FRANCHOT: Okay. My question, and it's really not --

MS. COOK: Uh-huh.

COMPTROLLER FRANCHOT: -- obviously I'm a huge fan of Freeman Hrabowski.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: And UMBC. And my concern is more generic, and it's really curiosity here.

MS. COOK: Okay.

COMPTROLLER FRANCHOT: Because the members of the private sector that build buildings --

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: -- for a living --

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: -- are always saying to me, you know, these publicly planned buildings cost twice what it would cost us to build the same building.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: And I chalked that up to a little bit of anti-government hubris or whatever.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: But when you ask them, well, what is the difference? They say, look, if we're going to build a building we sit down and determine what's going to be in the building.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: Then we have our architects do a sketch, or something more elaborate than a sketch. We call in the bidders. We get their input. They often change, you know, suggest changes because they say, you know, you're missing something here, and, or there's a new way of doing this.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: And then we pull our thoughts together from those folks and then we put it out to bid.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: And we have a pretty firm figure as to what we're going to pay for that building --

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: -- at the get-go, in the, you know, right after the design.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: And we do it within 60 days and it takes years for a public entity to do that. Because everybody is so scared of making a mistake, and doing something wrong, and wow, this to that, nobody really pays attention to the taxpayer. And the tabs go up and up and up, very well intentioned.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: So I guess my question, and it's a generic one, is can't we build some of these exact same buildings for a lot less money?

MS. COOK: Well we certainly go through the capital budget process and we as well do estimates and get input from other owners as to what these buildings cost, as well as from the architectural and construction community to determine the budget. And then during the course of the design phase we do do cost estimates as we go along to ensure that we are within those cost parameters. And I think one thing that may be different in the private sector than in the public institutional sector is that we're designing and building these buildings for 50-plus years.

These are institutional buildings that will be looked at in the long term for usage and in terms of this building, this is a very complicated building. It's going to provide, as I say, research as well as teaching space. It will enable us

to incorporate additional STEM students on campus and into our programs. And so we do go through that process in terms of getting that kind of input to --

COMPTROLLER FRANCHOT: Mm-hmm. How long did that process take?

MS. COOK: It takes a number of years, a number of years.

COMPTROLLER FRANCHOT: And how many committees are involved?

MS. COOK: How many committees are involved?

COMPTROLLER FRANCHOT: Yes, big committees, lots of people.

MS. COOK: Well we have committees within the University System to provide input in terms of what they need for both the research and teaching purposes, yes.

COMPTROLLER FRANCHOT: Okay. Well I'm not going to hold up the Board of Public Works meetings.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: But I'd love to work with the Governor and the Treasurer and the System --

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: -- to figure out how this can be improved from a taxpayers' perspective, where you end up with the same quality building but it's a lot less money because you do it much more efficiently.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: And I'll, you know, the Governor is, he had a career in this business.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: So, and the Treasurer obviously is responsible for the higher ed system that we have from her days in the Legislature.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: But to the extent we can -- well, put it this way. If I were flying to the moon I'd hate to be in a rocket designed by a committee. Really. So I hope we can at least explore this. Not obviously in a negative way, but in a positive way. And if we can build a \$100 million building for \$75 million, go for it. So that's my take. I'm treading on the Governor's commercial real estate background. I've probably got it all wrong. But I, I think there's gold in them there hills if we can figure out how to at the appropriate point, when you have a big contract that's pre-approved by the Legislature that comes before us, it's kind of hard to put our hands on it.

MS. COOK: Mm-hmm.

COMPTROLLER FRANCHOT: But that's, I'm sorry to take advantage of UMBC or this contract. I would move approval on the whole schedule. But this is an ongoing interest of mine. And I think the Governor obviously shares some, some interest in it, not to put words in your mouth.

GOVERNOR HOGAN: No question. We're very concerned about cost overruns with the University System. We've talked about that at nearly every single meeting. We've said after the session is over with that the Lieutenant Governor and I, the Treasurer, and the Comptroller are going to sit down with the University System and see if we can't come up with a better system. Get these buildings built faster and for less money. So thank you very much.

MS. COOK: Thank you.

GOVERNOR HOGAN: Any other questions on this?

TREASURER KOPP: No, I just, I am always for faster, better, less expensive. On the other hand, this is very complex. I would say, my recollection is the rocket to the moon, while it was expedited and President Kennedy made it a very top priority, had innumerable committees involved and in fact took quite, took almost a decade and was, subsequently NASA has had, although I love NASA and they are a great, they are a great constituent of the State of Maryland, NASA is great.

GOVERNOR HOGAN: Right.

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TREASURER KOPP: But it has also had its problems with complexity, with length of time, and --

COMPTROLLER FRANCHOT: Committees.

TREASURER KOPP: -- things that hardly got off --

COMPTROLLER FRANCHOT: Committees.

TREASURER KOPP: -- not to mention committees, committees before problems and committees after problems, too. But, and I think we set up a very good system, actually, for the planning and the, but it was set up some years ago.

MS. COOK: Mm-hmm.

TREASURER KOPP: And technology has changed and our capacity to move things may have changed, too. So it's always a good thing, it seems to me, to look at what's possible now as opposed to what was possible ten years ago.

MS. COOK: Mm-hmm.

TREASURER KOPP: I would hope we would address it in that way.

GOVERNOR HOGAN: Thank you very much. I know the former Governor probably would have liked to have sent the Comptroller to the moon. I'd rather --

(Laughter.)

GOVERNOR HOGAN: -- I'd rather keep him right here as a fiscal watchdog --

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: -- looking out for the taxpayers with us.

(Laughter.)

COMPTROLLER FRANCHOT: Yes, well --

GOVERNOR HOGAN: So is there a motion on the --

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three to nothing on the University System's Agenda.

MR. EVANS: Thank you.

GOVERNOR HOGAN: Let's move on to Information Technology, or the DoIT Agenda. Do we have any questions on the DoIT Agenda?

COMPTROLLER FRANCHOT: Item number 5?

MS. ROESLER: Yes, sir.

COMPTROLLER FRANCHOT: What is that, please?

MS. ROESLER: Item number five is the DHMH, originally an emergency award. It's an extension to provide O&M services and allow for the competition of the contract.

COMPTROLLER FRANCHOT: Yes, okay. I'm going to vote for this particular item because it's, what is it? Only \$5 million or something? Or --

MS. ROESLER: The total --

COMPTROLLER FRANCHOT: -- it's not very, it's not very much money in the global things --

MS. ROESLER: The total extension is \$1.2 million, sir.

COMPTROLLER FRANCHOT: The question that I have is that the Governor mentioned the previous administration. According to your website, not yours, but the Health Exchange, the taxpayers to date have had, the Exchange has approved contracts and spending of \$431,398,784. Now the Legislature in setting up the Health Exchange allowed the Exchange to choose. Bring your contracts before the Board of Public Works for their review and approval, or just go ahead and approve them on your own. You're not the Health Exchange so I don't mean to belabor you. But is there anyone from the Health Exchange here?

MS. ROESLER: Secretary Van Mitchell is here for --

COMPTROLLER FRANCHOT: Oh, good.

MS. ROESLER: -- the item, sir.

COMPTROLLER FRANCHOT: Well, he's one of the good guys.

Come on up here, Van.

MR. MITCHELL: It's a pleasure --

COMPTROLLER FRANCHOT: Yeah.

MR. MITCHELL: -- especially on April Fool's.

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: Secretary Mitchell, good morning.

MR. MITCHELL: Governor --

COMPTROLLER FRANCHOT: So this is --

MR. MITCHELL: -- I didn't have it in my job description, by the way.

GOVERNOR HOGAN: Yes.

MR. MITCHELL: But anyway.

GOVERNOR HOGAN: He wasn't involved in this mess.

COMPTROLLER FRANCHOT: Exactly. No. This is the gentleman that was going to send me to the moon. But, and I am a Democrat who happens to think healthcare is a right for every single citizen and nobody is going to be more pro-healthcare, or pro-Medicaid, or pro-Medicare, than I am as far as something that is essential to our citizens' health. But when I see a gargantuan waste of taxpayers' money with this fig leaf of healthcare wrapped around it, it really frosts me. And Secretary Mitchell, I completely exempt you from any of

my concerns about this. But these figures are just astronomical. I mean, we're almost a half a billion dollars in taxpayers' money going out from the Health Exchange and nobody at this Board has really looked at those contracts.

You are now in charge. If there is some way to send me the \$431 million in contracts that have already been spent, and if there is some way you could talk your folks into bringing future contracts before the Board, I would be personally extremely grateful. Because it doesn't hurt to have an extra pair of eyes and ears on these things. It's not your product. But this is, I mean, this is from the Health Exchange's website, so I'm not making this up. But it is just completely unacceptable that --

MR. MITCHELL: So I --

COMPTROLLER FRANCHOT: -- these dollars have been, I mean most, a lot of them have been wasted, Van.

MR. MITCHELL: So I certainly understand your concern and I tried to give the chairmanship to the Insurance Administrator Al Redmer, but he didn't, he didn't take it. But I am the Chair. We had our first meeting last week of the Health Exchange as being Chair. We are going to review the procurement process. As you know the procurement process is outside of the State process. So we are going to take a look at that in the next three to four months and maybe even bring legislation in the upcoming session to move it back into the process.

COMPTROLLER FRANCHOT: Here, here's the situation. The legislation is already there. It was passed. I met in 2011 with the Health Secretary and importuned him for his own, for the defense of healthcare to bring these Health Exchange contracts before the Board because the statute says you can do it or you can choose not to do, not to bring it before the Board. And he for his own reasons chose to go with their own process. It proved to be a debacle for the taxpayers.

MR. MITCHELL: Right. Well I think what we would like to do is take a look at it in the next couple of months and recommend to the Board that we bring it back under the State procurement process and then go forward.

COMPTROLLER FRANCHOT: You, well that would be, you don't need new legislation to do that, was my point. And I am much more comfortable with you over there, trust me.

MR. MITCHELL: Thank you.

COMPTROLLER FRANCHOT: But this, these dollar figures are just beyond belief. It is completely unacceptable. And it's, I'm just glad, well if the former Governor were here I'd have StateStat stuff for the next half hour about what a bad person I am to bring the subject up. This is pro-healthcare, to have fiscal discipline and oversight so that we don't go out and incinerate hundreds of millions of taxpayer dollars in a field and walk around as if it never happened. But thank you.

TREASURER KOPP: You know --

COMPTROLLER FRANCHOT: I hope some heads will roll.

TREASURER KOPP: -- these ad hominem remarks really don't
move the process --

COMPTROLLER FRANCHOT: I would be, I would love to see
some heads roll over, for whoever is responsible for this. Because it, well I said
at the beginning that it frosts me. It does frost me. And --

GOVERNOR HOGAN: Well --

COMPTROLLER FRANCHOT: -- thank you for being here.

GOVERNOR HOGAN: -- thank you, Mr. Comptroller.

COMPTROLLER FRANCHOT: And I'll back off and just --

GOVERNOR HOGAN: It frosts me, too.

COMPTROLLER FRANCHOT: -- get back to normal.

GOVERNOR HOGAN: It frosted me so much I decided to run for
Governor.

(Laughter.)

GOVERNOR HOGAN: And this was probably the biggest waste
of taxpayers' money in the history of the State of Maryland. It was the biggest
failure in the entire country. It's one of the reasons why we're here. And we've
got a new leadership team. We're going to get to the bottom of all these hundreds
of millions of dollars that were wasted by the previous administration. We're

going to fix the process. We're going to fix the healthcare system. It's one of the main reasons why we're here. We're going to put the State on a new path. And I have complete confidence in the new Chair --

COMPTROLLER FRANCHOT: I do too.

GOVERNOR HOGAN: -- who is going to come in with a fresh set of eyes. And I can assure you nothing is going to be swept under the rug and we are going to get to the bottom of the waste of hundreds of millions of dollars of Maryland tax dollars while tens of thousands of people lost their healthcare coverage. So thank you very much.

MR. MITCHELL: Thank you.

TREASURER KOPP: And I hope that we will come back with some actual facts as well.

MR. MITCHELL: Absolutely, thank you.

MS. ROESLER: Are there any further questions? By the way, I'm your Director of IT Contracts and Procurement for DoIT. I've been with you ten weeks.

TREASURER KOPP: Welcome.

MS. ROESLER: Thank you.

(Laughter.)

TREASURER KOPP: Good to have you.

GOVERNOR HOGAN: Any other questions on the DoIT Agenda?

(Laughter.)

COMPTROLLER FRANCHOT: So Item number one, Madam Secretary?

GOVERNOR HOGAN: Item number one?

SECRETARY MCDONALD: Do you want to, Stacia, explain a little bit what Item 1 is?

MS. ROESLER: Oh, of course. So Item 1 is for the application oriented design software which is used by DHCD for revenue, for their software system for revenue bonds, lending, and loan insurance. There are two other firms that provide this software but this software has been in place for many years, since if I recall correctly 1985. And we did a full price analysis to decide that this was the most cost effective way to continue providing the service. We also did a make or buy analysis to decide if it was more cost effective to build it ourselves and the decision was that, A, the pricing was fair and reasonable. We have included that as a, as an attachment to the Agenda so that you can see that analysis; and that to provide it through other vendors or to do a make or buy would be in excess of \$2 million.

COMPTROLLER FRANCHOT: Okay. So this is the \$300,000 annual contract for a company that we have had a relationship with since 1985?

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MS. ROESLER: Yes.

COMPTROLLER FRANCHOT: Okay. So I understand proprietary software. My agency has some of these relationships and it's, obviously they are the only ones, it's their software, they are the only ones that can provide the service for it. But I have a couple of questions. Even though the government is littered with these proprietary contracts that preclude agencies from competitively bidding out the maintenance and upgrade services, this is one company, an out of state company, that in effect has a contract for life. I don't have clean hands. My agency has several similar contracts with agencies. Most of them predate my arrival and it sounds like this one predates your arrival by about 30 years. But has anyone looked at these arrangements with a critical eye to examine if and why they have to exist in the first place and whether there are any escape clauses within our existing contracts that would allow us to go out and solicit some bid competition? I find it impossible to believe this one company is the only one out there that's capable of maintaining this particular system yet time after time we sign on to these lifetime deals, hand over the keys, and then just walk away. And I'd have to imagine if it was possible from an operational standpoint to include competitive third party maintenance provisions into the initial contract then the State of Maryland would have more than enough leverage to negotiate such a deal with our software vendors.

MS. ROESLER: Sir, when the intellectual property is owned by the person who developed it then other people do not have the right to modify the source code in general. If you are questioning the actual need for the software, I could have the agency address that.

COMPTROLLER FRANCHOT: Yes, no, I'm interested in why we have these contracts, for example with this particular vendor, where for 30 years on a year to year basis we extend the contract. As opposed to, for example, negotiating a multiyear contract with this particular firm and others in the same situation using the leverage of our, the fact that we are the State of Maryland.

MS. ROESLER: Software maintenance is as an industry standard typically a percentage of the purchase price of the software and the intellectual property owner who developed the software maintains that intellectual property and that is why no one else is allowed to maintain it. In this particular case and in all cases involving the proprietary use of software, DoIT assures that the price is fair and reasonable through comparisons to other contracts that we have competitively let within the last year. If there are more questions on that I could ask the agency to address it.

COMPTROLLER FRANCHOT: No, you don't have to do that. For me, unless my colleagues want it.

GOVERNOR HOGAN: When was the last time that the agency did an RFP for a new system?

MS. ROESLER: Well in, I could ask the agency but we did look at current pricing for similar software and that, the estimate for that was \$2 million. But perhaps Michael --

GOVERNOR HOGAN: Well 30 years of using the old 1980s style cost \$9 million. So it doesn't seem, and there's not a whole lot of places that are using 1980s technology these days.

MR. DEAN: Good morning, Governor, Comptroller Franchot, Madam Treasurer. The agency --

SECRETARY MCDONALD: Would you introduce yourself for the record? Your name and --

MR. DEAN: My name is Robert Dean. I'm the Deputy Director of IT at the Department of Housing and Community Development. In 1999 the agency did a review of other commercial products that could meet our single-family lending needs and at that time an extensive review was done by the executive team and concluded that the Emphasis software, which we also refer to as AOD, at the time was the most viable option for our single-family business needs. In the 15 years since we have not done a similar review to see what else is on the market that might also adequately meet our needs.

GOVERNOR HOGAN: So for 15 years you haven't looked at --

SECRETARY MCDONALD: Excuse me, Governor. Actually in 1999 it came to the Board as a sole source because the last competition was in

1985. So it was sole source from '85 to '99. I think what they are referring to was on Secretary Brinkley's Agenda in '99, is that they then said in '99 they had done a review. But it was still a sole source. It's been a sole source since it was -

-

GOVERNOR HOGAN: For 30 years?

SECRETARY MCDONALD: Yes. But it was reviewed in '99.

GOVERNOR HOGAN: Does anyone believe that 1985 software is the most up to date software for tracking loans on houses? That doesn't make any sense.

MR. DEAN: They're, it's a niche, this housing finance agency --

GOVERNOR HOGAN: I didn't even have a computer in 1985.

MR. DEAN: They have evolved.

(Laughter.)

MR. DEAN: They have evolved. They understand the needs of housing finance agencies like DHCD and the 50-some other peers at other state agencies very well. It's as much the relationship with our lending partners and our trustees and our business as it is the software itself.

GOVERNOR HOGAN: I'm pretty sure your lending partners are not using 1980s technology. I don't know of any national mortgage operations using 30-year old technology.

TREASURER KOPP: Well is this 1980s technology?

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MR. DEAN: Some of the underlying software is older.

GOVERNOR HOGAN: Older than 1985?

TREASURER KOPP: Is 30 years old? Or older --

MR. DEAN: I don't think it's older than 1985. But it's, a lot of it is not the newest (indiscernible) .NET technology that we would prefer.

GOVERNOR HOGAN: So the, this contract before us is the 30th year of the maintenance of the 1985 system?

MR. DEAN: Yes, sir.

GOVERNOR HOGAN: And when does that come to an end? When does the current contract run out?

MR. DEAN: This is an annual renewal for support.

GOVERNOR HOGAN: When does it end?

MR. CONAWAY: It ends, it ends today.

GOVERNOR HOGAN: Today?

TREASURER KOPP: April Fool's Day.

GOVERNOR HOGAN: That's a great time to bring it before the Board. Any other questions?

COMPTROLLER FRANCHOT: No, I have one other item after this still. I share your frustration.

GOVERNOR HOGAN: I'd like to bring the Secretary of Housing in to talk about looking for a new system in the meantime. If the contract is

ending today I guess we'll have to find some way to do some kind of a short term extension or a one-year extension. But we're going to find a better way to do business at the Department of Housing.

TREASURER KOPP: Is there a termination clause?

MS. ROESLER: Because of the nature of software maintenance if there is a gap in coverage it shouldn't present a problem. It pays for patches and things and so you would just delay the patches.

GOVERNOR HOGAN: Is anybody from Housing here today?

TREASURER KOPP: That guy was from Housing.

GOVERNOR HOGAN: Oh, yeah. Let's instruct the Secretary of Housing to come to the next meeting. We'll talk about this further.

COMPTROLLER FRANCHOT: Do you want to defer this?

GOVERNOR HOGAN: I think we ought to defer this one. Is there a motion to defer?

COMPTROLLER FRANCHOT: I would move to defer.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three to nothing, we're going to defer this item. What's your next question?

TREASURER KOPP: What, can I ask, can I ask, your next --

COMPTROLLER FRANCHOT: Yes.

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TREASURER KOPP: -- you mentioned IP. Isn't there a statute of limitations? I mean, is IP --

MS. ROESLER: For the owner of intellectual property on software?

TREASURER KOPP: Yes. Yes.

MS. ROESLER: I don't believe so.

SECRETARY MCDONALD: Well their copyrights do expire after a period of time.

TREASURER KOPP: Yes.

SECRETARY MCDONALD: So I think yeah.

MS. ROESLER: If they keep, my understanding though is if they keep adding to it and issuing new versions of it the copyright renews.

TREASURER KOPP: Ah.

MS. ROESLER: In this particular case --

TREASURER KOPP: Like modifying drugs.

MS. ROESLER: -- yes, in this particular case to purchase this software again brand new today the cost would be around I believe \$550,000 and would carry a similar maintenance price again.

TREASURER KOPP: But we don't know who would want to do that.

MS. ROESLER: Well if you wanted to buy this same software from the same firm.

TREASURER KOPP: Right. Thank you.

GOVERNOR HOGAN: All right.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: Do you have some other questions?

COMPTROLLER FRANCHOT: Yes, I just have two other items, two and three. I'm not sure how many items you had on the Agenda. But so Items 2-IT and 3-IT, we're being asked to award a pair of contracts to purchase desktop computers at the Department of Juvenile Services. Under the first contract with a White Marsh based company called Applied Technology Services we're going to purchase 218 Dell desktop computers and one printer at a cost of \$262,187, or just under \$1,200 apiece. According to my background notes these computers will be used for career education, which is very important.

Under the second contract, this one with a Hanover based company called DSR, we're going to purchase, the same agency, we're going to purchase 100 Compaq PCs and 150 laptops for \$214,000, a per unit cost that averages out to about \$850. So I have a couple of questions. First, how do these per unit prices compare with what we would pay as a State if we just went out to the Annapolis Best Buy down the road and bought them right off the floor? Perhaps the marketplace has changed since I bought my last desktop about three years ago,

but it doesn't feel to me as if we have received much of a price break here as the State. In fact these costs seem pretty steep to me. But maybe there are options and accessories that are required for these computers that I'm not aware of, and maybe you could put the unit cost in some kind of appropriate context?

MS. ROESLER: This one was a competitive bid with 12 competitors and they selected the lowest bidder. So we did not do a price comparison to Best Buy because we had what was considered to be extensive cost competition.

COMPTROLLER FRANCHOT: And why did the department choose to initiate two separate procurements for the same agency for the same product, when had they chosen to bundle these into a single contract we I think would have received a bigger price break, possibly?

MS. ROESLER: It's two different manufacturers, sir. And one of the things that we're attempting to do is have the maximum competition available for small businesses and MBEs. And typically those, those businesses don't represent necessarily more than one contractor. We've had complaints in the before when we bundled them. And so that is a general DoIT policy, although in this case I don't want to speak for the agency because they made their own decisions. So.

COMPTROLLER FRANCHOT: Mm-hmm. Okay, and you, but you put the contracts out or the agency puts the contracts out?

MS. ROESLER: It this particular case it was the agency.

COMPTROLLER FRANCHOT: Okay. Why wouldn't the, just help me with this, why wouldn't these agency contracts typically include delivery and installation? Wouldn't it be better to just have the vendor come in and set them up rather than the staff? And maintain them?

MS. ROESLER: I confess that being very new I am unfamiliar with the process of the installation. So I will ask Debbie Thornton to address that.

COMPTROLLER FRANCHOT: Thank you.

MS. THORNTON: Hi, I'm Debbie Thornton, Director of Procurement. Treasurer Kopp, Governor Hogan, and Comptroller Franchot, I have Gil Becker. He's our CIO of IT in DJS.

MR. BECKER: Yes, Gil Becker, CIO. The reason we did this in two separate orders, one is MSDE is responsible for the education of our students in all of our facilities. And we purchased Agenda item number two on behalf of MSDE and they have a standard of Dell computers, which is why we purchased Dell computers on their behalf. And our standard within the Department of Juvenile Services are HP, and all of our equipment is HP. So one is for Dell equipment and the other is for HP equipment, which is why we separated the two procurements.

COMPTROLLER FRANCHOT: And at my Annapolis Best Buy question, did you happen to go down there and check out the Dell and the HP

products and see what the people, individuals can buy one unit for, much less hundreds?

MR. BECKER: We did not go to the Best Buy. We did release this to over 200 vendors to get prices.

GOVERNOR HOGAN: I guess the question is --

COMPTROLLER FRANCHOT: Yes.

GOVERNOR HOGAN: -- was Best Buy one of the 200?

COMPTROLLER FRANCHOT: Yeah, I don't know.

MS. THORNTON: I don't think --

(Laughter.)

COMPTROLLER FRANCHOT: No, I --

TREASURER KOPP: Or --

GOVERNOR HOGAN: Maybe we should ask for the list.

MS. THORNTON: It was over 255. I don't think they, I'm not sure if they even --

MR. BECKER: You know, we do buy products from Best Buy on a regular basis. I don't know, I don't know if that was included in the 200.

TREASURER KOPP: How does DoIT develop its list of people from --

MR. BECKER: The list was --

MS. THORNTON: Pardon me?

GOVERNOR HOGAN: This was done by DJS.

TREASURER KOPP: Oh, you developed the list of people?

MS. THORNTON: What happened is when we put it out on eMaryland Marketplace, we pull up that specific commodity code.

TREASURER KOPP: Right.

MS. THORNTON: And whichever agencies or vendors sell those particular products, it will automatically release that solicitation to them. So it was over 200 --

TREASURER KOPP: And who sets up to whom it will be released?

MS. THORNTON: It auto --

TREASURER KOPP: Just --

MS. THORNTON: Under eMaryland Marketplace it automatically, whichever vendor is on eMaryland Marketplace would have, if it was solicited under computers, it, that commodity would relate to a specific vendor and that vendor will automatically get notified that we're soliciting computers.

TREASURER KOPP: Well how did that vendor get there to be notified?

MS. THORNTON: Pardon me?

TREASURER KOPP: The vendor who is being notified?

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MS. THORNTON: They are registered with, if they are registered with eMaryland Marketplace.

TREASURER KOPP: Right, and how do you register? Who registers them with eMaryland Marketplace?

MS. THORNTON: Vendors register their own companies with eMaryland in order to solicit --

TREASURER KOPP: They just wander across and see it and sign up? And nobody, nobody has any responsibility?

MS. THORNTON: I've never had a vendor, I've never had to register a business but typically --

SECRETARY MCDONALD: I think the Procurement Advisor can answer your questions about --

MS. THORNTON: eMaryland?

MS. CHILDS: Yes Treasurer, the way the vendors get email notifications on eMaryland Marketplace is they have to go in and register themselves. It's continuing to be a struggle to make sure that we have as many businesses as possible on eMaryland Marketplace. But as a best practice we also tell agencies that they should directly solicit businesses they know that may be interested in this type of procurement, specifically looking at the MDOT directory and the Veteran Owned Business Directory. So it should be a combination not only of eMaryland --

TREASURER KOPP: I mean, it's a bunch of laptops and desktops. That's what it is. I mean, so was Best Buy on the list? Did they register?

MS. CHILDS: I don't know that a retail operation like that would be necessarily on eMaryland Marketplace.

TREASURER KOPP: I'm, I think this eMaryland Marketplace --

MS. CHILDS: And if I can say, there are, there are ways for us to make sure we're getting good prices outside of just knowing that we've got a lot of competitors. We can look at, look at cooperative purchasing agreements across the nation, see what they are getting for their IT products to make sure that we are getting a good deal. Because I don't necessarily rely just on the fact that we have got a lot of competitors. There's other ways to make sure.

TREASURER KOPP: Well, I mean, the Comptroller raises interesting questions.

GOVERNOR HOGAN: Any other questions on the DoIT Agenda?

COMPTROLLER FRANCHOT: Just a quick comment. The previous speaker said these contracts were separated --

MS. THORNTON: Yes.

COMPTROLLER FRANCHOT: -- in order to solicit MBE and --

MS. THORNTON: Well one of them specifically was an SBR, small business reserve.

COMPTROLLER FRANCHOT: Uh-huh. How much MBE participation is there in these two contracts?

MS. THORNTON: For the SBR actually 15 companies received the IFB.

COMPTROLLER FRANCHOT: Yes, but how many, how much, how many of the, how much are the winning bidders participating in the MBE program?

MS. THORNTON: It varies. Well, I'm not sure --

COMPTROLLER FRANCHOT: Winning, there are two bidders. What's the MBE participation?

MS. THORNTON: This one wasn't an MBE goal required, just the SBR. The one that we, the second one we did as an SBR. The first one we just did as a competitive sealed bid.

COMPTROLLER FRANCHOT: There's no MBE goal in either contract?

MR. BECKER: There may be. We'll have to find out.

MS. THORNTON: There's no, there's none for that. And the other one is just SBR. I don't know how it was developed initially because I don't know what they, I don't know --

COMPTROLLER FRANCHOT: Okay, I don't mean, you --

MS. THORNTON: I came into it towards the end. So I don't know what, what initiatives they did at first. I do know the MBE liaison they do a, they process a PRG and they do a search to see how much MBE participation they could get for these goals. I'm not sure what processes they had in place when this was actually developed.

COMPTROLLER FRANCHOT: Anyway, I've taken up too much time. I'm going to move approval, Governor, on the Agenda and unless you have major concerns.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: Yes, second.

GOVERNOR HOGAN: Okay, thank you. Three-nothing. Now let's move on to Department of Transportation. Secretary Rahn?

MR. RAHN: Good morning. Good morning.

GOVERNOR HOGAN: Good morning.

MR. RAHN: For the record, I'm Pete Rahn, Secretary of the Department of Transportation, representing MDOT. MDOT is presenting seven items with Item 1-C being withdrawn. And the item will be presented at the April 15th BPW meeting. And I'd be happy to have people that we have here to answer any questions the Board may have.

GOVERNOR HOGAN: Any questions on the MDOT Agenda?

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COMPTROLLER FRANCHOT: The Port of Baltimore?

MR. RAHN: Yes.

COMPTROLLER FRANCHOT: What's going on up there?

MR. RAHN: All right. We have the Executive Director of the Port, and Dave?

SECRETARY MCDONALD: These are Items 2 and 3 that are on the DOT Agenda. Mr. Blazer is here.

MR. BLAZER: Good morning. I'm Dave Blazer. I'm the Deputy Director for Harbor Development with the Maryland Port Administration. We manage the dredge program for the Port. So good morning.

COMPTROLLER FRANCHOT: So you have Items 2 and 3?

MR. BLAZER: Yes, sir.

COMPTROLLER FRANCHOT: Okay. Which is the one with, it's a sole, sole, single bid contract?

SECRETARY MCDONALD: That was the one that was withdrawn. That's Item 1. They have withdrawn it from this meeting --

MR. BLAZER: Yes.

COMPTROLLER FRANCHOT: Oh. Oh, okay. Geez. Reading my mind.

(Laughter.)

GOVERNOR HOGAN: That was good thinking.

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COMPTROLLER FRANCHOT: Yeah. And --

MR. RAHN: I would add the reason we withdrew it is the person who oversees that activity at the department could not be here today.

COMPTROLLER FRANCHOT: Right.

MR. RAHN: And we know the desire of the Board to have the person responsible for the procurement to be able to answer your questions in an authoritative way. That couldn't happen with Item 1-C.

COMPTROLLER FRANCHOT: Excellent.

MR. RAHN: And so we withdrew it.

COMPTROLLER FRANCHOT: Excellent. The item then, the \$100 million-plus approval to MES?

MR. BLAZER: Right.

COMPTROLLER FRANCHOT: My question for that contract is obviously that's a lot of money. And I have a lot of respect for Jim Harkins and MES. But is there any approval or oversight of the contracts that MES uses the \$100 million to purchase services.

MR. BLAZER: Yes, well I think there's a couple safeguards. I may defer to Mr. Harkins on some of their processes.

COMPTROLLER FRANCHOT: Oh, is he, oh good. I didn't see you here, Jim.

MR. BLAZER: Yes, Mr. Harkins is here.

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COMPTROLLER FRANCHOT: Yes, here's a great public servant right here.

GOVERNOR HOGAN: Welcome, Jim.

COMPTROLLER FRANCHOT: Yes.

MR. HARKINS: I hope you feel that way when I get done.

(Laughter.)

GOVERNOR HOGAN: He does say the nice things about you at the beginning and then beats you up. That's the way it usually works.

MR. BLAZER: So our relationship, this is actually an intergovernment agreement that we have with the Maryland Environmental Service to help us provide the construction and the operations of our dredged material containment facilities. The project that you were speaking about, Mr. Comptroller, for the \$116 million is to expand our Cox Creek Dredged Material Containment Facility so that we can meet the dredging demand for the Port of Baltimore.

We have entered into these IGAs with the Maryland Environmental Service. We oversee those agreements. And there are several different activities that we work with MES on as a part of this agreement. And Mr. Harkins will probably talk about some of the steps they take within their procurement process.

MR. HARKINS: Mr. Comptroller, members of the Board, Jim Harkins, I'm the Director of the Maryland Environmental Service. For many years the Maryland Environmental Service has acted as the State's public works department. The Governor appoints our board. Our board specifically has legislative requirements that we must have experienced former contractors on our board in order to be appointed. Obviously they are retired, they have no conflict of interest. But our board reviews all of our contracts.

The process of awarding those contracts, we submit our process to the AELR Committee in the General Assembly. The General Assembly, you sat on that committee, at one time I believe, Mr. Comptroller, approves that process and, you know, it's aboveboard so I think we bring a great value to the State in that process.

Our board meets on a monthly basis. They, they bring those contracts. We work with the, with our client, in this case the Maryland Port Administration, but many other State agencies as well, to make sure it's honed down, that we have the competition factor, that we bring value to the State.

Ultimately I think well how good are you doing at this? We are audited yearly, the same auditor that audits the State, SB currently is our auditor. In addition to that we have legislative auditors who are in fact in my shop right now as we speak.

GOVERNOR HOGAN: You'd better get back to work.

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(Laughter.)

MR. HARKINS: I hesitate to say this, because God forbid what will happen with this audit, but the last audit, the last two audits that we have had, and I think by all standards in State government the legislative auditors are not slouches, they audited my agency without comment. That doesn't happen very often. I think we run a pretty doggone squeaky clean operation. I'm quite proud of our folks.

And I think the value we bring to the State, and I'll expand just a little bit, and that is to say that every State agency doesn't have to carry the expertise that I carry on my staff. State agencies can call up, get a sanitarian. Do we want to have a sanitarian at every State agency that has a, you know, a water and sewer system? I think it's a great savings to the State, the process that we use. But to go back to your particular question, it is scrutinized at great length. And I will say Jim White and Kathy Broadwater also hold my feet to the fire and hit me in the head if I do something silly. So.

COMPTROLLER FRANCHOT: Is Mr. White there? Could he come up? Thank you.

MR. WHITE: Good morning.

GOVERNOR HOGAN: Good morning, Jim.

COMPTROLLER FRANCHOT: Jim, standing before you is one of the nation's leading officials as far as the Port. I mean, we are doing a

gangbuster business up there with container shipments and automobile shipments. And thank you for providing the good job, Mr. White. This business, because I was involved with it for many years on the Legislature, is relationship driven. And I don't think anybody does a better job than Jim White at managing relationships that are so crucial. And if you don't, if you want to know how hard it is go try to meet with these shipping presidents. I mean, these are, this is a very tough group of folks that -- anyway. Relationships matter and I think the Port is doing great.

But I would appreciate it if in addition to the process it's articulated that somehow these contracts are at least notified to the Board of Public Works so that you have an extra layer of, of, you know, you, I'm not suggesting you need to come and bring them all before us. Just I would appreciate it as a Board member since we're going to approve \$111 million for you of taxpayers' money, please in addition to the process articulated, send these contracts over here so that we can take a look at them if --

MR. HARKINS: Mr. Comptroller?

COMPTROLLER FRANCHOT: -- as an extra level of protection for everybody. That's all --

MR. HARKINS: I sit next to you on the Board of Trustees of the Retirement Agency and I will slip you a note at every meeting.

(Laughter.)

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COMPTROLLER FRANCHOT: Yeah. And I'm not looking for more work for the Board, but you know what I'm talking about, it's the best of intentions get, are, you know sunshine does a whole lot. And Mr. White, I didn't mean to just drag you up here. I assume that this dredging is moving along on schedule and we're going to continue our prominence among the nation's best run ports.

MR. WHITE: Well as you know, dredging is very important to the ports, the first prerequisite that we have when we are talking to ship owners. If we can't get the ships alongside it doesn't matter how many moves per hour we do on the ships when they're here, it doesn't matter how productive our labor is or how many assets we have pierside. What's important to us is keeping the channel open. And we do have great challenges with the dredging program. And I think that Jim Harkins and his group does a great job for us. We do have a lot of oversight over what they do. And we make sure they earn the money they get.

COMPTROLLER FRANCHOT: And how are we doing as far as containers? Was I wrong?

MR. WHITE: No, we're open for business. We, we have lots of opportunity in front of us. We did more containers in 2014 than we have ever done in our history in any one year. We did more cars than we have ever done. We didn't make our goal. Our goal was 800,000, we did 793,000 cars over our docks. So there's room for improvement.

COMPTROLLER FRANCHOT: Great. Thank you for --

GOVERNOR HOGAN: Well let me share in the Comptroller's comments, Jim. You guys are doing a terrific job at the Port. The Port is so vital to our State's economy. This dredging project is critically important. We've got to keep those channels open. And I want to congratulate your whole team on everything you've done. And I want to also congratulate my friend Jim Harkins for, I think you are the only agency I know of that got a report like that on your audit. So we may bring you to the next cabinet meeting and explain it to the other guys how you get that done.

(Laughter.)

MR. HARKINS: I'm really fighting --

COMPTROLLER FRANCHOT: Yeah, yeah.

GOVERNOR HOGAN: Thank you all very much. Any other questions on the MDOT Agenda?

COMPTROLLER FRANCHOT: No, move approval.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh on MDOT. Move on to the Department of General Services.

MS. BASSETTE: Good morning, Governor.

GOVERNOR HOGAN: Madam Secretary, good morning. We're almost afternoon, but still morning. Good morning.

MS. BASSETTE: Madam Treasurer, Mr. Comptroller. For the record, I'm Gail Bassette, Department of General Services. The department has 13 items on our Agenda including one supplemental. We will be glad to answer any questions you have.

GOVERNOR HOGAN: Madam Secretary, I'd just like to take a moment to point out Item 6-GM. Three-quarters of a million dollars has been returned to the Construction Contingency Fund following the Rockville District Court project. And nearly \$200,000 have been returned by the Great Blacks in Wax project to the General Fund. And I just want to point that out because nearly every single meeting we're talking about cost overruns and things costing the taxpayers more than they were supposed to, and this is a great example to see two projects being delivered under cost for the State. So I wanted to congratulate them. Any other questions on the DGS Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: All those in favor? Three-nothing.

Thank you everyone. The meeting is adjourned.

(Whereupon, at 11:34 a.m., the meeting was concluded.)

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