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*STATE OF MARYLAND*  
**BOARD OF PUBLIC WORKS**  
*80 CALVERT STREET, ASSEMBLY ROOM,  
ANNAPOLIS, MARYLAND*

**July 16, 2015**  
**9:00 a.m.**

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# **PRESENT**

**HONORABLE LAWRENCE J. HOGAN, JR.**

Governor

**HONORABLE NANCY KOPP**

Treasurer

**HONORABLE PETER FRANCHOT**

Comptroller

**SHEILA C. MCDONALD**

Secretary, Board of Public Works

**C. GAIL BASSETTE**

Secretary, Department of General Services

**DAVID BRINKLEY**

Secretary, Department of Budget and Management

**JAMES PORTS**

Deputy Secretary, Department of Transportation

**EMILY WILSON**

Director, Land Acquisition & Planning, Department of Natural Resources

**DAVID GARCIA**

Secretary, Department of Information Technology

**JIMMY RHEE**

Special Secretary, Governor's Office of Minority Affairs

**MISSY HODGES**

Recording Secretary, Board of Public Works

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# CONTENTS

<b>Subject</b>	<b>Agenda</b>	<b>Witness</b>	<b>Page</b>
<b>Grant to Queen Anne's County Housing Authority</b>	SEC 19, p. 26	Sheila McDonald Kenneth Holt	13
<b>Amendment of Grant Agreement Between State and Maryland Zoo in Baltimore</b>	SEC 3, p. 4	Sheila McDonald Don Hutchinson	21
<b>Wetlands License for Swan Point Development Company, LLC</b>	SEC 6, p. 7	Sheila McDonald Bill Morgante Charles Schaller Delegate Danny Mayer Elaine Lutz Nancy Schertler Howard Dent	28
<b>Development Projects in Harford County</b>	DNR 2A, p. 48	Emily Wilson	51
<b>Medicaid Recovery Audit Contractor</b>	DBM 2-S, p. 56	David Brinkley Susan Steinberg	52
<b>Abolishment of 63 Positions in Human Resources Services Division of DPSCS</b>	DBM 15-GM, p. 106	David Brinkley	53
<b>Alternate Maryland School Assessment</b>	DBM 6-S-MOD, p. 67	David Brinkley Kristy Michel Trinell Bowman	60
<b>USM Agenda</b>	USM	Joe Evans	66
<b>Delegate to MAA Authority to Approve Subleases of State Property at BWI Airport</b>	DOT 13-GM, p. 172	Jim Ports Jim Walsh	68

---

<b>Bond Sale Resolutions</b>	SEC 26, p. 39	Treasurer Kopp Bernadette Benik	78, 83
<b>DGS Agenda</b>	DGS	C. Gail Bassette	80

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# PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

AUDIENCE: Good morning.

GOVERNOR HOGAN: Thank you all for joining us. Let me just start by saying it's great to be back at the Board of Public Works.

(Applause.)

GOVERNOR HOGAN: I think that Lieutenant Governor Rutherford did a great job standing in as the substitute teacher.

(Laughter.)

GOVERNOR HOGAN: I think people thought it was going to be easier and the substitute teacher was tougher than me.

(Laughter.)

GOVERNOR HOGAN: He did a good job. You know, I missed one meeting when we were on a trade mission to Asia, where we did I think 12 different agreements totaling hundreds of millions of dollars in business we're bringing back to the State. And then at the last meeting I had a medical procedure that I had to do and unfortunately had to miss it. But it sure is great to be back here with my colleagues today.

TREASURER KOPP: Good to have you back.

GOVERNOR HOGAN: You know, I just want to say to the people in the room thank you so much for all the outpouring of well wishes and

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prayers and good thoughts. It really means a lot to me. The cards and letters and phone calls have been pouring in and it really does matter. I think the prayers help and the good wishes help me feel a lot better while I'm going through this fight.

I also heard about, at the last meeting, about the green ribbons, the lymphoma awareness ribbons that were provided here at the BPW. And I want to personally thank Missy Hodges for organizing that. She --

(Applause.)

GOVERNOR HOGAN: Now as everyone knows, today is a bond sale meeting here at the BPW which is why we're here in this great facility. And I, first of all, Madam Treasurer, my compliments to you and your staff for all your hard work. I'm excited about the bond sale today. I think it's going to be a good one, right?

TREASURER KOPP: I think so, sir.

GOVERNOR HOGAN: And I want to compliment both of my colleagues here and everyone, all of our secretaries, and everybody that's been involved and that had anything to do with us maintaining our AAA bond rating for the State because I think it's terrific. It's going to help us make this a big day today. I want to thank you and your staff for all your efforts on this. And with that I think I'll turn the floor over to my colleagues for any opening comments. Mr. Comptroller, would you like to say a few words?

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COMPTROLLER FRANCHOT: Well, I kidded Governor Hogan a little bit by saying take your time coming back because Rutherford's doing a great job.

(Laughter.)

COMPTROLLER FRANCHOT: But --

GOVERNOR HOGAN: We can bring him back.

COMPTROLLER FRANCHOT: But seriously, I travel all over the State and there are, you know, six million Marylanders that are in your corner fighting with you, Governor. And I couldn't personally be happier to have you back and looking well. And I'm just sorry, I think today's Agenda could be a pretty long one. But a lot of people are praying for you. And I am every night. So thank you for being here. Thank you for, you know, just helping the State get back on an even keel. That's what I feel all, from voters all over the State. And at Tawes yesterday, which is this unbelievable, wonderful event down in the Southern part of the Shore, everybody had you in their thoughts.

GOVERNOR HOGAN: Thank you.

COMPTROLLER FRANCHOT: Yep. And --

GOVERNOR HOGAN: It was a nice day at Tawes for a change, too.

COMPTROLLER FRANCHOT: Yeah, it was only, you know, 85 degrees, normally it's 105.

(Laughter.)

COMPTROLLER FRANCHOT: But that is a fabulous event and everyone will look forward to having you there next year. And I think it's the spirit of, you know, courageous fighting that people like about what's going on right now. And you look terrific and everybody has your back.

GOVERNOR HOGAN: Thank you, Mr. Comptroller.

COMPTROLLER FRANCHOT: I know it seems a little bit early to think about back to school shopping, but in just a few weeks our Shop Maryland Tax Free Week begins, starting Sunday, August 9th through Saturday, August 15th. Any single qualifying article of clothing or footwear priced at \$100 or less regardless of how many purchased is exempt from Maryland's six percent sales tax. Tax Free Week benefits all Maryland taxpayers offering great deals. It's not just back to school clothing, it's all clothing and shoes, offering great deals for consumers, boosting revenue for Maryland retailers. The savings can really add up for families buying clothes and shoes for school.

And when you're shopping if you could, obviously people like to go to Walmart, and God bless the big stores. But could you go the smaller stores, too? The local businesses that you find in every community in Maryland? They really need and would greatly appreciate your business. Small shops have owners who are passionate about the small businesses they run, the special merchandise they offer, and they employ our family members, friends, and neighbors. I

encourage everyone to shop Maryland Tax Free Week and save some of your hard earned dollars.

In these tough economic times having a break from the six percent sales tax on shoes and clothing can make a big difference. For more information, please visit my website, [marylandtaxes.com](http://marylandtaxes.com), or call 1-800-MD-TAXES. And Governor, if you possibly could, if you feel up to it and want to make a brief stop, Governor Hogan is the only politician who actually buys anything on these Shop Local trips. Well, I do, I try to. But I think Mrs. Hogan, if she, you can bring her too --

GOVERNOR HOGAN: Let's do it again. I actually got this watch last year --

COMPTROLLER FRANCHOT: Yeah.

(Laughter.)

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: And a pretty good deal, too. Thank you.

COMPTROLLER FRANCHOT: Thank you, welcome back.

GOVERNOR HOGAN: Thank you, Madam Treasurer?

TREASURER KOPP: I want to say that what the Comptroller just said hit home because I was given by my daughter a shopping list for our almost five-year-old twins going into school this fall. They grow so quickly. They, it

really, it really makes a difference. And I know where I'm going. And it's a great little, little shop.

COMPTROLLER FRANCHOT: Good. August 9th it starts.

TREASURER KOPP: Yeah. Yeah. I too want to join the Comptroller in saying how glad we are to have you back, Governor --

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: -- and doing so well. And to say that the Lieutenant Governor I think did a terrific job thrown into things. He's another tough guy.

GOVERNOR HOGAN: He's a tough guy.

TREASURER KOPP: It's a good team.

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: Just to mention the bond sale, since you did, we do have a bond sale coming up today. We're going to try to get through it briefly. It, as you know, is to raise money basically to continue paying for the projects which were authorized some years ago. These are not the things that went through, went through this year. And because of the low interest rates we think we would do well for the taxpayers and be able to continue the flow of funds to pay for, pay for the debts as we build. As you know, most of this large portion goes to public schools, colleges, community colleges, and then corrections facilities at the local and State level. And not too much for your State agencies.

But we hope to make a difference for the working conditions for the State employees. But we think this will go through. And obviously to the extent it goes through well, the interest rates we're paying are significantly lower than what are in our long term plans --

GOVERNOR HOGAN: Great.

TREASURER KOPP: -- which is five percent. And the premiums, we had anticipated a premium of \$30 million for the entire fiscal 2016 year. We think we can do significantly better. And both those things reduce the amount that we are all concerned about, which is the amount of the general fund going to supplement the capital structure investment. So I think, I think this is good news. I know, Governor, your capital plan reduced out year expectations. And I think if we keep getting this good news, even though personally I think the time for refundings is about, about past us, but the premiums continue and the interest rates will have to go significantly above five percent to average out to what are in our plans. So conservative plans need better management and that's what these rating agencies said. And so I congratulate you on your first sale this year and your first sale, the last sale of 2015. The rating agencies seemed to like what they were hearing.

GOVERNOR HOGAN: Well, congratulations to you, too, and for all your hard work.

TREASURER KOPP: Well the staff --

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GOVERNOR HOGAN: It's a joint effort.

TREASURER KOPP: -- I'm a mouthpiece --

GOVERNOR HOGAN: Yeah, me too.

(Laughter.)

GOVERNOR HOGAN: Well, thank you both. And let's go ahead and get started with the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor --

GOVERNOR HOGAN: Good morning, Sheila.

SECRETARY MCDONALD: -- Mr. Comptroller and Madam Treasurer. I first would like to say that there are, I think we have a lot of people outside who are here for items so I think it's going to take (indiscernible).

But this morning on the Secretary's Agenda we have 26 items. We have four reports of emergency procurements. This morning we had a hand carried addition to Item 22 that your staff (indiscernible). Item 26 is the bond sale, which we will hold until close to 11:00. I suggest, Item 6 is a wetlands license recommendation. And people have asked to speak on that, and that can be held until the end. If the Board wanted to do that we can hold both Item 6 and Item 26, at the Board's pleasure. We are ready for questions on any of the items from you.

GOVERNOR HOGAN: Any questions?

COMPTROLLER FRANCHOT: Well, I have questions on both six and 19, I believe, which a lot of the people around are here for.

SECRETARY MCDONALD: Right, there are a lot of people here on Item 19.

COMPTROLLER FRANCHOT: So I'm --

SECRETARY MCDONALD: I think the wetlands may take a little bit of time.

COMPTROLLER FRANCHOT: Well is there any way to possibly telescope the two, the two items that have a lot of people? I just, partly because, you know, we just don't have, A, the time, and B, the stamina. So I'm wondering if there's, I'm wondering if there's some way to get a presentation by pro and con, and then let us vote on them.

SECRETARY MCDONALD: We have on Item 19, Secretary Holt is here. That's the Housing Department's request and recommendation about a grant to Queen Anne's County. And there are a lot of people who are in the room and outside the room on that one. So we could take Item 19 first. Would you like Secretary Holt to come up on Item 19?

GOVERNOR HOGAN: Yeah, sure.

MR. HOLT: Good morning.

GOVERNOR HOGAN: Good morning.

MR. HOLT: Madam Comptroller, Governor -- I'm sorry, Mr. Comptroller, Madam Treasurer. Our public service motivation has been guided in many ways by compassion for people right in our State and a desire to improve the quality of life here. And today we're specifically focusing on addressing homelessness. And I have a couple of statistics about homelessness in Maryland that I thought we ought to address and understand.

There are 8,392 homeless individuals in the State of Maryland, that's a slight increase of about three percent over last year; 6,594 of those people are in homeless shelters and 1,798 of them are unsheltered. The number of children that are in homeless families is 1,908. And the highest concentration is in Baltimore City, next Prince George's County, Montgomery County, and in Southern Maryland. The Eastern Shore of Maryland, where this proposed homeless shelter in Queen Anne's County exists, has approximately 500 homeless individuals.

In Queen Anne's County over the last five to six years there has been an effort by the Queen Anne's County government, in concert with the Housing Authority of the county, to address the problem. There has been a shelter in operation in Queen Anne's County that has served transitional individuals for about a period of 18 months. From the standpoint of homeless individuals who need a place to go overnight, they find their way to churches.

And there is a very large body of churches that reach out and provide emergency shelter.

The Haven Ministries in concert with the county has decided that at one location they would like to provide both transitional sheltering as well as emergency sheltering. And they applied to the State of Maryland and the federal government, through the federal government, for grant capital in order to build a shelter. This process has been ongoing and has resulted in effectively capital of about \$3 million being committed, \$1.5 million is before you for consideration today. This was a project with universal support and commitment by legislators as well as members of the council.

In recent months there has been a faction of the population that has been stirred into a frenzy in opposition to the facility. It is our opinion that their response is misguided. And I think one great example of the advantage to society is looking at the Lighthouse project here in Annapolis, not very far away. It is an astounding success. They serve about 75 people on a nightly basis. It is transitional. People are allowed to be there for roughly between three and six months. They have a pantry that serves needy people on a daily basis. At 11:00 you can come in and get quality foods. They have a kitchen which serves over 75 meals a day for lunch. They have a school, a culinary school to teach their residents the art of cooking and to give them an ability to be employed afterwards. It is a tremendous model of how our compassion can improve the quality of life

for our citizens. And in Queen Anne's County, where there is a very high level of median income, where there are many people with yachts and high quality housing, and wonderful conference centers and wedding venues, I think we are obligated to address this issue that affects a very small but growing segment of our society. And why are people homeless? Domestic violence, drug addiction, a lack of public assistance, under-employment, legal issues, all of these sort of create a problem from which some people cannot overcome. And I think it's our responsibility to help them. And I know each of you as compassionate individuals feel the same way.

So I would strongly encourage support of this very, very important shelter for individuals who are in need. It is well located. You will hear that it is in a, the wrong location. But I can tell you if you look at a map and you look at the industrial activity around it, you will believe that it's in an excellent location.

Approximately 80 percent of the transitional residents in these facilities are women with children, small children, children that need to be educated in our local school systems. And these women are there by maybe an unexpected calamity within their lives. And I believe that it's time that we understand our legacy is not just in building waterfront condominiums and developing the economy of that county or the entire State. Our obligation is also in helping those that are in need.

So I strongly encourage you to provide the support here. I believe that the County Council is probably of a mind to hear your opinion and to reevaluate this and if there is some time that they can be given to assess this. I intend to address the council on July 28th personally and if there is a bit of time given, maybe they can reassess their position.

COMPTROLLER FRANCHOT: Governor, if I could, just because I've visited the Lighthouse, it's a wonderful facility. But it has access to government offices that folks who are homeless very much need. It has access to transportation and stores, etcetera. This site is a bad site. My staff has gone out and visited it. It's an industrial site. It's close to school, a school and kids, which has got the residents upset. And I'm not in a frenzy. I just think that you have managed to somehow get a site that is bad for the clients that you're bringing in there, because it's a lousy, depressing piece of property that I don't think it reflects the dignity that we should be expressing the folks that are in trouble like you indicate. And it certainly isn't something that the residents there think is appropriate. So you've managed to come up with a site which is not good for either party. And you mentioned the meeting on the 28th. I would suggest to the Board that we simply defer and wait and see what the local commissioners are. Because I doubt that they were in a frenzy when they voted three to two to withdraw the grant. So for us to move forward in the face of their vote, and frankly your meeting with them, I think is a, you know, I just think it's premature.

And I would suggest, I hate to tell all of the folks that have showed up on both sides here to go back to the local level. But I think that's the appropriate step here. Otherwise we could spend several hours hearing both sides. And your side has been eloquent, but it's very one-sided, and very editorially biased, really. I mean, it's, I don't know whether the other members of the Board feel as I do that there are two sides to this and I hope that it gets sorted out at the local level. I have no problem whatsoever with providing State and county assistance to folks that are down and out. I've done that all sorts of times in my career. But this is not a good site.

GOVERNOR HOGAN: Madam Treasurer?

TREASURER KOPP: I think I'm arriving at the same plot on the line as my colleague the Comptroller in terms of time and hearing about your meeting, Mr. Secretary. But I must say I think we've heard a number of different perspectives, each of which are not the whole. There are, there is no issue on which everybody is unanimous or it wouldn't be an issue. I think that this site people seem to think is fine is for transitional housing but they don't like the idea of the emergency housing. On the other hand, it is near where the jobs are on Kent Island and that's one of the things you want, is people to have access to jobs. I just think there has to be some calm discussion. It was three to two at the county in one direction, and then it was three to two at the county in the other direction. We do want something that the county government supports. I think I would find

it hard to cram something down a county that opposed it. But on the other hand, I could not agree more with what you said and I think you said very eloquently, that we do have an obligation as a community to the members of our community. And I do think that if the county government, which has recognized for years a need, is not to simply repudiate that need and responsibility. At the very least they've got to come up with an alternative. And if there is no alternative, I know a lot of work went into finding this site and a lot of work can be put into making the problem, smoothing out the problems. And I hope that we will see a resolution which provides exactly the sort of services for the citizens of Queen Anne's County that you are seeking.

GOVERNOR HOGAN: Thank you, Madam Treasurer. Mr. Secretary, I agree with most of what you said. And I agree with what both of my colleagues said as well. I mean, obviously homelessness is a terrible problem throughout Maryland, including the Eastern Shore. It's something that we've got to focus on and try to provide assistance to the people that need it. But what concerns me about this issue is, I mean we, personally I've received tons of correspondence and phone calls and emails from people on both sides of this issue who feel very strongly about it one way or the other. It is now a local controversy, where there isn't a unanimous agreement.

Yesterday we received a letter from the county commissioners that I would sarcastically describe as profiles in courage, where they refused to take a

position themselves and asked us to make the decision for them. And that's unacceptable. The commissioners at one time took a vote saying they wanted this to happen. We've been through the process. This week I guess they took another vote saying, we don't want to take a position but we want you to hold it up. I think the Comptroller made a suggestion I believe of a motion to rather than vote this issue up or down today, that we defer this issue to a further meeting to give you the opportunity to sit down with the county commissioners and get a definitive answer. I agree with the Treasurer. This is a decision that should be made at the local level. If they can't decide whether they want this shelter or not, we shouldn't just make a decision on funding the shelter. So is there --

COMPTROLLER FRANCHOT: Yeah. I would make a motion to defer this until after the July 28th council meeting. And I'm right where the Governor and the Treasurer are. I happen to think that you need a different site and you need to come back with a lot less money. I mean, \$3 million for that facility sounds awfully high to me. And so if you could come up with something that's, and also something that, where the folks that we're serving have access to the, to the government agencies and to the, you know, transportation that they need, services. So yeah, I'm happy to move that this be deferred until an indefinite point in the future, I guess.

GOVERNOR HOGAN: I think we ought to have it at some point after you've --

COMPTROLLER FRANCHOT: Okay, then the meeting after July 28th.

GOVERNOR HOGAN: Yeah. But is there a second?

TREASURER KOPP: Second. Could I also make a request that the Comptroller is assuming a need for certain types of services. I'm assuming the desirability to be close to business. I don't really, if we could get some information on who actually would be in the shelters and how these citizens are cared for, what services they do need? From not just the supposition of concerned neighbors but the people who are delivering the services.

GOVERNOR HOGAN: And my primary concern is to have the elected leaders of Queen Anne's County decide what they want for their county, which is what you're doing to do at this meeting. And so it's three-oh on the motion.

COMPTROLLER FRANCHOT: Yeah.

MR. HOLT: Thank you.

GOVERNOR HOGAN: Thank you, Mr. Secretary. Other items on the Secretary's Agenda? Any questions, comments?

TREASURER KOPP: Could I ask one before you, the Zoo?

SECRETARY MCDONALD: Yes.

TREASURER KOPP: The Zoo, where is that? Number three. I'm just, I'm just curious about the impact of this. I understand this is the two

percent cut to the Board of Public Works, and this is the largest part of the Board of Public Works ironically is the grant to the Zoo. But what the impact will be in the light of the impact of the incidents in Baltimore, which I assume have had a very significant effect on the revenue of the Zoo. And where that leaves the Zoo? Is there somebody here?

SECRETARY MCDONALD: Mr. Hutchinson is here. I would like to (indiscernible), I would like to point out, yes, that this is a, the Zoo actually is served by the Board of Public Works budget. So the Board of Public Works you remember that and all State agencies were to take a two percent cut. So what happens is the \$153,000 that is being represented here is a three percent cut to the Zoo's grant. But it maintains the other one-third of the Board's budget, which is the Board of Public Works' operations and another grant. Those will be held at the level they were at. So a three percent cut to the Zoo is equivalent to the two percent cut overall. And Mr. Hutchinson --

GOVERNOR HOGAN: Good morning.

MR. HUTCHINSON: Good morning, Governor. Thank you very much. It's good to be with you this morning. Madam Treasurer, Mr. Comptroller, thank you very much.

A couple, just a couple of quick responses. First of all, this \$153,000 reduction is on top of a \$270,000 reduction during the normal budget process during the winter months, during the legislative session. So that's a

\$350,000 item. On top of that at the end of the fiscal year, we were having a pretty stellar, and I said this at the last meeting when the Lieutenant Governor was here. We were having a pretty stellar early spring when the April 27th occurrence happened. And in May we wound up losing about 13,000 attendees from where we had anticipated. We thought we would have about 90,000 attendees at the Zoo, 91,000, we wound up having 78,000. The last three days of April, the day after April 28th we anticipated having 3,100 people at the Zoo, we had 77. All told we wound up losing about \$100,000 in May.

The most difficult part of this --

TREASURER KOPP: Has this continued?

MR. HUTCHINSON: It is. We've had a, we had a decent June, and it looks as if we're having an appropriate July. What I mean by appropriate, year over year it looks like we're tracing a little bit like we did last year.

With a zoo environment you always have to measure weather. So you have to, in order to compare day to day operations you have to compare day to day weather operations. And generally speaking when the temperatures go above 85 degrees, with high humidity, with a low of 40 degrees, we lose our attendees. That's a generalization. That's generally true with zoos around the country.

The most important thing to know is that we were anticipating about a quarter of a million dollar revenue surplus over and above our

expenditures. We now have about a \$14 million-plus budget. That's what it reflects in this current fiscal year. This \$153,000 was not taken into consideration when we balanced that budget out.

We're now finishing the fiscal year with about a \$30,000 surplus. And the single most difficult item, first of all we are a fixed cost organization. We're talking about animals. So 91 percent of our employees are in the business of caring for the animals or caring for the people who come to see the animals. The rest are in our finance department and our revenue generators, our fundraisers. That's the other nine, the other nine percent. So we have 55 buildings. We have about 1,500 animals. And it's a fixed cost operation because every day, whether we have one person at the Zoo or whether or not we have no one come, or 10,000 people come to the Zoo, we always have at least half our staff coming to work. Even in the snow, if it snows at least half our staff must come to work to take care of the animals. In fact during the blizzards in 2010 we had people who didn't go home for nine days. So it's a fixed cost operation.

And we are an organization that seven years ago, and you know this and the Comptroller knows this, seven years ago we had \$2.5 million in debt. We were not able to make payroll and we thought we were going to lose accreditation. Today we have no debt, we have no debt. And we have been reaccredited twice. But we are still a great human organization. We don't budget for a profit. We don't make a profit.

COMPTROLLER FRANCHOT: Could I interrupt, just for a second?

MR. HUTCHINSON: Sure.

COMPTROLLER FRANCHOT: Because I love the Zoo. I will vote for any money for the Zoo. But we have a huge Agenda.

MR. HUTCHINSON: Sure.

COMPTROLLER FRANCHOT: And I think we covered some of this at the last meeting, didn't we, when we were talking about the impact of the, so I'm sympathetic --

MR. HUTCHINSON: I am fine.

TREASURER KOPP: -- before we heard about this.

COMPTROLLER FRANCHOT: I mean, is there something that --

TREASURER KOPP: No. I'm just trying to understand where actually in the history of trying to rebuild the Zoo this would put us?

COMPTROLLER FRANCHOT: Okay.

MR. HUTCHINSON: That's, that's the situation that we are in. And this \$153,000, can we absorb it? We'll know as this season unfolds. Unfortunately the budget, in the budgeting process the biggest months of the Zoo, October is one. But the other two biggest months are April and May. Now that comes at the end of the fiscal year. We have a very difficult time in November making budget judgments based upon what the fiscal year really looks like

because we are dependent upon what happens in the weather in April and May. That's the major issue with this.

TREASURER KOPP: But that would mean if, as our Secretary says, this cut is a little disproportionate just because of the, where it falls within the budget. If there were an opportunity for a deficiency that would bring it back to the two percent cut that everybody else got, that would happen at a point in the fiscal year before your --

MR. HUTCHINSON: Yes.

TREASURER KOPP: -- big rush, actually in the spring.

MR. HUTCHINSON: Yes.

TREASURER KOPP: Could I just ask that that be, depending on revenues that that be considered in the discussion? I don't want to treat them unfairly. But I do understand there isn't any leeway.

GOVERNOR HOGAN: It's two-thirds of the budget. I mean, quite frankly I'm not sure why two-thirds of the Board of Public Works' budget goes to the City Zoo.

TREASURER KOPP: Really, it's a grant and they just use the Board's --

GOVERNOR HOGAN: But you do have to come up, you do have to find a two percent cut and that's where you recommended that we find the funds.

SECRETARY MCDONALD: Well that question is answered at legislative hearings every year and it's for our budget hearing. We do, so I would like to point out to the Board, we have two grants that are in the Board of Public Works' budget. One is the Maryland Zoo in Baltimore and the other is Historic Annapolis. And the reason those two grants are actually in the Board of Public Works' budget as opposed to all the other agencies that have the different grantees is because they actually manage State property. Historic Annapolis, all those buildings belong to the State of Maryland and Department of General Services doesn't have to operate them because Historic Annapolis does it. In addition, the Maryland Zoo in Baltimore is actually State property.

So what I'd like to say is these are grants from the State Treasurer that the Board of Public Works is in charge of superintending and that's (indiscernible).

TREASURER KOPP: I want to make sure that you understand that this is not, this is not any comment on the part of the Board of Public Works or the State on the great job that you all have done bringing back the Zoo from the brink of disaster. And I would hope that we would be able to (indiscernible).

MR. HUTCHINSON: And Governor, you did not hear this the last time, but we are in the 23rd year of a 40-year lease with the City of Baltimore. The State made that agreement in 1992 and it carries out another 17 years of the legal obligation for the State to provide financial support for the Zoo.

GOVERNOR HOGAN: Great, thank you.

MR. HUTCHINSON: Thank you.

GOVERNOR HOGAN: Other questions on the Secretary's Agenda?

COMPTROLLER FRANCHOT: Item 6.

SECRETARY MCDONALD: All right. Are we going to do the wetlands, then? Okay. The Wetlands Administrator Mr. Bill Morgante is here. And I also need to make sure that we have (indiscernible).

MR. MORGANTE: Good morning, Governor, Madam Treasurer, Mr. Comptroller. I'm Bill Morgante, the Wetlands Administrator to the Board of Public Works. I'm going to provide some background to the wetlands license for Swan Point. I actually have some slides, I'm wondering could I talk from over there?

SECRETARY MCDONALD: Yeah but, you can but I don't know whether the Comptroller wants to real quickly get to the questions? Or do you want to --

COMPTROLLER FRANCHOT: I'm just --

MR. MORGANTE: It would help.

COMPTROLLER FRANCHOT: -- looking at a, there are a lot of items on this Agenda. So if you can summarize I think --

MR. MORGANTE: Okay, I'll just move ahead.

COMPTROLLER FRANCHOT: -- we would like to get to a vote, I guess, at some point.

MR. MORGANTE: Okay. Swan Point is a roughly 900-acre development located on the Potomac River in Charles County. A wetlands license was issued for the project in 2008, and since then the developer has built 485 homes, an 18-hole golf course and clubhouse, a small marina, and a 1,000-linear foot breakwater along the Potomac River. The project languished during the recession and the license expired in 2014.

So at this point now the developer is ready to proceed and would like to propose 1,500 residences, a hotel and conference center, a second, larger marina, commercial and retail, community recreational amenities, five observation piers, and additional shoreline stabilization and marsh creation. So the portions of the project under BPW purview due to tidal wetland impacts include construction of the marina and observation piers and shoreline stabilization and marsh creation.

The Department of the Environment prepared a report for the Board recommending a wetlands license. As your wetlands administrator I notified all interested persons of MDE's recommendations and solicited comments. We received correspondence in favor from two residents as well as the Charles County Chamber of Commerce, the county commissioners, and the General Assembly's county delegation. We received comments with concerns

about the project from two residents and the Chesapeake Bay Foundation. Additional correspondence was received from the U.S. Navy at Dahlgren with recommendations related to military activity in the area and from Critical Area clarifying items regarding forest interior dwelling species mitigation.

So the elements that are recommended for approval for the State tidal wetlands license include, number one, construction of the Potomac River marina with 143 boat slips; number two, construction of shoreline stabilization which involves 5,000 linear feet along the Potomac and about 200 linear feet at Cuba Island; thirdly, marsh creation, including almost two acres on the Potomac and 2,400 square feet on Cuba Island; and lastly, five observation piers on the Potomac and Cuckold Creek.

So after review of the project, consultation with MDE, and numerous natural resource scientists, and a site visit, and considering what we always evaluate here, the aesthetic, developmental, ecological, economic, and recreational factors, I recommend approval of this license with applicable special conditions.

So three Charles County residents, the developer's representative, and a representative from the Chesapeake Bay Foundation would like to address the Board. MDE Secretary Tung and myself are here to answer your questions.

COMPTROLLER FRANCHOT: Is the developer here?

MR. MORGANTE: Charles?

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GOVERNOR HOGAN: Thank you.

COMPTROLLER FRANCHOT: Yeah, I'd like to hear from the developer.

SECRETARY MCDONALD: Mr. Schaller, please, from Swan Point. Or whoever is here representing Swan Point.

MR. SCHALLER: Good morning, Board members. Charles Schaller with Linowes and Blocher, on behalf of Swan Point Development Company. We finally have some (indiscernible) in the air out there. It helps, for sure. In this room, no.

I'm here on behalf of the State tidal wetland license 07-04 that's pending before. As this Board may be aware, this Board issued the license back in 2008. Unfortunately at the time the license was issued we had the economic collapse in the economy that pushed everything back.

GOVERNOR HOGAN: I remember reading something about that.

(Laughter.)

MR. SCHALLER: It's been a difficult time for this project, but this project has not changed since it was back before the Board other than we have acted, Swan Point has acted on the license. One of the items that we did seize upon with some of the limited funds was we spent \$5 million creating a living shoreline along the Potomac, which stabilized, and I don't have pictures here, we had cliffs of 11 feet because of the severe fetch along the Potomac River.

And so that has turned into a fabulous project. It created habitat that was lost and degraded.

This project is environmentally sensitive. We are doing everything that we promised we would do back in 2008, PSD to the MEP for stormwater, we maintained all our buffers, and we're proposing conservation easements in certain areas to preserve habitat. We have worked with the county and the regulatory agencies and we are simply here to seek favorable authorization of the revised license. I believe one of the new conditions is a ten-year license so it wouldn't have to be back before this Board. Hopefully not and we can get this accomplished. So we would ask for your favorable consideration. I'm happy to answer any questions.

COMPTROLLER FRANCHOT: Thank you very much. Mr. Schaller is a very distinguished attorney and I've voted for his projects and I've voted against his projects from time to time. I think you're involved in the Four Seasons project, which has been back there in the shadows somewhere. And that I'm not particularly sympathetic to. But I did vote for this wetlands permit in 2008 and I thought it was a more environmentally responsible proposal than I've seen in a long time. But one of the factors was the state of the art wastewater treatment plant that you constructed and I noticed that there was a 90,000-gallon spill from that into the Cuckold Creek in January of 2010; a 140,000-gallon spill

in March of the same year; and another spill, smaller, in April of 2013. What is the situation with the state of the art wastewater treatment facility?

MR. SCHALLER: At the time, Mr. Comptroller, this was now, oh, going back nine years ago when we built the BNR plants out there, we turned it over to the county. The county has been maintaining and operating that wastewater treatment plant for at least seven years now. So the items you referred to are not our responsibility. We have nothing to do with it. And frankly, I was unaware that there, the magnitude of those spills.

COMPTROLLER FRANCHOT: And is the county represented here? Or who is in charge of the wastewater for this? I guess the question is, is the facility fixed so that we don't see these spills happening? And with the increase that you're talking about, I take it you're going back to the original plan as far as the scope of it?

MR. SCHALLER: Yes. Yes.

COMPTROLLER FRANCHOT: So that would indicate a lot more wastewater. And where are we as far as treating that?

MR. SCHALLER: The plant was designed as a BNR biological nutrient removal plant in two phases. The first phase was 300,000 gallons -- take a step back. The county had a very old primary tertiary treatment plant and they were doing spray irrigation to the cornfields which really wasn't working too well in an area where the soils are saturated. So Swan Point in conjunction with the

county built a brand new BNR wastewater treatment plant that's, the initial phase that was constructed was 300,000 gallons to address the existing community and a portion of the build out. It's designed so that it can go to 600,000 gallons after a certain number of units are built so that there will be sufficient capacity.

As far as the spills and what happened, I don't know, Mr. Comptroller. I'm sure that the county is on it to figure out what happened. It sounds like something broke because of the amount of wastewater that might have been discharged there. But the design is a good design for where we are today under today's standards. In fact, it exceeds today's standards.

COMPTROLLER FRANCHOT: Okay. The second question, you agreed to some I thought very commendable site restrictions, time restrictions, I guess I recall, to protect fish spawning in the adjacent bodies of water, and also to protect a large natural oyster bar. I'm not an expert on either of those things, but they were pretty specific prohibitions on site work during certain times of the year. I noticed that those have been removed as far as fish spawning and they apparently remain in place for the oyster bar but they are limited to the 500 feet of buffer around the oyster bar. Is that you or is that the county again?

MR. SCHALLER: No, that would be the State. I mean, we, when this project was designed, again nothing has changed from 2008 that was previously approved by this Board, their, MDE has a 1987 water quality policy that marinas with greater than 100 slips must be at a minimum 200 feet from any

natural shellfish bar. Unfortunately the bars in the Potomac, I hate to use the word moribund, but they are not very productive. I've heard single digit bushels coming out of the various oyster bars there. That stems back to Agnes in 1977 that just decimated the Potomac, unfortunately, and the fishery there.

We have in place the same setbacks that we had in 2008. There is a time of year restriction out there so we're maintaining that for the shellfish harvesting. As far as, I believe we've touched on the fish, the fish spawning, we have worked with, again, the Department of Natural Resources that has the regulatory jurisdiction over there. And what DNR said was this area didn't require a time of year restriction. They've looked at it, to my knowledge, and felt that it wasn't necessary. And we defer to the State as being the experts in it.

COMPTROLLER FRANCHOT: And as far as the living shoreline, apparently it was very heavily eroded?

MR. SCHALLER: Yes.

COMPTROLLER FRANCHOT: Have the procedures you have taken, has that stopped all of the erosion?

MR. SCHALLER: It has, Mr. Comptroller. And I have a power point that I could provide each one of the Board members that has some pictures at the end, if I can approach? There are some pictures at the back that show the condition prior to the living shoreline creation. As I mentioned, there are 11- and 12-foot cliffs literally along the Potomac. And then there are some, also some

pictures in there that show the current condition. It's a beautiful project. As I said, we met, we spent \$5 million plus or minus restoring over a mile of the shoreline. I know that Mr. Morgante has been down there; Maryland Department of the Environment has been down there; Critical Area Commission; everybody has seen it and says, I don't want to use the clichéd term poster child, but that's what you want it to. The design works, it stabilizes the shoreline, we no longer have the amounts of sediment going into the Bay along the Potomac.

COMPTROLLER FRANCHOT: Good. I'm sympathetic, but I'm going to listen to the Chesapeake Bay Foundation. Because it's a 600-acre oyster bar down there, and they may have a different point of view than you that it's moribund, I guess, and, or near moribund, near morbidity. But thank you for that. And what is the timeline for actually doing this project and which we previously approved but didn't happen?

MR. SCHALLER: Just to follow up, Mr. Comptroller, we worked with the Potomac River Fisheries Commission, Marty Gary is the Executive Director there, on this oyster bar issue. And so the Potomac River Fisheries Commission is satisfied with the project.

Timeline wise, we have a preliminary plan, Phase A pending before the county. We can't move forward with that Phase A until we've had some other items to address. We recently signed an MOU with Charles County to provide additional public access to waters of the State. And we have this license.

Assuming it gets approved, we get back before the county and start going through the county review process. ASAP is really where we are. The economy is moving in the right direction. You know, we estimate it's going to be \$90 million over 20 years. And we have the county's support and really tried to work well with the regulatory authorities and the elected officials to make sure this is a project that the State can be proud of.

COMPTROLLER FRANCHOT: Well Governor Hogan knows more about this in frankly 15 minutes of your private sector experience than I will ever. But I would appreciate it if the company could keep its protection of the environment in a pivotal position. Because that's the basis we went through with last time and --

MR. SCHALLER: Well I appreciate your comments. I mean, this is an environmentally sensitive community. We wouldn't have invested the \$5 million to create the living shoreline if we didn't believe in the project and we preserved over 400 acres of open space forested lands with this project. I think when you come back and you look at it it's smart growth, it's clustered development out there. It has certainly gone through a rigorous review process at the county and the State level, and we seek your favorable consideration.

GOVERNOR HOGAN: Thank you, Charles.

MR. SCHALLER: Thank you.

GOVERNOR HOGAN: I think we -- oh, sorry.

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TREASURER KOPP: Could I just ask, and we don't have to, you can get back to me on this. But because I guess you all are taking a risk. But we're learning more and more about sea level rise and storm surges. And this living shoreline looks like it's been great in the last few years, it's only been a few years.

MR. SCHALLER: Correct.

TREASURER KOPP: And my question is how you, and as I said we don't have to go into it now, in your planning, in your investments, are you going in and factoring that impact?

MR. SCHALLER: That's a good question.

TREASURER KOPP: Because I'm not sure I would candidly buy along the shoreline.

MR. SCHALLER: We actually did have a little prescient moment where we had the contractor, Scott Hardaway who designs these, add an extra foot. FEMA just went through and remapped everything, didn't change our 100-year flood plain elevation line out there. But just in case everybody, you know, you read everything out there. So and that had put, wasn't a huge economic hit to us when we added the rock and everything. But we're really trying to do the right thing down there.

TREASURER KOPP: I'm sure, and it has an impact on your investment.

MR. SCHALLER: Absolutely.

COMPTROLLER FRANCHOT: Let me know if you find any unexploded ordinance out there, because apparently the Navy is a little bit concerned.

MR. SCHALLER: The Navy will be the first to hear, you will be the second.

GOVERNOR HOGAN: Thank you, Charles.

MR. SCHALLER: Thank you, Board members.

GOVERNOR HOGAN: I think we have Delegate and former Commissioner from Charles County Danny Mayer. Good morning.

DELEGATE MAYER: Good morning. Nice seeing you.

GOVERNOR HOGAN: Good to see you, too.

DELEGATE MAYER: Best of luck to you.

GOVERNOR HOGAN: Thank you.

DELEGATE MAYER: I'm a resident of Swan Point. I'm a property owner since 1993. So once we retired in 2006 we moved there. It is a wonderful community. This developer has owned this property for over eight years and not settled the first piece of property. Although he could have, there were some undeveloped lots that they could have. They have, as far as I'm concerned, lived up to everything, I was commissioner there for three terms and I was part of the approval process of the sewer plant. We had two sewer plants,

one at Cobb Island and one at Swan Point. They combined the two and preserved a good portion of it for commercial development, economic development, and they took on those things except for down in Cobb Island and not expand growth but to take (indiscernible).

This new sewer plant has worked well. The spill you were referring to, it was a, I guess it's called a 100-year storm came through there and just overwhelmed it. It was the county's problem, it certainly wasn't the developer's problem. The developer did participate in the financing of the plant. So we, and I was, we look at it as one of the economic jewels in Charles County. We are one of the few counties that border, has that much acreage on the Potomac that does not have a destination spot, so to speak. And that's what we viewed it as then, and that's what it's going to be viewed as now.

GOVERNOR HOGAN: Thank you, Delegate. Are there other speakers that wanted to --

SECRETARY MCDONALD: Chesapeake Bay Foundation?

MS. LUTZ: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MS. LUTZ: -- members of the Board. My name is Elaine Lutz, staff attorney for the Chesapeake Bay Foundation. And I'm here to address the tidal wetlands license.

We just heard that nothing has changed since 2008, although I would say that we had an enormous change and that was the Chesapeake Bay total daily maximum load, or TMDL. Under the TMDL every permit must be evaluated for its compliance with the nutrient reductions required thereunder. In 2008 when this wetlands license was originally considered and issued, the water quality certification underlying it was also from 2008. So CBF had commented in March, 2014 and May, 2015. And our primary concerns have been the outdated information underlying this permit.

The oyster beds are one consideration. The submerged aquatic vegetation is another. There have been no fewer than 12 wastewater treatment plants that have been upgraded on the Potomac, which has an enormous impact on the reemergence of submerged aquatic vegetation. And the study that was used to support this permit in 2008 was from 2006 and 2007, and these upgrades have happened since then.

We have seen reemergence of SAV after wastewater treatment plants have been upgraded and we think that the outdated information doesn't necessarily comply with the TMDL and needs to be reevaluated in light of those required pollution reductions and the changes on the ground that we've seen from the reductions that we've made so far.

The other concern, major concern, is that nothing in this recommendation considers the impact of the total development, the increased

stormwater runoff pollution, and removal of so many trees. It's a very forested parcel right now. Those all have an immediate impact on tidal wetlands. We just heard about climate change and erosion, and right now a fully forested site being converted to an urban residential land use will have a very serious impact on those issues as well.

So I guess in conclusion we just would like to see more up to date information before this license was reissued in light of how many things have changed since 2008, both in the regulatory scheme and then also on the ground in the ecology of the area.

GOVERNOR HOGAN: Any questions?

COMPTROLLER FRANCHOT: Thank you for --

GOVERNOR HOGAN: Thank you.

MS. LUTZ: Thanks.

GOVERNOR HOGAN: Any other speakers on this?

SECRETARY MCDONALD: A Nancy Schertler or Howard Dent?

MS. SCHERTLER: Good afternoon. Thank you so much for giving me this opportunity to speak to the three of you. I was given the opportunity to speak in 2008 when this plan was before you and some of the concerns I had then remain today.

One question is when you look at the drawings, when you look at the map, it's the wisdom of the developing the Weir Peninsula, which is only a 60-acre parcel as a whole. And that's where the marina is scheduled to be. And the question is does it make sense to encourage development of this parcel, which is almost entirely in the flood plain? In a category two storm it will be inundated. The Weir Peninsula is a breeding (inaudible) habitat. The Department of the Navy Dahlgren has concerns about the proximity to the range and the unexploded ordinances. And while the Potomac River Fisheries Commission has withdrawn their opposition to the development, they have also withdrawn their plans to seed the Swan Point natural oyster bar.

Now I have a property that is on Cuckold Creek, and we have been, oysters are in there for the CBF, Chesapeake Bay Foundation, for 15 years. And we have some oysters that are about this big across. They are doing really well.

But the primary reason I wanted to talk today is about public access to that beautiful shoreline that Mr. Schaller spoke about, and it is lovely. The applicant has been very reluctant to allow public access to it. But as he said, in April the developer and the Charles County Commissioners came up with a memorandum of understanding that will provide parking and access and the developer is responsible for the daily operation of the access. And I would actually like to take this opportunity to thank the Critical Area Commission staff,

particularly science advisor LeeAnne Chandler. Because, well, she's been so patient with my endless questions. But if it weren't for the Critical Area Commission's role in approving the habitat protection plan, I seriously doubt that we would have had this memorandum of understanding to allow access. And while this agreement is a huge improvement over SPDC's original intent, it's unclear if the access points for the general public will be the same as for visitors of the Swan Point Resort Hotel. If these access points are separate, will they be equal? Is it possible for SPDC to set hours of operation for the public access that are shorter than those provided to guests of the hotel, and effectively privatize that beach for certain hours of the day or year? What recourse will the general public have if that happens?

As you know, criteria for evaluating wetlands licenses includes the recreational and navigational access to beaches and waters of the State as provided. If you grant this license, I respectfully request that you provide assurance above and beyond that documented in the MOA between Charles County and SPDC that the general public will have equal access at all times to these State water resources, which are held in trust by the Board of Public Works for all Maryland citizens and not just the elite few.

Thank you again for this chance to speak.

GOVERNOR HOGAN: Thank you. So do we have another speaker?

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SECRETARY MCDONALD: Is Mr. Howard Dent --

MR. DENT: Thank you.

SECRETARY MCDONALD: And are you Nancy Schertler? For the record, you are Nancy Schertler?

MS. SCHERTLER: Yes, I am.

SECRETARY MCDONALD: Thank you. And this is Howard Dent.

MR. DENT: Thank you. Governor Hogan, Treasurer Kopp, Comptroller Franchot, thank you for the opportunity to speak. I was able to address the Board of Public Works in 2008 and some concerns that I voiced remain still.

First about the shoreline restoration, if you, and I will, I certainly thank Mr. Schaller and Swan Point for that. You had a couple of concerns, Mr. Comptroller. Mr. Schaller said that the development has not changed but in seven years the regulations have, and I hope you will look at that.

As far as the sewer, it's just interesting that that is up for a renewal for discharge permit. And just last night I sent in a request for a hearing. And I intend to ask the same questions that you did. What about this? I know that the county at one point was required to upgrade the sewer plant and I intend to ask just where we are with that. We live on Cuckold Creek, which is where the water is discharged, and I am concerned.

I still have two main concerns about the development, and Comptroller Franchot in your motion to approve the wetlands license in 2008 you said the project was, and I'll quote you if that's okay, important residential but it's also a commercial project in a way that mitigates the concern about development pressures on the Bay, end of quote. Now Phase A of the Swan Point development was for residential and contains no commercial development. Although there is a desire for a hotel in this phase it is not reflected in the current preliminary drawings. I am convinced that the commercial components of the development may never -- I'm concerned that the commercial components may never be realized and can a bedroom, second home community provide the economic engine that everyone is counting on for this development? If the commercial base is not realized, then what will mitigate the concerns about development pressures on the Bay? Is it possible for the Board of Public Works to require some kind of time table so that the commercial aspects are developed in tandem with the residential part, so that there is a balance to the large environmental liability and the hazards of coastal flooding? It's not in the State's best interest to approve this license without the assurance that all the ecological and economic factors of this development will be realized.

And my second concern involves Cuba Island. I applaud the MDE report which requires revetment and a living shoreline rather than the bulkhead which was approved at the last time. In 2008 the developer would not commit to

not developing Cuba Island. According to the drawings in the current report, Cuba Island is less than 125 feet wide at its widest, so it's totally within the 100-foot buffer. Cuba Island is not in the buffer modification area. Its zoning prohibits building within the 100-foot buffer. A March, 2008 letter from the Critical Area Commission to Charles County states that the future use of Cuba Island must be consistent with its RCA zoning.

Charles County Critical Area Program states that one of its objectives is to limit development in the resource conservation area. Can the BPW get a commitment from the applicant to not develop Cuba Island? There are two derelict buildings on Cuba Island and they are getting closer to the water, and I'm afraid that they may follow the old bulkhead into the creek before the living shoreline is in place. I ask also that both buildings be removed before that happens. And I thank you for your time and for listening to my concerns.

GOVERNOR HOGAN: Thank you. Any other speakers on this topic? Questions? Comments? Motions?

TREASURER KOPP: Yes. Can I just ask the wetlands administrator if he has anything he wants to say in response to comments on the oyster bed that the Comptroller raised?

MR. MORGANTE: Two of the issues that were raised, one concerning the updated information for SAV. I know personally I've looked into that information and the SAV along the Potomac River actually hasn't been

documented since February, 2001. And actually I was able to get updated information for Cuckold Creek that's more of an issue for SAV. And there, since there was SAV found there recently in the last few years that we actually have added a condition within the license that actually has a time of year restriction on that SAV.

Treasurer Kopp, in response to the sea level rise question, actually we did look into it a little bit. The newest document that DNR has put out about coastal smart development, and was pleased to find that their recommendation, Zoe Johnson I believe it is who headed up that team, was that all development be constructed above two feet, a minimum of two feet above hundred year flood elevation. And if you're looking into that for this project that is the proposal for that. I think for the TMDL --

TREASURER KOPP: The Comptroller's oyster beds?

MR. MORGANTE: The, because it was such a, so much concern about the oyster beds I know I personally contacted Marty Gary from Potomac River Fisheries, that originally had issues with the project but then withdrew them, just to understand why there was a change in that. And he actually confirmed with me that those beds are for the most part unviable at this point. However, because they are historically natural oyster beds that then there's a buffer around them for the marina development. So that, that is in place, that's part of the license. And I think that, you know, in terms of those becoming viable

in the future, that's questionable but it's not out of the question. So at least there's a buffer in the development of the marina that's going to be done.

COMPTROLLER FRANCHOT: And did the Chesapeake Bay Critical Area Commission weigh in? I vaguely remember they were involved in this at some point.

MR. MORGANTE: For the oyster beds specifically?

COMPTROLLER FRANCHOT: Yeah, or for the whole project.

MR. MORGANTE: They did. And actually I had extensive conversations with the Critical Area because of the concerns particularly of Nancy Schertler. And they have really had all their requirements fulfilled for all the mitigation, for the forested interior dwelling species, for forest that has to be replanted.

COMPTROLLER FRANCHOT: So they are fine with it?

MR. MORGANTE: Yes.

COMPTROLLER FRANCHOT: Okay. I would move approval of this Agenda, and also ask for a five-minute break so I could go to my office for just a second.

GOVERNOR HOGAN: Well let's, let's see if you have a second for that.

COMPTROLLER FRANCHOT: Yeah, do I have a second for either or both?

TREASURER KOPP: For going to your office?

GOVERNOR HOGAN: That's a three-oh vote in favor of renewing the permit and in favor of taking the five-minute break.

COMPTROLLER FRANCHOT: Thank you.

(Short recess taken.)

GOVERNOR HOGAN: All right. Welcome back. I guess we're at the point where any other questions or comments on any other items on the Secretary's Agenda?

COMPTROLLER FRANCHOT: I have Item 2, Governor. Thank you.

SECRETARY MCDONALD: Oh, you know what? I think Mr. Clark, this is the Historic Annapolis grant. I have to say that he was in the room before the break. Is that what you wanted? Historic Annapolis?

COMPTROLLER FRANCHOT: No, I'm --

SECRETARY MCDONALD: Item 2?

COMPTROLLER FRANCHOT: Oh no, we're in DBM, right?

SECRETARY MCDONALD: Oh, I'm sorry, Governor.

GOVERNOR HOGAN: Yeah, we didn't finish.

COMPTROLLER FRANCHOT: You didn't?

SECRETARY MCDONALD: No, the only thing we did was approve Item 6.

GOVERNOR HOGAN: Yes.

COMPTROLLER FRANCHOT: Oh, I'm sorry. I apologize. I move to approve the Agenda.

SECRETARY MCDONALD: The rest of the Secretary's Agenda?

GOVERNOR HOGAN: The rest of the Secretary's Agenda?

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: That's three-oh, the Secretary's Agenda is approved.

COMPTROLLER FRANCHOT: Great. DBM?

GOVERNOR HOGAN: Now we'll --

SECRETARY MCDONALD: I have Natural Resources --

GOVERNOR HOGAN: -- move on to DNR.

SECRETARY MCDONALD: Thank you. Right. And Emily Wilson is here.

MS. WILSON: Good morning, Governor. Welcome back. Mr. Comptroller, Madam Treasurer. Emily Wilson with the Maryland Department of Natural Resources. We have five items on our Agenda today. And as with our items, these are very important to the local communities. And Item 2A-2, Robert Copenhaver Park, we did have support from Senator Bob Cassilly from Harford County District 34A and Gail Morton is here from his office today just to show support.

COMPTROLLER FRANCHOT: Fabulous. I move approval of the whole program, I mean the --

GOVERNOR HOGAN: DNR Agenda?

COMPTROLLER FRANCHOT: The DNR Agenda.

TREASURER KOPP: Second.

GOVERNOR HOGAN: I agree. Three-oh.

MS. WILSON: Thank you.

GOVERNOR HOGAN: We're moving right along. And now the DBM Agenda. Secretary Brinkley?

MR. BRINKLEY: Good morning, Governor, and welcome back.

GOVERNOR HOGAN: Thank you.

MR. BRINKLEY: Madam Treasurer and Mr. Comptroller, DBM has 15 items on today's Agenda and I have representatives here to answer any questions you may have. And Mr. Comptroller, I assume number two is one of them?

COMPTROLLER FRANCHOT: Yes, thank you.

(Laughter.)

GOVERNOR HOGAN: He read your mind, didn't he?

MR. BRINKLEY: I've got my antenna on. Susan Steinberg, the Assistant Inspector General, is supposed to be here.

COMPTROLLER FRANCHOT: Okay. Okay, well --

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SECRETARY MCDONALD: But we have to wait one minute because they have to come in. We also, we're, let me just say it out loud while we're saying it and she can text that DBM will also have speakers from the outside on Items 12 and 13 from Human Resources, and on Item 15, Public Safety. So we will try and make sure that 12 and 13 and 15 are at least in the room.

COMPTROLLER FRANCHOT: Well, while we're waiting I'm going to move that Item 15 be deferred till the next Board meeting.

SECRETARY MCDONALD: Secretary Brinkley, I think that's your item.

MR. BRINKLEY: Steve Moyer, is Secretary Moyer here?

SECRETARY MCDONALD: Secretary Moyer?

MR. BRINKLEY: And Mike Stelmack.

GOVERNOR HOGAN: We don't actually need Secretary Moyer.

COMPTROLLER FRANCHOT: Yeah, we --

(Laughter.)

GOVERNOR HOGAN: So there's a, there's a motion on the floor that we defer that item until the next meeting. Is there a second?

TREASURER KOPP: Second.

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: It's been seconded. Three-nothing.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: We don't need Secretary Moyer anymore today.

MR. BRINKLEY: All right.

GOVERNOR HOGAN: He has more time to prepare for next time.

COMPTROLLER FRANCHOT: Great. Do we have the right person here?

GOVERNOR HOGAN: You were calling someone to address Item 2.

SECRETARY MCDONALD: Two?

COMPTROLLER FRANCHOT: Yes, thank you.

MR. BRINKLEY: Susan Steinberg, Assistant Inspector General.

GOVERNOR HOGAN: Susan, good morning.

COMPTROLLER FRANCHOT: Okay.

GOVERNOR HOGAN: No, we don't have to. There she comes.

COMPTROLLER FRANCHOT: Okay. So thank you, Ms. Steinberg, for being here. I'm, Item 2 apparently is a three-year contract with two one-year options. You're asking it be awarded to a Bowie based firm called Chesapeake Healthcare Audit Recovery Group, which is being hired to conduct audits of Medicaid providers and to identify both overpayments and

underpayments. Obviously that's very important work. I'm concerned this was designed to be a competitive procurement and that only one proposal was received. I know that in this day and age, frankly, when the federal government requires the states to have their own recovery audit contractors, which apparently is what you are responding to, the marketplace has got to be filled with firms that do precisely this work. In some cases it's major corporate audit firms that have carved out distinct space within the healthcare sector. In other cases it's smaller firms that feature work of this nature as their specialty. How was it that we only managed to receive one bid envelope for a contract of this size and duration?

MS. STEINBERG: You are absolutely correct. There are several large companies that do these types of audits and that are in other states. What they are finding out is that the contracts are not as lucrative as they thought or are more cumbersome because of the federal regulations.

When we first issued the, when we issued our first RFP back in 2013 we had several of the large companies, including HMS, come to our pre-bid conference. At that time the RFP required five years of auditing healthcare experience, five years of experience in data management, it had a 16 percent MBE, a two percent veterans requirement. Nobody bid and we had the large companies at the table.

We issued the second RFP in November, 2013. We reduced the amount of experience required to three years. We reduced the MBE requirement,

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thinking that would make it more lucrative. We had one bidder that was not acceptable.

COMPTROLLER FRANCHOT: Okay. So it is in the RFP that, I take it, that we're running into problems?

MS. STEINBERG: Yes. So we, yes, so then what we did is we actually got permission from the feds to increase our contingency rate thinking that that would make it more, more people wanting to bid. But again, we had one bidder.

COMPTROLLER FRANCHOT: Okay. I get it. But I'm going to vote no on this. Because it's important work but I just can't believe that an RFP can't be crafted that would get at least bids from some of the big and some of the small companies. And --

MS. STEINBERG: Well --

COMPTROLLER FRANCHOT: -- maybe your other sister states, our sister states can help you figure out how to put out a bid that gets some competition.

MS. STEINBERG: Well as I said, the other states are having difficulties also.

COMPTROLLER FRANCHOT: Well let's --

MS. STEINBERG: And it's based on because there's federal regulations that require the contract to be in a certain format.

TREASURER KOPP: Are you saying that the other states are having the same experience that you are having now?

MS. STEINBERG: Well they, they've got contractors and they're finding out that they are not being able to do the business that they thought they could. So some contractors are trying to get out of business. D.C. just recently was, ordered a vendor having difficulty bringing it up. It's difficult because the way the federal regulations are it makes it contingency based, so it's based on recovery. Not what you identify but what you actually recover. And so you know --

GOVERNOR HOGAN: So you think the federal requirements are making it difficult for all states to get people to bid on these contracts?

MS. STEINBERG: There's issues. Also, about the bid, the Medicare has a RAC also, and there's a whole lot of litigation involved with the federal Medicare RACs. So I think also a lot of the large corporations are, have issues with the federal Medicare and therefore they are not now bidding on the State Medicaid. However, we need this vendor. We're not doing our hospital audits. I do not have the clinical staff to do the audits. We are leaving literally millions of dollars on the table.

GOVERNOR HOGAN: Has, have we expressed these concerns to the federal partners about the regulations being so difficult?

MS. STEINBERG: Well I know the Medicaid directors meet on a regular basis with CMS. I'm part of the program integrity directors that meet with CMS. We have all, everyone has voiced concern.

GOVERNOR HOGAN: No, no action?

COMPTROLLER FRANCHOT: Well, I'll defer to the Governor. When we get down to the weeds on these things and I find it hard to follow some of this. But I'm pretty stunned that given the cottage industry that's developed around healthcare that we have a single bid response. I just, you know, I don't like necessarily federal regulations any more than apparently you do. But there's got to be a way to get competition.

GOVERNOR HOGAN: Well a few months ago I had a great meeting with President Obama in the Oval Office where we talked about regulation, and he feels just as strongly as I do about getting rid of excess federal regulations that don't work just like we're doing here in the State. So maybe we ought to make the administration aware of this one in particular.

MS. STEINBERG: Well actually the regulation went into effect in 2012, which was during the current administration.

GOVERNOR HOGAN: Right.

MS. STEINBERG: And so we've made every effort, including going to CMS and getting permission to increase the contingency rate. We've lowered the experience level. The audits require individuals who are healthcare

professionals, specifically region medical directors, certified builder/coders, you know, and doctors. So not every accounting firm can do this. It's --

COMPTROLLER FRANCHOT: No, you just talked me into voting no again. So I just can't believe it. And you know, the only way anything ever changes around here is we turn something down. So I'm voting no and I'm happy to, if I get a second vote, send a letter to President Obama saying, you know, you're probably not aware of this.

TREASURER KOPP: Let me say I would differ, not in frustration, Mr. Comptroller, and not in concern, but looking at the history it does seem to me the department has tried three different ways now to make this a workable contract, has got the company. It is a service that is a benefit to the taxpayers. And we do want to have it. I notice you have a three-year base and two one-year renewals. I certainly hope those renewals will not be exercised before we do an intensive job at trying to figure out how to, how to change this. But I think to give up, the response is good. The problem with the response is it's the only one. So --

COMPTROLLER FRANCHOT: Okay. Well we can move on, I guess. But --

GOVERNOR HOGAN: Yes, I share the Comptroller's frustration. And we talk about it at every meeting. We hate the fact that we get not enough bidders. But in this case I'm going to agree with the Treasurer that we move on

with this contract but that we follow up and express our frustrations with the federal government and all the people involved that they are causing us a serious problem in getting more bidders.

TREASURER KOPP: And find out if there are states that are successful what they do that we haven't done.

COMPTROLLER FRANCHOT: The great thing about this Board is even when we disagree we're not disagreeable, so --

(Laughter.)

COMPTROLLER FRANCHOT: -- so I'm happy --

GOVERNOR HOGAN: Even when we agree, we don't disagree.

COMPTROLLER FRANCHOT: Yeah.

(Laughter.)

COMPTROLLER FRANCHOT: Okay. So I have just a couple of other items on this Agenda. Mr. Secretary, is Item 6, does that concern Pearson Testing? Is that the testing company that New York just fired? And is that the company that as I recall --

MR. BRINKLEY: We have Kristy Michel, Deputy State Superintendent of Finance and Administration, the COO for MSDE here for that item.

COMPTROLLER FRANCHOT: Yeah, this is the testing company that --

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MS. MICHEL: Yes.

COMPTROLLER FRANCHOT: -- I happen to think is, you know, we bought a pig in a poke with that thing. But for whatever reason, we're now heading up the national effort on all this stuff. But this is a side bar contract with Pearson? Or is it part of the PARCC responsibilities we have?

MS. MICHEL: It is not part of the PARCC responsibility. It is a one-year extension of the contract we currently have with Pearson for the alternate assessment, which is an assessment given to students with severe cognitive disabilities. We are moving to work with the consortium of states on a new assessment for English Language arts and mathematics for these students, but it doesn't include science. And we're required by the federal government to provide a science assessment for these students. So we're either going to look at using the consortium to put a science assessment in place in upcoming years or go out with a new RFP. But until we make that decision we're here to ask --

COMPTROLLER FRANCHOT: And was it another company named Pearson, or was it Pearson, some affiliate of Pearson, that just got fired by New York because the test questions were unanswerable? Pearson?

MS. MICHEL: I'm probably not the best person to answer that question. I can --

COMPTROLLER FRANCHOT: There was a big article in the *Wall Street Journal* about it.

MS. MICHEL: I have Trinell Bowman, who is our assessment --

COMPTROLLER FRANCHOT: They had the famous pineapple, talking pineapple question that geniuses couldn't figure out, and much less teachers and kids. So they got fired.

MS. BOWMAN: Hi, Trinell Bowman from the Maryland State Department of Education. And yes, that is the same --

COMPTROLLER FRANCHOT: Yeah. Well, I'm an emphatic no on this one just for the heck of it. I do not want to get down in the weeds on it because, you know, the, this is a special meeting where I am very honored to be sitting here with the Governor and I don't want to get back to old history. But that is a, just incomprehensible to me that we're spending \$20 million with this company on that subject. And I bet rank and file teachers agree with me.

GOVERNOR HOGAN: Do you want to make a motion on that?

COMPTROLLER FRANCHOT: I'm voting no on that contract. And I'd love to make a motion to vote no but I don't want to put everybody in a tight spot because it's a, you know, these testing issues are controversial. I happen to think it's a bunch of unbelievable burden that's being heaped on teachers and kids. And this is not a union issue. This is just a, we have a fetish, out of control fetish with testing right now.

MS. BOWMAN: If I might? We do plan to put a new plan in place for the upcoming school year, the 2016-17 school year, to test science for

this very special population. We're required by federal law. We would be violating federal law if we don't provide this assessment to students with very severe cognitive disability. And it's a one-year extension so we can move forward with a new RFP, a competitive RFP, or work with the consortium we're already part of that's giving a similar assessment for English language arts and math so we can do the same thing.

COMPTROLLER FRANCHOT: Well, lock me up. Because I have no problem with violating federal law which is absurd. Thank you. It's --

GOVERNOR HOGAN: Well, I don't want to see the Comptroller go to jail.

(Laughter.)

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: But I do share some of the concerns and I would suggest that rather than voting against it that we defer this item to review it so that we're not in violation of federal law but we get some answers that we don't have the answers to and that we find out about this contractor in particular and why they were fired in New York and find out if there aren't some other alternatives to get us through this interim period. Obviously it's something we have to address. Is it going to cause any problem to, with federal law if we defer till the next meeting?

COMPTROLLER FRANCHOT: Well I second, I second --

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GOVERNOR HOGAN: I don't want to see the leg irons and the handcuffs for dragging the Comptroller off to federal prison.

COMPTROLLER FRANCHOT: I'm so glad my attorney spoke up for me.

(Laughter.)

MS. BOWMAN: Yes, so we are, there are some timeline issues in terms of when school starts, the training that is needed for the science teachers. Typically we do the training at the beginning of the year. So any defer to that would mean we can't work with the contractor to provide the necessary training materials and updated information that needs to go out to our --

GOVERNOR HOGAN: Well, we're only talking about two weeks. That doesn't seem -- three weeks, sorry. Yeah. Well, so I've got a motion to defer.

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: It's been seconded by the Comptroller.

TREASURER KOPP: Just Governor, just to go on record, I cannot agree with, although I'm conflicted that the temptation of seeing what happens --

(Laughter.)

GOVERNOR HOGAN: It would be entertaining.

TREASURER KOPP: But I think, and I would like to hear about Pearson also. And on the other hand, I think we do, this is, this is a bridge to get to the next stage and there is a timeliness issue. And I will not be here for the first time at a Board of Public Works meeting at the next meeting. And therefore I would like to go on the record right now voting against the deferral for three weeks.

MS. BOWMAN: Could I just make just one more statement? That this particular assessment is very different from the assessment that was developed in New York. Those actual test questions were developed by Pearson, whereas our alternate assessment is a portfolio base so the teachers actually develop the assessment items on which students will be tested. So that is a big distinction between the assessment that Pearson developed in New York versus the assessment we have for this population in Maryland. So our teachers actually designed the artifacts, the test items for students, not Pearson.

TREASURER KOPP: And this is to continue the present process, correct?

MS. BOWMAN: Correct, which is a portfolio based assessment, which is a collection of materials, that is very different from a standardized assessment.

COMPTROLLER FRANCHOT: So I would vote approval of the Governor's motion on this item, and for the rest of the DBM Agenda.

GOVERNOR HOGAN: Well I think we have to separate them out because we've got a two-one vote on this item.

TREASURER KOPP: Yes, I'd like to vote for the others.

GOVERNOR HOGAN: And I think the Treasurer would like to vote with us on the remainder of the Agenda.

COMPTROLLER FRANCHOT: Great.

GOVERNOR HOGAN: Is that correct? Second? Do you want to second? So two motions.

SECRETARY MCDONALD: There was a request to speak (indiscernible).

COMPTROLLER FRANCHOT: No, let's move forward.

SECRETARY MCDONALD: So we have deferred Item 6 from the Budget Agenda. We have deferred Item 15 on the Budget Agenda. And the remainder of the items on the Budget Agenda are approved?

GOVERNOR HOGAN: Exactly. Thank you. We'll move on to the University System Agenda.

SECRETARY MCDONALD: Mr. Evans is here.

GOVERNOR HOGAN: Good morning, Mr. Evans.

MR. EVANS: Good morning. Joe Evans representing the University System of Maryland. We have 11 items on the Agenda. We are withdrawing Item 1-RP. In attendance I have, we have Javier Miyares, the

President of University of Maryland University College. And we're here to answer any questions.

GOVERNOR HOGAN: Any questions on the USM Agenda?

COMPTROLLER FRANCHOT: No. Big fan of President Miyares. Yeah, very good to see you here. Do you know Governor Hogan?

GOVERNOR HOGAN: Great. How are you, Mr. President?

COMPTROLLER FRANCHOT: Come up and say hi. He's a very important guy.

GOVERNOR HOGAN: Good to see you.

COMPTROLLER FRANCHOT: Yeah, he's --

GOVERNOR HOGAN: So there's a motion to approve --

TREASURER KOPP: Resident of District 20.

GOVERNOR HOGAN: District 20.

COMPTROLLER FRANCHOT: Yeah, a District 20 resident, he used to be.

GOVERNOR HOGAN: Happy to have you with us this morning.

COMPTROLLER FRANCHOT: I would move approval of the University's Agenda.

MR. EVANS: Thank you.

GOVERNOR HOGAN: Second. Three-oh on the University System Agenda. Move on to DoIT, Information Technology.

SECRETARY MCDONALD: Secretary Garcia?

MR. GARCIA: Governor, Mr. Comptroller, Madam Treasurer, good morning. We have eight items on the Agenda today and have representatives to answer any questions.

GOVERNOR HOGAN: Any questions on the DoIT Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-oh.

MR. GARCIA: Welcome back. Thank you.

GOVERNOR HOGAN: Thank you. Department of Transportation?

MR. PORTS: Good morning, Mr. Governor --

GOVERNOR HOGAN: Good morning.

MR. PORTS: -- Mr. Comptroller, Madam Treasurer. For the record, my name is Jim Ports, Deputy Secretary for MDOT. MDOT is presenting 15 items today. At this time MDOT is withdrawing 16-EX and we intend to present this item at a future BPW meeting.

GOVERNOR HOGAN: Okay. Any questions on the Transportation Agenda?

COMPTROLLER FRANCHOT: Well, it's the last item I have, which is this Item 13.

SECRETARY MCDONALD: Item 13. And there were, there's a, the Airport, there were requests to speak in opposition.

GOVERNOR HOGAN: Good morning.

MR. WALSH: Governor, Madam Treasurer, Mr. Comptroller, Jim Walsh, Chief Financial Officer, Maryland Aviation, BWI Marshall Airport. The item here before you today is regarding our concession program at BWI Marshall. In March of 2004 the Board approved a concession and lease agreement between MAA and then BAA Maryland, now Air Mall Maryland. Today we are not asking for an extension of that agreement. We are asking the Board to delegate authority to MAA so that we may offer additional term beyond 2022, but no further than 2025, to our subtenant merchants, restauranters, and retail operators so we can continue to have investments in our concession program as we expand our terminal complex and also renew investment in existing concessions. That is a summary of our item.

COMPTROLLER FRANCHOT: So how many leases will, how many leases will be approved for terms that extend beyond 2022?

MR. WALSH: We expect about 23 existing operators will bring new concepts or maintain some of the concepts we have, like Obrycki's and Starbucks. We expect over the term of the lease about 15 new concessions operators as we expand the terminal, Mr. Comptroller.

COMPTROLLER FRANCHOT: But this is the first one?

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MR. WALSH: I beg your pardon?

COMPTROLLER FRANCHOT: This is the first one that goes beyond 2022?

MR. WALSH: We have a series of them --

COMPTROLLER FRANCHOT: Yeah.

MR. WALSH: -- about 23 that would go beyond 2022.

COMPTROLLER FRANCHOT: Okay. So what's the typical term of a commercial lease at BWI?

MR. WALSH: For a retail operation it's typically five years.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. WALSH: For a restaurant food and beverage operation it's typically seven years, although if there's significant investment we have granted ten-year terms.

COMPTROLLER FRANCHOT: Okay. And under our contract with Air Mall we have the right effective April 1, 2017 to terminate the business relationship if we feel it's in the State's interest, do so regardless of cause. In other words we can go out and bid competitively the Airport, BWI concessions contract, which for 11 years this group has had. And I'm concerned that we are not looking towards 2017 as an opportunity for us to bid this out in the marketplace and see how we're doing.

MR. WALSH: We do have an additional termination right in 2017. Comptroller, we believe that the program is meeting and exceeding all of the goals we set out at the beginning of the program, that being increased sales, increased revenue, increased global participation, increased Airport concessions, MBE participation. From a commercial perspective we think it's successful and find really no compelling reason to rebid at this time.

COMPTROLLER FRANCHOT: I understand. But I have a different view, which is that 11 years ago, two governors ago, we hired this group and I think it's entirely appropriate to pick 2017 as an opportunity for us to examine closely the idea of rebidding this. And I assume Air Mall would, it's entirely possible that they would win the bid if, frankly, they are delivering the performance that you just cited. And/or maybe there's another vendor out there. But anyway, I'm reluctant to approve this extension because I think it locks the State in to someone who, you know, may be doing a good job but we don't really know if it's the best job until we bid it. And that would be, well, 2017. So --

GOVERNOR HOGAN: Well as I understand it, this doesn't extend the contract with Air Mall. It just allows them to continue to do leasing. And if you say, you're getting towards the end of the term but we can't do any leasing then we're going to have 50 vacant spots in the Airport and we're going to lose a lot of revenue, right?

MR. WALSH: Correct.

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COMPTROLLER FRANCHOT: But isn't --

GOVERNOR HOGAN: So we have to continue to operate --

COMPTROLLER FRANCHOT: Yeah, no.

GOVERNOR HOGAN: -- and so we have to sign five-year leases or seven-year leases which go beyond the term of the existing contract. Is that the matter before us?

MR. WALSH: Yes, sir.

COMPTROLLER FRANCHOT: Yeah, I think I can see that. But if everybody is signed up to 2025, and when we come to 2017 I can't imagine it not being a, somewhat of an unlevel playing field as far as an open, you know --

GOVERNOR HOGAN: Well if there were a new bid, Mr. Comptroller, I'm not sure there should be or there will be. But if there were it would be subject to the existing leases, right? Somebody would have to come in -

-

MR. WALSH: That's correct.

GOVERNOR HOGAN: -- and take over the existing contracts.

MR. WALSH: The successor --

GOVERNOR HOGAN: So someone would have that right.

COMPTROLLER FRANCHOT: So why wouldn't we --

GOVERNOR HOGAN: But it wouldn't be an empty mall by then.

COMPTROLLER FRANCHOT: Why wouldn't we give them a five-year window to rearrange? Why would we burden them with additional three years on top of the five years at that point? Why wouldn't we keep a level playing field? Anyway, we, you know, I just, I am, I could be wrong because I'm not an expert in procurement. But it would strike me that someone other than Air Mall coming in, should there be a new bid in 2017, would like to have as tight an operation as possible. And since you would have everyone I take it signed up through 2022, that's as far as I'm willing to go. You go another three years on top of that and why bother bidding?

MR. PORTS: If I could, the original contract was for 2017.

COMPTROLLER FRANCHOT: Right.

MR. PORTS: After that point, I think in 2006, the contract was extended to 2022 simply because --

COMPTROLLER FRANCHOT: I think it was the last Board of Public Works meeting.

MR. PORTS: You are correct, Mr. Comptroller.

COMPTROLLER FRANCHOT: Yeah. Just kind of slipped it in under the wire there.

MR. PORTS: By your predecessor, correct. And the reason for that extension at that time is because after we had the original contract and it was so successful for both the consumer and the State, we asked Air Mall, or BAA, it

might have been BAA at the time, to put even more capital investment into the Airport. And so for that extra capital investment, I believe it was around \$10 million, is that correct, Jim?

MR. WALSH: Yes, sir.

MR. PORTS: For that extra capital investment we extended this contract to 2022. So this contract does not end in 2017, it ends in 2022. It's a little misnomer. If we were to get rid of the contract in 2017 the State I believe would owe Air Mall money for that financial investment. I don't know all the numbers off the top of my head, but I do know that we would have to pay Air Mall a significant sum of money for that extra capital investment that reached out to 2022. So what this does is since the actual contract is to 2022, it allows them to go three years past that. And in the developer role, I'm sure the Governor knows much more about this. He's probably forgotten more about this than I know about development, obviously. But sometimes when you have leases like this it's actually a more lucrative contract moving forward. Because you already have built in tenants and it gives you time to come in and then reassess the value of these tenants and decide on what other tenants you might want to have. So it's like the Governor said. We don't want empty spaces. We have a lot of expansion that we're looking at for the Airport. And so this will help aid the Air Mall and especially the citizens and the State because the revenues we receive from this contract are significant over what we used to receive.

COMPTROLLER FRANCHOT: Well I appreciate former Delegate Ports because I think he's smart and he's competent and he's experienced in the transportation area. I'm happy to entertain a compromise, which is rather than delegating this authority to the MAA you bring these contracts for extension before us. That would satisfy me without causing I think -

GOVERNOR HOGAN: So you would want to have 50-some contracts like a kiosk in the mall and --

COMPTROLLER FRANCHOT: I love the Silver Diner. Bring them up. But I, that is, otherwise I would vote no on, move no on this. And I might have a second vote. So I think that might be the best course just for the heck of it.

GOVERNOR HOGAN: Yeah, it seems to me that you can't tie the hands and you can't stop operating. And if you have 23 people that need to renew their leases, you need to renew their leases. If you have 15 new people that want to lease space, you have to be able to lease space. And Air Mall or any future person is not going to want 50 empty spaces in the mall, and neither do the citizens, neither does the State. We don't want to lose the revenue. So I would vote yes on the motion that we have to move forward.

TREASURER KOPP: It seems to me, I agree completely with the Governor, but I also agree with the Comptroller.

GOVERNOR HOGAN: That's the way we always --

(Laughter.)

TREASURER KOPP: And I know there are some that are coming up that we want to, we want to support. And I can't imagine we wouldn't support them in the change, in Phillips, for instance. And I would suggest that you all have been exercising this responsibility through delegation from the Board. And if for a while while we find out more about this process, we just do it ourselves without delegation, that you could fill the spaces and not do anything else. So if this were, if this were turned down for now, found out more about what was happening and what the alternatives are and come back --

COMPTROLLER FRANCHOT: So just so that they understand what we're doing, I have to, we have to vote to deny this and then you would come back and bring them individually on your own process. So I would move no and --

TREASURER KOPP: But with the understanding that we would see these leases --

COMPTROLLER FRANCHOT: Yes.

TREASURER KOPP: -- and we would keep and that when we learn more --

GOVERNOR HOGAN: I'm not sure I understand the motion.

COMPTROLLER FRANCHOT: In other words, the item is for us to delegate to MAA the authority to in our place, or as they have been doing, extend these leases through 2022. All I'm saying is no on that. And if you have leases that you need to extend, like HMS Host and others, bring them before us individually. And we'll approve them. At least that would be a compromise. I would feel a lot more comfortable in that than just delegating the authority to the Airport. So it's --

TREASURER KOPP: I, I do apologize. We've got to do this bond sale. And if there's something wrong with that resolution --

MR. WALSH: It unravels a bit the intent of the --

GOVERNOR HOGAN: So there's --

TREASURER KOPP: The folks in New York are --

GOVERNOR HOGAN: So there's a motion on this item.

COMPTROLLER FRANCHOT: Yes.

GOVERNOR HOGAN: I'm for it. The Comptroller is against it.

COMPTROLLER FRANCHOT: Yes.

GOVERNOR HOGAN: We haven't heard from the Treasurer.

SECRETARY MCDONALD: There's a motion to approve the item --

GOVERNOR HOGAN: Yeah, right. And then we can talk about, after that vote, whether we need to do something else with respect to it.

COMPTROLLER FRANCHOT: Madam Treasurer?

SECRETARY MCDONALD: Is there a second on the motion to approve Item 13-GM which the Governor has moved?

TREASURER KOPP: Not at the moment.

GOVERNOR HOGAN: Now you can make your --

COMPTROLLER FRANCHOT: I would move to reject this item.

GOVERNOR HOGAN: Well, we already did that.

COMPTROLLER FRANCHOT: Oh, we did?

TREASURER KOPP: But we didn't approve -- we've go to, honestly, there are people waiting in New York --

GOVERNOR HOGAN: Okay.

COMPTROLLER FRANCHOT: Oh --

TREASURER KOPP: -- to give us their money and they can't --

GOVERNOR HOGAN: We'll address this, we'll finalize this after we do the bond sale, how about that? Sit tight.

MS. BENIK: Okay. These bids are now in for the tax exempt \$450 million. There were five bidders and we'll take a look at the results. And J.P. Morgan appears to be the, kind of the winner. So we will go back and verify these bids and come back and for an award by the Board. At this point let's -- we took the bids in fact from the taxable. We actually had eight bidders came in on the taxable series. And the bids that came in here, the low bid was J.P. Morgan as

well, with a TIC of 1.345 and we were indicating 1.55. So we have done much better in terms of the TIC here. So we will go in fact, Treasurer, to verify, and will be back before the Board shortly.

TREASURER KOPP: Thank you very much.

GOVERNOR HOGAN: Great.

COMPTROLLER FRANCHOT: I'm happy to, following the defeat of the item, make a motion that the Airport come back with individual lease extensions.

TREASURER KOPP: Could, I think I'm about to second that. But could I just find out, because we were so rushed, what the harm is?

MR. PORTS: Well I think the nexus behind this is the Airport and the Port have been given delegated authority in many respects. And the reason for the delegated authority is because they both have to operate in a sense like private businesses. They need to be nimble. They need to be flexible. And they need to move quickly on a lot of these things. So the impact of not being able to negotiate a deal and just waiting is just a, I guess a, I don't want to say chilling, but an impact to the business community out there that we don't have the authority to go forward.

TREASURER KOPP: I don't think the Comptroller is suggesting that deals not be negotiated as much as they be recognized by this Board and not just by the MAA.

COMPTROLLER FRANCHOT: I believe --

TREASURER KOPP: Is that, I mean, that's what he was saying.

COMPTROLLER FRANCHOT: So I have a new motion. I'd like to defer this item. I am tired myself. It's a long exercise. And I would really appreciate it if we could, if you guys could think about this and talk to the Treasurer and to me, I guess, and come up with something that is acceptable.

MR. PORTS: We appreciate that.

GOVERNOR HOGAN: I second that motion.

MR. PORTS: That's a great, yeah, that's a great compromise.

GOVERNOR HOGAN: Yep, three-oh. The motion carries to defer this item. Very good. We're moving on to General Services Agenda. DGS, Madam Secretary?

MS. BASSETTE: Good morning, Governor, and welcome back.

GOVERNOR HOGAN: Thank you.

MS. BASSETTE: Madam Treasurer and Mr. Comptroller. For the record, my name is Gail Bassette, Secretary of General Services. The department has 13 items on our Agenda and we are withdrawing Item 1-C-MOD. We'd be happy to answer any questions.

GOVERNOR HOGAN: Any questions on the DGS Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? All those in favor? It sounds like a three-oh vote. And I move we adjourn. Oh, we're still doing, we're still doing the bond sale.

TREASURER KOPP: Unfortunately, we can't. As soon as, as soon as Bernadette gets back.

GOVERNOR HOGAN: Well all of you who are here to testify, to talk about anything else, I guess you can adjourn. We'll stay and finalize the bond sale.

TREASURER KOPP: Yeah, we have these resolutions we have to adopt.

GOVERNOR HOGAN: I understand.

SECRETARY MCDONALD: Actually, Governor, it was just pointed out that with the completion of Item 13 on MDOT to defer, we did not have a vote on the entire MDOT Agenda. So --

COMPTROLLER FRANCHOT: Move approval.

SECRETARY MCDONALD: -- it takes a village to get a Board of Public Works meeting, Governor.

GOVERNOR HOGAN: There you go. The Comptroller moves approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Now it's three-oh on the remainder of the Agenda.

SECRETARY MCDONALD: Thank you.

GOVERNOR HOGAN: And I withdraw my motion to adjourn.

(Laughter.)

TREASURER KOPP: It will be speedy. There were a lot of people, talking about sole sources, but not sole sources, but a lot of people want to invest in our State.

GOVERNOR HOGAN: That was a lot of bidders.

TREASURER KOPP: More than --

GOVERNOR HOGAN: The numbers look pretty good.

TREASURER KOPP: Yes.

GOVERNOR HOGAN: It looks like we're becoming a good place to invest in.

TREASURER KOPP: We are a good place to invest in. We're open for business.

GOVERNOR HOGAN: We're open for business. Did you hear that? The Treasurer said --

(Laughter.)

GOVERNOR HOGAN: I love it. What a great slogan!

(Laughter.)

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GOVERNOR HOGAN: Do you mind if we use that?

(Laughter.)

TREASURER KOPP: Sorry about this. All right. Here we go.  
Ms. Benik, what do you have?

MS. BENIK: Right. So we are now verified on both bids as J.P. Morgan, as I said, came in at a TIC of 1.345 and we had anticipated 1.55. On our tax exempt we were anticipating a TIC of about 2.864 and it came in at 2.825. So we did a little bit better in both places. Our premium came in at \$44 million. It was down a little bit from what we anticipated because there were some lower coupons that were bid. So we are now verifying, so Treasurer if you want to go ahead?

TREASURER KOPP: The lower we anticipated the higher we budgeted.

MS. BENIK: Yes, exactly.

TREASURER KOPP: Which is, Mr. Brinkley, in your interest. Governor, I move that the Board adopt the resolutions before us today concerning the State and Local Facilities Loan of 2015, Second Series, in particular to ratify and approve the preliminary official statement made on July 7th, 2015, the summary notice of sale for the 2015 Second Series A, and the 2015 Second Series B Bonds published in the *Bond Buyer* on July 6th, 2015, and the resolutions

adopted by the Board previously on June 23rd, 2015 authorizing the issuance of the bonds. And I would ask for a second and a vote on those motions.

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: Seconded by the Comptroller. And I would vote enthusiastically yes on this motion. And I want to again congratulate you, Madam Treasurer, and your entire staff for all their hard work.

TREASURER KOPP: Thank you. It's a terrific staff. I have one more.

For the Second Series A Bonds I move that J.P. Morgan Securities, LLC be declared the successful bidder for the Second Series A of \$450 million, subject to resizing as provided in the revised official notice of sale, with a net premium of \$44,018,642 and a true interest cost of 2.825343 percent, and further move that the Second Series A Bonds be issued in the resized amounts and maturities and at the interest rate set forth in the successful bid for the bonds. And I would ask for a second on that motion.

GOVERNOR HOGAN: Mr. Comptroller seconds.

TREASURER KOPP: In favor?

GOVERNOR HOGAN: I vote in favor.

TREASURER KOPP: And finally for the Second Series B Bonds, I move that J.P. Morgan Securities, LLC be declared the successful bidder for the Second Series B Taxable Bonds in the aggregate principal amount of \$50 million

with a true interest cost of 1.345022 percent, and I further move that the Second Series B Bonds be issued in the maturities and at the interest rate set forth in the successful bid for the bonds.

GOVERNOR HOGAN: Seconded by the Comptroller. Three-nothing.

TREASURER KOPP: And lastly I move that the Board authorize and approve the issuance of the final official statement for the 2015 Second Series Bonds.

GOVERNOR HOGAN: Seconded by the Comptroller, and that's another three-oh vote. Congratulations, Madam Treasurer.

TREASURER KOPP: Thank you. Thank you very much.

GOVERNOR HOGAN: Thank you all very, very much.

(Applause.)

GOVERNOR HOGAN: Is there a motion to adjourn?

COMPTROLLER FRANCHOT: Move to adjourn.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: I'm going to vote against that. I want to stay. No, no, no. I'm going to vote yes.

(Whereupon, at 11:10 a.m., the meeting was concluded.)