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

March 4, 2015
10:05 a.m.

PRESENT

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HONORABLE NANCY KOPP

Treasurer

HONORABLE PETER FRANCHOT

Comptroller

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PROCEEDINGS

GOVERNOR HOGAN: Well, good morning ladies and gentlemen.

AUDIENCE: Good morning.

GOVERNOR HOGAN: It's great to be here with my fellow Board members at the Louis Goldstein Building. I like this new venue.

COMPTROLLER FRANCHOT: Good.

GOVERNOR HOGAN: It's nice to be over here visiting at your shop today.

TREASURER KOPP: A pleasure to have you, Governor.

GOVERNOR HOGAN: Today we're here for our Board meeting and for the Bond Sale, but I think most people are aware of that. Madam Treasurer I understand that at 11:00, somewhere thereabouts --

TREASURER KOPP: Yes.

GOVERNOR HOGAN: -- we're going to, we'll be expecting to receive news on the Bond Sale. So we don't mean to be rude but we're going to cut you off in the middle of whatever we're discussing and turn the floor over --

TREASURER KOPP: And then that's going to go down and we'll see how, what happy people end up holding a little bit of Maryland schools and roads and, and bonds.

GOVERNOR HOGAN: That sounds exciting. So we have a somewhat lighter Agenda today than we normally do so we can accommodate the Bond Sale. So if we're in the middle of an item we're just going to jump out and then we'll come back to it as soon as we, as soon as we are done with that.

Well as you will recall from our last meeting we deferred a couple of items. We were looking for more information and more further explanation. So I'm looking forward to hearing from the relevant agencies on each of these items today as we get into the department agendas. I want to point out that in large part the items were deferred due to incomplete or murky financial explanations, or because of important points that were raised by a member of the Board about the competitiveness of the procurement. So I hope that people have been paying attention for the last few meetings and that the message has been heard. I believe it's working its way down throughout the agencies and everybody understands that we're working hard to try to improve procurement in our state agencies. Procurements will improve in the State of Maryland and they will happen in a fair, legal, and more competitive manner that delivers the best possible value to our customers, which is the taxpayers of the State of Maryland. So I look forward to hearing from some of our agencies today on the steps that they are taking towards this goal. At this point I'd be, I'd like to turn the floor over to my colleagues for any opening remarks. Madam Treasurer?

TREASURER KOPP: Let me say, I, I, I always open by saying it's a pleasure to be here. And this time it is quite a pleasure to be here. I appreciate the participation of the Governor, and Lieutenant Governor, and Comptroller in my swearing in after the election last week. It's an honor to be representing the citizens of Maryland and the Legislature of Maryland in, in this office for another four years and to kick it off with a, a very significant Bond Sale just a little later in the day.

Governor, I won't say too much about it now except to say that as, as you know about 60 percent of every sale, a little more than 60 percent of every sale goes to building, money for building the schools, the college buildings, the universities, and the, and the rest, the other capital, capital construction of the State. And we were very pleased to have the AAA bond rating reaffirmed because they look at us every year and they recognize the strength of Maryland's economy, the high education level and therefore flexibility of our work force, the strong self-discipline of the, of the fiscal process, and the, the fact that we grapple with our problems and have always solved them. We've been AAA rated ever since the rating began. I trust we will continue through ups and downs as long as we continue to behave as Maryland traditionally has addressing our, our, our problems. And with that, just to say it's, it's a pleasure and an honor to be here and I, I thank you.

GOVERNOR HOGAN: I think we, we ought to give the Treasurer for, not only for her leadership on this Bond Sale, but for her reelection for another four years. Let's give her a big huge round of applause.

(Applause.)

GOVERNOR HOGAN: Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Governor. And congratulations, Madam Treasurer. Obviously it's been a tough winter. I understand tomorrow we may receive yet another message from Mother Nature.

GOVERNOR HOGAN: Mr. Secretary, are you ready?

MR. RAHN: We're as ready as you can get.

COMPTROLLER FRANCHOT: I don't know about everybody in the room, but boy, am I waiting for spring. And as a baseball fan it was frankly like Christmas for me seeing the pitchers and catchers reporting across the major leagues a couple of weeks ago, mostly down in Florida and Arizona. And as big a fan as I am of the O's and the Nats, let me just say that intercollegiate athletics and student athletes who participate in them for me represent the best and purest aspects of the sport of baseball. And we have so many great baseball options around the State to enjoy, from nationally ranked teams like Salisbury and the University of Maryland College Park, to our other great programs in the area like Towson, UMBC, Coppin, Bowie State, Hopkins, Stevenson, and Frostburg.

Because Frostburg, they have to play baseball with orange baseballs. To -- no, I know, we're kidding.

(Laughter.)

COMPTROLLER FRANCHOT: So anyway, Governor, I know that you're a tremendous basketball fan and we're getting into March Madness. I promise I'll be rooting for Maryland right along with you this month. But maybe if you could find some time, and the Treasurer also, I'd love to have both of you join me at a few of these college baseball games. Spring is a great season in Maryland and I am, frankly would look forward to spending a few hours with you enjoying the warming weather and talk with students, faculty and alumni who are the heart and souls of these great institutions. And it's also a chance for families to bring their kids out to these college campuses. If any of you have grandkids or young children that want to see something up, up close and really exciting, take them out to Towson and check out a really, really good baseball team. And it helps boost school spirit, unite local communities, brings well deserved attention to our student athletes, and our world class higher education network. I wanted to just encourage everyone this spring to get out and support our local collegiate teams.

And I'd also, if I could, Governor, like to associate myself with your remarks about procurement. It's extraordinarily important to the taxpayers to indicate to them that we're going to have a transparent process that is

competitive and most of all is fair for the private sector. Because we have gotten a little -- well, everyone knows my concerns. So I really appreciate that. I noticed the Lieutenant Governor was nodding vigorously as you were commenting on the procurement reform and I think there is a great opportunity to make Maryland a more business friendly state by correcting some of the issues that you have alluded to.

GOVERNOR HOGAN: Well, thank you very much. And I accept the invitation. Let's go watch some baseball. That sounds great.

COMPTROLLER FRANCHOT: Good.

(Laughter.)

TREASURER KOPP: Could I just, could I just add that, that I endorse the, I can't wait to go, I love, I love college ball, I love high school ball actually.

COMPTROLLER FRANCHOT: Uh-huh.

TREASURER KOPP: But Maryland used to be a leader in, in, in the farm teams too. There was a time when the Eastern Shore of Maryland had a baseball team I think every five miles, it seemed like. And it was really known nationally. And we even in Montgomery County have a summer, a college team, the Big Train. There just are so, so many places. I think, I happen to think, I'm not a great athlete but baseball is the most fascinating sport. I mean, there is

always something going on on the field. So I, I delight in your invitation. Thank you.

GOVERNOR HOGAN: Very good. Thank you. Well let's go ahead and get started with the Secretary's Agenda. Secretary McDonald?

SECRETARY MCDONALD: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

SECRETARY MCDONALD: -- Madam Treasurer, Mr. Comptroller. We have ten items on the Secretary's Agenda this morning. We have one report of an emergency procurement. Item 10 is the Treasurer's Bond Sale so we will hold that item until she calls it at around 11:00 a.m. And we are prepared for the other nine items and the emergency.

GOVERNOR HOGAN: Why don't we go ahead and begin with the Department of Corrections?

SECRETARY MCDONALD: Public Safety? Oh, Public Safety? Item 9.

GOVERNOR HOGAN: Public Safety.

SECRETARY MCDONALD: Assistant Secretary Mr. Bezanson is here.

GOVERNOR HOGAN: Exactly. You know, last time we heard a very compelling argument from the business that won the bid from Prince George's County, and he did a great job, but we didn't have anyone here

representing the department. So we wanted to get an opportunity to hear about, you know, why we only had one bid in this situation.

MR. BEZANSON: Governor, let me first say an apology on behalf of the Department of Public Safety, and the Secretary, and myself personally for not being available to answer your question at the last meeting. What you have before you on Item 9 is a construction inspection and testing contract for work we're doing to renovate two housing units at our prison in Cumberland, Maryland Correctional Training Center. During the two years of construction we're renovating the windows and heating systems in these buildings. So the CITF contract was bid as a multistep sealed bid. And we invited the bidders to extend their qualification proposals and give sealed prices. On December 18th, on December 16th we received only one package of a sealed proposed bid from Potowmac Engineers. We considered rebidding the process, however we had just begun to start the work of the two years of renovation up there. If we were to rebid the project it would take the department approximately two and a half months to go through the procurement to get other bidders to send their proposals and prices in. After consulting with our legal team and the procurement officer for the Board of Public Works, Procurement Advisor, we determined that we could move forward with a single proposal.

We had two other engineering firms at the pre-bid. Those two firms declined to submit proposals either based on their workload or their

commitment of people to the project because it required staff on site, in Hagerstown, for a period of two years. So we came forward recommending a single bid. In the future, when we have these types of contracts, we will solicit all 17 firms that have previously submitted construction inspection and testing bids and we expect to have a competitive process. That's the explanation.

GOVERNOR HOGAN: Great. Any questions?

COMPTROLLER FRANCHOT: Yes. I still don't understand why you only had one bid.

MR. BEZANSON: We had three bidders appear at the pre-bid and those other two bidders decided not to submit a bid. So we were left with one bid. In the past we've had two, three, four bidders for this type of work. So we were, we were set with a dilemma.

COMPTROLLER FRANCHOT: And when you say you, for future situations you're going to have competitive bids how, what's, I guess what's the difference between this situation and something else down the road?

MR. BEZANSON: I can only surmise that on December 16th at the end of the year, with holiday schedules and other things, that engineering firms were not paying attention to Maryland's Electronic Marketplace where it was posted. What we're going to do in the future is we're going to make sure that we contact every firm to make them aware that we're in the Marketplace. I don't think enough firms were paying attention.

COMPTROLLER FRANCHOT: And is this an incumbent vendor that we've used before?

MR. BEZANSON: Yes, it is. And they've been successful. And they were below the engineer's estimate for the State.

GOVERNOR HOGAN: Any further questions?

COMPTROLLER FRANCHOT: I don't mean to be a thorn in anyone's side. But I'm voting no because I just don't buy it. I really don't. I've heard it for eight years, people coming up with one excuse after another. And, you know, I'm sorry that -- well, whatever. I assume I won't prevail. But if I did prevail I wouldn't feel bad about it. Because there's no other way to send a message than to tell you to go out and do exactly what you just told us you were going to do now, in January, February, March, when supposedly I guess people are not in a December mood. And then we would know whether we're getting a good deal.

MR. BEZANSON: We did talk directly to the two vendors and they told us exactly what I reported. So I think the best opportunity we have is to market to the many different firms that do this.

COMPTROLLER FRANCHOT: And then the additional thing I think you would, should do, hopefully whether I prevail or not, but put bids out to people that may not have done this particular kind of work but are perfectly competent. What is the work here? Is it some kind of reinforcement of windows?

MR. BEZANSON: No. The work is inspection and testing of the work, quality assurance for the State. It's consulting engineers that come in and act on behalf of the State to ensure that all plans and specs and all of the contract work is done according to sound engineering practices. Almost like a building inspector inspects building work in the private sector, in the public sector we have quality assurance through inspection testing firms.

COMPTROLLER FRANCHOT: Okay. Well, that sounds pretty reasonable. And then is the contract required that they have experience in doing this work for the State before?

MR. BEZANSON: Yes. It was a multistep. And it was the qualifications of their team that were reviewed before the price was opened. So we were assured that they could in fact do the structural analysis, the mechanical analysis, the welding inspections, and things like that. Which is the way we've practiced in the department for 25 years.

COMPTROLLER FRANCHOT: Right.

TREASURER KOPP: So the work has been done?

MR. BEZANSON: The work is ongoing. The work is about to be done.

TREASURER KOPP: Right. And if you don't have an inspection, what happens then?

MR. BEZANSON: We're at risk of the contractor not fulfilling the contract requirements because we don't have that personnel on staff to make those decisions. And hence the urgency to come forward with a single bid.

GOVERNOR HOGAN: Well I, you know, I share the concerns of the Comptroller. We've been talking about this at every meeting. It's very frustrating to have all these single bid contracts. We want to send a clear message that we do not intend to have this happen in the future. But I believe that we ought to move forward with this. And I'd like to make a motion that we, we move forward with the Agenda. Is there a second?

TREASURER KOPP: Second.

MR. BEZANSON: Thank you.

GOVERNOR HOGAN: All those in favor? Aye.

TREASURER KOPP: Aye.

GOVERNOR HOGAN: Opposed?

COMPTROLLER FRANCHOT: No.

GOVERNOR HOGAN: Two-one. Thank you. And let's make sure this doesn't happen anymore.

MR. BEZANSON: We won't bring another single bid here, sir.

TREASURER KOPP: Could I just take a moment --

GOVERNOR HOGAN: Sure, absolutely.

TREASURER KOPP: -- of your time, now that you are here, sir, representing the department? The deconstruction of the House of Corrections, which was a major issue last year or the year before, I think you might be interested in. My understanding was that we were, instead of just blowing up or tearing down, we were doing this work in a way that actually was more environmentally appropriate and training people so that when they got out they actually could do things in the economy and not necessarily become these recidivists or turn to heroin or whatever the drug of choice is.

MR. BEZANSON: You are exactly correct. We --

TREASURER KOPP: Yes, is, is that complete or is that still ongoing?

MR. BEZANSON: It is substantially complete as of January. So the work is done. The House of Correction is no more. And that was a very unique project that the Board of Public Works approved. And what we did as a department is we through a private grant from the Abell Foundation trained offenders in construction skills and put those offenders forward as an opportunity for training and hands on labor with contractors. We competitively bid the project and had I think six or seven bidders. The low bid contract prevailed. They came in and over the course of a year they recycled 98 percent of the building material into either streams of metal recyclers, all types of material, hazardous material, asbestos, and ground up the concrete on the site to be used as a building pad for

another building. The project saved the State an estimated \$5 million based on the fact that the labor and training were inmates that were qualified that worked with demolition contractors, electricians and others that took the place apart. We saved bricks from the facility. And it was a very unique project. I've made two national presentations on it and it's been very well received in the industry. It was a very unique project. We also saved some historic, we worked with the Maryland Historic Trust. We saved the cupola, made it into the monument in front of the Warden's Office. We, we had the public tour. And we just recently are engraving some of the bricks with the Historic House of Correction to make them available for public sale. So it was a rather unique project. The most interesting part to me was an inmate testifying on video as part of the presentation that he learned to work every day, that he learned to work with his contractor, that he enjoyed the work and he got real hands on experience. And the demolition contractor has offered him a job when he is released. So it's quite a success story.

TREASURER KOPP: That's terrific.

GOVERNOR HOGAN: Terrific. Thank you.

TREASURER KOPP: I thought it would be something you would be interested in, Governor, and the Lieutenant Governor, too.

GOVERNOR HOGAN: That's right up the Lieutenant Governor's alley.

TREASURER KOPP: Yeah, exactly.

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LIEUTENANT GOVERNOR RUTHERFORD: Construction?

(Laughter.)

MR. BEZANSON: Thank you.

TREASURER KOPP: Construction, plus training, plus deconstruction.

MR. BEZANSON: Right. It was --

TREASURER KOPP: Yeah. And we can look at ways that that lesson can be applied.

GOVERNOR HOGAN: Well, and before we move on to the DNR Real Property Agenda, I just want to say we were very impressed with the presentation by the contractor last week. Our concern is not about this contractor or even the amount of the bid. We believe they are qualified. It looked like everything, it's the process that we are concerned about. So please go back and talk to Secretary Moyer and let him know we'd like to see a more competitive bidding process in the future.

MR. BEZANSON: Thank you, sir.

GOVERNOR HOGAN: Thank you.

MR. BEZANSON: And Mr. Comptroller we will ensure competitiveness. Thank you.

GOVERNOR HOGAN: Thank you. Let's go on to the --

SECRETARY MCDONALD: The Comptroller, are you voting no simply on that one item?

GOVERNOR HOGAN: Yes, we're pulling --

COMPTROLLER FRANCHOT: Correct.

SECRETARY MCDONALD: Right, okay.

COMPTROLLER FRANCHOT: Do you want to have a motion on the rest of the --

SECRETARY MCDONALD: Well, the entire agenda, I would like --

GOVERNOR HOGAN: Should we do a different motion, just to pull that one out --

SECRETARY MCDONALD: I mean, except for ten, nine and ten. Ten is the Bond Sale, I mean, and nine with that one. So one through eight, and the emergency.

GOVERNOR HOGAN: Is there a motion on one through eight?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh.

SECRETARY MCDONALD: Okay. Thank you.

GOVERNOR HOGAN: Thank you. On to the DNR Real Property Agenda.

SECRETARY MCDONALD: Emily Wilson is here.

MS. WILSON: Good morning.

GOVERNOR HOGAN: Good morning.

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

GOVERNOR HOGAN: Any questions on the DNR Agenda? Is there a motion to move approval?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh, how's that for --

(Laughter.)

MS. WILSON: That's great. Thank you very much.

GOVERNOR HOGAN: Now we're on to --

SECRETARY MCDONALD: The Budget Agenda.

GOVERNOR HOGAN: We're on to the Budget, DBM?

SECRETARY MCDONALD: You can just stay --

MR. BRINKLEY: -- just stand --

SECRETARY MCDONALD: Right.

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MR. BRINKLEY: Governor, Madam Treasurer, Mr. Comptroller, DBM has submitted nine items for approval on today's Agenda. We're withdrawing Items 5-S-MOD and 8-GM. And I'm prepared to have staff answer any questions that you might have.

GOVERNOR HOGAN: Why don't we discuss the deferred DHMH Springfield Hospital item first?

SECRETARY MCDONALD: Item 9.

GOVERNOR HOGAN: What number is that, nine?

MR. BRINKLEY: Nine.

GOVERNOR HOGAN: Who is here to speak to that item?

MR. BRINKLEY: Paula Langmead, Superintendent of the Hospital Center.

MS. LANGMEAD: Good morning, and welcome Governor Hogan.

GOVERNOR HOGAN: Good morning.

MS. LANGMEAD: My name is Paula Langmead. I'm the Superintendent of Springfield Hospital Center, which is located in Carroll County. I'm here this morning to discuss the clinical lab services contract which was deferred from the last meeting pending further review of the contract.

Historically, this contract and Springfield have really struggled to find bidders out there who want to bid on this contract especially the smaller

companies. We are being told that it's primarily due to the STAT testing requirement that's in the contract. Additionally, historically, looking at this contract over several years, we have only had two bidders. Back during the years 2004 through 2007 when Secretary Van Mitchell was then Principal Deputy Secretary of our department, he became concerned about the contract and the number of bidders. He carefully reviewed it. He asked us to go out there and do more due diligence in trying to attract bidders across the State to bid on this contract. At the end of such a review he felt the due diligence was being done but the type of services we need restrict the number of bidders.

Since last Board meeting we have gone back to the vendor list which contained 34 businesses. We have attempted to contract, contact, excuse me, everybody on that list. Nine people were unable to be contacted, five of the businesses were out of service, and four would not return our voice mails or return our calls. Ten of the people on the bidders list who are listed as labs are really general hospitals across the State of Maryland, University of Maryland Lab, GBMC Lab, Howard County General Lab, Bon Secours, Union Memorial. All ten of those hospitals said they did not feel comfortable expanding their services to take on the lab services of another hospital. Three of the people on the list said that we were too far away from them. One of the people on the list, their lab is located in Santa Rosa, California. So we understood their difficulty in getting here.

GOVERNOR HOGAN: A question, is that, the Treasurer just said, and I was thinking the same thing, where do the lists come from? Who put these lists together? It seems like they aren't the right lists.

MS. LANGMEAD: It's the State list on the labs that are available in the State of Maryland.

GOVERNOR HOGAN: So there is really only one lab?

MS. LANGMEAD: No, there is not one, Governor. But it is down to just a few that are willing to bid. Two firms bid on our contract, Quest Diagnostics and Laboratory Corporation of Maryland, of America. Lab Corporation of America kept insisting on changing the standard template, boiler plate, that the State of Maryland issues. They'd strike out part of the boiler plate. They'd change the language. We have several correspondences with them telling them that this was not allowed in the State of Maryland because the standard boiler plate really equals out the playing field between all the bidders. For one bidder to ask for special language would, would give him advantage that the other bidders didn't have.

TREASURER KOPP: What sort of boiler plate, what are you talking about?

MS. LANGMEAD: There's a standard contract that we use for RFPs and IFBs in the State of Maryland that --

TREASURER KOPP: State, statewide? Statewide?

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MS. LANGMEAD: Statewide, yes.

TREASURER KOPP: So it's the AG's --

MS. LANGMEAD: Yes.

TREASURER KOPP: -- language --

MS. LANGMEAD: Yes.

TREASURER KOPP: -- basically?

MS. LANGMEAD: Yes. We could not get the second contractor to relent, it was a Virginia firm, from wanting the contract language to be changed. So after going through the list, and I won't go through the rest of the list then of why the people didn't qualify, distance, not requirements, but it was felt that rebidding the contract is going to get us the very same result we have now and no new bidders. DHMH believes that awarding the contract to Quest Diagnostics is in the best interests of the State of Maryland and therefore I humbly request that the Board approve the submitted one bid lab services contract.

GOVERNOR HOGAN: Well let me note that I had a good conversation with the Secretary --

MS. LANGMEAD: Oh, good.

GOVERNOR HOGAN: -- about this. And he shared with me that while it wasn't possible to get the bid last time that he was going to do everything in his power to make sure that the bids are written properly in the future so that

more bidders will consider bidding, so that we're not writing it so narrowly that only one company is interested. So I take the, Secretary Mitchell at his word that we're going to try to do everything we can in the future to broaden and to get more competitive bids so we can make sure we're getting the right price for the taxpayers.

MS. LANGMEAD: Okay.

TREASURER KOPP: Could I also suggest based on experience we've had in the Treasurer's Office that you or the Secretary, somebody go back to the Attorney General's Office and go through line by line. I understand everybody should answer the same questions, no question about that. To see whether all of that language and all of those provisions truly are needed in law or if some of them have just grown through accretion over the years. Because we had to do that for our agency's bank contracts. And actually we were able to make the contracts much simpler and, and get more competition, get more people involved. Because it just takes going through and combing through the provisions.

MS. LANGMEAD: Yes. Certainly.

TREASURER KOPP: It may be worth while.

GOVERNOR HOGAN: It's also in the scope of the contract, not just the standard contract wording. But how you word the bid. Sometimes it's easier for the people in the department to just go with the contractor that's been

there and they write it to their specifications as opposed to more broadly that other companies might bid. That's something we want to address as well.

TREASURER KOPP: And I do wonder about the list, I mean how the lists are, I understand, how the lists are put together?

SECRETARY MCDONALD: I don't know to what she's referring.

TREASURER KOPP: Why don't we see if we can find out? Because we have heard this from other people, too. Once they looked into whatever --

SECRETARY MCDONALD: I think they may be talking about who is registered on eMarylandMarketplace.

TREASURER KOPP: Right.

SECRETARY MCDONALD: But I find it difficult to think all those hospital labs are registered on eMaryland Marketplace.

TREASURER KOPP: Well, under what category?

SECRETARY MCDONALD: But they may be registered. And so that may be the lists that --

TREASURER KOPP: But so I don't know who --

SECRETARY MCDONALD: -- we will look into that.

TREASURER KOPP: -- someone to look into that?

SECRETARY MCDONALD: And we are looking at the, the Procurement Advisor is looking at the conditions that were challenged as well. So --

TREASURER KOPP: Right. But this question of who receives copies of the bid, this is, we've heard this often, that they're going to people who really are not appropriate for --

SECRETARY MCDONALD: And that I think is the eMaryland Marketplace function.

COMPTROLLER FRANCHOT: Following up on what the Governor said. Who is the winner of this contract? Is it the incumbent vendor?

MS. LANGMEAD: Yes, it is.

COMPTROLLER FRANCHOT: And how long have they worked for us?

MS. LANGMEAD: They've worked for us, I think this is, they have had one four-year contract already. And this would be their I believe second four-year contract, three-year contract. Sorry.

SECRETARY MCDONALD: Yeah, Mr. Comptroller, the, in 2008 Quest received an emergency contract for this. And they have had the contract since 2008. There were two more bids. This is the third bid since the emergency contract.

TREASURER KOPP: And is it true that this contract is less expensive?

SECRETARY MCDONALD: It is true, no the price has definitely come, I don't know the services, if they are doing the same amount of services. But the price has definitely come down over the years.

TREASURER KOPP: Hm.

GOVERNOR HOGAN: Great.

COMPTROLLER FRANCHOT: And no one has more respect for Secretary Mitchell than I do, because I served with him. So give him my warm regards but tell him I'm very softly voting no on this because I just don't buy it. Really. This is not right. And the Governor alluded very politely or graciously, I'm a little more, I'm a little more ginned up on this because these RFPs are, it's, it's bad policy to have these things written in a way as you stand up and say before us we're not willing to make any flexible changes. We're, we're, we're looking at essentially half the time the vendors get involved in articulating these RFPs. So I, I have great respect for the Governor and the Treasurer. I'm going to vote no because I just think it's a, it's, I just think it's unfair to the business community particularly to have this approach. And I hope the next RFP that goes out will be written in such a way that a professionally run lab can make a competitive bid who is not the incumbent and actually think they will be looked at fairly and objectively. And the taxpayers will understand, okay, the price is competitively

bid therefore we're getting the best deal. Right now we're just taking your word for it and the company says, hey, we're giving you a break. But why wouldn't they give us a break if they have a contract for life?

MS. LANGMEAD: Well, I just want to say, sir, that I never suggested that we would be unwilling to make any flexible changes to this process as we move forward.

GOVERNOR HOGAN: Yes. No. We are going to make changes to the process as we move forward.

MS. LANGMEAD: Okay. Right, okay.

GOVERNOR HOGAN: There is no question about that. And I've already discussed it with the Secretary and he is committed to doing it.

MS. LANGMEAD: Good.

GOVERNOR HOGAN: And it will happen.

MS. LANGMEAD: Good.

GOVERNOR HOGAN: So thank you very much.

MS. LANGMEAD: Thank you.

TREASURER KOPP: And please tell the Secretary from my perspective that you represented him extremely well.

GOVERNOR HOGAN: Yes.

MS. LANGMEAD: Oh, thank you.

GOVERNOR HOGAN: Thank you. On item 3-S, what were the issues in the protests of the two IFBs in reference to the matter? What advice did DBM as the control agency provide to DHMH, Mr. Secretary? Good morning.

MS. CALLUM: Good morning. Good morning, Governor, Board members. I am Rhonda Callum, I am the Director of the Resident Grievance System. The issues with the protests -- that was your question, correct?

GOVERNOR HOGAN: Yes.

MS. CALLUM: The issues with the protests were the methodology for the IFB. We, we used the IFB procurement method. And the other issue was that the second time we tried to solicit with the IFB method we used the small business reserve designation. What we're doing now is we're going to use the RFP methodology and we are eliminating the small business designation in hopes that the pool of vendors will increase.

GOVERNOR HOGAN: Okay, thank you. Mr. Secretary, do you have any other comments about that?

MR. BRINKLEY: I don't.

GOVERNOR HOGAN: All right. I also want to ask about Item 4-S.

MR. BRINKLEY: Patricia Rutley.

GOVERNOR HOGAN: Now, this contract has grown from a three-year contract into a ten-year contract. And I want, you know, DHMH to

kind of explain the services that are provided at a cost of \$8 million per year in this contract.

MS. RUTLEY-JOHNSON: So good morning, Governor, members of the Board. My name is Patricia Rutley-Johnson. I'm the Director of the Office of Eligibility Services for DHMH. I have actually been in control of this contract since the inception back in 2005, which is a uniqueness in State government. I've had the luxury of actually --

GOVERNOR HOGAN: Wow, that's real continuity.

MS. RUTLEY-JOHNSON: Yes. I had a compliance role at the beginning, and, and subsequently I've worked my way up now until actually being the procurement coordinator for this, this contract.

GOVERNOR HOGAN: Sounds like you're the right person to talk to.

MS. RUTLEY-JOHNSON: I am. So I know I'm on the hot seat. And I know that the Comptroller has had some questions about this contract in the past. So specifically, we have had a successful relationship with the current vendor. We have been through multiple modifications and extensions of the contract. We, a lot of unfortunately the situation has been out of the department's control because of new federal regulations, implementation of the Affordable Care Act, the subsequent Maryland Health Benefits Exchange component, and some other issues that have come up in the past, but --

GOVERNOR HOGAN: So there appear to have been seven previous modifications. And modification three and four reference a new solicitation. What happened to that solicitation?

MS. RUTLEY-JOHNSON: So unfortunately back in September, I believe, of 2011 the department did issue a request for a proposal. We were lucky enough to get multiple proposals to review. Unfortunately, there were subsequent delays due to filing of protests and the appeals.

GOVERNOR HOGAN: And what were the grounds for the protests?

MS. RUTLEY-JOHNSON: The vendor that was originally selected unfortunately had an MBE issue at the end of the day and was not able to fulfill that so they were, that, that recommendation was overturned. And the second vendor, which was also a technical and financial superior proposal, was offered the award. And then the original vendor that was, that got the first contract unfortunately protested.

GOVERNOR HOGAN: So was it ever rebid?

MS. RUTLEY-JOHNSON: It is in the process of being rebid right now. So that's kind of where we are subsequently with all of the --

GOVERNOR HOGAN: And then I also note that modification number seven added \$2 million --

MS. RUTLEY-JOHNSON: Correct

GOVERNOR HOGAN: -- as an emergency modification due to Healthcare Exchange, is that correct?

MS. RUTLEY-JOHNSON: Yes. That is correct.

GOVERNOR HOGAN: So what else can you tell us about that?

MS. RUTLEY-JOHNSON: So unfortunately because of the implementation of the Affordable Care Act and the technical problems that plagued the, the Health Information Exchange that went live on January 1st, 2014, there were issues with that platform not being able to enroll Medicaid recipients as it was originally thought. So at that point we came back to the Board of Public Works under an emergency request to grant an additional \$2 million to the current vendor to accommodate an unanticipated number of people that would need to be enrolled through their system because of the technical problems plagued by the Health Information Exchange. So that was kind of a stop gap. We wanted to continue enrollment into managed care. To, to tout some numbers, and I'm sure that many people have heard these in the press, we've been successful in enrolling over 300,000 Medicaid recipients into managed care. And it's all been because the current vendor has kind of stepped up to the plate and assisted us where the HIX failed.

GOVERNOR HOGAN: Any other questions on the DBM Agenda?

COMPTROLLER FRANCHOT: No, if I could --

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MS. RUTLEY-JOHNSON: Sure.

COMPTROLLER FRANCHOT: -- just follow up on the Governor's questions just for the record. We're being asked to authorize a nine-month extension to the contract between the Department of Health and Mental Hygiene and a Denver based company called Policy Studies --

MS. RUTLEY-JOHNSON: Yes, sir.

COMPTROLLER FRANCHOT: -- Inc. to, and I quote, this is Policy Studies, provide statewide outreach, education and enrollment services to HealthChoice and Maryland Children's Health Program enrollees to ensure the availability of and access to appropriate healthcare services. Okay. Before we get into the matters I just wanted to point out, as the Governor was mentioning, that we're still working on a contract with an original base term of August 11, 2005 through June 30, 2008 with three one-year options. So the contract base plus options was supposed to be wrapped up on June 30, 2011, over six years after the vendor began work. That's a nice contract these days. Then, however, came the interminable string of contract extensions which the Governor mentioned. In 2011 we extended the contract by nine months in order to, and I quote, allow more time to complete the new solicitation due to the changes in federal regulations. In 2012, we tacked on another year to allow time for a bid protest to be resolved. In 2013, we tacked on another two years to ensure the successful enrollment in Medicaid of newly eligible folks under the Affordable

Care Act. Which brings us to this next extension, which according to my calendar will take us past the ten-year anniversary of when this vendor initially began work under this contract.

Like everyone else I am aware of the enormous changes that have occurred within the world of healthcare delivery service in recent years, the biggest of which was obviously the passage of the Affordable Care Act and our State's subsequent decision to establish its own health exchange. And I can appreciate the desire for a level of continuity amidst these changes. But I'm sorry, unless there is a story to be told here that you've got in addition to your responses to the Governor, I just don't think that there's an excuse for stretching a three-year contract into a ten-year contract. This vendor was selected prior to my arrival on the Board, and I'm now on my third term. But I seriously doubt that it was the department's intent at the time to make this a lifetime sinecure. In addition to a sense of the decisions that brought us to this point I'd like some sense of why the department believes that this latest extension will be enough time to wrap up the process of nailing down a new contract and why they won't be back here in late December to request yet another extension?

MS. RUTLEY-JOHNSON: So I appreciate your comments. I completely concur with everything that you've said. The department has worked diligently to provide a very valuable service to the most vulnerable recipients in Maryland. Like I said, I've been involved since the beginning of this contract.

We have taken every effort to, you know, put out a competitive process. We, we did do that in 2011. Unfortunately, because of circumstances beyond our control with all the protests and so on and so forth a decision was made to cancel that solicitation. The two-year extension that we came back for was to kind of get us through that gap. And then we have successfully posted the RFP. It was posted on December 17th. We received multiple proposals on February 3rd. We are in the process of reviewing and evaluating those proposals currently. I as the Director of the program am completely confident that we can make an award with a vendor or, you know, the incumbent depending on who wins the contract prior to the end of this nine-month period, which is scheduled to expire on December 31st, 2015. That's why I'm in front of the Board today asking you for your support just to maintain the continuity of this very, very important service to our recipients.

COMPTROLLER FRANCHOT: Okay. I was reading my background materials on this item and honestly I found it hard to believe what I was reading. And as I read it the Maryland Health Benefit Exchange Board of Trustees, which as we all know did such an exceptional job with procuring the technology and support services for the Maryland Health Exchange in the first place, voted to adopt the Connecticut Exchange Platform as a replacement for the failing Maryland exchange. Subsequent to that decision to go with the Connecticut system, after the fact the Exchange decided incredibly to conduct an

inventory of gaps and shortcomings after they had agreed to go with it. And then as a result they learned, quote, the functionality to enable Medicaid eligible individuals to shop, select, and enroll in or to be disenrolled from a HealthChoice MCO didn't exist in the newly acquired Connecticut Exchange. So can you help me on the, since you are in the inside of this? How does something like this happen? How does a taxpayer funded institution, which had already been badly burned by the failure of the Maryland Health Exchange, make the enormous business and policy decision to adopt another state's platform without a full knowledge of all the attendant risks? Especially one with such a large and negative effect on a constituency as large as the Medicaid eligible population? I know that there were decisions that long preceded, dated this administration, Governor, and also Secretary Mitchell. So I am not at all in a critical mode as far as the new administration. I am just appalled at this presentation. And maybe you could help me with a candid assessment of what exactly happened?

MS. RUTLEY-JOHNSON: So from what I understand I, you know, I'm working on the DHMH side, not the Health Benefit Exchange side, the, the decision to purchase the Connecticut platform was based significantly on the capability of the Quality Health Plan enrollment. So that system was going to be able to successfully help with the Qualified Health Plan enrollment. Unfortunately, Medicaid is a subset of that platform. And I guess, I mean, I wasn't at the table, I wasn't part of the initial assessment team that made the

decision under Secretary Sharfstein since he was heading that Board of Trustees to make that final decision.

TREASURER KOPP: Could I just say --

MS. RUTLEY-JOHNSON: Sure.

TREASURER KOPP: -- I, I don't, I don't know who wrote that and I don't have a question about what you are saying. But I remember discussion in the newspaper about why we were moving to Connecticut, being that Connecticut doesn't use it for Medicaid. So why it would come as a surprise to you or to whoever wrote this I find perplexing.

MS. RUTLEY-JOHNSON: Again, unfortunately Medicaid has been an afterthought for many of these systems.

TREASURER KOPP: Nonetheless it was not a surprise that the Connecticut system didn't work, didn't include Medicaid, and that we would have to come up with another way of feeding Medicaid in. It was in the newspaper. It was public knowledge.

MS. RUTLEY-JOHNSON: It's an unfortunate set of circumstances. We have been working 12-hour days to make sure that --

TREASURER KOPP: I'm not criticizing you. What I'm saying is whoever wrote this saying they only learned afterwards, there was no reason to be only learning afterwards.

MS. RUTLEY-JOHNSON: Yes, ma'am.

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GOVERNOR HOGAN: Any other questions on this item or any other questions on the DBM Agenda?

COMPTROLLER FRANCHOT: No, but perhaps Governor you and the Budget Secretary and the Lieutenant Governor might take a look at this Board of Directors at the Health Exchange and bring these contracts before the Board of Public Works so that, you know, it's like an oral exam at school. You have to stand up, like unfortunately you have to, and defend something that is not particularly attractive but it's much better to do it in advance than after the fact. So that's just, you know, my concern about the whole thing. I once again reiterate that this is something that you have inherited and --

GOVERNOR HOGAN: Well, there's a new sheriff in town over there, too. And we've got our new folks coming into that board as well --

COMPTROLLER FRANCHOT: Good.

GOVERNOR HOGAN: -- so I can assure you things are going to change.

COMPTROLLER FRANCHOT: Well, I think the key thing is to bring these people, bring these new contracts before us. Otherwise we're just going to, unfortunately, I'm not sure the culture is there over in that Exchange to implement what everybody would normally expect as far as oversight. And the proof is in the pudding, I guess. And I have no problem with Medicaid enrollment, trust me. These are very vulnerable individuals.

MS. RUTLEY-JOHNSON: Yes, sir.

COMPTROLLER FRANCHOT: But this is not right.

GOVERNOR HOGAN: Is, any other questions on the DBM Agenda? Thank you very much. Is there a motion?

SECRETARY MCDONALD: He, the Comptroller wants a separate motion on Item 9, the Springfield lab services.

COMPTROLLER FRANCHOT: Yes. I am not going to --

SECRETARY MCDONALD: Right. So --

COMPTROLLER FRANCHOT: But the, this one I am --

SECRETARY MCDONALD: Right. But I wanted to make sure -

-

GOVERNOR HOGAN: We'll separate out item number nine --

SECRETARY MCDONALD: -- Item 9.

GOVERNOR HOGAN: -- have a motion on that.

TREASURER KOPP: Is that it for the Agenda?

GOVERNOR HOGAN: Yes, for the DBM Agenda? Any other?
So it's two to one on Item 9.

SECRETARY MCDONALD: Okay.

GOVERNOR HOGAN: Three-oh on the remainder of the
Agenda.

SECRETARY MCDONALD: Sounds good to me, too.

GOVERNOR HOGAN: Correct?

SECRETARY MCDONALD: And I think --

GOVERNOR HOGAN: At this point I think we have four minutes to the Bond Sale. Should we take a break before we get into the University System?

TREASURER KOPP: Could we, we really do have some things we've got to do. So we're going to have to get started. Governor, Comptroller, we are displaying the bids that we received for Series B, which was the refunding series. And I have to adopt the resolutions concerning those series. If you don't know Bernadette Benik, the Chief Deputy Treasurer, and (indiscernible), they are manning, running the show.

GOVERNOR HOGAN: Good morning.

MS. BENIK: Good morning. So what you're seeing up here on the screen, the State just received four bids on our refunding sale, five bids, I'm sorry. Or these are the bidders. So five bidders on the refunding sale. So if you go to the bid you will see that the State has received in fact four bids for our refunding with a TIC of, Citi Global Markets, who in fact was the winning bidder, it has been verified, at 2.173328. The State was anticipating the sale would come in at 2.175590 so we did much better in terms of our TIC.

GOVERNOR HOGAN: Great.

COMPTROLLER FRANCHOT: Excellent.

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MS. BENIK: So that --

GOVERNOR HOGAN: Great job, Madam Treasurer.

MR. BRINKLEY: Bernadette, it's 2.14.

MS. BENIK: Right, 2.14.

MR. BRINKLEY: Just checking.

TREASURER KOPP: All right. So I would move, I would move, Governor and Comptroller, that the Board adopt the resolutions before us today concerning the State and Local Facilities Loan of 2015 First Series in particular. I move that the Board ratify and approve the preliminary official statement dated February 20th, 2015, the summary notice of sale for the 2015 First Series A Bonds and the 2015 First Series B Bonds published in *The Bond Buyer* on February 20th, 2015, and the resolutions adopted by the Board on January 28th, 2015 authorizing the issuance of the bonds. I would ask for a second?

GOVERNOR HOGAN: Second. All those in favor? Three-oh.

TREASURER KOPP: And then I would move for the First Series B that Citigroup Global Markets, Inc. be declared the successful bidder for the First Series B Tax-Exempt Bonds in the aggregate principal amount of \$364,695,000 subject to resizing as provided in the official notice of sale with a net premium of \$52,876,767.20, and a true interest cost of 2.143328 percent. And I further move that the First Series B Bonds be issued in the resized amounts and maturities and at the interest rates set forth in the successful bid for the bonds.

GOVERNOR HOGAN: Mr. Comptroller, second?

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: The motion has been seconded by the Comptroller. We have another unanimous vote of three-oh.

TREASURER KOPP: Great. Good work so far. This is -- yeah.

MS. BENIK: -- to Citiglobal.

GOVERNOR HOGAN: Yes.

TREASURER KOPP: So that was, that was the refunding part of the issue. And next is the Series A, the new money to finance the capital, ongoing capital program of, of the State, which I mentioned about 60 percent traditionally is schools, colleges, universities. This is, this is the one that we're hoping for the great bids on.

MS. BENIK: Right. And this, there are in fact five bidders that are enrolled for Series A at this point. So these are the same five bidders that were in our refunding. So we can go to the bid screen. And we have two minutes to go. And I can tell you these bids won't start rolling in till about within seconds of the 11:00 deadline.

GOVERNOR HOGAN: Okay. Very good.

TREASURER KOPP: Can I just point out, we, a question is always asked about the AAA rating in regards to these bids. That we generally receive because of the AAA rates generally about .15 percent lower than the AA

credits, better than the AA credits. Which for an average issue is about \$5 million in debt service. But beyond the specific debt service savings is the fact that the AAA rating first of all is and has been since the beginning an indication of a well-run, a well-run state. But it also (indiscernible) to the benefit of all the state agencies and local governments that, that issue debt on their own. So that having a AAA state, rated within a AAA state is really quite beneficial all the way around and something that we have always strived to keep.

GOVERNOR HOGAN: That's what we're going to continue to do.

TREASURER KOPP: Yes.

MS. BENIK: We have one bidder. One bidder has already been put in, Barclays.

TREASURER KOPP: After we find out who wins it staff has to go back and calculate, make sure everything is right, and then we'll come back and vote.

GOVERNOR HOGAN: Okay.

MS. BENIK: Two bidders. There we go, three bids in ten seconds.

SECRETARY MCDONALD: Whoa, there you go.

GOVERNOR HOGAN: That's not bad.

SECRETARY MCDONALD: Yeah --

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MS. BENIK: -- count down one last time. Okay. So we have six bids. So let's go to our results. Okay, so we have the bids in. What we'll do, Treasurer, is go back and do the verification, and then we'll be back as soon as we verify the winning bid.

TREASURER KOPP: One, one interesting thing about it, just looking at this, these are tentative bids, is that they are all pretty much bunched together which indicates that there really is an interest in winning. At times you have, you have sales, not Maryland, but at times, there have widely scattered and some not very serious. Interesting. So we look forward. Thank you, I, I apologize for the interruption.

GOVERNOR HOGAN: Not at all. So should we move forward with the Agenda while we are waiting for that? Or --

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: -- do you want to do a soft shoe song and dance?

(Laughter.)

GOVERNOR HOGAN: Then why don't we get started on the University System Agenda.

SECRETARY MCDONALD: Mr. Salt is here, Associate Vice Chancellor James Salt.

GOVERNOR HOGAN: Welcome, Mr. Salt.

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MR. SALT: Good morning.

GOVERNOR HOGAN: Thank you very much for being here.

MR. SALT: My pleasure.

GOVERNOR HOGAN: We're going to again begin with the multiple deferred items. And I'd like to mention that on Monday the Deputy Comptroller Len Foxwell, and I, along with Secretary McDonald and others, made a trip out to Bowie State University with Mr. Salt to actually see the plans for one of these projects. And, you know, I'm sorry that your schedules didn't permit you to be there. But I can tell you it was very informative to actually get out there. And we want to thank the University for being such a great host. But to actually see the projects and to walk through the buildings and to look at the plans was a lot different than just hearing about it. So we want to thank them. I was struck by the need, so particularly at Bowie State. We'd like to get the opportunity to get out and visit more of these facilities in the future and I know my colleagues would as well. But Bowie State to replace a, come up with a state of the art science and nursing center, the tremendous demand there. And, you know, we, we want to encourage people to get out and take a look at these projects.

Look, our concern has been just the explanation of the process. And you know, from both the procedural perspective and, you know, how items come before the Board. And I want to thank you for being here this morning so

you can help explain things to us. But, you know, our concern is that, and maybe we can better work on some of these bids in the future without the confusion and without bids being changed and added to and so far off target from where they started. And that's what we'd like to hear from you this morning. So --

TREASURER KOPP: Could I just add, Mr. Salt, also absolutely, absolutely agree completely. Plus somebody should look at the way these items are brought in on the explanations, what they say to us. Because I believe, I assume that what is before us is what is really intended. And yet at the last meeting I think the story that was told us was not exactly in synch with what was written. And that causes real concern.

MR. SALT: Understood. Understood.

GOVERNOR HOGAN: So thank you for being here.

MR. SALT: My pleasure.

GOVERNOR HOGAN: The floor is yours.

MR. SALT: On, following the February 18th meeting we met with the Executive Secretary and your respective staffs and talked through the concerns you had expressed at that meeting. And we had I think a very productive conversation, received some good advice and counsel from the staff that we tried to incorporate into the revised items that are before you today. We think that they have more clarity. They are organized such that you can better understand what we are asking of you. And, and it's just better information to

help you render a decision. And we'd be glad to answer any questions that you might have on these four items. Or what, we can walk through what we changed in our items.

GOVERNOR HOGAN: Yeah. Why don't you do that?

MR. SALT: Okay. One of the confusions we learned was where we talked about a GMP, a guaranteed maximum price. And not everybody uses it and it's, it's language that is not always understood. So we changed that to construction bid packages.

TREASURER KOPP: Which item is that?

MR. SALT: I'm, there, if you look at Item 2-C-Mod, this is the Bowie project that the Governor was speaking to on page 3C.

GOVERNOR HOGAN: Break, Mr. Salt, we're going to take a break to do the Bond Sale. Sorry.

MR. SALT: That's quite all right.

GOVERNOR HOGAN: The Treasurer thought there was a political ad --

(Laughter.)

MS. BENIK: Okay. So we have verified that Bank of America Merrill Lynch is the winning bid. If you would click on the winning bidder -- no, no, cancel that. If you bring up the winning, click on the bid, bring up the bid.

You will see that we got a, we got a net premium of almost \$73 million on this sale.

GOVERNOR HOGAN: Wow.

MS. BENIK: So if you go back, so Treasurer you can go ahead and make your motion.

TREASURER KOPP: Thank you. I move that Bank of America Merrill Lynch be declared the successful bidder for the First Series A Tax-Exempt Bonds in the aggregate principal amount of \$518 million dollars, excuse me, subject to resizing as provided in the official notice of sale with a net premium of \$72,864,885.75 and a true interest cost of 2.646039 percent. And I further move that the First Series A Bonds be issued in the resized amounts and maturities and at the interest rates set forth in the successful bid for the bonds. And would ask for a second and a vote on that?

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All those in favor? I would say that's a three-oh vote. Congratulations.

TREASURER KOPP: And lastly I move that the bond, that the Board authorize and approve the issuance of the final official statement for the bonds.

GOVERNOR HOGAN: Second?

COMPTROLLER FRANCHOT: Second

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GOVERNOR HOGAN: All those in favor? We did it again.

TREASURER KOPP: Thank you.

GOVERNOR HOGAN: Good job. Thank you.

COMPTROLLER FRANCHOT: Could I just --

GOVERNOR HOGAN: Absolutely.

TREASURER KOPP: All right. And Bernadette is going to come back with an official number on the savings from the refunding.

GOVERNOR HOGAN: Bernadette, we look forward to hearing that number.

MS. BENIK: Great.

TREASURER KOPP: Thank you very much.

GOVERNOR HOGAN: Thank you, Madam Treasurer.

TREASURER KOPP: I appreciate it.

COMPTROLLER FRANCHOT: Thank you, Governor, and Madam Treasurer. I have obviously a lot of enthusiasm for the refinancing vote that we took initially. I think that makes a ton of sense given the volatility of the international and our own national markets. Let's take advantage of that. I mean, heck, over in Europe right now some corporations and sovereign powers are getting negative yields. In other words, instead of us paying 2.64 percent it is such a crisis level that some investors are paying an entity like us one percent to

take their money. So I'm all in favor of the refinancing. I think that makes a ton of sense.

The vote we just cast, I'm a little cool on, frankly. Because putting \$518 million in new debt out at this point is something that I think, and I'm sure it will be, Governor, closely scrubbed by you and the Budget Secretary. I understand there's a list of projects that will be funded due to this new money. And I just hope everybody goes over that with a fine tooth comb. And I reference my visit yesterday to Frederick High School, a school that the Board of Public Works I believe is going to support a completely new high school to replace Frederick High School. Guess what year Frederick High School was first built, after several years it was first used by the students in 1939, 1939. It has had some additions to it since then but it's essentially the same building.

And I toured that building with all of the, the School Superintendent and all sorts of, and the County Executive. That school was immaculately taken care of. Seventy-five years old, it was a school that I would be proud to send my kids to tomorrow. Do they deserve a new school? Absolutely. A diverse population, more kids coming in, seventy-five-year-old school, yes. But did Frederick County take care of that building like it was one of their own? You bet. And it contrasted with a visit I made a couple of weeks ago to Dulaney High School in Timonium, Maryland in Baltimore County, a school that was built in 1964.

I wouldn't, I wouldn't put someone I didn't like in that school much less someone that I loved. That school had termites crawling all over the kids' goggles in a science class. We moved to the art room, there were holes in it that looked like it had been in a Mideast conflict. Just, you know, you turn on the faucet and brown water comes out. They've had four water main breaks in the last six months, flooding the auditorium, rendering big parts of the school unusable. We walked in, after properly notifying everybody to please leave, into the girls locker room. No showers worked, no water worked, rust stains all over the building. The second floor, the temperature was 40 degrees warmer than it was on the first floor. PlexiGlass had replaced a lot of the windows. PlexiGlass. The kids that were with us were just, they were just, they couldn't, I couldn't believe it. The County Executive described it as a decrepit school.

So it's a long-winded way of saying I love making new investments in schools. But boy, should we take another look at those jurisdictions that are not taking care of what we spent a ton of money on. And I picked Baltimore County out specifically because we're not talking about a county that's poor. And I just hope the \$518 million, Mr. Budget Secretary and Governor Hogan, I hope you look through that list and make sure that there is a rock solid commitment from our local jurisdictions to take care of what they have first and foremost. And those two schools, I mean you know Frederick's maintenance superiority. But every, every entity that gets money from this bond

bill make a commitment that they're going to take care of it as, well you can use Frederick High School if you want. And am I speaking the truth about that high school?

MR. BRINKLEY: It's a beautiful school, it's been taken care of, but it sure needs some work.

COMPTROLLER FRANCHOT: Thank you. But that's, that's why I'm concerned with this. Because we're heading into a very volatile time. The Fed is trying to raise interest rates on short term debt. Our interest rates are going if anything down long term. And the world is in a complete state of confusion as to what, what way the economy is going to go. I would say this is a very strong headwind against economic growth and employment growth, what's going on right now in the world. I mean, this idea of negative returns over in Europe and everybody comes running over to us to invest so our dollar strengthens. God knows what's going on with the poultry industry which has international sales and other things. So I just think we need to be very, very careful with, you know, these new debt offerings and make sure we're cognizant of the volatility of the international and national economy right now. I, I didn't mean to get into all that weeds there, Governor, but I'm appealing to you and to the Budget Secretary to, and if you could share the list of where these are going to be, what's going to be funded with this \$528 million with me, I'd be grateful.

GOVERNOR HOGAN: We'd be happy to. And --

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COMPTROLLER FRANCHOT: I'm, I'm with you. And I know I'm --

GOVERNOR HOGAN: I assure you we're going to watch every penny of it. But let me, let me talk just quickly on the, on the point you raised about the maintenance of schools. That's something we agree with 100 percent. At our first meeting you raised the issue. We both talked about the issue. We went to the Budget Secretary the day after that and provided money to put a PIN in so Dr. Lever, it was disgraceful that we're three years behind on the assessments on maintenance of schools. He said he could do it if he had another staff person, so we gave him another staff person. And now we're going to hold his feet to the fire to make sure that we get these updated reports so we can look at the condition of our schools. Maintaining the schools we have is just as important as building a new one. So thank you.

TREASURER KOPP: Governor, Governor, could I say two things? First of all, on that last one I would urge you perhaps we don't have the ability right now, but when we get Dr. Lever to come back with the finished reports, which we certainly do need, to consider my earlier proposal of actually having part of the budget set aside, the capital item set aside for ongoing maintenance so that there can't be any excuse for this. Now I understand that may slow down building a bit, but I think we need not only the telling the locals that they have to put the money in, but actually have some of the money that goes

to the project reserve. That's just my personal feeling, not the State Treasurer's. But it's something we thought for a long time.

In, in, in terms of this particular bond issue, the Maryland system actually is mostly in terms of schools reimbursing for what's already gone ahead. So that, so that there will be a list and it will be a public list, I assume, of each project that is, that is, that is funded once the funds are, are reapplied. But this is not a bond issue of the sort where you issue item by item forward looking.

But also, just to say, yeah, one reason that we're getting such good rates is because the investors see Maryland as well as the U.S. as a safe place to put their money because if, the bonds are paying a lot higher if you want to invest in Greece and some other places but they're not, they're not safe and they're not, they're not strong.

I do agree with the Comptroller completely about the volatility of the international economy and what the impact is going to be. But if we could look at that, that would be great.

GOVERNOR HOGAN: Very good.

TREASURER KOPP: And it was not my idea. This was the Schaefer idea.

GOVERNOR HOGAN: I appreciate that. Mr. Salt, sorry.

MR. SALT: Oh, that's quite all right.

GOVERNOR HOGAN: So just --

MR. SALT: Congratulations.

GOVERNOR HOGAN: -- to get us back on track, you know, our concern at the last meeting, which you unfortunately were not able to join us at, but that we were looking at changes in University projects, I mean, what had already been approved to what we were asking to be approved was a difference of like \$35 million. And we had people try to explain that the increases were due to the bids were a long time ago, it cost more than we thought, we added new things to the contract that weren't originally a part of the contract. We heard all kinds of very confusing arguments without a really good explanation about why we were spending \$35 million more.

Well all these projects seem to be very worthwhile. We're not questioning the benefit to these universities, how important the projects are. And I got a letter from Brit Kirwan saying, he was apologizing for the fact that you weren't prepared at the last meeting, and that you weren't at the last meeting, that we didn't get the right explanation from the staff at the last meeting. And his letter said that there wasn't one penny of cost overruns in any of the projects. So can you for the benefit of the group explain to us how we go from here to \$35 million more and we don't have cost overruns?

MR. SALT: Understood.

GOVERNOR HOGAN: And how and why we added so many new things into the contract after it was approved that were not supposed to be

part of the contract? That's the beginning. The most, the more important part is how are we going to stop this from happening in the future? Because we're, you know, while we may move forward with these projects today, we'll talk to our, we're never going to allow this in the future. So we're going to have to come up with a new process.

MR. SALT: Well part of what you're seeing here is indeed where one of your concerns at the last meeting is presentation. We do have one project, the Bowie project, where it went from what had been identified when the project was first brought to you as an estimated \$70 million project that is now \$86 million. During the, that \$70 million estimate was done before design was completed. And they realized eventually during the design process that they had underestimated the amount of built in equipment that was necessary for the project and --

COMPTROLLER FRANCHOT: I'm sorry, what kind of equipment?

MR. SALT: Built in.

COMPTROLLER FRANCHOT: Built in.

MR. SALT: It's equipment purchased by the contractor and installed by the contractor, as opposed to greater than 15-year life equipment like desks and chairs.

GOVERNOR HOGAN: Mm-hmm. So they underestimated it by \$15 million, \$16 million?

MR. SALT: Yes.

GOVERNOR HOGAN: How?

COMPTROLLER FRANCHOT: How --

GOVERNOR HOGAN: How did it happen?

MR. SALT: That, that, that is a good question. We have, we have representatives here from, from Bowie and from our service center who might be able to answer that question for you.

GOVERNOR HOGAN: Yeah, what we don't want to have happen is sort of, we understand some things change.

MR. SALT: Mm-hmm.

GOVERNOR HOGAN: We understand costs sometimes go up. We understand sometimes somebody screwed up and forgot to put something in the contract that needs to be added later. But \$16 million of things that we just forgot that weren't in the original bid that now had to be added without the approval of the Board of Public Works? That's a big deal.

MR. SALT: You're absolutely right. It is a big deal. And it's a, it's a point well taken. We did take it to the Department of Budget and Management, worked with them. They, they, they added it to the budget and it's before the Legislature this year.

TREASURER KOPP: It's before, so it hasn't been approved?

MR. SALT: Well, what's in front of you right now is not for approval for the entire amount of what the construction will be. What's in front of you now is for \$4.6 million.

GOVERNOR HOGAN: You just, I mean, you talked about Bowie, with the \$16 million.

MR. SALT: Mm-hmmm.

GOVERNOR HOGAN: Can you just kind of walk through the other ones and explain to us, we're just trying to, we still don't feel like we've got an understanding of why the --

MR. SALT: Understood. And that's why I thought I would take you --

GOVERNOR HOGAN: -- changed so dramatically.

MR. SALT: That's why I thought I would take you through --

GOVERNOR HOGAN: Yes, okay.

MR. SALT: -- an item. As we've talked about Bowie why don't we look at Salisbury's?

SECRETARY MCDONALD: This would be Item 3?

MR. SALT: Item 3, page 6C. What was brought before you at the meeting on the 18th was the fourth construction bid package. And these aren't packages that are unanticipated. They are packages associated with an intended

construction process. So we come back to you multiple times during the course of the construction after we have competitively bid a package to seek your approval. For the Salisbury one of \$63.2 million, we can understand where the word modification implies that there has been a cost increase. But that's not the case here. It is merely the next package in the construction phase for that project.

GOVERNOR HOGAN: So was this not anticipated when the original bid came before us?

MR. SALT: Oh, yes. What is bid at the beginning is --

GOVERNOR HOGAN: It wasn't part of the bid?

MR. SALT: I'm sorry?

GOVERNOR HOGAN: It just wasn't part of the original bid?

MR. SALT: Well it wasn't part because we bid for a construction manager. So we're bidding the fees associated with the construction manager. As the project is designed and the bid packages are prepared, and they are, each of them are competitively bid, those are tied to the construction and to the budget requests for construction. This project is estimated at \$117 million.

COMPTROLLER FRANCHOT: Which project was this?

MR. SALT: This is the Salisbury project, Item 3-C-MOD. The \$63 million was, is, was anticipated as part of that. That was not a surprise.

GOVERNOR HOGAN: It was a surprise to us.

MR. SALT: Well and that's why, and, and part of it is the presentation and, and how a construction manager with a GMP, and we've changed that to contract construction bid package, can, we can see how that's confusing.

TREASURER KOPP: Well, can you explain it in a way that isn't confusing? The whole thing, including by the way what's authorized by the General Assembly so far and what is before them in 2016? And was there another one you were talking about with 2016? I, maybe Mr. Vivona?

MR. SALT: If you -- oh, hi Joe.

MR. VIVONA: Hi. This is Joe Vivona with the University System of Maryland.

GOVERNOR HOGAN: Good morning.

MR. VIVONA: Just to be clear about what the term of art contract modification means, we can understand why that would be viewed as an increase in the price of the contract. It is not an increase in the price of the contract. It is continuing to move the contract along during the process so that when they are ready for that stage of construction or whatever service we are buying, you get bids at that time. The decisions about the price or the cost of the overall project are made when the Governor submits his budget, it is reviewed, and the General Assembly approves the price of the contract. And then what you get as you review contracts in the normal course of business is always within the confines of

that appropriation. We cannot come to the Board of Public Works, at least the University does not, with a request to increase the cost of a contract. All of that work about changes in price because construction is a long lead process that takes many years to mature to the point of a Governor's approval, the costs do tend to increase naturally by way of normal inflation. It may vary. And certainly, Governor, when you forget about the real equipment needs or you fail to contemplate them you find yourself going before a committee in the General Assembly and explaining why you need \$16 million more for a contract. You also need the Department of Budget and Management to approve that.

GOVERNOR HOGAN: So did the, did the request go through the Legislature asking for the \$16 million more for equipment?

MR. SALT: Yes. It's --

GOVERNOR HOGAN: And it's been approved by the Legislature?

MR. SALT: Yes. It was in last year's budget. Is that correct, Mark? Yes.

MR. VIVONA: And that's, so that's where that cost increase battle takes place. And sometimes they say to us don't bring us the full bill. We see that it's a fair argument but you pay for some of that out of another resource, get a grant, things like that, get a donor. All of that is taken care of before we bring that to you. So I fully understand why the term of art contract modification

would be the basis of thinking that you're dealing with cost overruns. And just to be nuanced about it, if it was a cost overrun it was handled earlier during the legislative process. They are the appropriators. You are controlling the contracts to make sure they have sufficient bids. If you, if we came to you with sole sources on construction bids you would not accept them. Now --

GOVERNOR HOGAN: Actually, I'm here to make sure we're not wasting taxpayer funds. And it seems as though you should have explained all of this in your presentation, that this is what has been appropriated, this is well within our appropriated levels, it's a change in the contract because of this wasn't bid, included in the first time. None of that was ever mentioned until you just mentioned it. This is our second meeting that we have wasted time and you're the first one to ever mention anything about that.

MR. VIVONA: Well believe me --

GOVERNOR HOGAN: Why is that?

MR. VIVONA: Well first of all, let me, let me first apologize for the confusion. We should have known that during the transition --

GOVERNOR HOGAN: It has nothing to do with the transition.

MR. VIVONA: Well I meant, I mean --

GOVERNOR HOGAN: My colleagues here have been here through the whole time. None of us have any idea what you're talking about. It's not about the transition.

MR. VIVONA: Well, I, I apologize for that. And we will, we have modified we hope to your satisfaction the way this material is presented to make it clearer for your review. And if it's not we will continue to work --

GOVERNOR HOGAN: If it's not we may have to look at alternatives on the entire, you know, procurement process for the University System. Maybe the State, maybe the State might have to start getting more involved in the procurement of the University System.

MR. VAVONA: And I, I --

GOVERNOR HOGAN: How about that?

MR. VAVONA: Well, I don't want to, I, I think our, our purpose is to genuinely serve you to bring you the best projects under the best management. And with whatever it is that we would have to do we are happy to do it.

GOVERNOR HOGAN: We're, you know, I believe that, and I don't speak for my colleagues, we want to move forward with these important projects for the University System. But we don't want to allow this kind of a process to happen in the future. We're not satisfied with the explanation. We're not satisfied with the process. We don't like anything about it. We don't like after the fact talking about \$35 million more than none of us knew was included. It shouldn't happen.

MR. SALT: Well we, in these, these revised items we added to it a line that's called total project budget. And we've identified the total project cost and the fund sources and which fiscal years in which the money was appropriated and in, in what forward budgets it is included. For example, the Salisbury project if you look towards the bottom it says total project budget. And we've identified the total --

GOVERNOR HOGAN: So let me just make it, let me just get a clear answer on, let's just look at all the projects in total. Everything we were told at the last meeting was wrong, is that correct? We were told there were cost overruns, it wasn't anticipated, it took too long in the process, now it has cost more than it did earlier. We were told these were things not anticipated in the original contract, they added things to the contract. You're now saying there's no cost overruns, nothing was added, we already anticipated this, we just did it in chunks and you didn't see the whole part. Is that --

MR. SALT: Well I think a part of it is that it was not well explained to you.

GOVERNOR HOGAN: It's still not being well explained.

MR. SALT: Well I --

GOVERNOR HOGAN: So can you answer that question? Did anything change? Did we spend more money than we originally expected to spend? Did we add new things to the contract without approval?

MR. SALT: No --

MR. VAVONA: We have legislative authority --

MR. SALT: On everything.

MR. VIVONA: -- meaning appropriations, for everything that you have before you.

COMPTROLLER FRANCHOT: Could I just break in Governor? Because I served for 20 years on the Appropriations Committee. I'm sure the Treasurer also has her perspective. It's somewhat of a misnomer, frankly. What we in the Legislature did when I was on the committee was authorize spending and it was other people's money so it was not particularly onerous. In fact I remember it as a rather delightful process because we could pick one here and pick one there and if someone needed an extra \$15 million we could add that in too. But the Board of Public Works actually spends people's money. And I want to associate myself with the remarks of the Governor. It's a murky presentation two weeks ago has gotten even murkier. And to defend it as we have legislative approval and to say, wow --

GOVERNOR HOGAN: And to say, excuse me, and to say the Board of Public Works is just there to make sure you have bidders and to approve the contract. That's not the case. The Board of Public Works decides if we're going to spend the money or not. Just so you know that's how the process works.

MR. VIVONA: Yes. I didn't mean to say that it was only, if I did I apologize. I just tried to clarify that it would not be a burden put on you to deal with a cost overrun. We would have to have prior authorization through the appropriations process to be able to bring our contract modifications to you in order to proceed with construction.

GOVERNOR HOGAN: Okay. Any other questions?

COMPTROLLER FRANCHOT: I'd just like to ask, I see President Eshbach from Salisbury out there. I wonder if she could just say a word about the merits? Because I'm a little wobbly on the project. Given, not because of you, Madam President, but because of this murky fiscal stuff. So maybe you could come up and defend it?

DR. DUDLEY-ESHBACH: Thank you for the opportunity. Janet Dudley-Eshbach, President of Salisbury University. And the way the meeting is going obviously I approach the podium with a bit of trepidation.

(Laughter.)

GOVERNOR HOGAN: Welcome, good morning.

DR. DUDLEY-ESHBACH: How are you, Governor? This is a project, I won't give you the long history of it. As has been explained and as the three of you are well aware it takes years for a project of this type to come to fruition. We are in the case of the academic commons, which is our new library but it's much more than a new library. It will be a focal point for the entire

campus. It will have a student achievement center, etcetera. We are in terms of the funding about halfway through the project. And unfortunately, you know, I apologize for any confusion that there may have been. If we do not get approval today we will stop construction at the point we are. The beams are up. We, again, have been operating assuming that we're going to be able to open the building by Fall, 2016 and that is our goal. My colleagues that are with me today, Vice President for Administration and Finance Betty Crockett, you will recognize her from the meeting a couple of weeks ago. And --

GOVERNOR HOGAN: Welcome back.

DR. DUDLEY-ESHBACH: -- Eric Berkheimer, who heads up all of our, who knows the nitty-gritty of the funding for all of our capital projects. And I'm sure if you have specific questions they would be happy to answer.

TREASURER KOPP: Can, can you -- let me, let me try this. Dr. Eshbach --

DR. DUDLEY-ESHBACH: Yes?

TREASURER KOPP: You all had a proposal for this new building which is more than a library, I mean, it's the academic commons. And you took it to the Board of Regents, I assume, first of all?

DR. DUDLEY-ESHBACH: Yes.

TREASURER KOPP: And they approved this?

DR. DUDLEY-ESHBACH: And there's a capital projects queue -

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TREASURER KOPP: Right.

DR. DUDLEY-ESHBACH: -- which sometimes is respected.

Every, all the universities line up their projects and we make the case for the need for those projects.

TREASURER KOPP: And it's both the academic need and the need for that money?

DR. DUDLEY-ESHBACH: Correct and in this instance, Madam Treasurer, in this instance we were able to secure an \$8 million private donation so that you will see that the total cost to the State is somewhat less than the overall, \$8 million less than the overall project cost. We also achieved some efficiencies, if I may, through the planning process. It's actually 15,000 square feet?

MR. BERKHEIMER: A little over 13.

DR. DUDLEY-ESHBACH: A little over 13,000 square feet smaller than what we had initially planned because we did not want to come before you and say, look, we underestimated this, we'd like an additional \$20 million or \$10 million to complete the project. So we believe we've done, I don't like the term value engineering because I have a gymnasium that was never air conditioned when it was built because of value engineering which now will cost

me over \$20 million to air condition. So, you know, I'm a -- and by the way, I was, if you saw me cheering a little bit, I don't believe in deferred maintenance. And we do allocate, it's the expectation of the Regents and at Salisbury University we do allocate a portion of our annual budget towards making sure that we're not going to have the situation as the Comptroller has described it. So, so that --

TREASURER KOPP: So you take this project that you toned down and it gets in a queue and it goes to the General Assembly and the Department of Budget and Management and it gets in that queue. And it's approved with expectations of a certain price, a certain expenditure flow, is that right? For different things. And then as it flows it comes to us. Now, when it comes to us it's, it's in several contracts over time, I guess --

DR. DUDLEY-ESHBACH: Well, there are many contracts that are awarded throughout, of a project this size.

TREASURER KOPP: Yes, okay. So but what, what you're telling us is that when it comes here and it says modification, I mean maybe it's the form or something. It says modification. You're saying it's not really a modification, it's the next step in something. And we can show you what they used to call in the Army a Gantt chart of where we are all along and where we thought we'd be and this is where we are, can you do that?

DR. DUDLEY-ESHBACH: Yes.

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TREASURER KOPP: I mean, you can do that?

MR. SALT: For any project we can do that.

GOVERNOR HOGAN: Well that would be a much improved process.

TREASURER KOPP: I mean, so we can, because to us, and I say this to you as well as for the gentlemen, and as you know, I chaired that education subcommittee for a long time --

DR. DUDLEY-ESHBACH: I do recall. Yes.

TREASURER KOPP: -- and I, I find this very difficult to just not have a simple chart that tells us. And then you can say well we were going to move into the science building but we just found out there were no Bunsen burners, or whatever. Well, and then you say to us we didn't, we didn't budget for the Bunsen burners, or whatever. And that's really an oversight and a problem.

GOVERNOR HOGAN: Right.

TREASURER KOPP: As opposed to saying this is where we thought it would be, we're now moving into the next site. I will tell you, Doctor, that at the last meeting, and I don't know if it was your project but some of these others, it was so confused. You didn't know whether there was an overrun or not an overrun, whether there was something taken from here that was always intended to be spent but put in another column or really oh, well, we just didn't,

or the price of steel went up. These things have to be written, at least for me, in English so I can understand what's going on. Because this isn't the English language.

DR. DUDLEY-ESHBACH: And though I'm fluent in Spanish I do find with my background in Latin American literature it is very helpful to have it in English as well. And that's what these folks do for me.

TREASURER KOPP: And you blow the credibility of the University and its process.

DR. DUDLEY-ESHBACH: I understand and Madam Treasurer, you've known me for a few years. And at Salisbury University we take a good deal of pride in the fact that we don't come forward with, with overruns. We are conservative out of necessity in our budget management and we, we try to know what we're going before we get into a project in the first place.

TREASURER KOPP: That's always been my impression. And, and I, and I will say that I think Mr. Vivona is a financial genius. And I, I really do think if he could help work with the presidents and maybe Senator Hogan to try to bring to you something that meets all the legal requirements but explains in the English language what is going on so that, so that, so that we or I at least in turn can explain it to other people. I would say you can't explain what you don't understand and I'm not sure I could explain this.

GOVERNOR HOGAN: Thank you very much.

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DR. DUDLEY-ESHBACH: Okay. Thank you, Governor. Mr. Comptroller.

COMPTROLLER FRANCHOT: Thank you, Madam President. It goes a lot way with me to have you stand up there and speak. But I'll just say for the record the Governor stated at the beginning of the Board of Public Works this was going to be a very simple meeting with no controversy. But this is, these, these projects continue to be confusing to me. But if I could ask Mr. Salt or someone, are we sure that these new figures now reflect a full and realistic accounting of project costs? Or is there a possibility that this Board might hear of further modifications down the road?

MR. SALT: The numbers, the numbers in front of you reflect current cost estimates in the construction process. The, the \$63 million that's before you today for a modification of the Salisbury project is consistent with the budget and consistent with appropriations. We don't anticipate coming to you and saying that our \$117 million project is now \$120 million.

GOVERNOR HOGAN: Great.

SECRETARY MCDONALD: But Mr. Salt, you do have a notice on that first page of that item that this is the fourth of five bid packages. So I believe that means you will be coming back with the Salisbury University for the fifth bid package?

MR. SALT: Yes, but it's not going to be in excess of the 117.

SECRETARY MCDONALD: I just want to let the Board know that there is an additional item coming up on Salisbury on this particular thing. It's going to be within the amount of money you are saying, but he will see it again as a contract mod, just as you said right there.

MR. SALT: Right. If, if this, if this mod is approved the revised total amount for construction including CMPs on page 7C is \$100,620,000 on a budget of \$117 million.

TREASURER KOPP: And how does that relate to the projected construction cost of \$90 million, which is on page six?

MR. SALT: Well the \$117 million includes capital equipment, greater than 15-year life equipment, and fees for the, the construction management of the project.

TREASURER KOPP: Okay. So a hundred is the construction and 17 -- I'm confused. Ninety, a hundred --

SECRETARY MCDONALD: Treasurer, on page eight, the top bullet on page eight --

TREASURER KOPP: Oh, page eight?

SECRETARY MCDONALD: -- it does say that the original construction cost was \$90 million but they had the Legislature change it in 2013 to 114. So when they told us in the '13 item that it was \$90 million in the description they never told us that the Legislature had put it up.

TREASURER KOPP: And why was it changed to 114?

GOVERNOR HOGAN: And when they said there was no cost overruns, that was incorrect. There was \$15 million in cost overruns.

SECRETARY MCDONALD: It looked like it to us. That was the impression we had.

GOVERNOR HOGAN: Got you.

COMPTROLLER FRANCHOT: So Governor, if I could just ask -

-

TREASURER KOPP: Wait, could I just ask --

COMPTROLLER FRANCHOT: Yeah, go ahead.

TREASURER KOPP: -- what was, the 90 to 114, what was that?

MR. BERKHEIMER: Eric Berkheimer, Associate Vice President of Facilities for Salisbury. The overall budget of course is broken down from that 117. So we start with the \$90 million, plus or minus for construction. We then have \$10 million worth of design fees for the project. In addition to that, and I'm using round numbers so I'm not going to the penny here, but we also have about \$5 million of capital equipment as well as then we also have contingency that we carry as, as prudent owners, as for cost overruns, unforeseen conditions, as well as then also IT and other equipment that goes into the project. So we have --

TREASURER KOPP: And that adds up to 117.

MR. BERKHEIMER: -- so when you add all those

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things up, and we can give you those breakdowns. We work very closely with the service center to manage that budget to that number to get to that place. And as, in this case --

TREASURER KOPP: And that's what all these bullets on page eight would add up to? I mean, it's the 90 and then --

MR. BERKHEIMER: Not all of them because you're not going to see unfortunately service center fees. You're not going to see some of the other fees that go into the project. This is only a contract with the design build contractor. So you're not going to see those other outside costs.

TREASURER KOPP: So maybe --

MR. BERKHEIMER: There are NCE costs that we have for capital equipment. So there are multiple contracts that make up that overall project. You're only seeing in this piece the Gilbane construction manager.

TREASURER KOPP: And it all adds up to \$117,100,000?

MR. BERKHEIMER: Yes, it does.

TREASURER KOPP: Still?

MR. BERKHEIMER: Yes, it does.

TREASURER KOPP: Well, if you could, whoever, I don't care who, that Gantt chart and just a picture, and even, maybe even each time we get one of these packages.

MR. BERKHEIMER: Mm-hmm. You should see the entire breakdown.

TREASURER KOPP: See the entire thing.

GOVERNOR HOGAN: Thank you very much. Mr. Salt, yeah, here's what I would suggest. Here, we're, as you, if you noticed from our first, my first Board of Public Works meeting, we were questioning and reviewing a \$40,000 contract because we're watching every penny of the taxpayers' money. We're certainly going to pay attention to \$35 million that looks different from what it was before. We have to have a better system for you to explain are we within budget? Are we not within budget? Is this part of the original contract? Is it not part of the original contract? So, you know, we've got to, we're going to change the system. What, what has happened in this first round of the University of Maryland System issues before us is never going to happen again. I'm going to suggest that we have the Board of Public Works staff together with the Budget Secretary, maybe have the Lieutenant Governor who is an expert in procurement, chair this process, sit down with whoever you need from the University System to come up with a new process. And collaboratively let's figure out how to never let this happen again and so that we can make prudent decisions on behalf of the taxpayers.

MR. SALT: We would be glad to, to do that.

GOVERNOR HOGAN: Great, thank you.

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COMPTROLLER FRANCHOT: And I totally concur with the Governor, and I'm going to defer to him on these projects. And also, Madam President, you rode in on a white horse to get here. So I'm going to go along with the Governor. But I'll, I must admit that it doesn't sound like a very tight process. Mr. Salt, when you reach a number like \$117 million as an estimate, I take it, it's, you know, looked at, it goes, I'm not sure of all the bells and whistles that are attached, do you ever see a contract, the end product be something like \$90 million instead of \$117 million?

MR. SALT: We don't normally see a delta of that size. But we do on an annual basis return money back to the State where the projects have come in under budget.

COMPTROLLER FRANCHOT: Okay. Well, you ought to go back and take another look. Because I'm doing a big information technology request that's before the Legislature. A couple of years ago we, I got a lot of urging to put in a new technology system and thank you God for who gave me the wisdom to say hold off because we were going to be the pioneer for the country in a new tax technology system. And thank God we held off because six or seven states have now gone forward and they have proofed the whole process and we're not going to run into the Health Exchange technology situation which would be the end of my career. But here's the reason I'm asking this. Three years ago we

were thinking that this project would cost \$117 million dollars. Now we think it will cost between 50 and 60. Ever see anything like that?

MR. SALT: Not in the construction industry, no. No.

COMPTROLLER FRANCHOT: Well, I'm steadfastly with the Governor. I'm going to, on this issue because I think it's a pretty loose process. And give my very, very warm congratulations to the appropriators but suggest to them that there's going to be some closer scrutiny. Because this still doesn't make sense to me.

MR. SALT: Well we're --

COMPTROLLER FRANCHOT: It's almost as if we have \$117 million, we're going to spend every bent dime of it just for the, because we can. And --

MR. SALT: Well, we want you to understand what we're doing.

GOVERNOR HOGAN: Well thank you, Mr. Salt. I'm going to vote in favor of moving forward with these items for the University of Maryland System. They are clearly important projects for the universities. But my yes vote comes with an expectation that more focus on improving these estimates and on improving this process is going to be undertaken by the University System.

MR. SALT: Understood and agreed.

GOVERNOR HOGAN: Thank you.

MR. SALT: Thank you.

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GOVERNOR HOGAN: Any other questions?

TREASURER KOPP: No. Except to reiterate what the Comptroller said about the President of Salisbury University.

GOVERNOR HOGAN: Yes, I'll, I'll second that one too. She did a great job. Thank you, Madam President. Is there a motion on the University System?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh. You did a great job, Mr. Salt.

(Laughter.)

GOVERNOR HOGAN: Thank you. Let's move on to the Information Technology, or DoIT Agenda.

MR. URBAN: Good morning, Mr. Governor, Madam Treasurer, Mr. Comptroller. Greg Urban, Department of Information Technology. I have one item on my Agenda. It is an item deferred from the last meeting. And I'd be happy to answer any questions you may have.

GOVERNOR HOGAN: Yes. Well first of all let me just recognize, I don't know if our new DoIT Secretary is here with you? There he is.

MR. URBAN: He is.

GOVERNOR HOGAN: Our new DoIT Secretary David Garcia. His first day on the job was Monday. So 48 hours --

(Applause.)

GOVERNOR HOGAN: You've got some catching up to do, David.

MR. GARCIA: I am, Governor.

GOVERNOR HOGAN: Greg, will you share with us on this item that we didn't, you know, we didn't get a chance to finish last time your --

MR. URBAN: Absolutely. So we're asking for a \$19 million increase of the contract. The money -- so we are increasing the ask. The money will be used for operations and maintenance of the system. The portions of the system that have been completed, there are two portions of the system that have been completed out of five phases. Two of the phases are in process. The original contract for \$345 million dollars included money to build a system, money to purchase subscriber radios, and a contingency fund which includes CPI increases and things that we, the unknowns we did not know about. What we --

GOVERNOR HOGAN: So did the department know that it was going to need another \$20 million for maintenance when the project was first approved?

MR. URBAN: So when we first approved the project we, we understood that there would be maintenance required and the option years

reflected the understanding that we had for requirements for maintenance of the system after the system had been completed. We did not consider in the base period the operational cost of the system when we put the Agenda item together. So on that I would say we were erroneous by not taking into full consideration the cost of operating it, the system, the portions of the system that were finished before the entire system was completed.

GOVERNOR HOGAN: I'm not quite sure I understand that.

MR. URBAN: Okay.

GOVERNOR HOGAN: So why was it not presented as part of the overall cost? Why did you not anticipate it? Or why was it not included?

MR. URBAN: I don't have a good answer. I believe it was an oversight, that we did not include the sufficient amount of funds for the operations of that system during the period of time of the base year of the contract.

GOVERNOR HOGAN: Well, I just don't think that's acceptable. That's not the way we want our agencies to do business. And my opinion is that we should go back, regroup, and find a way to recover the maintenance cost within the existing contract, not to ask for \$20 million dollars more today because we forgot. So I'm not going to support this process and I'm not going to support spending \$20 million of the taxpayers' money in this fashion. Any other comments, questions?

TREASURER KOPP: There is a contingency fund?

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MR. URBAN: There is a contingency fund. It's primarily, one of the primary components is for the cost of inflation, which will, based on the knowledge we have today is approximately \$8 million of the \$30 million of the contingency fund. The cost of the contingency of the system and the maintenance would exceed the contingency fund. So it's not sufficient for operations and maintenance for the entire amounts of the system that will be completed and require operations and maintenance.

TREASURER KOPP: Well, one way you could deal with the Governor's concerns, though, is to use the contingency fund for your immediate operations and meanwhile squeeze it so that it comes in under the total.

MR. URBAN: That is one of the options that we would look at. The other option is to look at the spend on the subscriber equipment to ensure that we are tracking low on the spend there so there is potential that we could, we could use that component of the cost to bring it in at the 345. So we will, we will do what's asked of us.

COMPTROLLER FRANCHOT: Excuse me, what was the, Madam Treasurer, could I ask a question?

GOVERNOR HOGAN: Sure.

COMPTROLLER FRANCHOT: What did you just say about subscriber? Are those the --

MR. URBAN: The radios that are carried, no the subscriber equipment. So it's the radios that the individual, the officers or emergency responders carry or are installed in vehicles.

COMPTROLLER FRANCHOT: And what is the squeeze on that? It sounds like it's kind of important.

MR. URBAN: The, the current estimate we have, the agencies purchase the radios so obviously we need, we do outreach and get them to estimate what their purchase expenditures will be, is approximately \$80 million. The individual item was greater than that, the component was greater than that. It was 115.

COMPTROLLER FRANCHOT: And these agencies, these, are these the local municipalities?

MR. URBAN: No, these are primarily State agencies.

COMPTROLLER FRANCHOT: What is going on with the local governments? How many local governments are currently a part of the network and what are they being asked to pay?

MR. URBAN: There is one local government that's part of the network, it's Kent County. At this point in time they were only asked to purchase the subscriber equipment that their department needs to operate. They were not asked to pay any of the infrastructure costs. There is a Radio Control Board which was established in the Legislature that oversees the, the operations of the

Board, operations of the radio system and makes a determination of how a municipality or local government or volunteer fire department or any other system user could join the system. And it has been also tasked with creating and recommendation to the Governor and the Legislature on how to pay for the ongoing, how to fund the ongoing operations and maintenance which currently is being provided through the general fund, primarily through the general fund.

COMPTROLLER FRANCHOT: Well I thought the Governor's proposal struck me as fairly simple and an obvious way to save the taxpayers \$20 million and I'm happy to be supportive if that's --

GOVERNOR HOGAN: Well I move to separate this item out --

TREASURER KOPP: I just have one more question. This is a very important, obviously, important project. We need interoperability. I'm sort of surprised to hear that Kent is the only local government.

MR. URBAN: The, the system that we're building is interoperable with the other modern systems, particularly. So that we use this on a frequency band --

TREASURER KOPP: -- the pre-existing, other pre-existing systems?

MR. URBAN: Exactly. So it's not a requirement to share the same system to have the interoperability. The fact that we have this modern

system, it is interoperable with a majority of the county systems. Some have them have been built in the last ten, 15 years.

TREASURER KOPP: And how about the federal agencies and --

MR. URBAN: We are working again with interoperability with the federal agencies. This system allows us to do that. There are some federal agencies that we are having or in discussions on using the, our system for specific components of their operations. That would go through the Radio Control Board for approval. But we are definitely discussing, having discussions with federal agencies on the interoperability portion.

TREASURER KOPP: Because I am very, I mean, this is the number one public safety item, I believe.

MR. URBAN: Absolutely.

TREASURER KOPP: I wouldn't want to do anything that interferes with achieving our goal. But I do think forgetting to put in O&M for the base years --

MR. URBAN: And I'm not going to belabor the point much. There was, there were a lot of unknowns of when the specific portions of the system would be turned up and how much it would cost. You know what you know at the beginning and you know six years later what you know at that point in time. Basically there was some money in contingency that would have covered it, but clearly it was not enough, clearly we did not do a sufficient job in

establishing a contract with enough money for the system. Clearly we were in error in that point and our direction is clear on how to bring this item to you next time and we shall do so.

GOVERNOR HOGAN: All right, thank you.

MR. URBAN: You are very welcome.

GOVERNOR HOGAN: There is a motion on the floor to separate out this item.

SECRETARY MCDONALD: You are actually, this is the only item on the Agenda.

MR. URBAN: It's the only item today.

GOVERNOR HOGAN: The only item on the Agenda. So we don't need to separate it out. So let's move with a motion --

SECRETARY MCDONALD: Well you can move to disapprove or you can withdraw --

MR. URBAN: Can I just kind of, can I withdraw the item? I'd like to withdraw the item.

SECRETARY MCDONALD: -- I mean, he can withdraw the item, or you can move to disapprove it if you want to actually --

GOVERNOR HOGAN: I'd like to move to disapprove the item.

SECRETARY MCDONALD: Then there you go.

GOVERNOR HOGAN: Is there a second?

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All those in factor?

COMPTROLLER FRANCHOT: Aye.

TREASURER KOPP: No.

GOVERNOR HOGAN: Two-one.

SECRETARY MCDONALD: To disapprove, thank you.

GOVERNOR HOGAN: Item denied.

MR. URBAN: Thank you.

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: But I do hope we will continue getting frequent reports on the updating of the system and whether there is, how you go about solving this problem. And it oughtn't to be through any interruption in achieving the goal of interoperability --

GOVERNOR HOGAN: I agree with that.

MR. URBAN: Understood. We shall do that for you.

GOVERNOR HOGAN: Thank you.

MR. URBAN: Thank you.

GOVERNOR HOGAN: Now, the Department of Transportation.

MR. RAHN: Good afternoon.

GOVERNOR HOGAN: Good afternoon.

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MR. RAHN: Members of the Board --

GOVERNOR HOGAN: Are you getting ready for the snow emergency, Mr. Secretary?

MR. RAHN: We are. We are, Governor.

TREASURER KOPP: Let me just say you guys so far have done a really good job.

GOVERNOR HOGAN: They have done a wonderful job, thank you, Madam Treasurer.

MR. RAHN: Thank you very much. And I have passed previous comments, compliments, back down to the departments so that they understand that what they're doing. These, these snow storms, though, the way they're coming, is really wearing our folks out.

GOVERNOR HOGAN: Yeah.

MR. RAHN: They, they need a rest and we're not getting it.

GOVERNOR HOGAN: They're not getting a break.

MR. RAHN: And this snow tomorrow appears to be, currently forecast as significant.

GOVERNOR HOGAN: Right.

MR. RAHN: So --

GOVERNOR HOGAN: Well, please pass onto them the congratulations from the Board, that we think they have done a wonderful job and we appreciate their efforts.

MR. RAHN: Thank you very much, Governor. And I will pass that along, again. So for the record I'm the Acting Secretary for Transportation Pete Rahn. MDOT is presenting four items for Board approval.

GOVERNOR HOGAN: Any questions on the MDOT Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Is there a second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh. That was, you got off easy.

(Laughter.)

GOVERNOR HOGAN: Compared to some of the folks today.

TREASURER KOPP: Let me say that I am reminded by the way that Deputy Secretary Ports has been very active in keeping us abreast of the weather and what's happening and so we can then tell our constituents, we really appreciate that very much.

MR. RAHN: Well, thank you. I have two very good deputies. So

--

TREASURER KOPP: But only one of them was in the General Assembly.

MR. RAHN: Okay, I --

GOVERNOR HOGAN: She doesn't care about the other one.

(Laughter.)

MR. RAHN: I will pass that along to, to Deputy Secretary Ports.

GOVERNOR HOGAN: Now we're going to move on to the Department of General Services. Madam Secretary, good afternoon.

MS. BASSETTE: Good afternoon, Governor, and good afternoon, Madam Treasurer, good afternoon, Comptroller. For the record, I'm Gail Bassette, Secretary of the Department of General Services. The department has four items on the Agenda and we would be glad to answer any questions.

GOVERNOR HOGAN: Any questions on the DGS Agenda? No? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh, Madam Secretary. Let me conclude by commending the Treasurer for her great work on the Bond Sale today. How about another round of applause for her?

(Applause.)

GOVERNOR HOGAN: And Mr. Comptroller, it's a pleasure to be here in this Louis Goldstein Building.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: In his honor I'd just like to say may the
Good Lord bless ya'll real good.

(Laughter.)

(Applause.)

(Whereupon, at 12:04 p.m., the meeting was concluded.)