
STATE OF MARYLAND
BOARD OF PUBLIC WORKS

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

October 19, 2016
10:10 a.m.

PRESENT

HONORABLE LARRY HOGAN

Governor

HONORABLE NANCY KOPP

Treasurer

HONORABLE PETER FRANCHOT

Comptroller

SHEILA C. MCDONALD

Secretary, Board of Public Works

NELSON REICHART

Deputy Secretary, Department of General Services

DAVID BRINKLEY

Secretary, Department of Budget and Management

PETE RAHN

Secretary, Department of Transportation

MARK BELTON

Secretary, Department of Natural Resources

LUIS ESTRADA

Deputy Secretary, Department of Information Technology

JIMMY RHEE

Special Secretary, Governor's Office of Minority Affairs

MISSY HODGES

Recording Secretary, Board of Public Works

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PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

AUDIENCE: Good morning.

GOVERNOR HOGAN: Thank you very much for being here. We just spent three incredible days in Western Maryland. We spent Thursday in Washington County, Friday in Allegany County, and Saturday in Garrett County. And we brought the entire cabinet and senior leadership team to Hagerstown for a regional cabinet meeting, which was great. We had 600 people show up. We presented an update on all the progress that we're making in the western region of the State, including investing \$700 million in local aid and \$600 million in education funding. And then our cabinet secretaries presented updates on economic development, on workforce development and job training, and transportation in the region.

The *Hagerstown Herald* ran a front page story that said the last time that many officials from State government were in Western Maryland was in 1861 when the General Assembly met there to discuss seceding from the Union.

(Laughter.)

GOVERNOR HOGAN: So we had over 40 different events in three days, including I spoke to small businesses at the first ever Technology at the Gap Conference in Rocky Gap. We had a great visit to Bester Elementary School to talk about their On Track program. I was honored to speak, be the

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keynote speaker at the 150th anniversary of Rose Hill Cemetery, which has a tremendous amount of history. We did an announcement of grants to help fight heroin in Allegany County with the Sheriff's Office and Cumberland Police Department. And on Saturday I had the honor of serving as the Grand Marshal for the Autumn Glory Parade in Oakland. It's a lot of responsibility being Grand Marshal.

(Laughter.)

GOVERNOR HOGAN: But if you want to know why they call it Autumn Glory, I would suggest every one of you, maybe this weekend, get in the car and drive up to Garrett County and see it for yourself. You'll see why Oakland is ranked as one of the best towns for Fall colors in all of America. It was absolutely beautiful.

And I was so fired up after three days in Western Maryland, I still had energy left, so we decided to leave the westernmost part of the State and I drove all the way down south to St. Mary's County, we went from one end of the State to the other, where we met with thousands more people at the 50th Annual Oyster Festival, which was terrific. I got to see the finals of the U.S. Oyster Shucking Championship. And I can tell you those guys are pretty fast. There's no way in heck I could compete on the shucking contest. I believe I could be competitive in the oyster eating contest.

(Laughter.)

GOVERNOR HOGAN: If I gear up and practice a little bit. But it really is great to always get out across the State and meet so many great Marylanders. And we love taking the government directly to the people, where it belongs. But today we've got to get to work back here in Annapolis. So with that, I will maybe turn the floor over to my colleagues for any opening comments and we'll get started on the Board of Public Works. Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you very much, Governor. And good morning, Madam Treasurer. And I'd like to just start off with my own little bit of news, which, well, there are two great companies that we should recognize here in Maryland. And I particularly want to thank the -- whoops hang on.

GOVERNOR HOGAN: You know, there's a sign out there that says turn off your cell phone.

(Laughter.)

COMPTROLLER FRANCHOT: Sorry, guys. I'm going to shut that off, good, right here. Thank you for not throwing me out, Governor.

(Laughter.)

COMPTROLLER FRANCHOT: But seriously, I woke up today and read the newspaper, the front page of the *Washington Post*. The news that Marriott Corporation, which seriously I think was considering actually moving to Virginia, had made a final decision. Thanks to Governor Hogan and County

Executive Ike Leggett, working and presenting them with a plan that makes sense, the Marriott Corporation is going to build its new corporate headquarters in Bethesda, Maryland. And this is a game-changer for my home county, trust me, the employment and the reputation that this Fortune 500 Company brings to our State and to our county, and the fact that the Governor and the County Executive worked together. I mean, to me that's what government is about. Just folks that are willing to sit down and make compromises and cooperate and get the job done for the people. I mean, this is a huge development. And along with the Purple Line, which the Treasurer and I are huge supporters of, and it's temporarily held up in kind of a NIMBY lawsuit, but hopefully that will move forward. Those two projects are tremendous goal posts for not just Montgomery County but also the State of Maryland.

So Governor, I wanted to thank you and your team for pulling it all together.

GOVERNOR HOGAN: Thank you very much. And I thank you for mentioning the cooperation with the county. The County Executive and his team were terrific to work with and it definitely was a joint effort. We're very proud of Marriott with their 60-year history here in the State. And we're happy to have kept them. I think it's an important shot in the arm for Maryland.

We're starting to get on a roll here. We, McCormick came very close to leaving for Pennsylvania and I went to see them during the election,

immediately after the election in the transition, and again right after I was sworn in, we were able to keep McCormick. We kept Northrup Grumman, and now Marriot. So hopefully we can stop losing Fortune 500 companies out of Maryland for a while.

COMPTROLLER FRANCHOT: Well I also have some fantastic news about Under Armour, the pride of Baltimore. Talk about another great company. They have been selected and won the contract to be the official manufacturer of Major League Baseball uniforms beginning in 2020.

GOVERNOR HOGAN: That's big.

COMPTROLLER FRANCHOT: For those of you that are not baseball fans, that's big. Yes.

(Laughter.)

COMPTROLLER FRANCHOT: So I think those are two exciting developments. I think they underscore the fact that while we're not out of the woods yet our economic bones remain strong and Maryland's best days clearly lie ahead of us.

And then if I could just mention one item that's on today's Agenda that involves my agency, with the next tax season starting in just a few months we are already making preparations to ensure that we have another efficient and successful tax season. As part of our continued efforts to provide Maryland taxpayers with the highest level of customer service, I'm pleased to announce that

we're creating, if it gets approved today, our first remote customer call center in the State and it's going to be in Salisbury, Maryland, over on the Shore. We're going to create 25 new career track professional jobs and provide additional support to our call center apparatus based here in Annapolis.

If we're granted approval today by the Board this new call center will be my agency's first of several remote call centers we plan to establish in Western Maryland, Southern Maryland, and other parts of the State that can use the employment. Because we want to keep pace with the almost 600,000 phone calls we answer each year. And these call centers play a vital role in my agency's ability to fulfill our promise to the taxpayers. I promised them that we will respect them, we will respond to them, and we will get results for them. I want to have a real live friendly, informed, professional voice answer the phone. In fact, I call our 800 number everyday just to check and frankly sometimes it's congested because we get these dates, September 15th or some other date for estimated payments, and I get on the phone and it's, you know, a 30-minute wait and there are 22 people ahead of you. That's why we're creating these remote call centers. Because when we, when you call we want a real person to pick up the phone and be helpful.

Several times in the last two weeks a real person has picked up the phone without any message, one of our people in the call center. So I have a

standing policy. When that happens, I buy that person lunch. And the word is going out. So --

(Laughter.)

COMPTROLLER FRANCHOT: -- try it. I call it everyday, 800-MDTAXES, and let me know whether it's being answered in a timely fashion. Because we're trying to get ready for tax season and we want Marylanders to know that we care about answering the phone, number one, and number two, getting them the information that they need.

It's not easy. The folks that are handling the phones have to be trained ambassadors for the State of Maryland. They are very committed but they're dealing with people that obviously have some frustration and around tax season it gets even more heated. So they have to, they have to have a real atmosphere of professionalism in how they answer the phone and get help for people.

But Governor, I started off by saying that you and Ike Leggett represent what I think the people of the State of Maryland want. They want their leaders to sit down get the job done. And they're tired of the toxic partisanship, unfortunately, that we'll see some more of tonight in the debate. Debates that are going --

GOVERNOR HOGAN: Not if we don't watch.

(Laughter.)

COMPTROLLER FRANCHOT: Yeah. I guess I could not have a pit in my stomach and not watch it, I guess. But you know this is important to our people, that they see their leaders sit down and work things out. And I've been able to frankly do it, Governor, with you on issues of fiscal responsibility and school maintenance. And I applaud your efforts to fund the pension. Those are the kinds of common sense priorities that our folks expect and deserve. And hey, when I got up this morning, I was a little late. But you know what? I had a smile on my face driving down here because I appreciate the kind of strategic partnership that the three of us, but you and I particularly, have on this Board. I'm actually dumb enough to actually like coming down here and sitting at the Board. And gosh darn it I think I also support you on midges, too. Yep. That's been a new issue for me. But I just wanted to personally --

GOVERNOR HOGAN: You said midges, not midgets.

COMPTROLLER FRANCHOT: Midges, not midgets.

(Laughter.)

GOVERNOR HOGAN: I don't want anybody --

COMPTROLLER FRANCHOT: I didn't mean to go on like that. But given the state of politics in the country, I just wanted to say there's a little bit of good news going on down here in Annapolis. And thank you, Governor.

GOVERNOR HOGAN: Well thank you, Mr. Comptroller. And I couldn't agree more. I think, you know, all of us have been I think working

together very well. And that's what the people expect us to reach across the aisle, put partisanship aside, and find common sense bipartisan solutions and that's what we're all working towards.

And I want to congratulate you on the customer service and on the call centers. That's something we also share, I feel very strongly about. And we're trying to institute the kind of customer service that you have in the Comptroller's Office in every single one of our State agencies. We're also talking about doing the same thing, consolidating multi-agency call centers in the areas where we have the highest unemployment, in Western Maryland and on the Eastern Shore. So we appreciate your leadership on that.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: With that, we'll turn it over to the Treasurer. Madam Treasurer?

TREASURER KOPP: I just want to say good morning to everybody here. It's good to be here. I would like to echo the Comptroller's remarks on Marriott. I have to tell you I took a pen, as I do every week, out of my purse, picked it up, and what do you know? This is a red Marriott pen.

For folks who don't know how important that is to the county, it's a great employer. It's a great employer of many, many, many people. But it also is one of the first employers to have a workplace child care center, to really be family oriented and really help set the tone of the county, I think --

GOVERNOR HOGAN: Absolutely.

TREASURER KOPP: -- being not only pro-business but pro-family. Thank you.

GOVERNOR HOGAN: Thank you very much.

TREASURER KOPP: Thank Ike Leggett, and our great county government.

GOVERNOR HOGAN: Thank you. All right. Let's go ahead and get started with the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have 12 items on the Secretary's Agenda this morning, with three reports of emergency procurements.

GOVERNOR HOGAN: Thank you, Madam Secretary. I have questions on Items A2 and A3.

SECRETARY MCDONALD: Okay. So those are two emergencies from the Department of Juvenile Services and Secretary Abed is here to speak to them. These are reports of contracts that Juvenile Services awarded in the face of an emergency.

GOVERNOR HOGAN: Good morning, Mr. Secretary.

MR. ABED: Good morning, Governor, Madam Treasurer, Mr. Comptroller. The two items that are before the Board today for emergency

procurement are, one item is for sex offender treatment services. The other item is for electronic monitoring, home electronic monitoring.

The home electronic monitoring contract came up during the spring. I have to point out that the Comptroller asked questions about that contract, and the reasons you were asking questions, Mr. Comptroller, is because the amount was so much less than the next bid. And I think you were right to question the low bid that we got. We did do testing of the equipment. It did work during our testing period. However, when we implemented the contract a significant number of the devices failed. So we did work with the vendor for a couple of weeks to try to cure the problems. They weren't able to be cured. So the contract went live April 30th. On May 16th I suspended that contract and on June 6th the contract was cancelled. And we've now offered this contract, which was the other vendor and a vendor that we've had experience with in the past, to supply those electronic monitoring units.

GOVERNOR HOGAN: Mr. Secretary, first of all you know obviously we had big problems with two of these contractors. That's why we have these items before us today. I appreciate how swiftly you and your department took action in both cases to remedy the situation. I really think that you and your team are to be congratulated for the efforts. I mean, 17 days of, you know, turning it around is pretty good.

But, you know, can you share with us any thoughts about how the problems occurred and maybe with these two particular contractors? And any ideas or advice on how we could perhaps, you know, avoid situations like this in the future?

MR. ABED: With the electronic monitoring contract, I think that's a bit of a unique situation because we did do extensive testing. The vendor that did win the bid has, you know, 22 years in business and has provided work for other agencies. What we were told by the vendor was that they were switching their technology from 2G to 3G technology because the cell phone providers were sort of ending their use of 2G pretty soon and they accelerated that out. And it appears that they accelerated that new equipment out to us before it was fully vetted and fully tested.

GOVERNOR HOGAN: So you tested the equipment and it worked fine, then it was kind of a bait and switch because they rolled out newer equipment that wasn't really --

MR. ABED: Exactly. So the equipment we tested was different from the ones that we --

GOVERNOR HOGAN: It was supposed to be new and improved but it wasn't, really?

MR. ABED: It was just new.

GOVERNOR HOGAN: Yeah. Okay.

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MR. ABED: With respect to the other vendor, the sex offender treatment vendor, we had problems with the vendor, you know, when the bid came in we did review their counselors. And we require that the counselors have five years of prior experience working with juvenile sex offenders. However, they had issues with turnover. We had problems with the vendor meeting with our youth timely. Sometimes they missed meetings. We sent several letters over to them admonishing them and working to try to remedy the situations. They were not able to remedy the situations. And again, we had to cancel that vendor's contract. And they came back to us and said, look, you know, we've lost some folks. We don't have the staff to meet the contract. And, you know, we're not going to be able to perform. And so we had to cancel that contract as well.

It's a tough situation because we do want to try and save money. When we get low bids we certainly want to look into those. And in some cases they've worked, and obviously in this case it did not. But you know, in terms of moving forward I think we want to put a little more scrutiny on those providers and try to balance that with, you know, trying to encourage, you know, smaller businesses to come in and give bids.

GOVERNOR HOGAN: Yeah.

MR. ABED: So I think it's been a bit of a mixed bag for us. But we have had some success by stimulating competition and getting more bids in where they have --

GOVERNOR HOGAN: More bids, which is what we've been asking you to do.

MR. ABED: Right. And they have performed well in other circumstances. These they did not.

GOVERNOR HOGAN: Well I again appreciate the quick, you know, resolution of the issues. And thank you for that. Any other questions?

COMPTROLLER FRANCHOT: Yeah. No. I also, I obviously don't take any pleasure in having brought these up five months ago and then all of a sudden this happening. But I also applaud the quick action and it's an important area where young people are obviously at risk and you know I agree with the Governor that you are to be praised for taking quick action and accepting obviously responsibility for it.

I do have a question about the systemic issue here. Because in the briefing documents the explanation for not bringing these things back to the Board quickly in the last few months is that you had a procurement officer out on medical leave. And what's the situation --

MR. ABED: Yeah, the procurement officer -- this is a troubling situation for me. Because the procurement director, this was planned medical leave. This wasn't unexpected. We did put a plan in place to cover the work. And in spite of that these two items were not submitted timely. In reviewing the situation what we found was that the person in charge of making sure that these

things were done thought they had been done by the procurement director before she went on leave, but they hadn't actually been sent. There was a number of, you know, documents that had been compiled. They were ready to go. But they were not sent to the Board and he inadvertently thought they had been. When we realized that they hadn't been sent over we found them and sent them over to the Board. We've reviewed our sort of pipeline. We don't see any other issues. The procurement director is still on medical leave. But I don't think that that was really the problem. The problem was in that transitional period those things were inadvertently missed.

COMPTROLLER FRANCHOT: Okay. And what is the status of the permanent procurements for these two items, given that the terms of the emergency contracts are now set to expire relatively soon?

MR. ABED: We'll be doing new requests for, I don't know if they're going to be RFPs or IFBs, but we'll be doing new procurements for both of them.

In the case of the sex offender treatment area, we do have issues finding competent providers. There has been some areas of the State, particularly in the rural areas of the State, where we've done solicitations and gotten no bids. So we are really trying to get with the providers around the State to see if some of the ones that we do use in other areas will expand their services and try and get

services everywhere where we need them. But we will be doing normal procurements for those before the expiration of the emergency contracts.

COMPTROLLER FRANCHOT: Well if you could keep the Board of Public Works informed, and thereby the public I think, informed as to what exactly the status is of these, any new initiatives to get these contracts bid competitively and have bids made by companies that are able to do the work. I hope that there are some systemic changes that you're making in the procurement process that will prevent these things from happening in the future.

MR. ABED: Absolutely.

COMPTROLLER FRANCHOT: But --

GOVERNOR HOGAN: Any other questions?

TREASURER KOPP: Yeah, I just, particularly about A3, Mr. Secretary, that's two and a half months. That's pretty soon that this is expiring.

MR. ABED: This is the sex offender contract?

TREASURER KOPP: Yeah.

MR. ABED: Yes. And you know the turnover that the vendor experienced caused them to not have the counselors with the requisite experience that we required under the contract. And as we worked with them the vendor came forward and said, you know, we really won't be able to perform this contract. And so it wasn't, it was a mutual agreement to terminate it. It wasn't just the department saying we've given up on you very quickly.

TREASURER KOPP: But you're going to be ready to do a new contract in two and a half months?

MR. ABED: We do, I believe we can do the new contract in two and a half months. We do have prospects.

TREASURER KOPP: Okay. I just want to, we spoke before this meeting and I appreciate it. And by the way, I congratulate you again on --

MR. ABED: Thank you.

TREASURER KOPP: -- your daughter, Jasmine. Two new grandfathers is what we have. The systemic issue, though, I find, I mean it could have been sitting on the absent procurement officer's desk for months longer. I hope that not only did you go back to see that there's nothing else in the pipeline, as you just mentioned, but you like other agencies are doing something to change the system so that when somebody goes out or is planning to go out there actually is a checklist and you don't run across something unexpectedly like an old important contract.

MR. ABED: Absolutely. We do have a contract monitoring unit. And the contract monitoring unit does monitor our contracts.

TREASURER KOPP: Yeah well --

MR. ABED: The problem here was that there was a perception that it had been completed so they sort of checked it off.

TREASURER KOPP: Yeah, but if there's a record it should be documented. It shouldn't just be based on perception, should it?

MR. ABED: Well I'll go back to, with my team and we will find a solution that will deal with this issue. And hopefully we will never see it again.

TREASURER KOPP: And again, you're not the only agency. I say this only because as you know I have a relationship of decades and I think that the department has improved so much that it really is quite amazing and impressive, so that when something like this happens it hurts even more.

MR. ABED: I appreciate that, Madam Treasurer.

GOVERNOR HOGAN: She's just shocked that there would be any mistakes made in your --

TREASURER KOPP: Thank you. Shocked. Absolutely shocked, yes.

GOVERNOR HOGAN: All right. And thank you, Mr. Secretary.

MR. ABED: Thank you, Mr. Governor.

GOVERNOR HOGAN: Are there any other questions on the Secretary's Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Second? Three-nothing. Now we're going to move on to the DNR Real Property Agenda.

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

GOVERNOR HOGAN: Secretary Belton, by the way, it was great to be with you in Western Maryland, and you're the only one that then went all the way down with me to St. Mary's for the Oyster Festival.

MR. BELTON: Yes, sir.

GOVERNOR HOGAN: Got a lot of miles on the car. Thank you for being there.

MR. BELTON: All terrific events. For the record, I am Mark Belton, Secretary of the Maryland Department of Natural Resources. We have eight items on our Natural Resources Agenda for your approval this morning.

GOVERNOR HOGAN: I would just like to take a moment to highlight Items 5 and 8. I don't really have a question but I wanted to just touch on those. You know, our Program Open Space funding for Baltimore City and our Rural Legacy Program Grants.

So Item 5 provides \$3.7 million to Baltimore City parks and recreation facilities and this Open Space funding will support renovations and upgrades to City swimming pools and athletic fields and it includes \$1.5 million to fund the operational, maintenance, and planning functions of the Baltimore City Park System. Mr. Comptroller, I understand you have a guest with us this

morning, Mr. George Mitchell, a representative from the CC Jackson Pool, one of the funding recipients, who would like to address the Board.

COMPTROLLER FRANCHOT: Yeah, I'm not sure whether Mr. Mitchell made it down but I did visit, thank you Governor, I did visit the CC Jackson Recreation Center last November, and I was back again last month to check on the progress being made. And this facility in Baltimore City is incredibly important to the community. It has been for 40 years. We're actually in the Comptroller's Office holding a job fair there next week and I'm pleased that we're now partnering with frankly several agencies from your agencies, Governor Hogan. It's the Comptroller's Office, it's DBM, Health and Mental Hygiene, Department of Human Resources, Department of Juvenile Services, Department of Public Safety, Department of General Services. We're all up there for a job fair. And that's another 60 people that we're trying to hire and I've been promised by Mr. Mitchell that he's going to produce 60 young people from that part of economically challenged Baltimore City. And we're very pleased to be able to partner with your agencies, Governor, and provide quality jobs and meaningful opportunities to hardworking Marylanders in a region that desperately needs it.

GOVERNOR HOGAN: Absolutely.

COMPTROLLER FRANCHOT: And but this swimming pool account is going to affect them directly because they are one of the pools and they

are really, really appreciative. Mr. Mitchell wanted to come down, I guess, but didn't make it. He could have run into the same traffic I did. But I know he's personally very appreciative of this and his network of civic groups, I think there are about 20 of them in his organization, are very grateful.

GOVERNOR HOGAN: Great. Thank you very much. And thanks for your focus on the jobs. You know, just on jobs, as we go off on a little tangent, I don't know if everybody knows but we've gone from last place in the Mid-Atlantic region in job creation to first place in the Mid-Atlantic region in job creation. We've added 72,000 private sector jobs. In the month of March we actually went to number one in the United States of America not only in the rate of job growth but the actual, our small State created more jobs than any other state in the country. And so we're going to continue to stay focused on that.

Thank you, Mr. Comptroller. I'm sorry Mr. Mitchell couldn't join us.

Item 8 is providing \$17.6 million for 15 Rural Legacy Grant projects, which will protect another 4,600 acres of working farms and forests all across the State. Funding for the Rural Legacy Grants and Baltimore City's Program Open Space projects is the result of legislation that our administration championed that restores and protects State funding to our land conservation, preservation, and recreation programs. This \$17.6 million in FY 2017 funding is a 75 percent increase over the previous fiscal year. Overall we've added \$60

million in new funding, \$20 million in 2017, \$40 million in 2018 for the Maryland Agricultural Land Preservation Fund, Rural Legacy, and Program Open Space. And not only do we add funding but we also restore some of the funding which was raided during the previous administration. It also protects funding for these programs from any future raids in the years in the future.

I know we have some of our grant recipients here with us today and if we could I'd like to take a moment to have them all come up here and take pictures with the Board.

COMPTROLLER FRANCHOT: Wow.

GOVERNOR HOGAN: Are there any other questions on the DNR Agenda? Admiral, thank you.

MR. BELTON: Yes, sir. Thank you.

GOVERNOR HOGAN: Is there a motion on DNR?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing on DNR. And now, Mr. Secretary, Secretary Brinkley, we're going to move on to your DBM Agenda.

MR. BRINKLEY: Governor, Comptroller, Madam Treasurer, for the record I'm David Brinkley, the Secretary of Budget and Management. We have submitted five items for today's Agenda and I have representatives here to address any concerns or questions that you may have.

GOVERNOR HOGAN: Any questions on DNR?

COMPTROLLER FRANCHOT: Could you just comment on Item 3, Mr. Secretary?

MR. BRINKLEY: Item 3, Secretary Holt.

MR. HOLT: Good morning.

GOVERNOR HOGAN: Good morning, Secretary Holt.

MR. HOLT: Madam Treasurer, Governor. Mr. Comptroller, let me begin by complimenting the Comptroller. This morning I called your Division of Personal Property Tax Assessment.

COMPTROLLER FRANCHOT: Yeah?

MR. HOLT: I had a question. It took about 30 seconds for them to answer my question.

COMPTROLLER FRANCHOT: Excellent.

MR. HOLT: So I was off the line in a minute. So congratulations.

GOVERNOR HOGAN: Wow.

COMPTROLLER FRANCHOT: I'm so happy to hear that. Thank you.

GOVERNOR HOGAN: Did they give you the right answer?

MR. HOLT: Yes, they did.

(Laughter.)

MR. HOLT: A question?

COMPTROLLER FRANCHOT: Yes. This is a contract that the incumbent has held since 2000 and we approved I believe in July, 2015 a nine-month extension and then that expired in May so you had a, you extended the contract for six more months and so I guess since July, 2015 when we gave the extension the procurement still hasn't been completed. What is the situation with getting a replacement to this incumbent vendor, who apparently is somewhat reluctant to continue even in the business?

MR. HOLT: Yeah. They are exiting the business. They are going out of business. And essentially they collect payments for all the loans that we have outstanding. There are two types of loans: bond funded loans and State funded loans. The bond funded loans total about 10,500 single family loans. They have already been transferred during, let's say, the end of last year and early part of this year to a new servicer. The State funded loans are in the process of being transferred. And we must complete this in a thorough fashion so that if there is any kind of reconciliation of funds that we're due we want to make sure that happens. There is a federal timeline that establishes how long it will take for these transfers of loans to occur.

We've had a good bit of difficulty dealing with this company as it essentially exits the business. And we just wanted to make sure certain that we didn't leave anything undone and that we properly processed this. So there is an RFP that's on the street right now. It will come before you on November 16th.

That will be awarded. We've had a couple of competing bids on that. That will be awarded and then we believe 60 to 90 days will be the time period to do the transfer. So that's the reason there's, I think probably mid last year we had significant procurement turnover, 100 percent. We also had this company faltering and indicating that they were going to go out of business. So that's --

GOVERNOR HOGAN: No, it's a great explanation. Thank you for your leadership.

MR. HOLT: Thank you. Okay.

COMPTROLLER FRANCHOT: You had me when you said someone answered the phone.

MR. HOLT: Yeah, I thought I did.

GOVERNOR HOGAN: Smart.

COMPTROLLER FRANCHOT: That was --

GOVERNOR HOGAN: That was a smart move.

(Laughter.)

GOVERNOR HOGAN: I'm going to advise all our secretaries to start off their presentations by saying something nice about the Comptroller's Office. That's a good idea. Any other questions on the DBM Agenda? Do we have a motion?

TREASURER KOPP: Favorable.

COMPTROLLER FRANCHOT: Move approval.

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GOVERNOR HOGAN: Three-oh on DBM. You got lucky this time, Mr. Secretary. We're going to move on to the University System Agenda.

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

But first, Mr. Comptroller, thanks for reaching out to USM about the CM process. We provided you a copy of the 2015 joint chairmen's report. I hope that answered most of your questions. But as indicated in that report, USM's preferred method for construction project delivery method is the CM at risk. And that is derived from the Board of Regents Bylaws that says that for construction projects that exceed \$10 million that the CM process would be the preferred method that the USM would use, although it also says that, you know, we can look at alternative methods.

USM has two service centers that carries out the capital projects. One is the University of Maryland Baltimore, which I am the Director of Procurement there. And then we have the University of Maryland College Park. And we have developed expertise in the CM method over the years because that's the preferred method that we're using. The majority of the buildings that we build are complex buildings. They are research buildings, bioengineering buildings, and computer science buildings, which lead itself to the CM process. And with the CM process we are able to bring in the CM along with the architect

as they are designing the building and the CM works with the architect as we are designing those buildings.

As the report indicated our projects have come in either at budget or under budget. I think the, I did the math. There was a total of 50 projects during that report period and the University System turned back \$44 million back to the State that was on the budget under those projects.

COMPTROLLER FRANCHOT: Okay.

MR. EVANS: So I'm not sure if you have any other questions, but I do have people here that, from both service centers that could address your questions.

COMPTROLLER FRANCHOT: Yeah. No. It's a low key request and, Governor, I'm sorry to have made it, you know, on this Agenda item. But there are two big contracts that are construction manager, the system is deploying. And when I go around the State a lot of contractors and construction company owners say to me, you really need to look at that because we believe there's a 20 percent surcharge that the State is paying for that kind of service. And they have a couple of really good examples. The courthouse out in Western Maryland that was competitively bid and where the cost is a good 20 percent below what it was estimated to be by the construction manager.

I'm not taking sides here. I'm just saying I understand your board's determination to go down that route. But is anybody really paying close attention to the overall price and whether there aren't savings that are being --

MR. EVANS: I --

COMPTROLLER FRANCHOT: -- missed because of the fact that we have this umbrella approach to constructing these big buildings?

MR. EVANS: Those, the trade packages, those trade packages are bid out, the bid packages that we bring down. They are bid out. And once those bids come in we are there for those bid openings. If when we look at the pricing of them if they come in, if they are too high, then we can either do value engineering, we can make them go back out and rebid it, which I know on my campus we have done, and we can also just terminate the contract. So we are looking at price. We are looking at price on those bid packages when they come in.

COMPTROLLER FRANCHOT: Well I'm not the expert. But I'll send you the information on the courthouse, a public building that was quite expensive that they, for whatever reason they went from construction management to just the county or the State bidding these things out. And they claim there was significant savings. I'm not taking their side. I'd just like to have you guys take a look at it and tell me we're not missing something.

MR. EVANS: Yes, sir.

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COMPTROLLER FRANCHOT: Thank you very much.

GOVERNOR HOGAN: Thank you. Any other questions on the University System? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Thank you, Joe.

MR. EVANS: Thank you.

GOVERNOR HOGAN: Let's move on to the Information Technology Agenda.

MR. ESTRADA: Good morning, Governor, Mr. Comptroller, Madam Treasurer. For the record, I'm Luis Estrada, the Deputy Secretary of the Department of IT. And today we have seven items on the Agenda and have representatives to answer any questions.

GOVERNOR HOGAN: Thank you, Luis. Any questions on Information Technology? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-nothing. We're going to move on to Department of Transportation Agenda.

MR. RAHN: Good morning, members of the Board. For the record, I'm Pete Rahn, Secretary of the Maryland Department of Transportation.

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MDOT is presenting ten items today. Item -- okay, 11 items. Item 6-C-MOD was withdrawn prior to publication.

GOVERNOR HOGAN: Any questions on Transportation? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Three-nothing. Move on to DGS.

MR. REICHART: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Nelson Reichart, Deputy Secretary of the Department of General Services. The department has 27 items on our Agenda. We are withdrawing Items 9-LT and 25-CGL, but we'll be glad to answer any questions that you have.

GOVERNOR HOGAN: Thank you, Nelson. Any questions on DGS?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. I want to thank everyone for coming today. This session of the Board of Public Works is hereby adjourned.

(Whereupon, at 10:55 a.m., the meeting was concluded.)