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STATE OF MARYLAND
BOARD OF PUBLIC WORKS
TREASURY BUILDING, 80 CALVERT STREET, ASSEMBLY ROOM
ANNAPOLIS, MARYLAND 21401

August 16, 2017
10:10 a.m.

PRESENT

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Governor

HONORABLE NANCY KOPP

Treasurer

HONORABLE PETER FRANCHOT

Comptroller

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Secretary, Board of Public Works

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Assistant Secretary for Administration, Department of Information Technology

JIMMY RHEE

Special Secretary, Governor's Office of Minority Affairs

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Recording Secretary, Board of Public Works

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PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

ALL: Good morning, Governor.

GOVERNOR HOGAN: Welcome to the Board of Public Works.

It's great to be back here in the Louis Goldstein Building for another bond sale edition of the Board of Public Works. Two weeks ago all three rating agencies once again reaffirmed Maryland's AAA bond rating. And we're one of only 11 states in the nation to receive this coveted rating. And I believe that our AAA bond rating is a result of a lot of people working really hard and is a result of how we come together in a bipartisan manner to act as prudent stewards of the taxpayers' money.

All three rating agencies noted our State's sound budget policy, our strong financial controls, and prudent debt management. And I want to applaud my colleagues here on the Board of Public Works, Treasurer Kopp and Comptroller Franchot, for their great work and thank them for their collaboration with our administration, and in particular with our Budget Secretary David Brinkley, who is here with us this morning. We could not have achieved this AAA rating without all of us working together. So let's give them all a big round of applause.

(Applause.)

GOVERNOR HOGAN: I also want to note that yesterday we learned that Warren Deschenaux will be retiring from State service. Warren is an institution, a legend, has been the Legislature's Chief Budget Analyst for many, many years. And I want to personally thank him for his service to the State and to the citizens of Maryland. He deserves a round of applause as well.

(Applause.)

GOVERNOR HOGAN: Over the weekend, I reached out and called Governor McAuliffe to offer our full support as Virginia dealt with the tragedy in Charlottesville. We will continue to confront and condemn hatred, bigotry, and violence. American values have nothing to do with them. And now I'm going to turn my program here over to my colleagues for any opening remarks. Madam Treasurer? We're in your home here today, guys, so --

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: -- thanks for letting me visit.

TREASURER KOPP: Any time, Governor. It's a pleasure to have you here. I just want to thank you for your comments about Charlottesville and also about the statue. The leadership in Maryland I think is strongly united in that area, as in so many others.

You mentioned the bond sale and I just want to say for the record Maryland is selling \$550 million in new bonds and refunding \$787.6 million of previously issued for savings for the taxpayers of Maryland. We believe we'll

have low rates and we have used those low rates to achieve over \$116 million in net present value savings since 2014 in these refundings. So I think it bodes well, the market bodes well for us. As you said, Governor, the rating agencies have acknowledged once again Maryland's long-standing history and continuing practice of possessing a strong, durable economic base, a very well-trained workforce, a dedication to education, and a political leadership that regardless of what we might think on a range of issues is together solving problems and addressing this budget.

I'd also like to point out that all three rating agencies praised the enactment of House Bill 503 during this past session. House Bill 503 mandates that unexpected surpluses from very volatile revenue sources such as capital gains will be directed towards building budget reserves or one-time capital projects for education. And that could only have happened through the coordination of the, and the strong cooperation, of the Comptroller's Office, the Legislature, and the Governor's Budget Office. And I just, it was a great step forward and I thank and commend all of you.

The rating agencies, of course, always have to have the other side of the coin. And they are very concerned not only on an ongoing basis that we continue the funding of the pension system which we have undertaken and are doing, but they are particularly concerned to be candid about dysfunction in Washington: major cuts to federal jobs; a renewed attempt to dismantle the ACA,

especially Medicaid, and other parts of the social safety net; government shutdowns; or a breach in the debt ceiling in the coming months. And so we have to remember that we are not an island as much as we might like to be sometimes. But what's going down on the other end of Route 50 has an immediate impact on us.

But for now I think we are in good shape. We'll see that we are. And I look forward to the sale in just a few minutes.

And let me personally add my remarks to what you said about Warren Deschenaux. It's really hard to imagine the Legislature or the legislative staff without Warren. I hope he's back in one form or another. He had some great predecessors, Bill Ratchford, who has stuck around and helped us over the years. And I'm certainly hoping that Warren will also. And with that, Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Madam Treasurer. And Governor, thank you. You're always welcome in this great building. And just a few minutes ago the Governor was down in my office and complimenting me on how nicely it looked, and reminded me of Governor Tawes who is the only Marylander in history, I believe, to hold the Governorship, the Comptrollership, and the Treasurer during his long, storied career.

TREASURER KOPP: And we each have pictures --

COMPTROLLER FRANCHOT: Yes. And I have the quote down there in my office where he said at the end of his long career when they asked him what was his favorite office, he said Comptroller.

(Laughter.)

COMPTROLLER FRANCHOT: Governor, be careful. I've got the best job in the State. And but thank you for being here, thank you for your leadership. I completely endorse what the Treasurer said.

Like many Marylanders, it was and still is difficult to find the right words to describe the emotions that many of us felt as I and others read through the news reports and saw the photos and the video footage of the horrific events that transpired in Charlottesville over the weekend. And my wife Annie and I continue to pray for the victims who were terrorized by heartless white supremacists whose ideologies and beliefs do not reflect the values and principles that make our nation so great. And just on a personal note, my dad, who I've, he's been down here from time to time, 95 years old, a World War II veteran. And the comment that he made when he saw, he said, I actually saw people with Nazi insignia, with torches walking in the night, saluting Adolf Hitler. This is a World War II veteran. And he said, what is that all about?

So anyway, it was an unbelievable incident that occurred and I think the values and the principles that make our nation so great were definitely under assault. These incidents serve as a sobering reminder that although we as a

nation have made tremendous progress in promoting justice and understanding and equality, there is more work to be done to address the inequalities and injustices that continue to plague our society. And while these incidents of hate, bigotry, and murder can easily dampen our spirits, all of us here know that there is still more good than bad in our world with good people rising to the challenge to protect citizens, to help our neighbors, and give back to their communities. People like Sheriff Gary Hofmann and his team working countless hours in Queen Anne's County to help those affected by the tornado on Kent Island two weeks ago; Mayor Jake Day in Salisbury and the legions of first responders and volunteers who did the same thing down in their wonderful town; or my friend George Mitchell up in Baltimore City who is leading the way to rebuild his community that is struggling with joblessness, crime and addiction; and folks like Mayor Mark Frazer and the civic leaders and small business owners in North Beach, Calvert County, where I spent the time yesterday learning about their efforts to grow their local economy and strengthen their communities. There are so many more unsung heroes across our State, in every county, community, and neighborhood, who rise to the challenge and lend a helping hand to those in need.

So Governor, I'm with you with a thousand percent, as the Treasurer said, on your efforts to not accept this behavior. And I think you've done something that's a real credit to yourself and frankly --

TREASURER KOPP: And to the State.

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COMPTROLLER FRANCHOT: -- you're leading the good folks in planting the seeds to create positive and lasting change in our communities. Good will always overcome evil and love will always be stronger than hate. Governor, thank you.

GOVERNOR HOGAN: Thank you, Mr. Comptroller. We're going to get started with the Secretary's Agenda. But I'm going to remind everyone that we'll be breaking in and cutting people off when we have updates on the bond sale. So just don't be shocked when we stop you in mid-sentence because we've got millions of dollars at stake.

TREASURER KOPP: Millions and millions.

GOVERNOR HOGAN: And we won't, we'll make sure you get to finish whatever remarks you're working on. Madam Secretary?

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Speaking of being in the Louis Goldstein Building and being here, our connection to history, I know I always like to point out that Ms. Louisa Goldstein is in the room today.

COMPTROLLER FRANCHOT: Oh, really? Where is she?

GOVERNOR HOGAN: Oh.

COMPTROLLER FRANCHOT: Where is she? Put her hand up.
Oh, yeah.

(Applause.)

SECRETARY MCDONALD: On the Secretary's Agenda this morning, we have 32 items. Item 32 is a hand-carried item. We have three reports of emergency procurements. We are withdrawing Item 28. We're going to hold Item 31, which is the bond sale, as the Governor said, until the Treasurer tells us it's time to consider Item 31.

GOVERNOR HOGAN: I'd like to bring up Item 27, please.

SECRETARY MCDONALD: Okay. Item 27 is from the Public School Construction Program. I know Mr. Bob Gorrell is here. He is finalizing his E-Rate --

GOVERNOR HOGAN: Good morning, Mr. Gorrell.

MR. GORRELL: Good morning, Governor.

GOVERNOR HOGAN: Thank you for being here.

MR. GORRELL: Thank you.

GOVERNOR HOGAN: I don't have any particular questions on this item, which is from the Interagency Committee on School Construction. But I just wanted to make it clear this morning that we're going to be making a much needed change in the process by which we evaluate annual school construction funding requests.

Currently the IAC, which is an agent of the Board of Public Works, receives capital funding requests from the local school systems in early October. And our administration submits its preliminary school construction

budget on November 1st. However, the Board of Public Works, which has the final authority on the State school construction funding, doesn't even see the requests until January, which is after the fact. And that makes no sense whatsoever. It's unacceptable that the chief fiscal officers of the State who are charged with this authority and responsibility do not have any opportunity to evaluate school construction requests prior to the submission of the school construction preliminary budget. So in order for this Board to properly exercise its fiscal oversight authority and responsibility, local school systems will need to present their capital budget requests to this Board of Public Works for evaluation well before January. So therefore, I'm directing you to work together with Secretary McDonald to notify the local school systems that instead of the second Board meeting in January of next year that the school systems will instead need to appear before this Board of Public Works on October 18th of this year to present and discuss their capital requests with us. And that way we can better evaluate and analyze those requests prior to the submission of our preliminary school construction budget. Does that make sense?

MR. GORRELL: Yes, Governor. We'll bring this to you. We'll organize them so they can bring their requests. The planning is the most important part of any critical decision and it is what makes or breaks. Whenever you are looking at school facilities that have to last for 50 years, all the information that you can get into the planning process is valuable. So --

GOVERNOR HOGAN: Absolutely.

MR. GORRELL: -- we'll work with the LEAs so that they can maybe structure themselves to take this as an opportunity to get your feedback as they are putting together their proposals that they'll bring back later for your approval.

GOVERNOR HOGAN: Great. Thank you very much.

MR. GORRELL: Thank you, Governor.

GOVERNOR HOGAN: Mr. Comptroller, any comments or questions?

COMPTROLLER FRANCHOT: Yeah, no, I just want to applaud this change. I think it's a very significant one. Obviously the Board of Public Works oversees the State's public school construction program in a time-honored Maryland tradition of fiscal responsibility. And we perform a very important function for the State. Given the billions of taxpayer dollars being invested and the importance of high quality facilities to educate the next generation of Marylanders, the public scrutiny and accountability and transparency that the Board of Public Works represents and symbolizes for the State of Maryland, I think it's absolutely essential. And I think this change to move up the timing of the annual Beg-A-Thon is a very important improvement.

It will allow local jurisdictions to make their requests at a time when changes in the budget can still be made and it will provide community

members a say and a platform as the Governor develops the budget as opposed to, as he said, after his budget is proposed. So that's, the new timing is much better for taxpayers, families, kids in the schools. Everyone is going to be able to know that we're investing their scarce public resources as efficiently and effectively as possible. That's better for the LEAs, who will have more input into the budget process. It's better for affected teachers and families, who will have the ability to weigh in with concerns and suggestions even earlier in the process.

Governor, I couldn't be happier about the change. I truly appreciate your leadership on this. I'm a thousand percent with you. And I would encourage not only the LEAs but also the elected officials. Years ago we used to have the State Senators, State Delegates, County Executives, the elected officials who represent these jurisdictions, who often added very important information to the requests. So they, hopefully they will all be invited to come down because rhetorically this is obviously the number one issue in the State, how to educate our young people. So please be expansive in your invite list. And I'm looking forward, Governor, to the date. What was it again?

GOVERNOR HOGAN: October 18th.

COMPTROLLER FRANCHOT: Good.

GOVERNOR HOGAN: Is that all right?

COMPTROLLER FRANCHOT: Let's circle that with a big red circle.

GOVERNOR HOGAN: I'm sure that --

COMPTROLLER FRANCHOT: Because that's going to be --

GOVERNOR HOGAN: -- Secretary McDonald will make sure everyone is invited. I like the suggestion. I mean, we certainly welcome any of the other local elected officials and legislators. It doesn't make sense to weigh into the process after we've already put the budget together. So we would welcome everybody's input.

TREASURER KOPP: Governor, could I just add I think I am, as you know, a strong supporter of the schools and school construction program and have been for a long time. And I think that education and focus and transparency, education of the Board, education of the public, about our schools, the needs of our schools, is always welcome. We have made an effort that I hope we will not fall back on over the years to try to make school construction as non-political a process as possible. We did have some problems in past decades and we don't want to revisit those. But education is always good.

I'm a little, I think we have to clarify what the process will be. Because the Comptroller mentioned the so-called Beg-A-Thon. That usually deals with the county school systems coming back and saying you gave us 75 percent, but here's what we need more. Schools perhaps that weren't ready in October or November, but now are in the spring. So I think this is a slightly

different thing than an appeal from a decision that has not yet been made. But ongoing public discussion about the schools and their needs, I certainly welcome.

COMPTROLLER FRANCHOT: Maybe we could name it after the Senate President --

TREASURER KOPP: Maybe we don't have to name things.

COMPTROLLER FRANCHOT: -- he's such an outstanding advocate for transparency and accountability.

GOVERNOR HOGAN: I'm not sure about that. But --

(Laughter.)

GOVERNOR HOGAN: -- I think, I don't like that Beg-A-Thon name. Never did.

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: But I think it does make sense to get the input from the local schools prior to us submitting, putting together our budget. That's just ludicrous. And coming back later to say we didn't get to talk to you before but now we want to change something. So thank you very much. Any other questions of Mr. Gorrell while he's here? Any other questions on the remainder of the Secretary's Agenda? Is there a motion?

SECRETARY MCDONALD: Except for --

GOVERNOR HOGAN: What?

SECRETARY MCDONALD: We're holding Item 31 --

GOVERNOR HOGAN: Except for we're holding Item 31. We're so much ahead of schedule it hasn't happened yet.

TREASURER KOPP: We'll get to it.

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Okay. Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh. And now we move on to the DNR Real Property Agenda. Secretary Belton? I'm looking over here. I'm not used to this room.

MR. BELTON: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Mark Belton, the Secretary of the Maryland Department of Natural Resources. I enjoyed hearing about the resume of Millard Tawes earlier and just thought it would be appropriate to point out that he was also the first Secretary of the Maryland Department of Natural Resources.

COMPTROLLER FRANCHOT: You're absolutely right.

GOVERNOR HOGAN: Yeah. I would also like to point out that he throws one heck of an event on the Eastern Shore.

MR. BELTON: Yes, he does.

(Laughter.)

MR. BELTON: Yes, he does. We have 16 items on our Real Property Agenda for your approval this morning.

GOVERNOR HOGAN: Very good. Any questions on the DNR
Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-oh. And next is DBM. Secretary
Brinkley?

MR. BRINKLEY: Good morning, Governor, Mr. Comptroller,
Madam Treasurer. For the record, I'm David Brinkley, the Secretary of the
Department of Budget and Management. We've submitted 12 items for your
consideration. We're withdrawing Item 5, leaving 11 for your consideration.
Items 1, 4, 6, and 11 are revised. Items 10, 11, and 12 are supplemental.

GOVERNOR HOGAN: Great.

MR. BRINKLEY: And I have individuals here to address any
concerns or questions you may have.

GOVERNOR HOGAN: Great. I'd like to address Item 11, please.

MR. BRINKLEY: Item 11. I'd like to call to the --

GOVERNOR HOGAN: Is Secretary Bartenfelder in? Anybody?

MR. BRINKLEY: Secretary Bartenfelder or Deputy Secretary
James Eichhorst.

GOVERNOR HOGAN: Any of them --

MR. BRINKLEY: They're here.

GOVERNOR HOGAN: They're out in the hallway?

TREASURER KOPP: He was here.

SECRETARY MCDONALD: They are. It's a very crowded hall
out there, Governor. But they will come.

GOVERNOR HOGAN: Yeah, this room doesn't hold as many,
right, as our --

SECRETARY MCDONALD: No.

GOVERNOR HOGAN: Maybe we could put a mezzanine or an
upper deck.

SECRETARY MCDONALD: We have received a lot of items --

GOVERNOR HOGAN: Secretary Bartenfelder, good morning.

MR. BARTENFELDER: Governor, how are you?

GOVERNOR HOGAN: Thank you for being here this morning.
Last week I signed an executive order directing your department, the Department
of Agriculture, in partnership with the Department of Natural Resources and
Secretary Belton, to bring the immediate eradication of the midge population in
the Back River portion of Baltimore County.

This item is a request by the Department of Agriculture to conduct
five applications of BTI to 260 acres on the Back River. BTI is a biological
product recommended by a panel of scientists that will not harm the environment

or other species. And according to a 2014 study by the Department of Natural Resources, nutrients pouring into the Back River from the Back River Wastewater Treatment Plant is the cause of the midge infestation in the area.

In addition to applying BTI as an effective measure to provide sort of immediate relief, last week we announced the long term solution to the problem which is fixing the Back River Wastewater Treatment Plant. The State has invested \$436 million to upgrade the Back River plant with enhanced biological and nutrient removal technologies, and more than \$650 million for the Back River Headworks Project which will reduce nitrogen discharges into the Chesapeake Bay by more than \$1.8 million pounds per year.

Midges have had a negative economic impact and serious ramifications in Eastern Baltimore County for citizens, local businesses, tourism, and community facilities in the area. And last year we offered to share the cost of remediation with Baltimore County. However, the county declined our offer. And despite the county's refusal to act we have decided to move forward and provide relief to the citizens and businesses in the Back River area.

So do you have any other comments on that? Or if not, I want to call up Sam Weaver of Weaver's Marine Service, who I think is here and wants to be signed up to testify. But anything you want to add, Mr. Secretary? Or --

MR. BARTENFELDER: Governor, that was an excellent explanation. Sam Weaver is here, as are several other people from Marine Trades and the Back River Restoration Committee.

GOVERNOR HOGAN: I don't have a list of sign-ups but anybody that wants to talk --

MR. BARTENFELDER: He's brought several people with him.

GOVERNOR HOGAN: Okay. Is there a list?

SECRETARY MCDONALD: I don't have any --

GOVERNOR HOGAN: Okay. Great. Well let's let Sam come up and talk and whoever else wants to talk about this issue.

MR. WEAVER: Good afternoon. I'm here on behalf of Marine Trades and the Back River Restoration Committee. We've been fighting this problem for over eight years and it has cost the businesses a tremendous amount of money. And the people that live along there can't hardly breathe or walk outside sometimes. It's absolutely ridiculous. I moved some benches in the park, a Baltimore County park the other day, and I couldn't hardly see where I was going for the midges. You come down on a weekend to get on your boat and the midges are so bad you can't sit out. It's practically ruined our yacht clubs. There's no outside functions. We have people here from the Hawks Pleasure Club. Weddings have been actually canceled in the middle of the wedding because the bride's dress was covered with midges. It's just on and on and on.

It's just out of control and it needs some attention. The revenue that this State is losing and people that come from other states and other parts of the county are just not coming anymore. So we really need help.

GOVERNOR HOGAN: Well thank you very much for coming down to testify. Thanks for all your hard work on this for eight years.

MR. WEAVER: Yes, sir.

GOVERNOR HOGAN: Do you want to venture any kind of an opinion as to why the county has refused to act on this problem?

MR. WEAVER: I have no idea. I mean, it's not only the disposal plant but the clay runoff is nutrient rich also, from 695 and 95. When they plant grass up there it will eventually help, too. That runoff is just helping to feed the bugs also. So between the disposal plant and the runoff from up there it's just driving us crazy. And it's spreading.

GOVERNOR HOGAN: We need to address that issue as well.

MR. WEAVER: If they don't take care of it now, it's going to be over Middle River. In fact we're already --

GOVERNOR HOGAN: It's going to spread to other places.

MR. WEAVER: -- I mean a female midge lays between 200 and 1,000 eggs. It doesn't take a mathematician to figure out the multiplication is just off the hook. So if we don't take care of them now in here, you're going to be fighting them all over the place.

GOVERNOR HOGAN: Right. Do you have other folks that want to testify that you brought with you?

MR. WEAVER: Karen Wynn. She's the Executive Director of the Back River --

GOVERNOR HOGAN: Good morning. Thank you for coming.

MS. WYNN: Good morning. Thank you for having me. As Sam said, my name is Karen Wynn. I'm the Executive Director for Back River Restoration. And we do clean-ups of Back River and clean up the Chesapeake Bay. We have volunteers that will come out and clean up the trash and stand in the mud and the muck. But with the midges, we've lost a lot of volunteers. They can handle the mud and the muck, but they can't handle the midges because they are going in their ears and their mouths and everything.

I think Sam pretty much summed everything else up. The only one thing I want to say is every time you, Governor, that you make a response and support the area, we get a lot of response on our Facebook page of everyone being very happy that finally something is going to be done. So we really appreciate everything that you've been doing.

GOVERNOR HOGAN: Well, I apologize for it taking so long. I mean, the county pretty much tried to stop us --

MS. WYNN: Yes.

GOVERNOR HOGAN: -- from doing it. And then went to the Legislature to try to stop us from doing it. And then went to the Attorney General to try to stop us from doing it. And I have no idea why. But we're going to fix the problem.

MS. WYNN: Thank you. Even though we don't understand it. Thank you.

GOVERNOR HOGAN: Anybody else? All right. Any other questions from anybody?

TREASURER KOPP: Governor? Governor? Could you just say a couple of sentences about what in addition to this project, the midge eradication, you're planning on doing with the cause of the problem?

GOVERNOR HOGAN: Yeah, just, I just said that. We announced last week \$650 million and \$480 million for the upgrading of the multiple things at the Back River Wastewater Treatment Plant --

TREASURER KOPP: I think that's --

GOVERNOR HOGAN: -- which is the primary cause. This is to take care of the immediate problem while we fix the long term problem. And we're doing all of them. And anything else we can think of. Because this has devastated this whole side of Eastern Baltimore County.

TREASURER KOPP: Thank you.

GOVERNOR HOGAN: Thank you. Any other --

COMPTROLLER FRANCHOT: Could I just --

GOVERNOR HOGAN: Yeah.

COMPTROLLER FRANCHOT: -- say, thank you guys for being here. Mr. Secretary, thank you for your leadership.

GOVERNOR HOGAN: He's embarrassed.

COMPTROLLER FRANCHOT: Every, every time I go to Baltimore County, particularly the east side of the county, I hear about this problem. And it is a public health problem. It is a quality of life problem. Governor, I hadn't really thought of it, frankly, from the economic standpoint but obviously it has a big impact on the local economy. And you know, I said I was with you 1,000 percent on the statue issue. I'm with you 2,000 percent on this. Because we need to take action to get the job done. And if you could just communicate to the citizens up there that I share the Governor's frustration. I mean, why wasn't this done eight years ago? And it's embarrassing. And to get a letter from, the Governor mentioned the Attorney General, to get a letter from the Attorney General saying you can't do this because these are non-biting? I mean, do you know what it feels like to have midges inside your mouth?

MS. WYNN: Mm-hmm.

COMPTROLLER FRANCHOT: Mouthfuls of them? And to --

TREASURER KOPP: Ooh. That's horrible.

GOVERNOR HOGAN: It doesn't sound that great.

COMPTROLLER FRANCHOT: Yeah.

(Laughter.)

TREASURER KOPP: That's a terrible thing.

COMPTROLLER FRANCHOT: So anyway, thank you for the fact that we're sticking up for the people up there.

GOVERNOR HOGAN: Thank you all very much.

COMPTROLLER FRANCHOT: And Mr. Secretary and the folks that you brought --

GOVERNOR HOGAN: DNR and --

COMPTROLLER FRANCHOT: -- yeah, DNR, of course, everybody, it's a team effort. But most of all, thank you to the citizens --

GOVERNOR HOGAN: Yep.

COMPTROLLER FRANCHOT: -- who put their hands up and --

GOVERNOR HOGAN: Thanks for not giving up.

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: Thanks for bringing it to our attention.

COMPTROLLER FRANCHOT: All the best, guys.

GOVERNOR HOGAN: You know, the Comptroller said, 1,000 percent, 2,000 percent. Before the day is out, I'm going to try to get 3,000 percent --

(Laughter.)

GOVERNOR HOGAN: But thank you very much, Mr. Weaver and all of you. Thank you, Mr. Secretary. Any other questions on the DBM Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-oh on DBM. University System Agenda?

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

GOVERNOR HOGAN: Good morning, Mr. Evans. Thank you.

MR. EVANS: Good morning.

GOVERNOR HOGAN: I don't have any questions. Does anyone else?

COMPTROLLER FRANCHOT: No.

GOVERNOR HOGAN: Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Joe, three-nothing.

MR. EVANS: Thank you.

GOVERNOR HOGAN: We're going to move on to Information Technology.

MR. BULLOCK: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Albert Bullock, Assistant Secretary for Administration with the Department of Information Technology. Today we have five items on our Agenda. We are withdrawing Item 4-IT and 5-IT. And we have agency representatives to answer any questions you have.

GOVERNOR HOGAN: Any questions on IT? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Three-nothing.

MR. BULLOCK: Thank you.

GOVERNOR HOGAN: Department of Transportation Agenda.

MR. LEWIS: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record my name is R. Earl Lewis, Jr., Deputy Secretary for the Maryland Department of Transportation. The Maryland Department of Transportation is presenting 28 items for your consideration today. At this time, items 14, 15, 17, 18, and 19 are being withdrawn. DOT Item 6-M has been revised to reflect a corrected contract total. Representatives are here to answer any questions.

GOVERNOR HOGAN: Thank you, Mr. Deputy Secretary. I'd like to talk about and note Item 3. Is Ricky Smith here from the Airport?

MR. LEWIS: They are out in the hallway.

GOVERNOR HOGAN: We'll have to have some kind of a, you know, smoke signal --

MR. LEWIS: Yes.

GOVERNOR HOGAN: -- if they are out in the hallway or something. Nobody knows when their items are coming up.

MR. LEWIS: Well 3-C is --

SECRETARY MCDONALD: -- out there but it's still --

MR. LEWIS: This is the noise and operations monitoring system at Baltimore Washington International Airport.

GOVERNOR HOGAN: We should have the noise monitoring system out in the hallway.

MR. LEWIS: Yes.

GOVERNOR HOGAN: Does anybody have any other questions on Transportation? We could wait maybe until Mr. Smith gets here to talk about my item? No?

COMPTROLLER FRANCHOT: I have a question on Item 7.

MR. LEWIS: Yes.

GOVERNOR HOGAN: Oh, I have another one, too.

MR. LEWIS: I can probably answer some of the -- do you want to go on Item 7?

GOVERNOR HOGAN: Yeah.

MR. LEWIS: That's the Light Rail car maintenance contract?

COMPTROLLER FRANCHOT: Uh-huh.

GOVERNOR HOGAN: Yeah. So Item 7 --

MR. LEWIS: Yes.

GOVERNOR HOGAN: -- who is here to talk from MTA?

MR. LEWIS: I can talk about that one from MTA.

GOVERNOR HOGAN: So here's what I don't get. This one, it's not a huge contract.

MR. LEWIS: No.

GOVERNOR HOGAN: It's \$873,000. But as you know, this Board, particularly the Comptroller and I, have been talking about single bid contracts for three years now.

MR. LEWIS: Yes.

GOVERNOR HOGAN: This is a single bid contract to perform body work on light rail cars.

MR. LEWIS: Yes.

GOVERNOR HOGAN: And I have a hard time understanding how we could only find one company that could provide body work. Because I'll bet if you give me five minutes and a laptop, I could google body work and find hundreds of companies.

MR. LEWIS: Yes.

GOVERNOR HOGAN: In fact, I could probably do the work myself. I'd go out there --

(Laughter.)

GOVERNOR HOGAN: But I mean, why is there one single bid on body work?

MR. LEWIS: We share your frustration. We initially discussed with 27 firms, this contract, and we got one bid. We extended the bid period by two weeks, contacted 22 additional firms, and got no additional bids. So we recognize --

GOVERNOR HOGAN: Something must be wrong with the process. I mean there literally are probably hundreds if not thousands of body shops in Maryland. It's an \$800,000 contract. It's not huge. Why one bid?

MR. LEWIS: They're not interested in the light rail work.

GOVERNOR HOGAN: Why?

MR. LEWIS: There's someone here from MTA that can --

GOVERNOR HOGAN: Yeah.

MR. SEDTAL: My name is Joe Sedtal. I'm the Deputy Director of Procurement. I also have Erich Kolig with me, who is the Deputy Chief Operations Officer. And I think Erich can really address some of the technical aspects of this contract that you're worried about and why it is a lot more difficult

to get a Light Rail body repair contract than it is to just have a car repaired. So, Erich?

MR. KOLIG: Good morning. My name is Erich Kolig. I'm the Deputy Chief Operations Officer at MTA. So for the, it's not just a hole in a flat panel. The body work consists of, it involves some of the structure of the vehicle. So it may be a hole, it may be a simple hole, or it may be that a car has impacted like the staircase area, which you have moving door, you have moving parts. It's a bolt on piece. You have to get a line off of things. Some of the safety aspects --

GOVERNOR HOGAN: There's only one company in the world that can do it?

MR. KOLIG: You could separate the contract out but then you would have multiple vendors providing --

GOVERNOR HOGAN: Yeah, but there's only one company that can do it all?

MR. KOLIG: In proximity to MTA, yes. So they have to come on property. We don't ship the cars off the property for this. And they coordinate all the different type of specialties, the metal work, the fiberglass work. It's not just a one stop shop. That's our best solution, is to have one that coordinates all the different types of work that go on.

GOVERNOR HOGAN: So how did you go about advertising the bid? And how many people did you send it out to?

MR. KOLIG: Initially it went out to 27 and then there was an additional period and it went to --

GOVERNOR HOGAN: And one person bid?

MR. KOLIG: Only one person bid and they were the incumbent. It's kind of a specialized field. There aren't, you know --

GOVERNOR HOGAN: Do you think maybe it was written just so the incumbent could get the contract?

MR. KOLIG: No, sir. No. But we included all the necessary work --

GOVERNOR HOGAN: That seems to happen a lot though.

MR. KOLIG: Transit is a unique thing. You can't just go out and buy, it's not like a Ford where you're going out and buying --

GOVERNOR HOGAN: -- contracts is a thing we're trying to make unique.

MR. KOLIG: I understand.

COMPTROLLER FRANCHOT: Is, could I ask a question --

GOVERNOR HOGAN: So I'm not convinced --

MR. LEWIS: Yeah, I mean we were aware of trying not to come out with a single bid which is why we took the extra effort to even extend the bid period and went out to additional vendors, I believe it was 22, above the original 27 --

GOVERNOR HOGAN: In addition to the 27? You went to another 22 and still got no bids?

MR. LEWIS: Yes. Still got no bids.

COMPTROLLER FRANCHOT: So I kind of agree with the Governor. And there are apparently four single bids on this Agenda. I want to vote against all four of them but my staff advises me to be a judicious and rational and, you know, understand the difficulties of this. I have to vote for three of them. But this one I have been given permission to vote against because they said it was to reduce, in part just to get graffiti off the trains. And so I think in addition to all of the pleas from the Board to not bring us single bid contracts, every once in a while we have to say no just to have some, some kind of a strong message that it is incredibly important. And I hear the explanation. It kind of makes a little bit of sense. I'm not an expert repairman. But I also think if we're taking graffiti off of the trains, this is not a good contract to support as a single bid contract. So I'm going to vote no.

TREASURER KOPP: Could --

COMPTROLLER FRANCHOT: And it's not adversarial. I'm just saying, please, don't bring us these things if --

GOVERNOR HOGAN: Let's separate out, I'll make a motion to separate out Item 7 from the remainder of the Transportation Agenda. Is there a second?

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: Okay. We'll come back to that. Thank you, guys. Did you ever find anyone from the Airport?

MR. LEWIS: Yes. Yes.

GOVERNOR HOGAN: Good.

MR. LEWIS: Wayne Pennell is here.

TREASURER KOPP: This says about 10:55, Christian is coming in. Any minute now.

GOVERNOR HOGAN: Okay. In one minute.

MR. PENNELL: Good morning, Mr. Governor.

GOVERNOR HOGAN: Good morning. We're probably going to hold up on you because I think in less than one minute we're going to have a bond sale.

TREASURER KOPP: I'm told.

GOVERNOR HOGAN: Is that about right?

MR. PENNELL: I'll take a seat.

GOVERNOR HOGAN: We might take more than 30 seconds on this one.

TREASURER KOPP: Well now I'm being told something different.

GOVERNOR HOGAN: Okay. Well let's just keep rolling then.

So --

(Laughter.)

MR. PENNELL: I'll come back up.

GOVERNOR HOGAN: Item 3, Ricky Smith is not able to be here today? Is that, for his \$1.7 million issue? Does anybody know where he is?

MS. DANGERFIELD: We didn't, we weren't aware that he was supposed to be here.

GOVERNOR HOGAN: Okay. He should be here any time he has an item. But thank you.

MS. DANGERFIELD: Okay.

GOVERNOR HOGAN: This is a \$1.7 million contract to construct and operate a noise operations monitoring system at BWI. This system will provide comprehensive noise monitoring and reporting to supplement and to support the Maryland Aviation Administration's noise abatement program. Is that correct?

MS. DANGERFIELD: Yes.

GOVERNOR HOGAN: This system will monitor aircraft flight data, noise data, and analyze their impact on the surrounding area, is that correct?

MS. DANGERFIELD: Yes.

GOVERNOR HOGAN: So the Federal Aviation Administration, without much input, launched the next gen air transportation system at BWI and at Reagan National Airports. These new flight patterns have radically increased noise population, noise pollution. We're getting thousands and thousands of complaints from all over our four-county area. Multiple counties are in the process of considering lawsuits. We've taken, we've sent very strongly worded letters to the head of the Federal Aviation Administration and the Secretary of Transportation to address this issue but the noise complaints continue to grow. The noise problems continue to get worse.

Back in May, we sent a letter to Administrator Huerta demanding that the FAA consider returning to the pre-next gen flight paths. And finally they've begun to pay attention. They ignored us for a couple of months until we went to the Secretary of Transportation and said the FAA Administrator has ignored us. But yesterday I understand the FAA held meetings with our team at the Maryland Aviation Administration to begin discussions about proposed changes to flight procedures at all of the airports in our region. And I just want to thank Transportation Secretary Chao for listening to our concerns and finally taking action and trying to at least begin the discussions about addressing this issue. But I just wanted to bring that up.

While I've got you guys up here, Item 5, the janitorial services contract at BWI?

MR. PENNELL: Yes, sir?

GOVERNOR HOGAN: In accordance with the executive order that I signed in May, the contract provides employees working under this agreement with paid sick leave. My administration is committed to providing common sense paid sick leave. And prior to the last legislative session, we introduced a common sense paid sick leave proposal that would provide hardworking Marylanders with the benefits that they deserve without hurting the State's economy and costing us jobs. I've urged the Legislature to work with us in a bipartisan manner to try to find common ground on this particular issue. But I'm glad to highlight that we are now adding them into our contractors.

And the last item I have for you is Item 28. This is an expedited procurement for improvements to the mid-field cargo complex.

MR. LEWIS: Yes, sir.

GOVERNOR HOGAN: These improvements will allow for additional cargo aircraft parking positions to accommodate the expanded cargo operations at the Airport. Is that right?

MR. PENNELL: That's correct.

MR. LEWIS: Right.

GOVERNOR HOGAN: This is another great sign about the success that you guys have had at the Airport and the growing business opportunities we have here in the State. And I just wanted to, I was going to

congratulate Ricky Smith but then since he's not here I'm going to congratulate you guys.

MR. LEWIS: Thank you.

MS. DANGERFIELD: Thank you.

GOVERNOR HOGAN: And your entire team at BWI Marshall.

We had a record of 25 million in passenger traffic and 24 consecutive months of record-setting numbers, six new airline gates at the new international terminal, and the addition of Norwegian Air and WOW Airlines and upgrades in service from British Air. And I really just called you up here not to yell at you or question you, but to congratulate you and your team for the great efforts at BWI. And we're the number one airport in the Washington region, for those of you who haven't heard me say this.

(Applause.)

GOVERNOR HOGAN: It's amazing, it's amazing how many people don't know that and they still think it's Dulles and National but it's not even close. And we just look forward to continuing the great growth at BWI for years to come. So thank you. And then please tell my friend Ricky, next time he'd better show up for the meeting.

(Laughter.)

MR. PENNELL: I will.

MS. DANGERFIELD: Thank you.

GOVERNOR HOGAN: All right.

MR. PENNELL: Thank you, Mr. Governor. Yes, sir?

COMPTROLLER FRANCHOT: You know, while I've got you I'm just going back to Item 3-C. I have a very nice person from Howard County that comes down and helps me with a couple of projects around my house. And he took me aside a couple of months ago and he said, Peter, you've got to do something about these airplanes because the patterns have changed. And now they're coming over my house at all hours of the night and early morning. And I said, come on, Bill, really? You're upset about planes that much? He said, Peter, I can read Goodyear on the tires. That's how low they are. And this is not just some citizen complaint. This is, you know, really a cry for help. So I --

GOVERNOR HOGAN: This is hundreds of thousands of people in four counties that are outraged. And this was signed off on by the previous State Transportation Secretary. We have a totally different opinion and we're doing everything we can to stop it and reverse it.

MS. DANGERFIELD: Correct.

GOVERNOR HOGAN: Because they lowered the flights and changed the flight patterns. So they are coming in lower and over brand new houses. The people that bought homes in the noise patterns, they already kind of knew what they were dealing with. They don't have a problem anymore. Now it's totally different people who didn't have, and they are coming closer to their

house. I had people, a person on the radio that just held the phone up and said, every 16 seconds this is what I hear. And she couldn't talk on the radio program. So we're going to keep fighting on this and we're going to get together with the other four counties. And the arrogance of the response, or lack thereof, we got from the FAA Administrator was appalling. And I'm really glad that we ratcheted it up to --

MR. LEWIS: To Secretary Chao.

GOVERNOR HOGAN: -- the Secretary of Transportation. I understand Mr. Huerta's term is up and he doesn't really care much because he's leaving in January. But somebody is going to get us answers on this.

COMPTROLLER FRANCHOT: So that search for the item that I'm 3,000 percent with the Governor?

GOVERNOR HOGAN: Yeah.

(Laughter.)

COMPTROLLER FRANCHOT: Just what I emphasized, 1,000 percent on school construction, 2,000 percent on midge control, and 3,000 percent on noise control. And --

GOVERNOR HOGAN: The Treasurer made a really good point. I mentioned earlier it's BWI and National, Reagan National.

MR. PENNELL: That's correct.

GOVERNOR HOGAN: Because we have just as many complaints in Montgomery County about those flights. So we did address both of them.

MR. LEWIS: Right.

MR. PENNELL: For the record, Mr. Governor, I apologize. Wayne Pennell, I'm the Chief Operating Officer for BWI.

MS. DANGERFIELD: Linda Dangerfield, Director, Office of Procurement.

MS. GOLDSTEIN: Louisa Goldstein, counsel for the Maryland Aviation Administration.

GOVERNOR HOGAN: Well thank you very much and may the Good Lord bless you all real good.

(Laughter.)

(Applause.)

MR. PENNELL: Sir, every day when I go home I forward my office phone to my cell phone. And trust me, I get those calls as I'm eating dinner at night also, sir.

GOVERNOR HOGAN: And I --

MR. PENNELL: We try and answer every single one of the calls. And we are working with the FAA, the working group is there. So thank you for applauding us for the efforts. We appreciate it.

GOVERNOR HOGAN: Thank you.

COMPTROLLER FRANCHOT: So Louisa, what would your dad have said?

GOVERNOR HOGAN: Bless you all real good.

MS. GOLDSTEIN: He would have said he's very proud of the AAA bond rating.

SECRETARY MCDONALD: There you go.

COMPTROLLER FRANCHOT: Yeah.

MS. GOLDSTEIN: And we're going to sell a lot of bonds at a lower rate and fund very important projects.

(Applause.)

GOVERNOR HOGAN: And then what would he have said at the end?

MS. GOLDSTEIN: Oh, God bless you all real good.

(Laughter.)

GOVERNOR HOGAN: God bless you all real good.

MR. LEWIS: And Governor, Comptroller, and Treasurer, thank you for your support on this issue.

GOVERNOR HOGAN: Yeah, absolutely. Thank you. Any other questions on Department of Transportation?

TREASURER KOPP: Not only do we support you, 1,000, 2,000, and 3,000 percent, but I look forward to seeing the County Council of

Montgomery County, particularly in the first council district, taking a lead in, yes, the National Airport noise area.

GOVERNOR HOGAN: Yeah, it's all --

TREASURER KOPP: He wasn't even listening.

GOVERNOR HOGAN: He's not paying attention. He has to get elected first.

TREASURER KOPP: Well Governor, we --

GOVERNOR HOGAN: Got the bonds?

MR. LUND: Yes. So we --

GOVERNOR HOGAN: Perfect timing.

MR. LUND: -- actually, we're under a minute here. We've already gotten three bonds. I'll tell you while I'm waiting, we've already taken bonds, or bids, for the refunding bonds. And we're still verifying the numbers but we think everybody is going to be very pleased with what we get. So we are getting a couple more in here hopefully. About thirty more seconds to go.

TREASURER KOPP: The refunding is just money for --

MR. LUND: Free money.

GOVERNOR HOGAN: Money for nothing.

TREASURER KOPP: For good timing and good performance.

GOVERNOR HOGAN: That was a song, Money for Nothing.

We've got some competition.

MR. LUND: Absolutely. And hopefully we'll get at least Morgan and Goldman also will come in. And Goldman. So we got everybody that signed up. I'll check the results here. Very competitive.

GOVERNOR HOGAN: Wow.

MR. LUND: Citigroup it looks like is the highest bidder. So I'm going to go back. We're going to verify these numbers and then we should be back in about ten or 15 minutes to make sure that these are all good. And at that time -- thank you very much.

TREASURER KOPP: Thank you.

GOVERNOR HOGAN: Very good. So any other questions on the Transportation Agenda? Is there a motion?

SECRETARY MCDONALD: Did you want to take a motion on Item 7 separately?

GOVERNOR HOGAN: Oh yeah, we're going to take a separate --

SECRETARY MCDONALD: Item 7 was the MTA single bid with the --

GOVERNOR HOGAN: Yeah. I mean, we're, I think the Comptroller and I were in agreement that we were going to go back and rebid that.

TREASURER KOPP: Governor, before you do that I had a question.

GOVERNOR HOGAN: Sure.

TREASURER KOPP: Are the people still here?

SECRETARY MCDONALD: MTA, please? Transportation has not been approved yet. I hope you stayed in the room.

MR. LEWIS: We're still here. I'm still here.

TREASURER KOPP: The question basically is I understand the frustration. I don't like single bids either. It looks like you did a lot of work, though --

MR. LEWIS: Yes.

TREASURER KOPP: -- to try to get out and reach out. And the question is what are you going to do differently? What now looking at it do you realize you could have done differently?

MR. LEWIS: I think we're going to have to look at splitting out part of the contract that we --

GOVERNOR HOGAN: Probably a good idea.

MR. LEWIS: -- competitive and then redouble our effort to try to get more than one bid on the remainder of the contract and then we'll report back. I mean, obviously it's an important contract. You know, people depend on the Light Rail service. So you know, we're going to have to do something --

TREASURER KOPP: Right.

MR. LEWIS: -- to extend the current contract --

GOVERNOR HOGAN: Well --

MR. LEWIS: -- as well.

GOVERNOR HOGAN: -- as I read it, a lot of it was getting rid of graffiti, you know, scratches and dents which almost anybody can do. I heard some talk about, well, it's very complicated because it involves doors and stairs. But you know if it's some complicated part it could be done differently. But a whole lot of people can get rid of graffiti off the side.

MR. LEWIS: We'll look at all the various strategies available to us.

GOVERNOR HOGAN: All right. So we're going to just postpone that? Or we're just going to vote against it? You can extend the current, it's the current bidder? The current contractor?

MR. ZIMMERMAN: We'll either extend it or do an emergency.

MR. LEWIS: Yeah, we'll extend it or do an emergency.

SECRETARY MCDONALD: We need to recognize the voice from the crowd there, Mr. Michael Zimmerman.

MR. ZIMMERMAN: Oh, I'm sorry. Thank you. Michael Zimmerman, Department of Transportation, Director of Procurement.

GOVERNOR HOGAN: Keep the current guys in place while we take a look at it.

MR. LEWIS: Yes.

TREASURER KOPP: The current guys are the guys who --

GOVERNOR HOGAN: That's the ones that won the bid.

MR. LEWIS: Correct.

GOVERNOR HOGAN: That's the way it usually works.

MR. LEWIS: Yes.

TREASURER KOPP: No --

GOVERNOR HOGAN: So there's a motion --

COMPTROLLER FRANCHOT: Motion --

SECRETARY MCDONALD: To disapprove?

GOVERNOR HOGAN: Yes. Yes. Three-oh.

SECRETARY MCDONALD: Three-zero. Okay. And now the
balance?

GOVERNOR HOGAN: And the balance of the --

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing.

SECRETARY MCDONALD: Thank you.

GOVERNOR HOGAN: Three-nothing, three-nothing. And now
we're going to move on to Department of General Services. Secretary Churchill?

MR. CHURCHILL: Good morning, Governor, Madam Treasurer,
and Mr. Comptroller. For the record, I'm --

GOVERNOR HOGAN: Thank you for the great tour of State Center with the Mayor the other day.

MR. CHURCHILL: We --

SECRETARY MCDONALD: A quiet exit, please.

GOVERNOR HOGAN: We're anxious to get that moving.

MR. CHURCHILL: We appreciate your presence, the Lieutenant Governor's presence, and the Mayor's presence to understand some of the nuances of State Center. So we thank you for joining us. So folks were real excited to see you there.

For the record, I'm Ellington Churchill, Secretary for General Services. The department has 19 items on our Agenda, including one supplemental. And we'll be happy to answer any questions that you have at this time.

GOVERNOR HOGAN: Any questions on DGS?

COMPTROLLER FRANCHOT: Yes, Item 13.

MR. CHURCHILL: Item 13 concerning General, Atlantic General Hospital Corporation, Cathy Ensor, who is the Director of our grants program.

SECRETARY MCDONALD: DGS is coming in now. Cathy, do you want to come up to the podium, please?

MR. CHURCHILL: And I also believe we have someone from, the hospital's counsel here.

COMPTROLLER FRANCHOT: Great.

SECRETARY MCDONALD: Cathy, do you want to, Atlantic General Hospital, please. Step up to the podium.

GOVERNOR HOGAN: Good morning.

MR. CHURCHILL: Good morning.

MS. ENSOR: Good morning. Cathy Ensor, Department of General Services, Capital Grants. This item is on behalf of Atlantic General Hospital. And what they are looking to do is they have gotten quite a number of grants over the years and have done financings for the projects throughout those years. And they want to go back now and restructure some of that financing and they also want to do new financing for a project that they are looking to do in the future. And they've also gotten money through this last session for this new project.

So this item that you're looking at is actually requesting Board approval for several things. In the past when they did financing, they weren't aware that they would need to come to the Board and let the Board know that they had done that. And of course, to request a waiver for repayment and then those things that the Board likes to know about. So the first request here is to have the Board waive those prior financings and any requirements that would have been under those. And then they are also asking the Board to --

GOVERNOR HOGAN: Can you just tell us how many of those there were and over what period of time?

MS. ENSOR: I believe there were eight or nine.

GOVERNOR HOGAN: Sorry, I didn't mean to --

COMPTROLLER FRANCHOT: Oh.

MS. ENSOR: And they go back to 1990.

GOVERNOR HOGAN: And so these, there was actually, the State had to subordinate? Is that, I mean, these are grants, not loans, right? I mean, what was it --

MS. ENSOR: There was --

GOVERNOR HOGAN: There was a requirement that they notify?
Or --

MS. ENSOR: Right. There is a condition in the grant agreements that has to do with disposition of the property, the grant funded property, that requires the grantees whenever there is any change in the user --

GOVERNOR HOGAN: Even on a refi?

MS. ENSOR: If --

GOVERNOR HOGAN: And you guys, and they weren't aware of it? Nobody read the documents for --

MS. ENSOR: Right. Typically what triggers a grantee --

GOVERNOR HOGAN: -- 27 years?

MS. ENSOR: -- to know that is when the lender does their research --

GOVERNOR HOGAN: 17 years, in fact it's 27 years.

MS. ENSOR: -- and comes back to the grantee and says, we need to have you go back to the Board and get this approved for us to have first right of recovery. And that's usually when it's triggered. But apparently none of the other lenders made that issue.

GOVERNOR HOGAN: It's amazing that people doing the title search, the lawyers for the hospital, the lawyers for the banks, over 27 years nobody read the documents? Is this a similar situation that happens in other cases?

SECRETARY MCDONALD: I actually do want to address --

GOVERNOR HOGAN: I mean, you can't be the only ones in the world that have this issue, right? No, go ahead.

SECRETARY MCDONALD: The problem with it is that the issue with these grant agreements is that it is a contractual obligation from the grantee and recipient to us. It is not --

GOVERNOR HOGAN: It doesn't show up --

SECRETARY MCDONALD: -- in the land records --

GOVERNOR HOGAN: Unrecorded?

SECRETARY MCDONALD: -- that our liens that go in the land records --

GOVERNOR HOGAN: There's no lien.

SECRETARY MCDONALD: -- there's no lien.

MS. ENSOR: Correct.

SECRETARY MCDONALD: So yeah, somebody has to go to ask somebody for our contract. And that's a challenge. It always is.

GOVERNOR HOGAN: That's a, that's going to be, that's going to happen with other people --

SECRETARY MCDONALD: It does.

GOVERNOR HOGAN: -- on many occasions then.

COMPTROLLER FRANCHOT: So thank you for that. I obviously am a big fan of your hospital and I obviously support the efforts to undergo a large much needed capital improvement program. I'm not upset with that. But as the Governor noted, we're talking about \$7.5 million in general obligation bond proceeds over the last few years, \$750,000 in appropriations for capital improvements since 1993. And I have to admit I think the request is highly unusual. We're being asked to waive any non-compliance with the grant agreements that have occurred in the past and, you know, we have a historic role with this Board for more than 150 years. We have provided unparalleled transparency, public scrutiny, and accountability in the way we invest taxpayer

dollars. And I guess what concerns me is that it seems as if we're taking that responsibility lightly here by essentially giving you a blank check for what happened in the past. And is, somewhere here are you asking for a blank check in the future? So I'm not a big fan of that and would hope that you could, you know, agree that there's another way that we can do this that has, that preserves the role of the Board.

MS. ENSOR: I'm not certain that it's a blank check in either case, and in the past. Basically what's happening with the past financing, refinancing, is they are restructuring all of their debt now so that whatever that they currently have, those prior actions won't have an effect on our grants anyway. So it all will be absorbed into a restructuring effort. And then there will be new financing for the 2017 project. So the --

GOVERNOR HOGAN: Are there multiple loans and refinancings that we're now cleaning up? It's not just this, this wasn't one, I mean over 27 years you had multiple things that were done wrong that we have to try to fix now? Is that what --

MS. ENSOR: It's my understanding that whatever debt the grantee has for their capital projects over the years is now going to be rolled into this one, and I can let them --

GOVERNOR HOGAN: I'm just talking about what happened. This is the first time in 27 years they have ever had to refinance? We said they've

been making this mistake since 1990, right? Or this is the first time ever? Or has it happened over and over and over again.

MS. ENSOR: Yes, I'll let the grantees talk to the specifics.

MR. DEVINE: Sure. My name is John Devine from Miles and Stockbridge. I represent the hospital. I have here Chief Financial Officer Cheryl Nottingham from the hospital. So the hospital has issued, had taxes and bonds issued for its benefit before and it has some loans outstanding, also conventional loans, with M&T Bank. So and it has, you know, secured those financings with liens on its property that also included grant funded property. It's now consolidating most of that debt. There will still be capital leases that are outstanding, for example, but it is refunding all of those bonds as well as having new money issued for the Regional Cancer Care Center the hospital is building. And what it's doing differently though here is that in the past it has used the Town of Berlin as the tax-exempt issuer. But now the hospital, because it has become larger, is involved in more sophisticated financing techniques. It is taking advantage of the resources at the Maryland Health and Higher Education Facilities Authority as really the premier issuer in Maryland for healthcare facilities, taking advantage of the resources that that issuer offers to do a refunding of all of that debt.

COMPTROLLER FRANCHOT: Well, as I said, you have a great hospital. You're a great law firm. Chief Financial Officer, it's an incredibly fine

institution and this is a very well-intended project. I think I was down for one of the ceremonies about the new center so I am loath to stand in the way of it. But I wonder if you couldn't take another look at this and from the perspective of us not, or at least myself not wanting to give up responsibility on the Board for looking at these requests. And perhaps there is a different way that you could present this so that we have a specific handle. Because it's a little murky right now as to what exactly is going to be covered retroactively and what's going to be covered in the future. And if you could just put that on a piece of paper, I would feel a lot more comfortable in voting for this.

GOVERNOR HOGAN: Well and I agree with that. But also, I don't think you answered my question about has there been other financings and refinancings over the past 27 years since 1990 where we did it wrong that we're now cleaning up? Or are we still going to have potential problems because you didn't follow the legal requirements in the past? In other words, even if we did this action does it fix all the sins of the past since 1990?

MR. DEVINE: Yes, this should take care of all the sins of the past.

GOVERNOR HOGAN: And my other concern is, and by the way I'm going to reiterate what the Comptroller, it's a wonderful hospital. We're happy, it makes sense for you to refinance all this debt. I'm sure you're getting a better deal for the taxpayers and for your people that you represent. And but this sort of sets that precedent, I don't want to set a precedent where every single

person that we issue a bond for, I mean, we issue a grant for, and we have this language that says, and then everybody goes, hey you know what? We're just going to, we're just going to make them subordinate and we're going to ignore the language. And since it's not recorded we're just going to do whatever we want and we never come back. That's no way to run a railroad. We'd have to either change it so that we don't ever have that wording in there.

MR. DEVINE: Mm-hmm.

GOVERNOR HOGAN: We just can't grant blanket waivers for everyone. And if you do it, won't every other hospital want to do it? Won't every other local community organization and town and city and everybody else do it? I mean, doesn't it just change the overall picture of how we deal with grants. I think we're going to need some legal counsel ourselves as to -- and I don't want to stand in the way of your refinancing. I don't have any issue with the Cancer Center.

MR. DEVINE: Mm-hmm.

GOVERNOR HOGAN: Trust me, we want to help you move forward. I just don't want to do something that, you know, ruins our standing and messes up every other grant that we've done across the State.

MR. DEVINE: No, we understand that and we want to fix it too.

GOVERNOR HOGAN: And I haven't gotten any legal advice --

MR. DEVINE: We don't have any intention of trying to remove the Board from oversight here at all.

GOVERNOR HOGAN: Well that wasn't even my concern, really wasn't just oversight. It was --

MR. DEVINE: But it has been done --

GOVERNOR HOGAN: -- the law says this --

MR. DEVINE: -- over and over again.

GOVERNOR HOGAN: -- the wording says that, and the contractual agreement says this. And we're going to say for you --

TREASURER KOPP: Well is there a way --

GOVERNOR HOGAN: -- we're going to waive it all, we have to do it for everyone --

TREASURER KOPP: -- is there a way you could reword number two, the provision number two --

MR. DEVINE: Well yeah, we certainly would be happy --

TREASURER KOPP: -- to limit it to what you need now?

MR. DEVINE: Yes. Absolutely. To the financing now, which shouldn't exceed \$41.5 million.

GOVERNOR HOGAN: So we could take a vote today to say what was done, was done.

MR. DEVINE: Yes.

GOVERNOR HOGAN: We're going to let you move forward with your refinancing. But not create a precedent for anywhere else or not say you have a blanket for all eternity on any other grant that you do.

MR. DEVINE: No. We're not looking for any future waivers of any, of our --

GOVERNOR HOGAN: We still don't have any legal --

MR. DEVINE: -- potential sins but just --

GOVERNOR HOGAN: Secretary McDonald is grimacing.

SECRETARY MCDONALD: -- that paragraph two that the Treasurer pointed out --

GOVERNOR HOGAN: It does say in the future. Yeah.

SECRETARY MCDONALD: -- does allow for the future disposition of that property if the bank needs to sell because it's foreclosed on. I think that what we could, you could certainly take a vote on your motion --

GOVERNOR HOGAN: I didn't make a motion.

SECRETARY MCDONALD: -- but it might be clearer if this item could actually, the item itself could be redone at the next meeting than trying to take the words from this rather long item and figure out which they do. But we will do it either way you want it --

GOVERNOR HOGAN: Is it going to cause a financial hardship for us to have a short delay until the next meeting so that we can, you know, close some of these loops and get some of these answers to these questions?

MR. DEVINE: Well unfortunately, it will. And that's because in order to get a pricing for the financing and lock down the issue costs, the hospital entered into forward start swaps in June that will start on September 1st.

GOVERNOR HOGAN: It seems like that was a really big mistake. They must have, they didn't have any legal counsel in this, counselor?

(Laughter.)

MR. DEVINE: Yes. Well we weren't aware of the grant agreements at that time.

GOVERNOR HOGAN: Ignorance of the law is no excuse. So, you know, I don't know. We're --

TREASURER KOPP: So if --

GOVERNOR HOGAN: -- on hold. I don't think we're going to be able to move forward with this. But let's stop for the --

MR. LUND: All right. Thank you very much. So we have done our preliminary verification of all the numbers and everything is looking very good. I'm showing the results from the refunding series right now. The take away from this is that we are looking at at least \$71 million in value savings so that's a little bigger than we were expecting. And depending on how the bids for

the securities come in, that's going to be \$1 million more. So we expect it to actually increase a little bit as the day goes on.

Second I'm showing you here is from the new money sale. Again, we got a very competitive rate, right in line, a little better than what we were actually expecting. And if you're curious the total bond premium we got was \$94 million. So that's a good amount of money. At this point --

GOVERNOR HOGAN: That's pretty darn good. We couldn't get \$6 million more? I was shooting for \$100 million.

(Laughter.)

MR. LUND: We were close. So I think if you all are ready, you can --

TREASURER KOPP: So Governor, I would like to move that the Board adopt the resolutions before us today concerning the State and Local Facilities Loan of 2017, Second Series. In particular I move that the Board ratify and approve the preliminary official statement dated August 4, 2017; the summary notices of sale for the 2017 Second Series A and B Bond published in the *Bond Buyer* on August 4, 2017; and the resolutions adopted by the Board on July 26, 2017 with respect to the bonds; and would ask for a second and a vote on those motions.

GOVERNOR HOGAN: So moved. Aye.

COMPTROLLER FRANCHOT: Yeah, aye.

TREASURER KOPP: All those in favor?

GOVERNOR HOGAN: Aye.

TREASURER KOPP: The vote is unanimous.

And secondly I move that Citigroup Global Markets, Inc. be declared the successful bidder for the Second Series of Tax-Exempt Bonds in the aggregate principal amount of \$550 million, subject to resizing as provided in the official notice of sale, with a net premium of \$94,089,801.85 and a true interest cost of 2.2855890; and that I further move that the Second Series A Bonds be issued in the resized amounts and maturities and at the interest rates and prices set forth in the successful bid for the bonds. I ask for a second and a vote on the Second Series A motions.

GOVERNOR HOGAN: Second.

TREASURER KOPP: All in favor?

GOVERNOR HOGAN: Aye.

COMPTROLLER FRANCHOT: Aye.

TREASURER KOPP: And third, I move that the Bank of America Merrill Lynch be declared the successful bidder for the Second Series B Tax-Exempt Refunding Bonds in the aggregate principal amount of \$792,825,000 subject to resizing as provided in the official notice of sale with a net premium of \$183,495,936.82 and a true interest cost of 1.656622 percent; and that I further move that the Second Series B Bonds be issued in the right sized amounts and in

the maturities and at the interest rates set forth in the successful bid for the bonds.

I ask for a second and a vote on the Second Series B motions.

GOVERNOR HOGAN: Second.

TREASURER KOPP: All those in favor? Aye.

GOVERNOR HOGAN: Aye.

COMPTROLLER FRANCHOT: Aye.

TREASURER KOPP: And finally I move that the Board authorize and approve the issuance of the final official statement for the bonds and would ask you for a second and a vote on the motion.

GOVERNOR HOGAN: Second. Aye.

TREASURER KOPP: All those in favor -- aye. And I'm told that the anticipated new money true interest cost was 2.29 percent and we got 2.285.

GOVERNOR HOGAN: Pretty close.

TREASURER KOPP: That's pretty good. Governor, the people of the State of Maryland have done very well today and --

GOVERNOR HOGAN: And I want to --

TREASURER KOPP: -- I appreciate --

GOVERNOR HOGAN: -- give my compliments not only to the Treasurer but her incredible staff, who deserves a big round of applause.

(Applause.)

GOVERNOR HOGAN: Thank you. So we still have this item with Atlantic General Hospital. I think we're having side bar discussions on that. That's our last item, I believe, on the Agenda, unless people have other DGS questions. But have they got a suggestion on how we resolve this issue or Madam Secretary, you look like your hand is up?

SECRETARY MCDONALD: No, I was just going to say if you wanted to do all the rest of the DGS Agenda, the only thing is just Item 13 --

GOVERNOR HOGAN: Well that's --

SECRETARY MCDONALD: -- if you have questions on the rest

--

GOVERNOR HOGAN: Is there a motion on the remainder of the Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? All those in favor? Aye. Three-nothing. Now we're going to address this issue.

SECRETARY MCDONALD: I guess DGS has a proposal to revise your item?

MS. ENSOR: Right. If the Item 2 on the Agenda that talks about permitting the granting of mortgages, deeds, trusts, whatever, if there's a default on the part of the grantee this would allow the lender to move forward with any remedies. And that's really what this request is. Not necessarily that the grantee

doesn't have to come back to the Board if they default and let the Board know that, that the lenders are then moving forward with whatever remedies they choose. But we can add to this request number two to permit the lenders to move forward with remedies upon default with Board approval. So in other words, if the banks do want to mortgage, sell --

GOVERNOR HOGAN: Foreclose.

MS. ENSOR: -- whatever, foreclose on the properties, they would still need to come back to the Board before that happened and request approval.

SECRETARY MCDONALD: -- so it's not granting the approval now, it's --

MS. ENSOR: No. It's not granting approval now. It's --

SECRETARY MCDONALD: So what is the revision? The revision is to, right now two says that the grantee's bank could sell the property without asking for BPW approval. That is what Item 2 says right now. That the grantee's bank could sell the property without asking for State approval. And so you're suggesting that it say that the bank would have to come to the Board? And I'm just saying that's what the contract says. So why would we have any of two then? Item 2?

COMPTROLLER FRANCHOT: Yeah. I'm going to, with all due respect, I'm going to move to delay this --

SECRETARY MCDONALD: To defer?

COMPTROLLER FRANCHOT: -- until the next meeting --

GOVERNOR HOGAN: Sure.

COMPTROLLER FRANCHOT: -- and let the Secretary give us and our counsel give us the right assessment so that all I'm interested in is, I agree with the Governor on not interfering with the project, but we need to have some understanding of what the sins of the past were just for oversight and we need to have counsel advise us on the language moving forward. So I'd make that motion.

GOVERNOR HOGAN: I'm going to second that. And I hate to do this because I don't want to slow down the hospital and their refinance. But again, it wasn't our mistake. And I believe that this is a, we're going to need legal counsel and we don't have any. And we're going to have to review this, and we haven't. And --

SECRETARY MCDONALD: We have the advertisement out now, Governor Hogan. So perhaps this is the moment we could let people know, for general counsel of the Board of Public Works.

GOVERNOR HOGAN: We need a general counsel at the Board of Public Works.

SECRETARY MCDONALD: This is our second meeting without our general counsel and so we have an advertisement out now. So we --

GOVERNOR HOGAN: I don't know if we can wait until that.

But we're going to seek --

SECRETARY MCDONALD: No we have --

GOVERNOR HOGAN: -- direction to make sure that we're not taking an improper action.

SECRETARY MCDONALD: -- Office of the Attorney General at the Department of General Services. She could be working with them. I'll be working with them --

GOVERNOR HOGAN: Yeah. So there's a motion that's been seconded to defer this until the next meeting.

TREASURER KOPP: Which is?

GOVERNOR HOGAN: Which is?

SECRETARY MCDONALD: September 6th.

GOVERNOR HOGAN: September 6th. Is there, all those in favor, say aye. Aye.

COMPTROLLER FRANCHOT: Aye.

GOVERNOR HOGAN: Those opposed? I guess that's three-nothing, to defer. Any other questions on DGS? We're all done. We already approved it. That's it. That concludes our meeting. Thank you all for being here. Great job on the bond sale. Thank you, everyone.

(Whereupon, at 11:25 a.m., the meeting was concluded.)