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PRESENT

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HONORABLE NANCY KOPP,
Treasurer

HONORABLE PETER FRANCHOT
Comptroller

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PROCEEDINGS

GOVERNOR HOGAN: Good morning, everyone.

ALL: Good morning.

GOVERNOR HOGAN: Welcome to the Board of Public Works. I don't know about you all, but I like the change of venue. It's nice to get out of the State House, especially during the legislative session. But it's great to join my colleagues here at the Louis Goldstein Building for our annual bond sale.

The great news is, and the Treasurer announced last week, that all three rating agencies once again reaffirmed Maryland's AAA bond rating, which is terrific news.

(Applause.)

GOVERNOR HOGAN: Maryland is one of only 11 states in the entire country to receive this coveted rating and I think it's because of the, as a result of the fact that we work so well together in a bipartisan manner to act as prudent stewards of the taxpayers' money. All three bond rating agencies noted our sound budget policy, strong financial controls, and prudent debt management. And I just want to applaud Treasurer Kopp and her great staff, the Comptroller and his terrific team, and thank them for all the hard work that they do and in collaboration with our administration, and particularly with Budget Secretary David Brinkley and his team, and without everybody working together I don't

think we would have achieved this AAA bond rating. So let's give them and all their staffs a great --

(Applause.)

TREASURER KOPP: Let me only add, Governor, that as the Secretary and the Comptroller know, we every six months sit around a big table and talk to all the rating agencies and answer all the questions, and we are joined by representatives of the Legislature. And it really, it's Maryland speaking with one voice and answering sometimes some tough questions. You are absolutely right about what they say about our relatively conservative system of financial control, but also the fact that we are blessed with a very well educated citizenry and good, strong economy, and great diversity. Even though we have a very significant federal presence, it's a diverse federal presence. Not like Virginia that is focused basically just on defense. But you have Social Security, and defense, and NASA, all the other fine institutions. And it has stood Maryland well and I think will continue to. But we always keep our fingers crossed. So you're right, when we got those calls it was very exciting.

Today we'll see the impact of that rating when we have the bond sale at 11:00 and I think be able to show the people of the State of Maryland that keeping that AAA bond rating in fact benefits not only our schools, our roads, and all our capital construction, but the taxpayers.

GOVERNOR HOGAN: Absolutely.

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TREASURER KOPP: So. Thank you.

GOVERNOR HOGAN: Thank you. Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes. Thank you, Governor, and Madam Treasurer. I also want to join in and compliment the Governor and the legislative leaders on the session that they are having. It's a little surprising because it is an election year and everybody is all on edge on things. But we seem to be having a calm, professional, reasonable approach to things. And the fact that the Legislature and their committees, I think, are looking at adjusting the deduction for State taxes, I think that's a reasonable tax cut that we can implement in the Comptroller's Office. And I'm just happy to see instead of a lot of friction, the Governor going in and say, that's terrific. It doesn't matter whose name is on it. Just get the job done. So hats off to everybody in Annapolis for being in stark contrast with what's going on in Washington.

As you know, Governor, my team and I are committed to protecting the taxpayers of Maryland from being victimized by fraudsters and identity thieves. Thanks to the hard work of my dedicated team and the additional statutory authority granted to my agency by the unanimous passage and enactment last year of the Taxpayer Protection Act, Maryland continues to be a national leader in combating the epidemic of tax fraud and identity theft that threatens the financial security of innocent and hardworking Marylanders.

As part of our very focused mission to protect taxpayers, last week we suspended processing returns from 20 suspicious tax preparers from Georgia, Georgia, to Maryland. Yeah, I can't remember the name of the group in Atlanta that we suspended but it was something like Quick Cash or Rapid something-or-other. I don't know. Whatever it was, we suspended them because of our evidence that we had that they were filing fraudulent returns. Yeah. It was something --

(Laughter.)

COMPTROLLER FRANCHOT: It was something that you should avoid if you see it in your, in the neon sign. This action of suspending 20 preparers was in addition to my agency's previous suspension of returns coming from 14 preparers since January, bringing the total of tax preparers in and around Maryland that we have suspended to 136 tax preparers at 146 locations since 2015. Every one of them have been given very easy access to us to simply explain why so many fraudulent returns are coming from their operation. Two of them, I believe, have actually shown up after making appointments. Most of them didn't make appointments. Those that did, most of them didn't show up. But I believe two did come and I think it's one of them, perhaps, has been reinstated.

But it's, since the beginning of this year my questionable returns protection team has blocked more than 1,300 fraudulent returns and withheld more than \$2.6 million in fraudulent refunds. That's on top of the more than

88,000 fraudulent returns that were successfully intercepted worth over \$190 million over the last ten years. These staggering figures highlight the continued threats facing taxpayers and tax administrators at all levels of government. My agency remains committed to aggressively and effectively protect our citizens from these brazen criminals.

In this technologically advanced world we need to remain one step ahead of these felons and we're doing just that thanks in large part to the many unsung heroes within my agency where we're working ceaselessly to stop these predators from harming the financial integrity and innocent Marylanders each and every day. And I say this; we just have processed the one millionth tax return of this tax season since the end of January. That for us is a very significant figure, because obviously we process around three million. But once we get to one million we can basically say, okay, the system is not going to fall apart. I hate to be that dramatic, but that's what happens with this technology. But we're using that same technology to thwart these financial criminals because of the filters that we're putting all the tax returns through and we're putting them aside. So I'm pretty happy that we're able to combine quick refunds, well over \$1 billion, immediately back into taxpayers' pockets and into the Maryland economy, but also head off this increasing epidemic of fraudulent returns.

So I'm very proud of those efforts. I remain grateful for the work that they do. In the years ahead, we're going to continue to utilize every resource

at our disposal to go after these folks that are actually perpetrating these crimes. We want to bring them into court. If they are found guilty, we want to send them to jail. And we're working very hard with frankly with Attorney General Frosh and his team to put some of these unscrupulous preparers and fraudsters behind bars.

So Governor, thank you for the support that you gave the, gave us last year, and Madam Treasurer, your colleagues and my colleagues in the Legislature have done a good thing. We hope to have some court action, to not just prevent crime but actually hold people accountable.

GOVERNOR HOGAN: Thank you very much.

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR HOGAN: We're going to get started with the Secretary's Agenda. I'll just remind everyone that we'll be breaking in with some bond sale activities around 11:00. So if we cut you off in mid-sentence, you'll know why. We've got millions of dollars take. So we'll get right back to you when we stop that. But go ahead, Secretary McDonald.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, and Mr. Comptroller. We have 13 items on the Secretary's Agenda this morning. We also have eight reports of emergency procurements. Item 13 is the bond sale to which you referred, so we will pull that item off the Agenda until we come back at 11:00. For the rest of the items, we're ready for your questions.

GOVERNOR HOGAN: I'd like to just touch on Item 5, please.

SECRETARY MCDONALD: Item 5. Secretary Belton will talk about the expenditure of general obligation bond proceeds on the coastal bay, or the Coastal Bays Trust Fund Program.

MR. BELTON: Thank you. Thank you, Governor, for bringing this up. We're correcting some sins of the past here at DNR on this particular issue. In November of 2016 the Board of Public Works issued an advisory talking about all projects that were even remotely slightly funded with GO bonds had to come before the Board of Public Works for approval. Taking that and looking back at our records in the years '13, '14, and '15, our Chesapeake and Atlantic Coastal Bays Trust Fund projects went through the procurement process, they went through the Legislature for approval, they were part of the budget bill at the end of the year, but they did not come before the Board of Public Works for approval. And so we are looking back and correcting those problems in those fiscal years. Years '16, '17, and '18 and projected here for '19, that has not been an issue mostly due to your fully funding the trust fund and all those projects. For those three previous years (indiscernible).

GOVERNOR HOGAN: Yes, thank you, Mr. Secretary. Yeah, I have no problem with this item at all. But I wanted to bring it up just to thank you and your team for your efforts in this regard. And I want to reiterate our administration's commitment to protecting and restoring the Chesapeake Bay. In

addition to this being the third consecutive year fully funding the Chesapeake and Atlantic Coastal Bays Fund, which I'm not sure has ever happened before, but to date we've committed \$4 billion to cleaning up the Chesapeake Bay. On its latest report card we got the highest score in a quarter century. And the Treasurer just showed me a great article in today's *Baltimore Sun* talking about the tripling of bay grasses because of the green, healthy water. So I just want to thank you, thank you and your department.

TREASURER KOPP: Could I just add that the article pointed out that the concentration has fallen by almost a quarter since 1984, which shows the need for consistent, ongoing, not, sometimes you have the feeling the federal government wants to do it off and on and not now and then, and but this consistent work on the part of the State and our partners has really made an honest difference. And you guys --

MR. BELTON: You couldn't be more correct, Madam Treasurer. Now is not the time to cut back on efforts to restore the Chesapeake Bay. We're seeing demonstrative progress in lot of areas. You mentioned bay grasses. There's great news on that today. But also our keystone species, the striped bass and crabs, and the dead zones are smaller than they have been in the past. Now is the time to keep the pressure on.

GOVERNOR HOGAN: Yeah. And as the Chairman of the Six State Regional Commission, we've been leading the fight to try to make sure that

the federal funding is protected. We're talking about \$123 million of federal funding which we're fighting to make sure is still covered. It's important. It doesn't stack up to the \$4 billion we've put in. It's about what we put in every month. But it is important and we're going to fight for it and try to get, make sure that we're covered by it.

I also want to say that, you know, billions of dollars were drained from the Chesapeake Bay Restoration Fund, from Program Open Space, from Coastal Bay, the Chesapeake and Coastal Atlantic Bays Fund. And we've restored all those dollars and we're fully funding as many of those as possible. So it's quite a difference from the past eight years. Thank you.

TREASURER KOPP: And a significant investment in Maryland.

GOVERNOR HOGAN: Absolutely.

TREASURER KOPP: Talking about investments.

GOVERNOR HOGAN: Any other questions on the Secretary's Agenda?

TREASURER KOPP: I have a couple. First of all, number 8, MES.

SECRETARY MCDONALD: Number 8 is a Maryland Environmental Service project. They are working on a wastewater treatment plant at Eastern Correctional Institution. Mr. Roy McGrath --

MR. MCGRATH: Good morning, Governor.

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GOVERNOR HOGAN: Good morning, Mr. McGrath.

MR. MCGRATH: Good to see you, Madam Treasurer and Mr. Comptroller.

TREASURER KOPP: This is a project with a long history and I don't want to spend a whole lot of time on it. But one of the things that I was curious about is that after getting only one response, this latest, the latest episode, getting one response, you did something and went out again and got three responses. And my question was, what did you do to --

MR. MCGRATH: That's a great question.

TREASURER KOPP: -- make that happen?

MR. MCGRATH: And thanks for the opportunity to answer it. Just for the record, I'm Roy McGrath, Director of the Service, joined by my colleagues, Jason Gillespie, who heads our Environmental Services Group; and Ellen Frketic, who is the Head of Engineering for our Water and Wastewater Team.

I'm going to defer to Ellen who handled the procurement project for that and we appreciate the opportunity to answer it.

MS. FRKETIC: Good morning. What happened when we only got the one response was that we actually, there was a second proposal that came in five minutes late. So we basically went back out. There was another firm that had expressed interest but that had not prepared a proposal. And we did approach

them again and we said, okay, we're doing this again, and everybody this is the deadline. Get your proposals in by, you know, 2:00 on December 5th. And we managed to get three, which was great. We didn't really make any great, you know, major changes to the RFP. But we did talk to people.

TREASURER KOPP: So it was more a question of one of the bidders --

MS. FRKETIC: Mm-hmm.

TREASURER KOPP: -- making an error?

MS. FRKETIC: Yes. Yes.

TREASURER KOPP: And there's no provision for something like five minutes? I mean, there's no --

(Laughter.)

GOVERNOR HOGAN: Everybody there's --

(Laughter.)

TREASURER KOPP: Five minutes?

MS. FRKETIC: Five minutes. I know. I know.

GOVERNOR HOGAN: Maybe when we do the bond sale later we can ask for five more minutes.

(Laughter.)

TREASURER KOPP: Well, I mean, maybe in this whole history of procurement it just seems --

COMPTROLLER FRANCHOT: Yeah, no, I'm glad the Treasurer

--

TREASURER KOPP: -- a little contrary to common sense.

COMPTROLLER FRANCHOT: I'm glad the Treasurer brought it up. And I really, the five minutes, I take it, is a --

TREASURER KOPP: You've got to draw the line somewhere but

--

COMPTROLLER FRANCHOT: Yeah. But I'm more concerned with what's happening down there with this. Where by the way is Kings Creek? Because it sounds as if on a daily basis -- what? I mean, if this is, if the information is correct here they were discharging a huge amount of raw sewage into Kings Creek.

MS. FRKETIC: No. No, that is not, that's not --

COMPTROLLER FRANCHOT: Okay, great. Thank you.

(Laughter.)

MS. FRKETIC: No, what is happening right now there are two waste streams coming from ECI. One is coming from the wastewater treatment plant. And then the other is what we call reject. It's sort of like backwash from the reverse osmosis water plant. That RO reject has been going for years to Kings Creek. When the new permit was issued by the Department of the Environment, they said, you need to combine -- we had two choices. We could either put in

treatment, special treatment just for that waste stream or combine it with the wastewater plant discharge and treat everything as one. And that's what we chose to do because it was a lot cheaper to do it that way. But what, as far as the nitrogen and the phosphorous, the sewage is being properly treated. The ECI wastewater treatment plant has been an E&R level treatment plant since 1995. What we're having to do with this new project is we're restricted to the number of pounds of nitrogen and phosphorous we can discharge. That hasn't changed. We just have to bring concentrations down a little. But right now, the wastewater treatment plant is meeting the permit requirements. It's just this little bit of waste that's going from the RO plant, the reject, that is not being treated. And it's very small quantities in the grand scheme of what's being discharged out of the wastewater plant. And that's actually going to the Manokin River. Everything will be going to the Manokin River when we're done with this project.

COMPTROLLER FRANCHOT: Okay. That sounds -- thank you. And then finally, in the preparation it says KCI Technologies, which designed the upgrades, the, what they put in for instrumentation and controls was inadequate, causing bidders confusion during the original bid. This also caused the price to be escalated. Is KCI still involved in this?

MS. FRKETIC: KCI is still involved but we had brought in a value engineering team to assess what had been done. And that's the other reason we decided to go with the CM at risk to finish up the project. Because we have a

water plant and a wastewater treatment plant, and we have the treated effluent from the wastewater treatment plant going to the cogen, the instrumentation is kind of tricky. Because everything has to work together. And that, we're hoping that the CM that we're bringing in, who we've worked with on other big projects before, they are a really good construction firm, that we're going to get that all straightened out. We're going to be able to do, figure out how to bypass certain things during the construction of the plant and everything will be squared away.

COMPTROLLER FRANCHOT: But KCI is still involved?

MS. FRKETIC: Yes, sir.

COMPTROLLER FRANCHOT: And do they agree that they missed the mark somehow? Or that, I mean, really. I don't mind the design, I don't mind the design bid -- I thought that was a good model. But what you're saying makes sense. I'm just concerned that the original design was inadequate. I guess are people correcting that?

MS. FRKETIC: Yes. Yes. That will be corrected.

COMPTROLLER FRANCHOT: Okay. Thank you, Madam Treasurer, for bringing that up and --

GOVERNOR HOGAN: Thank you.

COMPTROLLER FRANCHOT: -- move approval.

GOVERNOR HOGAN: Second? She has one more?

TREASURER KOPP: I have, I would just like, Mr. Ports isn't here, I guess?

MR. RAHN: No.

TREASURER KOPP: Item 12, which is your energy performance project, actually, with your very exciting wayside energy capture system. I'm just happy to see that the Treasurer's Office could participate with the energy lease program. And I wish, Governor, that we could use that energy lease program for more great projects like this. I think the department is really onto something that's going to benefit everybody and our environment.

GOVERNOR HOGAN: I --

TREASURER KOPP: My son would say it's super cool.

(Laughter.)

GOVERNOR HOGAN: It's super cool. And you know, I don't know why she was so disappointed to see Secretary Rahn here instead of --

(Laughter.)

GOVERNOR HOGAN: Apparently he's super cool, too.

(Laughter.)

TREASURER KOPP: I know that Jim Ports was really intrigued by this project personally. I mean, it's really a good one.

MR. RAHN: Well we're excited about it as well.

TREASURER KOPP: I'm sure. We all are. I have one other question, Governor, on Appendices 5 and 7. This is, these are emergency repairs, in this case in the Department of Public Safety and Corrections. Similar to ones we've seen on other agendas in other departments. And basically my question, and you know how concerned we are about maintenance of State buildings, maintenance of public schools, keeping things in good repair, certainly not wasting money getting things that we don't need, but on the other hand not keeping things until the bitter end just putting them together with bandages and then having them explode or fall apart, make emergency repairs and end up spending more than we would have if we had a good system, the sort of thing that Secretary Churchill is talking about, with regular replacement at appropriate dates when you know almost invariably now with technology you're going to replace old systems with new more efficient ones and more cost effective ones. So the question is how do you look at these? How long are all of these systems expected actually to last if you didn't just patch them up and patch them up and patch them up, but really look at life cycle cost?

MR. BEZANSON: That's a very good question. I'm David Bezanson, Assistant Secretary of Public Safety. And within the Public Safety and Corrections domain, we have a variety of ages of buildings and we have been proactive in the last couple of years of demolishing and shutting down buildings that are beyond the cycle of useful building life. We have been replacing systems

under capital projects. At the Maryland Correctional Training Center in Hagerstown we've replaced the steam lines and the heating systems in a capital project over the last ten years, and we still have two buildings to replace the heating systems on. That building was 50 years in a life cycle before we replaced the heating systems.

The emergencies that we experienced at Patuxent and at Chesapeake Detention Facility are buildings, the Chesapeake Detention Facility was 30 years from the 1980s and we were faced with some extremely cold weather this winter and it caught some coils that froze in that process and had to be replaced.

We have a preventative maintenance system in place. We seek what we refer to as facilities renewal projects on roofs and on heating systems through the capital budget each year and we have a backlog and we attempt to replace all those systems within their life cycle.

Now within the corrections market, life cycles of buildings are stressed a little harder. They run 24/7. You can't shut them down. You can't displace the population.

TREASURER KOPP: And you know that's going to happen so --

MR. BEZANSON: And we know it's going to happen. And proactively we're replacing the heating systems in a capital project at ECI. We're in design of that project. We've replaced at MCTC. We've shut down the and

demolished the House of Correction that was beyond its useful life. But I think in corrections we're challenged because we use these buildings heartily and we use them continuously.

TREASURER KOPP: Have you ever, or have you ever had somebody come in and look, you or DGS --

MR. BEZANSON: Yes.

TREASURER KOPP: -- at what the cost benefit would be --

MR. BEZANSON: We do. We do.

TREASURER KOPP: -- of doing things --

MR. BEZANSON: And we looked at that in Baltimore and in Baltimore we closed a number of buildings for particularly those reasons, of the conditions of those buildings. And --

TREASURER KOPP: I'm talking about --

MR. BEZANSON: Oh, you're talking about --

TREASURER KOPP: I'm talking about systems.

MR. BEZANSON: Systems in terms of looking at it for preventative maintenance?

TREASURER KOPP: Looking at it for preventative maintenance -

-

MR. BEZANSON: Yes.

TREASURER KOPP: -- or replacement.

MR. BEZANSON: Yes. And that --

TREASURER KOPP: So if I asked to see your chart and what the, what the --

MR. BEZANSON: We have had building assessments --

TREASURER KOPP: -- method, what the metrics were?

MR. BEZANSON: -- of how the metrics worked in Baltimore and came to conclusions that buildings were better, and we had the opportunity to displace populations, and the Governor did shut down buildings --

TREASURER KOPP: Yes. No question about that.

MR. BEZANSON: No.

TREASURER KOPP: But you have things that show that you would not save money by acting more --

MR. BEZANSON: There's always an issue of priorities as to how we spend the maintenance money we have. Operationally we have about \$20 million in maintenance across 25 facilities.

TREASURER KOPP: I get that. But what I'm asking is if you look at it just as a representative of the taxpayer --

MR. BEZANSON: Mm-hmm.

TREASURER KOPP: -- and say we want over a period of time, maybe it's because we're on the investment committee and you look longer term, but we want over a period of time to have the most cost effective system.

MR. BEZANSON: Right.

TREASURER KOPP: I can't believe that what we see every other week in these, in these items would keep popping up.

MR. BEZANSON: You're seeing them in Baltimore and Jessup and we're concentrating on Baltimore and Jessup to make those corrections. You're not seeing --

TREASURER KOPP: And by the way, you're not the only department.

MR. BEZANSON: Right. And I think, I think it's prudent that the State look at its maintenance commitment. Because you have challenges. We have a huge asset base in the State and keeping up with all of this is particularly challenging.

TREASURER KOPP: Well I thank you. I'd like to follow up. I don't want to --

MR. BEZANSON: Yes. Yes.

TREASURER KOPP: -- take up people's time. But --

MR. BEZANSON: I'd be happy to do that.

TREASURER KOPP: -- but it just, and if there could be an integrated statewide way --

MR. BEZANSON: Well we work closely with DGS.

TREASURER KOPP: Yeah.

MR. BEZANSON: With the facilities renewal project on an annual basis. And they have an assessment of all the buildings and what we call project justifications and a priority list. So we're looking at those buildings from a structural point of view, from a -- all that.

TREASURER KOPP: I'm not saying you're not doing the ones in an appropriate order. What I am saying is I wonder if we couldn't get a bigger bang for the buck if we looked at it more positively in terms of a, proactively in terms of a plant renewal system.

MR. BEZANSON: Exactly.

GOVERNOR HOGAN: I would say that, you know, there are issues all across State government from years or maybe decades of deferral of these maintenance projects.

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: And I think Secretary Churchill of DGS and most of our cabinet secretaries are now focused on trying to make some of these improvements and get our facilities up to speed. Not just in the Department of Corrections, but everything else. And it's been a primary focus of ours. So we are trying to fix the crumbling buildings and prioritize them because you can't do every one of them at the same time. But certainly there was, yeah, we had the same issue across the street at Government House. It was nearly falling down. It didn't meet Code. We went out and raised about \$1 million to try to --

TREASURER KOPP: This building we're in, Governor.

GOVERNOR HOGAN: -- fix it privately because the State had not been putting money into the maintenance of it. This building, the State House, it's everywhere.

MR. BEZANSON: It's an issue.

GOVERNOR HOGAN: And we're I think doing a very aggressive job of trying to bring these things up to speed with the limited dollars we have.

MR. BEZANSON: I also think in corrections when you have a building failure of a system, you don't have the ability to defer that. You have to address it. We're constitutionally required to --

TREASURER KOPP: I have, I intend to support these items.

MR. BEZANSON: -- for the safety of the public.

TREASURER KOPP: Absolutely.

MR. BEZANSON: Thank you.

GOVERNOR HOGAN: Mr. Secretary?

MR. CHURCHILL: I'll only add that over the last couple of years, all of our departments are working on a cooperative effort to coordinate our efforts and we try to couple our facilities projects to get the biggest bang for the buck in terms of replacement. So as I mentioned, we're at the beginning of the beginning in terms of looking at an overall system. And so we have --

TREASURER KOPP: That's exactly what we're talking about.

GOVERNOR HOGAN: Yes.

MR. CHURCHILL: We have a lot, you know, we're going to be continuing to take this challenge on and it's not something that's going to be solved immediately.

GOVERNOR HOGAN: Well Secretary Churchill and I had a meeting earlier this week to talk about Lawyers Mall and the steam plant for the entire Annapolis complex that is 30 years overdue and potentially about ready to explode and shooting steam into the air. That's a major, major undertaking that's going to close roads, dig up Lawyers Mall, move statues. But you reach a point where somebody has to do something and we're deciding to try and finally fix these things that nobody else ever wanted to.

TREASURER KOPP: Well when people are running around talking about the infrastructure, this is exactly what they are talking about. And I'm not saying for a moment that it's only your department or only the State of Maryland.

MR. BEZANSON: No, it's a national --

TREASURER KOPP: We can be a national model for acting proactively.

GOVERNOR HOGAN: Thank you. I think we are.

MR. BEZANSON: Thank you.

GOVERNOR HOGAN: Thank you. So there's a motion on the table to approve the Agenda. Is there a second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Second? Three-nothing. We'll now move on to DNR.

MR. BELTON: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. BELTON: -- Mr. Comptroller, Madam Treasurer. For the record, I'm Mark Belton, Secretary of the Maryland Department of Natural Resources. We have ten items on our Agenda for your approval.

GOVERNOR HOGAN: Any questions on DNR? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three? Three-nothing. DBM?

MR. BRINKLEY: Good morning, Governor, Mr. Comptroller, Madam Treasurer. For the record, David Brinkley, the Secretary of the Department of Budget and Management. We have seven items for your consideration. Item 2 has been revised. I have representatives here to address any concerns or questions you may have.

GOVERNOR HOGAN: Concerns on DBM? Questions? Madam Treasurer, any questions on DBM?

COMPTROLLER FRANCHOT: Move approval, if the Treasurer -

-

GOVERNOR HOGAN: We're going so fast we're going to be ahead of, we're going to sit around and wait for the 11:00 bond sale. I'm just stalling a little bit. She may have some -- okay, there's a second. Three-nothing on DBM. We'll move on to the University System Agenda. Good morning, Mr. Evans.

MR. EVANS: Good morning. Joe Evans, representing the University System of Maryland. We have seven items on the Agenda. We are withdrawing Item 5-C and 7-RP. We're here to answer any questions.

GOVERNOR HOGAN: Thank you. Any questions or comments on the University System Agenda?

COMPTROLLER FRANCHOT: Move approval unless the Treasurer -- move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Second. Three-nothing.

MR. EVANS: Thank you.

GOVERNOR HOGAN: Thank you, Mr. Evans. We're going to move on to Information Technology.

MR. LEAHY: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, I'm Mike Leahy, the Acting Secretary of the

Department of Information Technology. Today we have two items on your Agenda and I do have agency representatives available to answer any questions.

GOVERNOR HOGAN: Questions for Secretary Leahy?

COMPTROLLER FRANCHOT: Yes. I had a question on Item 1. The question is why, this may be for Public Safety, but why did the department need 18 additional months to restructure the replacement solicitation? Obviously this is something that concerns pay phones in prisons. I'm not exactly sure what happened but it's a long time to -- oh. Mr. Secretary, how are you?

GOVERNOR HOGAN: Secretary Moyer has joined us at the podium. Good morning.

MR. MOYER: Thank you, Governor, Madam Comptroller and -- I'm mean, Mr. Comptroller, Madam Treasurer. Guilty as charged. I'll go to my State Police roots. My dad did public service for 36 years. I'm in my 36th year. I'm in my 37th month of doing this job. I've had my fourth procurement director, who is Anna Lansaw, who is here with us. We've been keeping a tally. This is the first time we've been called to the podium, I think, since April. So after going for about a 12-month run of being here every day.

GOVERNOR HOGAN: Well, we've missed you so --

(Laughter.)

MR. MOYER: But no, this is all me. We were going to go out with a, and with an IFB and we got it to do it late and DoIT recommended we do

an RFP. So we're recommending the 18 months in the event it goes to a new vendor and we take the equipment that's in our facilities is not owned by us. It's owned by the vendor. So it would have to be a swap out.

But where this is really on me is that the FCC had changed some language about commissions and rates. And I talked to my 49 other colleagues across the country and a lot of us took the proactive approach of reducing the rates and the commissions on our own. This was in the U.S. Court of Appeals and the U.S. Court of Appeals ruled against the FCC and we're still waiting on the final ruling by the FCC. But I knew about this. Anna, like I said, has only been in the position since last May or April. And I should have had it on my radar and I missed it.

COMPTROLLER FRANCHOT: See you in another couple of years.

MR. MOYER: Okay.

COMPTROLLER FRANCHOT: Yeah.

GOVERNOR HOGAN: But thanks for owning up --

COMPTROLLER FRANCHOT: Yeah, thank you.

GOVERNOR HOGAN: -- to the screw up there, Mr. Secretary.

MR. MOYER: Yes, sir. Okay.

COMPTROLLER FRANCHOT: Yeah. It's obviously a bit of an aberration, given the federal intervention on some of that. But thank you and I

have great confidence in you and your new procurement officer, and thank you for, I agree, it's so rare to have someone accept I guess blame for something that's gone wrong.

GOVERNOR HOGAN: Say responsibility.

COMPTROLLER FRANCHOT: It's not that big a deal so --

MR. MOYER: He holds me pretty accountable.

COMPTROLLER FRANCHOT: Yeah, well keep up the great work --

MR. MOYER: Okay.

COMPTROLLER FRANCHOT: -- in the agency.

GOVERNOR HOGAN: Well now that we roughed him up a little bit I want to say we were talking about, you know, pay phones and changing services, it's because of Secretary Moyer and his investigation of corruption that we've indicted 100 people, including correctional officers and gang members who were pretty much running the prison system, who were sneaking in all these illegal cell phones. And now they aren't able to use those phones anymore. So they are probably frustrated.

MR. MOYER: Thank you, Governor.

GOVERNOR HOGAN: Thank you for that effort.

MR. MOYER: I appreciate it.

COMPTROLLER FRANCHOT: Good for you. I didn't realize it was that widespread.

MR. MOYER: We still have more coming.

GOVERNOR HOGAN: Yep.

MR. MOYER: So.

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: Mr. Secretary, I have a question. I echo, as you know, my admiration of your work in this department and in your previous parts of State service. The cost now for an inmate or an inmate family to call, in some states I understand it's essentially prohibitive, which is why the FCC did something?

MR. MOYER: Correct.

TREASURER KOPP: And then was countermanded. But what will it be?

MR. MOYER: Well thank you for the question, Madam Treasurer. I'm going to have Anna go over the specifics. But several of my colleagues across the country, we saw where this was going. The ACLU has filed lawsuits against several other departments of corrections across the country and we think we did the right and fair thing and I'll have Anna give the specifics on that.

MS. LANSAW: For the record, my name is Anna Lansaw, Director of Procurement for Public Safety and Correctional. The current rate is

.0345. Due to the negotiation, the actual ceiling rate is 11 cents. So due to the negotiation that Secretary Moyer conducted with GTL in 2016, our rates are still the lowest in the country and will continue so. But with the FCC ruling and the U.S. Court of Appeals overruling and saying that the FCC does not have the authority to cap the ceiling, we have to put this out for competitive bid, RFP, and see what rates that we come back with.

TREASURER KOPP: Our goal, I assume, is to get low rates?

MS. LANSAW: Yes, ma'am.

TREASURER KOPP: So that the families can stick together. Not your bad guys --

MR. MOYER: No, the low rates are important because the more that the inmate population has contact with the family --

TREASURER KOPP: Exactly.

MR. MOYER: -- it does reduce the stress and it reduces assaults and things of that nature within the facility. So we've had positive response across the State.

GOVERNOR HOGAN: So the point is that we have the lowest in the country but the federal action might throw that out the window?

MR. MOYER: I -- yes, sir. I think we're, I think we're in the right position to be in until the final ruling comes out.

GOVERNOR HOGAN: Well good luck with the court case.

MR. MOYER: Thank you, sir.

GOVERNOR HOGAN: Any other --

COMPTROLLER FRANCHOT: I have a quick question on Item 2

--

GOVERNOR HOGAN: Thank you, Secretary Moyer.

MR. MOYER: Thank you.

COMPTROLLER FRANCHOT: Is there anyone here from the State Board of Elections?

SECRETARY MCDONALD: Ms. Lamone is here.

GOVERNOR HOGAN: The Administrator of the State Board of Elections.

COMPTROLLER FRANCHOT: Oh --

SECRETARY MCDONALD: We put her by the window but she's here.

GOVERNOR HOGAN: She was being quiet and hiding in the corner there.

MS. LAMONE: Yes, hiding in the corner. Good morning, Governor, Comptroller, Madam Treasurer. I'd like to -- Linda Lamone, Administrator of Elections. This is Keith Ross. He is the Assistant Deputy at the State Board of Elections for Project Management and he has been working tirelessly on the issue that the Comptroller is going to bring up. So.

COMPTROLLER FRANCHOT: Oh good. Okay. So as I understand it, we're paying \$150,000 approximately to one of our vendors because their equipment, or our equipment that we stored for them, was in a moldy environment and got rendered I guess unusable?

MS. LAMONE: Can I restate that just a bit, please?

COMPTROLLER FRANCHOT: Yeah. Thank you.

MS. LAMONE: Okay.

COMPTROLLER FRANCHOT: Please. Because I'm just --

MS. LAMONE: It's the State's equipment, that's true. We are leasing it. It's Worcester County that is responsible for paying this amount in the Agenda item before you. There is considerable more that the county is going to be liable for because of their negligence in storing the voting equipment.

COMPTROLLER FRANCHOT: Oh okay. Got it. So what happened? Are we, so it's Worcester County? It's not the State Board of Elections?

MS. LAMONE: That's correct.

COMPTROLLER FRANCHOT: And Worcester County is going to reimburse you? Or --

MS. LAMONE: We're going to bill them.

COMPTROLLER FRANCHOT: You're going to bill them?

MS. LAMONE: Right.

COMPTROLLER FRANCHOT: Okay.

MS. LAMONE: And if they don't pay us, we'll send them to Central Collection.

COMPTROLLER FRANCHOT: Okay. So that's a little different than I understood it. So good. I'm glad you're on top of that. And what exactly happened, I guess? Is it --

MS. LAMONE: Well when we first got the new voting equipment back in 2015 statewide, we hired a firm to go out and survey all the local Board facilities. And the facility that was supposed to be used in Worcester County met the requirements that we had established, humidity, temperature, security. But it was too small. So the Worcester County government without telling us put the equipment in the liquor board warehouse. And the local Board of Elections found out about a mold issue but they never told us. And it wasn't until last August that we found out from the local Board of Elections that there was a mold issue with the voting equipment. And Keith, as I said, has just been working his fingers to the bone on this. He went over there Friday in that awful weather for the first time that the County Administrator would allow us to see anything. And he didn't get back on this side of the bridge until midnight. So he has really, really been trying to remedy this situation and we've got voting equipment now, new voting equipment for Worcester County. But they don't have it. It's in my warehouse. And it's going to stay there until they find a decent place to put it.

And the county, I'm sorry to say, has been dragging its feet in finding a suitable place. And what they've picked right now, I'm investigating as to whether or not the power management for the building is sufficient or not. So --

COMPTROLLER FRANCHOT: Excellent. Thank you very much.

MS. LAMONE: You're welcome.

COMPTROLLER FRANCHOT: Does your colleague want to have a word? I'm sorry; I missed your last name.

MR. ROSS: Ross.

COMPTROLLER FRANCHOT: Mr. Ross?

MR. ROSS: For the record, I'm Keith Ross, the Assistant Deputy for Project Management at the State Board of Elections and as Administrator Lamone mentioned that we have been working diligently with them, first of all to correct the mold issue with the equipment, and then to work with them insofar as the facility is concerned so that we can move that equipment back at the appropriate time that they have met all the requirements.

MS. LAMONE: And if they don't they'll have to prepare the equipment in Glen Burnie and pay to ship it down the polling places in Worcester County.

COMPTROLLER FRANCHOT: Sounds like you're on top of it. Thank you.

GOVERNOR HOGAN: Very good. Thank you.

MS. LAMONE: Thank you. Thank you, Governor.

TREASURER KOPP: Do we know that there's no similar situation anywhere else in the State?

MS. LAMONE: We're fairly confident that it's not. But we're proactively going to make sure it isn't. Homeland Security is surveying all the local Board facilities -- well, not all of them. They are going to do about half before the primary, I think. And I am initiating a program so that they are all inspected by my people and not just relying on the local Board of Elections staff. So lesson learned.

GOVERNOR HOGAN: Thank you for your efforts.

MS. LAMONE: Thank you.

GOVERNOR HOGAN: And thank you for going down there until midnight in the storm.

MS. LAMONE: Thank you very much.

GOVERNOR HOGAN: Any other --

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Motion on IT? Is there a second?

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-nothing, Mr. Leahy. We're going to move on to the Department of Transportation.

MR. RAHN: Good morning, Governor, Madam Treasurer, Mr. Comptroller. For the record, my name is Pete Rahn, Secretary for the Maryland Department of Transportation. MDOT is presenting ten items today. Item 9-GM is being withdrawn.

GOVERNOR HOGAN: Questions on Department of Transportation Agenda, other than why Mr. Ports is not here?

(Laughter.)

GOVERNOR HOGAN: Give him my regards.

COMPTROLLER FRANCHOT: We almost had him promoted to Secretary. Yeah, that was a --

MR. RAHN: I'm glad you were unsuccessful.

(Laughter.)

GOVERNOR HOGAN: While you were missing, we were giving him a hard time that he was Deputy Secretary back in like 2003. So he's been there a long time and --

(Laughter.)

GOVERNOR HOGAN: No questions on Transportation? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing, Mr. Secretary. We're going to move on to Department of General Services, Secretary Churchill.

MR. CHURCHILL: I'll talk quick. Good morning.

GOVERNOR HOGAN: Actually, we want you to eat up four minutes --

MR. CHURCHILL: Four minutes?

GOVERNOR HOGAN: -- bond sale.

MR. CHURCHILL: Good morning, Governor, Madam Treasurer, and Mr. Comptroller. For the record, I'm Ellington Churchill, Secretary for the Department of General Services. The department has six items on our Agenda, including one supplemental, and we are withdrawing the supplemental item. Before we take any questions I would like to not only mention but thank, at the last Board meeting I believe a Smith Island Cake was distributed to the Board, and the Comptroller's Office was so kind to send over some of that Smith Island Cake to our facilities department in Annapolis.

GOVERNOR HOGAN: That was great.

MR. CHURCHILL: They enjoyed it greatly and I did not get a piece of that cake --

(Laughter.)

GOVERNOR HOGAN: You know, I want to add onto that, Mr. Secretary, I never even saw the cake. Somehow it never made it to me, either. So --

(Laughter.)

GOVERNOR HOGAN: -- State House or something but maybe

Mr. Newgent knows where it is.

(Laughter.)

GOVERNOR HOGAN: I never saw the cake.

MR. CHURCHILL: We're happy to take any questions.

TREASURER KOPP: I should be embarrassed to say, it was very good.

(Laughter.)

TREASURER KOPP: -- you guys next time.

GOVERNOR HOGAN: Yeah, next time. Any questions on DGS?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? DGS, three-nothing. That concludes our Agenda and I guess in about two or three minutes we're going to have a bond sale. So --

SECRETARY MCDONALD: All right. We're back to Item 13.

GOVERNOR HOGAN: Oh, they're here already.

SECRETARY MCDONALD: Item 13.

TREASURER KOPP: Christian Lund, who is the Director of Debt Management in the State Treasurer's Office, is here to walk us through the bond sale.

MR. LUND: Thank you, Treasurer. So we have already taken bids for the \$50 million taxable series. Those came in at 10:30. So we've got about two minutes until the tax exempt come in so I'll just show you these real quick. We had 12 bids, which is fantastic. Wells Fargo had the low bid with, with a TIC at 2.58. So we will be presenting that to you all when we come back here in a few minutes. Right now we have seven bidders signed up for the tax exempt series, which is good. And we should start seeing those coming in in just a moment.

TREASURER KOPP: Can I just point out? I think we might have mentioned this before. But since I became Treasurer, and that's the beginning of my measurement, we have saved the taxpayers over \$350 million in refunding general obligation bonds. The federal Congress last month, two months ago, put an end to our capacity essentially to do that, which is a blow.

COMPTROLLER FRANCHOT: How did they do that? What is the --

TREASURER KOPP: They just did it. They said you can't do it anymore. There now is a bipartisan effort to change that and reinstate the capacity. And we'll of course be working together to see that done. It's like, it's like refinancing your house, the ability to take advantage and why --

GOVERNOR HOGAN: It doesn't make any sense whatsoever.

TREASURER KOPP: You know?

GOVERNOR HOGAN: Well we'll go down in a bipartisan way.

COMPTROLLER FRANCHOT: How was the Smith Island Cake?

TREASURER KOPP: It was really good.

(Laughter.)

GOVERNOR HOGAN: Boy, I wish I had tried that.

TREASURER KOPP: We'll send you a piece next time. All the folks in my area liked it. And I'm sure yours did, too, and DGS.

GOVERNOR HOGAN: I'm going to get to the bottom of where our cake went.

(Laughter.)

TREASURER KOPP: Well --

GOVERNOR HOGAN: Maybe Secretary Churchill knows that it went down to some of the guys that were working hard. But --

MR. LUND: All right. So we got all seven of those bids. It looks like -- wow, they are very tight. Citi right now is the low bidder. We'll have to go in and verify that.

GOVERNOR HOGAN: Wow.

MR. LUND: They look good. We've got \$70 million in premium at a 2.83 TIC, which is right around what we were expecting. So this is the good news. Let's go verify it and we'll --

SECRETARY MCDONALD: You like that bid screen? You can leave the bid screen up --

MR. LUND: Sure.

TREASURER KOPP: I move that the Board adopt the resolutions before us today concerning the State and Local Facilities Loan of 2018 First Series. In particular, I move that the Board ratify and approve the preliminary official statement dated February 28, 2018, that's the statement on the basis of which people made the bids, the summary notices of sale for the 2018 First Series A and B Bonds published in the *Bond Buyer* on February 23, 2018 and the resolutions adopted by the Board on February 21, 2018 with respect to the bonds. I would ask for a second and a vote on these motions.

GOVERNOR HOGAN: Thank you. Is there a second?

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All those in favor? Aye.

TREASURER KOPP: Aye.

COMPTROLLER FRANCHOT: Aye.

TREASURER KOPP: Unanimous.

GOVERNOR HOGAN: It appears the ayes have it.

TREASURER KOPP: Secondly, I move that Citigroup Global Markets, Inc. be declared the successful bidder for the First Series A Tax Exempt Bonds in the aggregate principal amount of \$475 million, subject to resizing as provided in the official notice of sale, with a net premium of \$69,973,234.25. I'm always intrigued by that.

(Laughter.)

TREASURER KOPP: And a true interest cost of 2.825789 percent. And I further move that the First 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 would ask for a second and a vote on a Second Series A motions.

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All those in favor? Aye.

COMPTROLLER FRANCHOT: Aye.

TREASURER KOPP: Aye. Thirdly, I move that Wells Fargo Bank N.A. be declared the successful bidder for the First Series B Taxable Bonds in the aggregate principal amount of \$50 million, subject to resizing as provided in the official notice of sale with a true interest cost of 2.575999 percent, and further move that the First Series B Bonds, the taxable bonds, be issued in the resized amounts and in the maturities and at the interest rates set forth in the successful bid for the bonds, and would ask for a second and a vote on the Second Series B motions.

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All those in favor? Aye.

COMPTROLLER FRANCHOT: Aye.

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

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All those in favor, say aye.

COMPTROLLER FRANCHOT: Aye.

TREASURER KOPP: Aye.

GOVERNOR HOGAN: Aye.

TREASURER KOPP: Thank you, and congratulations, Governor.

GOVERNOR HOGAN: Congratulations to the Treasurer and her team.

(Applause.)

GOVERNOR HOGAN: That concludes our very successful one hour and five minute meeting.

(Whereupon, at 11:05 a.m., the meeting was concluded.)