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*STATE OF MARYLAND*  
**BOARD OF PUBLIC WORKS**  
*GOVERNOR'S RECEPTION ROOM, SECOND FLOOR, STATE HOUSE*  
*ANNAPOLIS, MARYLAND*

**February 18, 2015**  
**10:00 a.m.**

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# **PRESENT**

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

Governor

**HONORABLE NANCY KOPP**

Treasurer

**HONORABLE PETER FRANCHOT**

Comptroller

**SHEILA C. MCDONALD**

Secretary, Board of Public Works

**C. GAIL BASSETTE**

Secretary, Department of General Services

**DAVID BRINKLEY**

Secretary, Department of Budget and Management

**PETER RAHN**

Secretary, Department of Transportation

**EMILY WILSON**

Director, Land Acquisition & Planning, Department of Natural Resources

**JIMMY RHEE**

Special Secretary, Governor's Office of Minority Affairs

**MARY JO CHILDS**

Procurement Advisor, Board of Public Works

**MISSY HODGES**

Recording Secretary, Board of Public Works

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# PROCEEDINGS

GOVERNOR HOGAN: Good morning, ladies and gentlemen.

AUDIENCE: Good morning.

GOVERNOR HOGAN: Thank you for being here this morning.

We're continuing our tradition. It's now two meetings in a row that we have started exactly on time. It's now ten o'clock. I know that's, everybody is starting to get the message, they are showing up on time. Mr. Secretary, thank you for --

(Laughter.)

GOVERNOR HOGAN: We were going to lock the door at ten o'clock but we decided we didn't need to do that.

I'd like to start by just thanking Treasurer Kopp and Comptroller Franchot for getting me up to speed at my very first meeting last time. I had the training wheels on but they made it really easy. And I want to thank them for their cooperation. I thought we had a great first Board of Public Works meeting a couple of weeks ago. And we got good reviews, I think, from it. All of us I believe sent a message that we're concerned about being fiscally responsible. We're concerned about improving procurement and making wise decisions. So I want thank them for that.

I also want to just close the loop on an issue that we raised at the last meeting that kind of came out of our discussions. And that was in the discussions about maintenance in schools we, we realized that we were several

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years behind in the reports on maintenance. And Dr. Lever said that it was a staffing problem, that with one additional staff person they could actually move forward and try to get these reports in on time, which seemed to me like a wise investment of money that would be dealing with all these hundreds of millions of dollars in school construction and not know we're several years behind on these reports.

So immediately following that Board meeting we put some pretty serious pressure on the Secretary of Budget and Management. We immediately got the problem resolved and created a PIN. And I'm pleased to report that it was just modest additional funding that was required for a program manager to help improve the reports on school maintenance. And I believe that this will help us get caught up. So at some point in the near future maybe we can have Dr. Lever come back in and report to us on the new progress that they have made with the additional staff person.

At this point I'd like to turn the floor over to my colleagues for any opening remarks. Treasurer Kopp?

TREASURER KOPP: Governor, thank you. I, it's a pleasure to be here on what looks out the window to be a beautiful, a beautiful day. I, I wouldn't want this week to go by without reporting to the people who were not there, and I know, I know you were there, the, the great event Monday night, the unveiling of --

GOVERNOR HOGAN: Terrific.

TREASURER KOPP: -- Washington's letter of resignation, the real one, which is now downstairs in the rotunda of this State House, with his hand markings on it, marking the event that many people believe, I believe actually was the true founding of the United States. Because it was the time when it was made quite clear that the man who many wanted to become King after he led to the victory in the Revolutionary War essentially said, no, I am resigning my commission to the, to the legislature of, of this nation and I look forward to going back to Mount Vernon. He went back to Mount Vernon quite briefly and then came back, chaired the Constitutional Convention, and went on to being our first President. But it was really when he rode in here, victorious from the War, and resigned a military commission that it established the precedent of civilian rule over the military and, and the coming together of, at least temporarily, of, of all, all of the states. And it was just a wonderful night. And there was a terrific professor from the University of Virginia, next time we'll get someone from the University of Maryland --

(Laughter.)

TREASURER KOPP: -- who, and I just want to, to thank, thank you, Governor, and through you all the, all the folks, Archivist Ed Papenfuse, with whom the Comptroller and I have worked closely for years. It was a great

occasion. And we look forward to the next great occasion, which will be the reopening and rededication of the Senate, Old Senate Chamber downstairs.

GOVERNOR HOGAN: I'm looking forward to that.

TREASURER KOPP: Yes. So, I mean, that was the major event in, in my life in the last, the last week. Thank you. Thank you, Governor.

GOVERNOR HOGAN: Well, thank you. If you don't, if you haven't seen it already, please, on your way out, when you go downstairs on the --

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: -- go to the rotunda and look at the, look at the display. It's fantastic, wonderful. And we're getting very close. We're pushing like heck to get the Old Senate Chambers open and that's going to be a wonderful occasion, too. Comptroller Franchot?

COMPTROLLER FRANCHOT: Thank you, Governor. And the Treasurer forgot to mention that she got a very prestigious award from her alma mater --

TREASURER KOPP: Well, that too. That was pretty cool. Yes.

COMPTROLLER FRANCHOT: -- Wellesley College.

GOVERNOR HOGAN: Congratulations.

TREASURER KOPP: Thank you.

COMPTROLLER FRANCHOT: And, and I just want to salute her and --



TREASURER KOPP: Thank you.

COMPTROLLER FRANCHOT: -- give her a round of applause because --

(Applause.)

TREASURER KOPP: Could I just say for those of you who are approaching my age perhaps, or even significantly less, if you haven't had the occasion to go back on a college campus recently and talk to the students and talk to them about public affairs and about community, it is the most invigorating experience one, one could have. And I was, I was truly blessed with not only receiving the honor but having the opportunity to, to meet today's students. It was great fun. Thank you.

COMPTROLLER FRANCHOT: In order to get nice things that were printed about Treasurer Kopp in the article that I read, I'd basically have to write them myself if I were writing nice things about myself, because they were so praiseworthy and so on point.

TREASURER KOPP: Oh Peter, thank you. I'm embarrassed.

COMPTROLLER FRANCHOT: And it, I think at some point we should distribute the testimonial along with the news of the award. But well-deserved.

TREASURER KOPP: Thank you.

GOVERNOR HOGAN: You wouldn't have to write them yourself.

TREASURER KOPP: Yes.

GOVERNOR HOGAN: I said some great things about you this morning.

COMPTROLLER FRANCHOT: Yeah.

(Laughter.)

COMPTROLLER FRANCHOT: Well thank you, Governor, for that. And actually I'd like to commend you and Secretary Rahn for the way that you have both dealt with the bad weather that we've had, and the snow. It obviously takes a lot of hard work. And snowstorms are traditionally events that sometimes new governors stumble on so I'm really glad to see everything work out very smoothly.

GOVERNOR HOGAN: Well, thank you very much. We had 2,700 pieces of equipment and we cleared 17,000 road miles. And universally people were very happy the next morning that at least on the State highways they were able to get out and get around. So thank you.

COMPTROLLER FRANCHOT: I think I hear Boston on the other end of the line.

(Laughter.)

COMPTROLLER FRANCHOT: But congratulations to both you, and the Secretary, and everyone that worked with you. And I hope all of us will continue to stay warm. Obviously the weather is going to continue to be a challenge.

Last week and this last weekend we did a wonderful thing for the economy as we had our annual Shop Maryland Energy Tax-Free Weekend where the six percent sales tax was not applied to relatively expensive items like furnaces and, and refrigerators and, and other costly appliances that are deemed energy efficient. And that weekend combined with utility rebates and with manufacturer discounts, people purchasing these big ticket items that are energy efficient saved literally, you could save more than a thousand dollars very quickly. And I visited businesses in Cambridge, Hagerstown, Annapolis, and Pikesville to emphasize how important the weekend was and to highlight some great community businesses. Obviously the fact that these appliances are energy efficient are good for the environment but it also gives those consumers savings over the life of the appliance because you are using a lot less energy. It also provides a very welcome shot in the arm for small businesses that are still working to recover from hard times. It was an honor and a privilege frankly to promote that tax-free weekend and I visited some fantastic multi-generational family-owned businesses like R. Brooks & Son in Cambridge, Cummins Appliance in Pikesville, and Spichers Appliances in Hagerstown.

And on a different subject we're also announcing that we're accepting nominations for the 2015 William Donald Schaefer Helping People Award in the name of our storied predecessor, yours and mine, Governor, and in honor of his immense legacy of public service; we will once again be honoring individuals or organizations in each of Maryland's 24 jurisdictions who share that same commitment to helping others. So Governor or Madam Treasurer, if either of you have any nominations you'd like to pass along of people that are, fall into this category, please pass them along. And I urge everyone out there to send in nominations of people who in the spirit of the great William Donald Schaefer really, really want to help people. Do it now, but help people. These people or organizations, they can be not for profits, who are truly dedicated to our community typically help so many without ever receiving the recognition that they deserve. And I can, I hope we can all come together and give a little thanks to those who regularly put others before themselves.

And Governor, if I could just congratulate you on the maintenance, resolution of that maintenance issue. Because last week I toured Dulaney High School in Timonium at the invitation of parents of kids in that high school. And I had Wade Kach, who is the Councilmember in that District, Vicki Almond with me, and County Executive Kevin Kamenetz. And we walked through a high school that was pretty shocking. Walked into a science classroom, opened a drawer, there were thousands of termites crawling all over the kids' goggles.

None of the cabinets, they were all deteriorated. The water was brown when you opened the faucet. There had been four burst pipes in the last six months, basically rendering the student auditorium unusable to a great extent. The water filled up the orchestra pit. The art room looked like something out of a Middle East war, there were so many holes in the walls. The student newspaper was there, they said that day they had measured the temperature in one room and it was 88 and in another room it was 48.

So the County Executive described it as decrepit but it was, this school maintenance issue that you talked about, talk about in this report which is so important, just reminded me of how important it is for all of us to take care of what we have. And it's no excuse to say, gee, we, you didn't give us enough money. I mean, this is just basic leadership, to get in and keep these facilities at a minimum level. A lot of the windows were Plexiglas, obviously not very energy efficient in this kind of weather.

So hopefully that school, which is not on the, in the pipeline to have a renovation, will get put on the school construction renovation. And I hope, hopefully in the interim, as in yesterday, there is going to be a team of people from Baltimore County up there fixing what can be fixed now. Because it's unacceptable to the faculty and teachers.

So thank you for being a breath of fresh air as far as realizing that without maintenance preservation we're never going to be able to afford the new

construction which is so important. But we've got to learn how to take care of what we have. Thank you. I didn't mean to, you brought it up, so thank you.

GOVERNOR HOGAN: That's okay. Hey, you can keep going if you want. It sounded great.

COMPTROLLER FRANCHOT: Yeah, take, take care of what we have.

GOVERNOR HOGAN: Thank you, Mr. Comptroller. Madam Treasurer?

TREASURER KOPP: Can I just? Yeah. I don't want to, I don't want to just keep beating on the same horse. But just your, between your mentioning, Governor, Comptroller, Mayor Schaefer, and his proposal to set aside part of the funding for maintenance. I don't know if that's the answer. But maybe working with the Legislature you can figure out a way. Because it's the locals that do the maintenance. The question is how we build in something to see that the taxpayers' money is spent as, as well, that the investment is maintained. And I can't help but believe, we, I've gone to the schools, we've seen anecdotal evidence, there's no question. It's got to be something in the system that, that lets this happen. That doesn't reward the people who would make it work differently. And I really think it calls for some sort of greater, in depth look at the whole system. And it looks like this is the time. Comptroller, you've got --

COMPTROLLER FRANCHOT: I kind of like the Hogan system. Which is while we're waiting, and I appreciate, I think the Treasurer hits on some good points. But there's nothing that stops us in leadership positions from getting the job done now.

TREASURER KOPP: Absolutely.

COMPTROLLER FRANCHOT: And boy, that was a real, go up and take a tour of that if you ever want to see what we need. And obviously it's not unique. I don't, I haven't gotten around to all the other schools. But that, Governor Hogan, is just a matter of you taking the values that you have and have articulated and saying to everybody, look, we have to step up. And I'm happy to be a constructive partner to you in that effort. Because as I said, we're going to be asked to do a lot of new investments. But those systems that don't take care of what they have need to change their way.

GOVERNOR HOGAN: Well, thank you both for the comments. It, those of you who are here and wondering what in the heck we're talking about --

(Laughter.)

GOVERNOR HOGAN: -- at the last meeting maintenance of schools was a major issue and topic. And one of the major, the first step was finding out what the problem is. And we're like three years behind on doing the reports of maintenance of schools across the State. And, and I asked how could

we possibly solve this problem? And they said well first of all we just need more help, and just one person to focus on. So we hired a person. We've now, we've now gotten that taken care of in a week or so. But that's just the first step. I, I like the idea of pursuing what can we do to spend our money more wisely, make these schools last longer. There were some great stories about school systems that are doing a wonderful job.

TREASURER KOPP: Right.

GOVERNOR HOGAN: And there are others that aren't doing so well. And we want to make sure we're rewarding those who are and seeing if we can't correct the problems on the ones who aren't.

TREASURER KOPP: Well, and while the leaders are always very important, absolutely essential, can't be done without it, you've also got to get a system in place, an institutions process in place so that it lives beyond --

GOVERNOR HOGAN: Yeah.

TREASURER KOPP: -- or even without the greatest leaders.

GOVERNOR HOGAN: Well we sure do find agreement here on the Board of Public Works.

(Laughter.)

COMPTROLLER FRANCHOT: Yep.



GOVERNOR HOGAN: With that, and if there are no other questions, I think Madam Secretary we are ready to turn it over to you with the Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor.

GOVERNOR HOGAN: Good morning.

SECRETARY MCDONALD: Madam Treasurer, Mr. Comptroller. We have 21 items on the Secretary's Agenda this morning. We have two reports of emergency procurements and we're prepared for any questions you may have.

GOVERNOR HOGAN: Madam Secretary, why don't we start, if you don't mind, with Item 18?

SECRETARY MCDONALD: Item 18? I think Mr. Mack and Ms. Raines are here.

GOVERNOR HOGAN: The African Heritage Grants. I think it's an incredible program that I think we'd like to hear more about this morning, if you --

SECRETARY MCDONALD: And here's, Anne Raines is here and Mr. Theodore Mack, and they can introduce themselves for the record and tell you about these two projects.

MS. RAINES: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

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MS. RAINES: -- Comptroller, Madam Treasurer, and Board. I'm Anne Raines. I'm the Capital Grants and Loans Administrator at the Maryland Historical Trust in the Maryland Department of Planning. Our partners in the African American Heritage Grant Program are the Maryland Commission on African American History and Culture and the Chairman Mr. Ted Mack is here with me today. And I'd like to thank you for including in the fiscal year 2016 budget again the million dollars to fund some capital projects related to African American heritage. And here today are representatives from two projects that received funding in fiscal year 2015. And I'll introduce to you representing the project for Prince Hall in Baltimore City we have Emanuel Stanley, Deputy Grand Master of Prince Hall; and Randolph S. Smith, Sr., District Deputy Grand Master.

GOVERNOR HOGAN: Thank you.

MR. STANLEY: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. STANLEY: -- Madam Treasurer, Mr. Comptroller. As she stated, I am Emanuel Stanley, the Deputy Grand Master of Prince Hall of Masons, for the State of Maryland. We are an organization that has operated in the State of Maryland since 1825. Our primary goal is to help, aid, and assist those who are underprivileged. Throughout our time in the State of Maryland we have had the opportunity to feed the homeless, feed senior citizens, to give toys and gifts to

children during the holiday season. And most recently we have launched a program which enables us to identify children who may run away or be kidnapped through our child identification program which has been endorsed by the F.B.I. as well as the majority of the law enforcement agencies in the State of Maryland. And we're most proud of that.

Our edifice for our State headquarters is located in Baltimore City on Eutaw Place. I believe that the Comptroller has recently been there. It is, it was formerly a Jewish Synagogue. We purchased it in 1960. If you have the opportunity I invite you to come out and look at it. It is a magnificent facility, but it is in need of repair. And so last year we were awarded the grant for \$95,000 for some major upgrades and repairs to our HVAC system to make our building more energy efficient. And I will pause at this moment and defer to my colleague here, Randolph Smith, as he is the one that's leading our project for that upgrade.

GOVERNOR HOGAN: Thank you.

MR. SMITH: Good morning, Governor.

GOVERNOR HOGAN: Good morning.

MR. SMITH: The projects that we are currently working on right now is upgrading some of our lighting and our electrical infrastructure at the Grand Lodge as well as converting the boiler. Right now we are in the midst of converting our boiler from oil to natural gas that will make it more energy efficient and burn more cleaner. There is a number of other projects that we are

working on that will allow us to bring in some of the neighborhood youth as far as our gymnasium. We are working on the floor so we can bring them in to, you know, play basketball and things of that nature. And also on our first level we are changing the showers. We're converting our shower system so in the wintertime we'll be able to bring in the homeless so they can come in and take showers, things of that nature, and have a hot meal. So those are some of the projects that we are currently working on right now in trying to renovate the building and try to bring it up to code and also energy efficiency. And right now I'm going to turn it back over to the Deputy and we'll finish up.

GOVERNOR HOGAN: Thank you.

MR. STANLEY: Thank you, again. I understand that this Board has a limited amount of time so we do thank you for this opportunity to come before you and again we do extend the offer to you to come out to take a look at our building. We do have thousands of visitors that come every year to take a look at it. I mean, the architecture is absolutely magnificent and we would like to preserve that.

TREASURER KOPP: We'll be there.

GOVERNOR HOGAN: Thank you very much for the work that you're doing.

MR. STANLEY: Thank you.

GOVERNOR HOGAN: Thanks for sharing with us this morning and I'd love to get there sometime, maybe I can come and visit, thank you.

MR. STANLEY: Thank you. We will extend a personal invitation to you.

GOVERNOR HOGAN: Thank you very much.

MS. RAINES: Thank you. And I believe Bridgett Jones-Smith should be here from Friends of Tolson's Chapel. And in the event that she is not I will tell you --

(Laughter.)

MS. RAINES: I have not met her before, so I wasn't sure. Tolson's Chapel is a wonderful African American Chapel in Sharpsburg near the Battlefield at Antietam and was also an early school for freed slaves. That's a wonderful project that has received funding both for the Chapel and for the cemetery.

And also on the slate today is Jane's Church in Chestertown, which is the most significant African American structure in the National Historic Landmark District in Chestertown. So this is a wonderful project, restoring a church that was actually built out of handmade bricks by the African American congregation. And so with that I think Ted Mack, the Chairman, would like to make a few comments.

MR. MACK: No comments. I'd just like to thank all of you for the support that we received on this project for the last five years. It has created quite a storm in the community, a positive storm, which, which we would love to continue. So thank you very much.

GOVERNOR HOGAN: Thank you very much. Thank you so much for being here this morning.

TREASURER KOPP: And Governor, Mr. Mack has been a great leader. We were talking about leaders? A great leader in, in this endeavor. And I just think to restore all of Maryland's heritage, and, and to make all Marylanders, and future Marylanders who come here and don't really know our history and our background, I mean, that's what's really most critical, I think, to make people into Marylanders. And this is part of the important story.

MR. MACK: Yeah, we, we are shooting hard for One Maryland. We are trying to seamlessly interweave the, into the fabric of Maryland's history, all history.

GOVERNOR HOGAN: Well, thank you. How about a big round of applause for them? How about all the work --

(Applause.)

GOVERNOR HOGAN: I just have one question I'd like to cover before we ask the others for some input and comment. There's one, it's on the Procurement Agency Activity Report.

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SECRETARY MCDONALD: Okay, that is Item 4. And we have those reports from the Department of Budget and Management? Is that the one you wanted to ask about?

GOVERNOR HOGAN: Yes. So as I understand it there's a \$90,000 contract --

TREASURER KOPP: Yes.

GOVERNOR HOGAN: -- for an executive search firm --

TREASURER KOPP: Yes.

GOVERNOR HOGAN: -- to recruit one person --

TREASURER KOPP: Yes.

GOVERNOR HOGAN: -- in a new CIO position for the State Retirement System?

TREASURER KOPP: Yes.

GOVERNOR HOGAN: Now I'm a guy who just put together 24 cabinet members and did national searches --

TREASURER KOPP: Yes.

GOVERNOR HOGAN: -- and brought several hundred people into State government and we didn't spend one penny. And I'm wondering how we could spend \$90,000 to recruit one person? I just wanted to have somebody explain that to me.

TREASURER KOPP: Right. Good question, Governor. And, and on behalf of the Chair and the Vice Chair of the Pension System --

GOVERNOR HOGAN: That's what I, I figured one of you could explain.

TREASURER KOPP: -- we're going to ask the CEO of the Pension System --

GOVERNOR HOGAN: Right.

TREASURER KOPP: -- Mr. Dean Kenderdine to --

GOVERNOR HOGAN: Right. Yes, thank you very much.

MR. KENDERDINE: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. KENDERDINE: -- Madam Treasurer, Mr. Comptroller. Dean Kenderdine, Executive Director of the Maryland State Retirement Agency and Secretary to the Board of Trustees, as the Treasurer just indicated, led by the Treasurer as Chairman and the Comptroller as Vice Chairman. We are engaged in a search, the Board is engaged in a search, for a Chief Investment Officer. This is a position that is appointed by the Board of Trustees, as is mine. The Board, back some years ago when we lost a Chief Investment Officer to the private sector, decided at that time that it needed the assistance of a professional search firm in order to conduct these searches. And we have since used two firms in the past and we're now procuring one to conduct this current, or they are presently



conducting this search. It is a contract that was competitively bid and it is a fee structure that is typical of this industry. The, the fees are based upon a percentage of the final salary that is agreed upon between the Board of Trustees and the new Chief Investment Officer with the range being, again the range being established by statute. The, the Board has the authority to set the compensation for the CIO and the Board has set a range of \$200,000 to \$300,000 as being, being the base salary. So the contract that we presently have was bid at 30 percent of, of that final salary when it is determined. It was the lowest bid by the highest ranked bidder so the Board was very pleased that it got the firm that it was most confident in and their, their fee was the lowest of, of the, of the four firms that were interviewed. This is, as I said, typical of, of the industry. And the way it works is we are paying one-third of their fee at the point in time they establish a final list of eligible candidates. The second part of their fee, once we are engaged in interviews with finalists for the, or semifinalists for the position. And then the final, which is then that final one-third, is calculated on the basis of what is the salary set between the, the Board of Trustees and, and the individual who is ultimately hired. So that is the terms of this particular contract and it is typical of all contracts in this, in this business. I will say that there are --

GOVERNOR HOGAN: But certainly not typical to pay \$90,000 to recruit one person into State government.

TREASURER KOPP: Governor --

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MR. KENDERDINE: Well, in terms of State government I would, I would agree.

GOVERNOR HOGAN: That's what we're dealing with here.

MR. KENDERDINE: But this is, this is the Board of Trustees overseeing a \$45 billion investment program which is highly complex and requires a high degree of skill. And I'll let the, the Treasurer as Chairman of the Board speak to the necessity of approaching it in this fashion. But we believe that this fee will lead to an individual who has the skills necessary to oversee an enterprise of that, of that magnitude over the long haul.

GOVERNOR HOGAN: Where are we in the process?

MR. KENDERDINE: We are presently at, this coming Friday, as a matter of fact, the search committee will be having a meeting with the search firm at which time the full list of I believe it's 14 finalists, or people that the firm is bringing forward as highly qualified candidates for this position.

GOVERNOR HOGAN: Okay, thank you.

TREASURER KOPP: Governor, let me just say for, for the edification of people there who don't know, the Chief Investment Officer is for the State Employees and Retirement System which is now, you're right, a \$45 billion fund to which the employees, teachers, and their employers, who are the, the State and local governments, all, all contribute. The, the CIO is the person who is charge of the investments, the manager, the hiring, the termination of

managers. The Board sets the allocation, how much goes into, what proportion goes into, into what different types of, of, of, of investments, like equities or fixed income or real estate. But it's the CIO who under law is charged with the entire execution of it and is held accountable and in fact there is a small bonus component of his or her salary which is contingent essentially on whether, on how they perform numerically, meaning statistically you look at how they perform compared to, to their benchmark. And so we are out, because we are one of the larger, we're not California, and we're not New York, but we're one of the larger public pension funds. And of course the livelihood of a couple of hundred thousand Marylanders depends on, on the reformed system which is the one that they are now working under.

We have to compete nationally for the right person. Unfortunately we thought we had the right person and the federal government took her to become the chief public pension advisor in a newly created Office of State and Local Finance in the U.S. Department of Treasury so we're back looking for, for a successor. But I would argue that this is, this is one in which you really want to compete nationally. Unfortunately in order to do that you've got to look at what other funds, public and private but particularly the large public funds, are paying. We try to aim at the, at the median. And, and, as I say, the, the livelihoods of hundreds of thousands depend, depend on that. We've been fortunate thus far but

I really do believe that in this case an investment in a good search process we hope will produce the right person who, who, who is going to lead us.

It, the last time, the time before last it was very difficult to find, to find someone. And we're hoping it will work out. But we should know, Governor, we, we should know by the time the legislative session is adjourned who the next CIO is --

GOVERNOR HOGAN: Okay.

TREASURER KOPP: -- and go forward. Yes, it is a lot of money. But there's a lot of money --

MR. KENDERDINE: At stake.

TREASURER KOPP: -- at risk too, I think.

GOVERNOR HOGAN: Thank you.

MR. KENDERDINE: Thank you.

COMPTROLLER FRANCHOT: That was such an easy issue I didn't really even want to speak to it. But if I could welcome the Budget Secretary to the Board of Trustees of the Pension System.

GOVERNOR HOGAN: It didn't cost us \$90,000 to get him.

COMPTROLLER FRANCHOT: No we didn't have to --

TREASURER KOPP: No --

COMPTROLLER FRANCHOT: -- we didn't have to do that.

MR. BRINKLEY: Nope.

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COMPTROLLER FRANCHOT: But I want to thank Mr. Kenderdine and the Treasurer because this is a very difficult Board of Trustees and a very wonderful agency. Difficult in the sense that there are a lot of competing interests. Last year the Treasurer and I came down to the Legislature and raised concerns about raiding the pension contribution for the General Fund. And to her credit, the Treasurer, well, it wasn't a pleasant exercise, put it that way. Because some of the legislators took great umbrage at us coming down and sticking up for the integrity of the pension system. But the problem over the years has been a well intentioned on the Legislature's part but chronic annual dipping into the pension contribution and underfunding what we need to, you know, is our obligation to our public employees. So Governor, to any extent that you can protect the pension contribution that you put in the budget, I would consider that, dipping into that contribution for the General Fund this year as just, well, something that would be very disappointing. And on this CIO search, if we get a bad CIO, it is a huge negative for our beneficiaries and frankly for the taxpayers who would have to fill up the thing, the difference. So this, what the Treasurer said about this money being well spent because we need a national search. And but thank you for commenting on it. And --

GOVERNOR HOGAN: Well, I agree that we need the best we can find in the country and I hope that it's money well spent and we find the best one we can.

TREASURER KOPP: Governor, could --

GOVERNOR HOGAN: We did a national search to find our Transportation, our Secretary of Transportation but it didn't cost us anything. He's the best one in the country we could find.

TREASURER KOPP: You got great people, we can vouch for them.

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: Many of them are our colleagues. I, I want to thank the, the Comptroller for his remarks. I just would like to say there are different ways of interpreting things. I believe in fact that under the law, the pension system, the Governor and the Legislature have not underfunded the system, they have always funded what the, what the law required. We have made a change in the law last year to get out of what was called the corridor funding and back on normal actuarial funding and that will be a very good thing. As soon as we can do that I, it, it makes everything running much more smoothly. But I wouldn't want to leave the State employees here, or, or the taxpayers, thinking that this is a state like some others where the Governor or the Legislature just dip in and take money out of the, out of the pension trust. That has, that has not happened. We have been frustrated because, because we were not funded on an actuarial basis as opposed to the, to the corridor funding, the, the Comptroller is absolutely right. But I think for people to say that we were purposefully

underfunded was, was, is a, is a misunderstanding. We are now recovering from the worst recession since the Great Depression of the 1930s. We have recovered. We're now \$45 billion, which is significantly higher than we ever have been before. And with a good new CIO leading the investment I hope that we will continue to, to do well.

GOVERNOR HOGAN: Thank you.

MR. KENDERDINE: Thank you.

COMPTROLLER FRANCHOT: I repeat myself, that that pension contribution in the Governor's budget needs to remain there. And --

TREASURER KOPP: Yes.

COMPTROLLER FRANCHOT: -- I was very specific about pension contribution. I'm not implying that we're like Illinois or anything. But I am stating very emphatically that if we have in fact a new approach to doing business in the State of Maryland that pension contribution as it sits right now needs to remain intact. And we'll just wait and see. Those of you who are observing can in a month from now come and give me a call and let me know what happened to that. But that is the bellwether on whether or not we're adequately funding the pension fund.

GOVERNOR HOGAN: Thank you very much.

MR. KENDERDINE: Thank you.

GOVERNOR HOGAN: I'd like to move on to a question I have about Item 11, if I could?

SECRETARY MCDONALD: Item 11 is the Department of Public Safety for the construction inspection services. And I --

GOVERNOR HOGAN: Yes. The --

SECRETARY MCDONALD: -- well I have a new, oh yes, is Mr. Lazerow here? Public Safety?

GOVERNOR HOGAN: Hm.

SECRETARY MCDONALD: Is this Mr. Korpe? Yeah, but you're from Potowmac Engineers, correct? Yes. The, the recommended awardee, the recommended contractor is here, Potowmac Engineers. But I'm not seeing the agency, who should be here to present the item.

GOVERNOR HOGAN: I guess my only question is it was a single bid inspection contract.

SECRETARY MCDONALD: Right. The procurement advisor may be, Ms. Childs, I mean, she talks with Public Safety about their contracts. She might be able to just generally answer a question on this.

GOVERNOR HOGAN: Yeah. It's just a question, it's a single bid contract for \$754,000, my question is why were there no other bidders?

MS. CHILDS: Yes, Governor. I, thank you for the question. I had similar concerns because construction inspection is not necessarily a unique



scope of work that wouldn't draw a lot of interest. And I did reach out to the Department of Public Safety and, and they assured me that they did as much outreach as possible, direct outreach to different firms. And because of the nature of the work there wasn't a lot of interest, the limited scope. So I as the Procurement Advisor was satisfied that they did, they followed best practices in outreach in reaching as much competition as they could. In this particular case there just wasn't a lot of corporate interest in, on this project.

GOVERNOR HOGAN: Okay. Thank you.

COMPTROLLER FRANCHOT: Could I, could I ask, Governor, such a refreshing concept to have the Governor actually read and ask questions about a contract. This --

GOVERNOR HOGAN: I had homework last night.

COMPTROLLER FRANCHOT: Well, good.

(Laughter.)

COMPTROLLER FRANCHOT: My book is still a little bigger than yours, but that's okay.

(Laughter.)

COMPTROLLER FRANCHOT: But yeah, this caught my eye also. And, easy, but yeah, this is exactly what I talked about and the Governor has mentioned also, the single bid contracts. And is it true there is nobody from Corrections or from the company here?

SECRETARY MCDONALD: We're looking outside now. Right, the contractor is here but --

COMPTROLLER FRANCHOT: The contractor, is the company here?

SECRETARY MCDONALD: Well the contractor who bid.

COMPTROLLER FRANCHOT: Oh.

GOVERNOR HOGAN: He can't really speak as to why nobody else bid on it.

SECRETARY MCDONALD: But he's going to tell you he's got a great company and a great single bid, I'm sure.

GOVERNOR HOGAN: Yeah, and it's not a question of you or your company.

SECRETARY MCDONALD: And he has, and he has had contracts with the State of Maryland. But there is nobody from -- would you like to hear from the contractor from Capitol Heights --

GOVERNOR HOGAN: Sure, absolutely.

SECRETARY MCDONALD: -- in Prince George's? So, and I do know that Potowmac Engineers has been a contractor for the State of Maryland. Could you come to the microphone and introduce yourself, say your name for the record, please?

MR. KORPE: Honorable Governor, Honorable Comptroller and Treasurer, thank you for the opportunity. My name is Satish Korpe. I represent Potowmac Engineers. We have been in business in Prince George's County since the last 30 years. And we started --

GOVERNOR HOGAN: Where are you located?

MR. KORPE: Prince George's County, Capitol Heights, Maryland.

GOVERNOR HOGAN: Oh, I grew up in Capitol Heights in Prince George's County, so.

MR. KORPE: Indeed. I do remember seeing your father's name years ago.

GOVERNOR HOGAN: Yeah.

MR. KORPE: We have been in this business since 1984 and specialized in inspection of all the State construction work. We used to work for DGS before they split into different parts. And over a period of time we developed a specialty to respond to the public safety projects because they are so specific about security elements. Sometimes there is a design build project which requires extra surveillance, vigilance. And we have the consultants, we have the employees, we have developed their skills over a period of 25 years and we do it at a very good price. The State has allowed us to bid in the past. We have bid against three, four, five companies and we always had the best numbers. So I

believe even if there was a competition we would still be winning the bid at that price. With that, I'm open for any questions.

GOVERNOR HOGAN: Well, thank you very much --

COMPTROLLER FRANCHOT: Governor, I have no problem with this gentleman. Thank God you're in business, and you sound like you're very successful. But we have no way of knowing whether this is a good price, do we? Because there's no other bid?

MR. KORPE: Yeah, they reach out to the previous historical data and see how this price compares. And they advertised in the eMaryland Marketplace. They reached out to companies. We had a pre-bid meeting. I was there, there were a couple other companies. And for some reason they could not put an entire package together. That's my understanding.

COMPTROLLER FRANCHOT: Okay. Well that's, I have no problem with you whatsoever. And good luck on everything. I'm happy to put this off until Corrections can maybe muster someone over here to explain what is the problem with their bid process.

SECRETARY MCDONALD: Yeah, we've got them here. We will just withdraw this until the next Agenda.

GOVERNOR HOGAN: Yeah, I think that's the way to go. I mean, no offense to your or your company, and you may be the best one, but we need to have somebody from Corrections here to talk --

SECRETARY MCDONALD: And we will be back in two weeks.

We have a meeting in two weeks.

GOVERNOR HOGAN: Two weeks.

MR. KORPE: Thank you.

SECRETARY MCDONALD: We are in, because this is, we are in the Treasury Building for a Bond Sale in two weeks. So on our next meeting everybody go to the other building.

GOVERNOR HOGAN: Oh, that will be fun.

SECRETARY MCDONALD: But we'll be here in two weeks.

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: But I just, I hope you understand, I agree completely. You, you understand this has nothing to do with your company or your bid, but the department that, that put out the bid ought to be here to be able to explain it.

MR. KORPE: To my knowledge they reached out to several companies. And --

TREASURER KOPP: I'm sure they did.

MR. KORPE: -- it's a very specific type of requirement that not too many companies are eligible to do this type of work.

GOVERNOR HOGAN: Right.

MR. KORPE: That's what I understand.

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TREASURER KOPP: Yes.

GOVERNOR HOGAN: Very good. Thank you. Any other questions on the Secretary's Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Is there a second? Three-oh. I guess we move on to DNR. Any questions on the DNR Agenda?

COMPTROLLER FRANCHOT: Not for me.

GOVERNOR HOGAN: Questions, Madam Secretary?

TREASURER KOPP: Not for me. No, no, thank you.

COMPTROLLER FRANCHOT: Oh, I did have something. I'm sorry.

GOVERNOR HOGAN: DNR?

COMPTROLLER FRANCHOT: Yep.

MS. WILSON: Good morning, Governor, Mr. Comptroller, Madam Treasurer. Emily Wilson with the Maryland Department of Natural Resources.

GOVERNOR HOGAN: Good morning, Emily.

MS. WILSON: Good morning. We do have five items on our Agenda today, a nice variety of Program Open Space local projects and one very strategic Program Open Space Stateside acquisition which is an inholding within Patapsco Valley State Park. It includes trail development, playground upgrades,

things that may seem small but are huge impacts in those local communities. So thank you, and I'd be happy to try to answer any questions.

GOVERNOR HOGAN: I don't have any questions. Any, do you have questions?

COMPTROLLER FRANCHOT: No, I just wanted to thank Emily Wilson. And people know that I sometimes complain about bad contracts or bad processes. But what you do in your agency on this, some of these Agenda items that are before us, you're not only protecting precious, ecologically sensitive open space, which I'm fine with, but my far greater preference is the work you do to provide gathering places for families with young children and give them something of an amenity to, in playgrounds and other development issues that are funded with Program Open Space.

MS. WILSON: Yes, sir.

COMPTROLLER FRANCHOT: Thank you for doing that.

MS. WILSON: Absolutely, it's my pleasure.

COMPTROLLER FRANCHOT: And, yeah, no, this is, you know, there's too little of it in our society. And the fact that you are able to provide help to local jurisdictions is, well, I just wanted to give you a tip of the hat.

MS. WILSON: I really appreciate that. And as I said, you know, these may do, these may seem small comparatively speaking to some of the contracts that come before this Board but the impact in these local communities is

absolutely huge. And for, to have places for families to go and recreate and relax and reconnect with nature is extremely important. We hear that all the time. So we appreciate the opportunity to be able to bring these projects before you. Thank you.

GOVERNOR HOGAN: Thank you so much. Is there a motion on the DNR Agenda?

TREASURER KOPP: Move approval.

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All three-oh.

COMPTROLLER FRANCHOT: Yes.

MS. WILSON: Thank you.

GOVERNOR HOGAN: Move on to DBM.

MR. BRINKLEY: Governor, Madam Treasurer, Mr. Comptroller, DBM has ten items on the Agenda for your approval today. If you have any questions we'll be prepared to answer them.

GOVERNOR HOGAN: I don't have any questions on DBM. Anybody else?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-oh.

TREASURER KOPP: I had, I had one --

GOVERNOR HOGAN: Oh, not so fast.

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TREASURER KOPP: I'm sorry --

(Laughter.)

TREASURER KOPP: -- I just wanted to make sure I understand that the 3-S is the advertising contract?

MR. BRINKLEY: Yes, the *Baltimore Sun*?

TREASURER KOPP: My, my, my question is, because there's just a paragraph in here that raises my curiosity. We don't advertise only in the Baltimore metropolitan area, do we?

MS. TOMASZEWSKI: No, we don't. We --

SECRETARY MCDONALD: Could you please introduce yourself for the record?

MS. TOMASZEWSKI: Good morning. My name is Jamie Tomaszewski. I'm the Contract Manager for the *Baltimore Sun* contract at DBM. We, we allow the agencies to advertise wherever they would like for job placement advertising. We also have contracts for online postings as well. The purpose of the *Sun* contract is to get a group rating for all the agencies. What we found over the years for small agencies that maybe only place one ad --

TREASURER KOPP: Oh, I got that. I got that. That's great.

MS. TOMASZEWSKI: Yes.

TREASURER KOPP: I just wasn't sure from the way this was written, I mean there are many people who don't live in the Baltimore metropolitan area who would like to work for the State.

MS. TOMASZEWSKI: Correct. I mean, we advertise with the *Washington Post*, and the *Times* --

TREASURER KOPP: And the Shore and Western Maryland.

MS. TOMASZEWSKI: Absolutely. Absolutely. This is just to get that group rate for everybody that wants to use the *Sun*.

TREASURER KOPP: That's great. Thank you.

MS. TOMASZEWSKI: Mm-hmm.

COMPTROLLER FRANCHOT: Hey, I'm glad --

GOVERNOR HOGAN: We don't have any questions about our friends at the *Sun* getting a half a million dollar contract.

MS. TOMASZEWSKI: And that's just a not to exceed amount, so.

(Laughter.)

TREASURER KOPP: If that's what you want.

GOVERNOR HOGAN: Yeah.

COMPTROLLER FRANCHOT: Governor, I'm glad the Treasurer mentioned, stopped the train, because I do have a question about Item 1, Budget and Management.

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GOVERNOR HOGAN: Yeah. Yep.

MR. BRINKLEY: Okay. Is Paul here? Jamie?

MS. TOMASZEWSKI: Yes?

MR. BRINKLEY: Is Paul here? Question one, Item 1, DHMH?

MR. ALTHOFF: Good morning, Board of Directors. My name is Paul Althoff and I work at Springfield Hospital Center as the Contracts Director. This service provides routine and STAT tests, reporting of test results, pickup of laboratory specimens, and well as supplies.

We did receive two bids on this, on this solicitation. However, one bidder wanted to strike a number of items that is under standard contract language. We gave them three opportunities to rescind. They did not so we awarded it to a bidder that was \$40,000 higher than the lowest bidder.

We did reach out on eMaryland Marketplace to approximately 25 vendors. In addition we, we reached out, directly solicited to 21 additional vendors, 18 of which were in Maryland. One was a previous vendor who had provided services to the hospital approximately eight years ago, another one that attended the pre-bid, both decided not to bid on the, on the solicitation.

The bid that we did receive was about 21 percent less than the current contract amount. So even though we did only receive what ended up being one bid it was 21 percent less than what the current contract is.

TREASURER KOPP: What does that tell you about our present contract?

MR. ALTHOFF: Well, I think because I reached out to a number of folks that they realized there was going to be competition, that they reduced their bid this time.

GOVERNOR HOGAN: So we were paying too much?

MR. ALTHOFF: Well --

MR. BRINKLEY: Yes.

MR. ALTHOFF: -- yes.

GOVERNOR HOGAN: Yeah, I think we all agree that we need to find ways to make the bidding process more competitive. And we can't just get lackadaisical in the departments and just go back to the bidders, the contractors that we're familiar with, that people are comfortable with, maybe that they've dealt with for a while. And we've got to be looking out for the taxpayers in every instance and we need to encourage more bids on all of these.

MR. ALTHOFF: And, and I agree.

GOVERNOR HOGAN: And try to reach out to try to get more.

MR. ALTHOFF: And like I said, that under eMaryland Marketplace we, we went to 25 different vendors on eMaryland and directly solicited to an additional 25 vendors. Local hospitals, MedStar who came to the pre-bid, and then also a previous vendor that we had eight years ago. So I did

reach out to a number of different vendors in addition to what was put on eMaryland Marketplace. And again, 18 of, of those vendors were here in Maryland.

GOVERNOR HOGAN: Other questions, or questions on this topic?

COMPTROLLER FRANCHOT: Yeah, no, I agree with the Governor. And the, I'm not particularly upset with you or your agency, I'm just probably going to vote no on this. Because unless we start voting no and sending these contracts back we're going to end up with this situation that we've faced. It's not your fault, you're just in front of us. But, you know, every agency comes and says, hey, we really tried. Well, maybe there's something that we're not aware of, because we're not writing the procurement, that prevents folks from bidding on this. And so I'm, I'm, would very reluctantly vote no if they want to go ahead with this. But --

MR. ALTHOFF: But even though we did receive another bid they, the language that the other bidder wanted to strike dealt with COMAR regulations, HIPAA language --

TREASURER KOPP: He couldn't do it.

MR. ALTHOFF: -- subcontractors not, not having to follow what the contract language stated. And we just didn't, even though they bid and it was

\$40,000 less, we just didn't feel that we could award it to them. And we gave them three opportunities to rescind.

GOVERNOR HOGAN: Do you want to make a motion to separate this one out and --

COMPTROLLER FRANCHOT: Yeah, no, I'm, I'm going to, if you want to delay it, fine. I'm happy to delay it. But the question for me is what is the problem in some of these procurements?

TREASURER KOPP: Well --

COMPTROLLER FRANCHOT: It's not as if there's a weak, a boom economy where nobody, where nobody is available or wants to bid on a small item. So --

MR. ALTHOFF: But as, as I said the previous vendor who had the contract eight years ago was out of Virginia. They are a fairly small company. They just said they couldn't deliver on, on what the requirements were, especially for the STAT tests which we need to have returned to us within four to six hours. And then MedStar, they just were, their basic comment was saying they were too busy to, to bid at this, at this time. So again, I reached out to, directly solicited to 25 additional, I mean, 21 additional vendors, 18 of which were in Maryland. And --

GOVERNOR HOGAN: So do you think that the problem was in the way we wrote the, the bid, or that the people didn't want to bid on the way it

was, the way we were soliciting? Because if we went out to 25 people and nobody had any interest in doing it it seems as if maybe we were asking for something that nobody wanted to do.

TREASURER KOPP: Well --

GOVERNOR HOGAN: Could it be rewritten in a different way that we could get actual competition and have other bidders working on trying to come up with a better price?

MR. ALTHOFF: Well again, the service is basically for them to do STAT tests and regular routine tests and then reporting those results back to us, and also to pick up the specimens. So they have to pick up the specimens, take it to their lab, and if it's a STAT test they need to have the results back within four to six hours. So I'm not sure how else we would rewrite the solicitation.

TREASURER KOPP: I really do think, Governor, that it sounds like this is one of the cases where your agency has done what it can do.

GOVERNOR HOGAN: Yeah.

TREASURER KOPP: As I understand, just to make sure that I do understand this, that the bidder, the other bidder, took exception to provisions that are legally required --

MR. ALTHOFF: Correct.

TREASURER KOPP: -- in every contract that, that we have, right?

MR. ALTHOFF: You are correct.

TREASURER KOPP: So you couldn't have changed those provisions even if you had wanted to, I don't know if you would have wanted to.

MR. ALTHOFF: No.

TREASURER KOPP: But is that --

MR. ALTHOFF: That's, you are absolutely correct.

TREASURER KOPP: I must say, I think if, if all of the agencies had done what this agency seems to have done we would be, we would be far ahead. I don't --

MR. ALTHOFF: I have a list in my binder, if, if you wanted me to list all the vendors that I sent it to.

GOVERNOR HOGAN: Secretary Brinkley, do you have a comment?

MR. BRINKLEY: Governor, if you, if you do delay the contract, which there might be reasons to continue to do that, but you will still be under the old contract because the services still have to be delivered. So you would still be paying 20 percent more for whatever the period of time that the delay is.

GOVERNOR HOGAN: Twenty-one percent.

MR. BRINKLEY: Yes, 21 percent.

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GOVERNOR HOGAN: Maybe we separate this. Is there a move to separate this item out because you want to vote?

COMPTROLLER FRANCHOT: Sure.

GOVERNOR HOGAN: Why don't we, I'll move that we separate this item.

SECRETARY MCDONALD: Actually I, what you need to do, I think, is less efficient --

TREASURER KOPP: Yeah.

SECRETARY MCDONALD: -- is to move to approve Item 1-S separately --

GOVERNOR HOGAN: Yeah.

SECRETARY MCDONALD: -- if there is a motion to approve Item 1-S separately.

GOVERNOR HOGAN: That's fine.

TREASURER KOPP: Okay.

GOVERNOR HOGAN: That would be fine.

TREASURER KOPP: I would move just to, is that what you --

SECRETARY MCDONALD: Approve 1-S, yes.

TREASURER KOPP: -- move to approve 1-S separately.

SECRETARY MCDONALD: Right.

GOVERNOR HOGAN: I'll second it.

SECRETARY MCDONALD: Right. And then ask for the vote.

TREASURER KOPP: Well, could I have a vote --

COMPTROLLER FRANCHOT: I'm happy to vote now.

GOVERNOR HOGAN: It's two to one.

SECRETARY MCDONALD: Okay --

COMPTROLLER FRANCHOT: Well no, let me just respond to this gentleman. Because you know, I think Governor at one of the last meetings before you became Governor we had a very big contract up here from I think it was Corrections about some kind of food service. And --

MR. ALTHOFF: I was here for that one.

(Laughter.)

COMPTROLLER FRANCHOT: -- yeah, and you recall that the --

COMPTROLLER FRANCHOT: -- RFP as it was sent out, or would have been sent out originally, would have resulted in a single bid because it was crafted in such a way that only people that had done this multi-, multi-, ten million dollar business of food service in a prison could possibly bid. And apparently the incumbent was, you know, I think his bid was up around \$80 million. And we awarded it to a very reputable MBE company in Maryland for considerably less than that. What was it? At least \$10 million less. And it was contested because they, the incumbent said, oh, well that company has never really done food service in prisons. Well it turns out they do food service for the

federal government all over the country, this wonderful Maryland company. And in fact do the food service for the Air Force Academy. And they are perfectly prepared with a \$2 million performance bond to do the work and the taxpayers saved \$10 million. And I asked the person who was your peer, I guess, from the agency --

MR. ALTHOFF: No, they are a completely different agency.

COMPTROLLER FRANCHOT: Well, yeah, no, it wasn't your agency. I'm not complaining, I'm not, I'm not referencing you. I'm just saying the procurement officer stood up and said, yeah, I looked at the RFP and realized it was going to result in a single bid so I rewrote the RFP. And God bless her because she saved a lot of money. So I'm happily going to vote, not happily but I'm going to vote no because I just don't, I just, it just doesn't seem right to me, even for a relatively small amount of money that you had this single bid situation and every other big single bid that comes before us I guarantee you the agency will be saying, gee, if you stopped this this is really going to be a big problem, it's going to interrupt services. And I'm just fed up with the business as usual.

MR. ALTHOFF: No, and I understand you completely. I can just say this. Four years ago when this service came to the Board we did have two bids for basically the same service. This time around we still would have had two bids, however the one bidder refused to rescind what they wanted to strike as standard contract language. In addition we did have somebody attend the pre-bid

from MedStar who decided not to bid, and then also the previous vendor that we had approximately eight years ago decided not to bid. So there, there could have been, well yes, we only --

COMPTROLLER FRANCHOT: Let me suggest a compromise. Why don't we delay this for a couple of weeks and think about it? Because what, it doesn't sound like any bad things are going to happen in the next two weeks. And I don't want to, I don't want to put myself in opposition necessarily to my colleagues on the Board. I just, you know --

GOVERNOR HOGAN: So let me just jump in here and say I agree 100 percent with everything that the Comptroller is talking about. And we are concerned. We both share, I think all three of us share the concern of not having our, enough, a competitive bidding process. And it sounds like you've done a great job reaching out. This is obviously an important contract. To me, saving 21 percent and employing a Maryland company rather than a Virginia company may be a positive thing. And maybe they are the only bidder but I think it is worth, I'll second the motion to delay this --

SECRETARY MCDONALD: Actually I think there is a motion and seconded to approve this item. So perhaps a call on that vote --

TREASURER KOPP: Or withdraw --

GOVERNOR HOGAN: We'll withdraw that motion and we'll change the motion to --

SECRETARY MCDONALD: -- confirm.

TREASURER KOPP: But could I, could I just ask exactly, I mean, this contract expires the first of March, right? What happens? We don't meet until the fourth of March.

MR. BRINKLEY: It's my understanding, and you can correct me if I'm wrong, but the old contract will continue to roll forward. You have to have the services delivered.

MR. ALTHOFF: I would have to do an emergency contract with the current provider to extend it for --

MR. BRINKLEY: Under the same terms?

MR. ALTHOFF: Correct.

COMPTROLLER FRANCHOT: For two weeks?

SECRETARY MCDONALD: This is one reason that the Board always asks agencies to come at least two meetings ahead --

TREASURER KOPP: Absolutely. I hate this, when we --

SECRETARY MCDONALD: -- of the deadline for this type of problem, though. So I think that what he's saying is that he could award an emergency bridge for two weeks to get you to the next meeting.

COMPTROLLER FRANCHOT: When does this expire?

MR. ALTHOFF: It's the first.

COMPTROLLER FRANCHOT: March first?

TREASURER KOPP: March first.

GOVERNOR HOGAN: Well I'd like to make a suggestion that in the future we try to get things a little earlier than a week before the expiration.

MR. ALTHOFF: I agree.

GOVERNOR HOGAN: So there is a motion?

COMPTROLLER FRANCHOT: To move --

SECRETARY MCDONALD: To defer.

COMPTROLLER FRANCHOT: -- to defer this to the next meeting.

GOVERNOR HOGAN: I'll second it. All those in favor?

COMPTROLLER FRANCHOT: Aye.

GOVERNOR HOGAN: Aye.

MR. ALTHOFF: Thank you.

GOVERNOR HOGAN: Thank you.

TREASURER KOPP: Opposed. Opposed.

GOVERNOR HOGAN: Opposed? All those opposed?

TREASURER KOPP: No. No.

GOVERNOR HOGAN: No, you're not opposed?

TREASURER KOPP: Yes, I am opposed.

(Laughter.)

GOVERNOR HOGAN: Due to what?

TREASURER KOPP: I'm confused and opposed.

SECRETARY MCDONALD: The item was deferred --

GOVERNOR HOGAN: I was trying to pull a, I tried to pull a fast one on her. And now we're going to move on to the University --

SECRETARY MCDONALD: Well, no to the balance of the Agenda items --

GOVERNOR HOGAN: Oh, the balance, yeah, a motion to approve the balance.

TREASURER KOPP: But Governor, just apropos of that, and before I forget, I wonder if we could ask our Procurement Advisor, who, who is Ms. Childs --

GOVERNOR HOGAN: Good idea.

TREASURER KOPP: -- Advisor to the Board of Public Works, to look into this question. I, I share absolutely the question whether, whether -- there are two things. One is how I believe the procurements and the RFPs are structured, whether they are structured the wrong way. The other is if there is a feeling out there that somehow incumbents just win and so it's not worth, and, and it does take money and time to put into a bid, isn't that, how do we go about changing that perception, other than requiring that there always be a change which is not I think a reasonable policy. But, but both the perception and the

process, and how you would propose them to work with the agencies, or to work with the PAC, whatever, Procurement Advisory Council?

GOVERNOR HOGAN: I know I did my part to let people think that incumbents don't always win.

TREASURER KOPP: Right.

(Laughter.)

TREASURER KOPP: There should be no doubt of that in the State of Maryland.

MS. CHILDS: I, I would be, I'd be thrilled to, Treasurer Kopp. As a matter of fact it's perfect timing because I'm convening a meeting of all the senior procurement officials from across the State, including the University System. So they would be a great forum to, to run many of these issues by.

GOVERNOR HOGAN: Yeah. Yes.

TREASURER KOPP: Yeah. So the Comptroller has had this concern for a long time and he's absolutely right.

GOVERNOR HOGAN: Right. So is there a motion on the remainder of the Agenda?

COMPTROLLER FRANCHOT: Approve.

GOVERNOR HOGAN: Second. All those in favor?

COMPTROLLER FRANCHOT: Aye.



GOVERNOR HOGAN: All, three-oh. Now we'll move on to the University System Agenda.

SECRETARY MCDONALD: Mr. Haley is here from the University System. He's actually here from College Park representing the University System.

MR. HALEY: Yeah, good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. HALEY: -- Madam Treasurer and Mr. Comptroller. Jim Haley, University of Maryland. I, like you Governor, this is, I've got my training wheels on this morning because this is my first meeting. We have 13 items before you today and we'll be happy to answer any of your questions.

GOVERNOR HOGAN: Well I, I have a few questions to start out with for you.

MR. HALEY: Mm-hmm.

GOVERNOR HOGAN: Don't be nervous on your first day but we're going to, I'm going to beat you up a little bit.

MR. HALEY: Okay.

GOVERNOR HOGAN: We're going to try to get some answers out of you.

MR. HALEY: I've, I've been, I've been beat up before.

GOVERNOR HOGAN: Okay, good. In reviewing the University System Agenda I couldn't help but notice a glaring pattern in many of the items that we have before us today. And that is that many of them far exceed the original bid by massive amounts of money. And in particular I'd like to ask about four of the items on the Agenda, 5-C, 6-C, 7-C, 8-C, and 10-C.

MR. HALEY: Okay.

GOVERNOR HOGAN: Now the first four of these are for, they are additional funding on existing projects which cumulatively exceeded their original estimates by \$35 million.

MR. HALEY: Mm-hmm.

GOVERNOR HOGAN: And in particular Item 8-C at Salisbury for the athletic stadium and complex, it's a very worthwhile project, we, we exceeded the original estimate by 40 percent. On this item just a year ago the Board approved an increased budget of \$16 million. And today we're again being asked to increase this to \$22 million. The explanation that was provided to the Board was, quote, the University underestimated the scope of the project. That's the explanation for a nearly 40 percent increase in cost? We underestimated.

MR. HALEY: Mm-hmm.

GOVERNOR HOGAN: Before we hear why, and I definitely want to hear why, let me just say, you know, that my questions about the University System Agenda are in no way, you know, particular attacks on these

schools or the value of these projects. I think they are all worthwhile, they are all fantastic schools. We need these. They are excellent schools and I think everybody would agree that they are worthwhile projects. But what I am having a challenge with is we are trying to be fiscally responsible and the University System, you know, in the State government we're making some very tough decisions about project management and fiscal discipline. And, you know, I hear people at the University talking about, some of them want to talk about raising tuition rates, and we're here talking about spending \$35 million more than you thought you were going to spend. And it just seems out of whack to me. So let's start with Item 5-C and tell me why this project has gone from \$70 million to now \$86 million.

MR. HALEY: Well when I saw these Agenda items as well I knew very well that you'd have these questions because I was concerned as well. So what I brought with me today is the Executive Director of our Capital Projects Bill Olen. He's going to come up and answer some of these questions for you.

GOVERNOR HOGAN: Great, thank you.

MR. OLEN: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. OLEN: -- Madam Treasurer, Comptroller Franchot. Here, Bill Olen here to answer any questions you may have.

GOVERNOR HOGAN: So my question is?

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(Laughter.)

MR. OLEN: -- the first one, the first question.

GOVERNOR HOGAN: On 5-C how did we go from \$70 million to now \$86 million?

MR. OLEN: The, the initial budgets for our capital improvement program projects are put into place sometimes more than five years before construction starts. Programs are sent to the Department of Budget and Management for review. The cost, the CEW worksheet, the costs are reviewed by DBM at that point. Agreement is made on what we believe that cost is. As the project moves forward, gets approved by yourself and your predecessors, the cost is sometimes adjusted. It is not always keeping up with what we're seeing, what we've been seeing in the last month as far as market conditions, last two months.

Last, late last year we had three of the largest mechanical electrical subs go out of business in the Baltimore, Virginia, Maryland area. United Sheet Metal, a large electrical subcontractor in Baltimore, Gill-Simpson, and then Truland Electrical, that was in the paper about their closing shop up overnight. That has affected our ability to get the best prices for the taxpayers. We use the CM process, it's an open book process where we, the construction managers go out and solicit prices. That process is advertised through eMaryland Marketplace. It goes over several months. We look to make sure there is adequate competition on all the different trade contracts so we make sure there's at least three, four, five

on the larger trade contracts. What we're seeing is the market is dictating the prices. It's not so much a scope increase, it's the market right now in the, the Baltimore-D.C. area. The cost of, of building our State buildings has gone up.

We're seeing stress from the P.G. County, the work down at the MGM Grand is, is sucking resources from other vendors. So it, you know, it's a tight group of subcontractors who are able to perform our work and they are making choices whether to bid private work or public work right now.

GOVERNOR HOGAN: So they are not change orders that are changing the scope of the work?

TREASURER KOPP: Well, are we talking about Item 5?

MR. OLEN: Item number five is --

TREASURER KOPP: Yeah.

GOVERNOR HOGAN: Well we're, I mean, we're really talking about all of the \$35 million increases.

MR. OLEN: Item number --

TREASURER KOPP: No but apropos of the Governor's, I mean, that's not what you're saying --

MR. OLEN: Item number five is the construction GMP, the first GMP for the Bowie project. That's the initial one that is demolition and the early site work phase for the project.

GOVERNOR HOGAN: So from the time you award a contract --

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TREASURER KOPP: That's not what you're telling us here. I'm sorry, Governor, but your --

GOVERNOR HOGAN: Okay, go ahead.

TREASURER KOPP: -- your--

MR. OLEN: So it's a modification amount of \$5.1 million, Item 5-C, for Bowie.

GOVERNOR HOGAN: So if you, if you've awarded a contract to do a construction project and things change, things change. But they have a contract to deliver this, to build this facility or do this work at this price.

MR. OLEN: The way we --

GOVERNOR HOGAN: In the private sector you usually don't come back and say, hey, we'd just like to charge \$35 million more.

MR. OLEN: The way we award the CM at risk contracts, we award them at the beginning of design. So we competitively bid for construction managers at the beginning of the design, we award that contract. They are hand in hand with the design folks, during design providing estimates. What we've seen on this project and several other projects, the estimates have gone up because of the market conditions. We, this, this item in front of you, 5-C for Bowie, is the first construction modification to Clark's original, Clark Construction's original contract for pre-con. So we award them initially a pre-con contract and then we come back, back with construction contracts.

TREASURER KOPP: But --

MR. OLEN: Ma'am?

TREASURER KOPP: Excuse me, Governor. But, but what you tell us is that it was because of the capital equipment including a number of items not included or underestimated during the process. I'm only reading what you have told us.

MR. OLEN: Right. The revised estimate includes the equipment. We have chosen because of the type of scientific equipment to include the equipment in the construction contract.

TREASURER KOPP: I understand. The Governor was just asking why it went from 70 to 86.

GOVERNOR HOGAN: So you chose to add new expensive things into the process? After we approved a different agreement?

MR. OLEN: We had the opportunity to ask the vendor to include installation of the equipment versus hiring it later, just so it could be coordinated well.

GOVERNOR HOGAN: Was there any thought to the increased cost of the things you were hoping to add into the contract?

MR. OLEN: I, the, the cost is by adding the equipment instead of having a separate contract.

GOVERNOR HOGAN: I, I, I realize that.

MR. OLEN: So we could have bid the equipment separately at a later time instead of adding it to Clark's contract.

GOVERNOR HOGAN: So what, the general, I mean, we're asking our agencies in State government to cut spending.

MR. OLEN: Right.

GOVERNOR HOGAN: And you're sort of cavalier about \$35 million more in increased spending on things that we already agreed to. It's, it's a pretty serious issue as far as I'm concerned. Can you just, can you go through the specifics of, of some of the projects? We'll go on to Item 6-C, the increase from \$15 million to \$18 million? And then 8-C, when we went from \$16 million to \$22 million?

MR. OLEN: So the, the remarks we included in this project was two, two side, side by side projects. One was the site work associated with preparing the, the site for the new garage. We have included that construction contract, the site work, with the garage contract. So we just joined the two separate contracts. Both were awarded to the, the same vendor, Donley. Does that answer your question? So it's, it's, it is not an increase as much as we are combining, trying to implement the projects as best as we can by --

TREASURER KOPP: Can I ask another one? In both of these are you saying that the bottom line for the total project, total project, is increased or not?



MR. OLEN: Not in this case. We are joining the, we are joining the procurements.

TREASURER KOPP: So this is not really an increase. This is moving around, and the prior one, with the --

MR. OLEN: The prior one with Bowie was taking equipment funds that would have been bid separately and putting them in the construction contract.

TREASURER KOPP: So that's what I'm asking.

MR. OLEN: Yes.

TREASURER KOPP: So in, in both cases is it that the total cost of doing the Shady Grove Parking and the Bowie, I'm sorry, what was the? The Bowie --

MR. OLEN: The Bowie Natural Sciences.

TREASURER KOPP: -- Natural Sciences --

MR. OLEN: That, that's --

TREASURER KOPP: -- has that increased or not?

MR. OLEN: That is correct on those two projects. Some of the later projects --

TREASURER KOPP: What is, what is correct?

MR. OLEN: That is correct that the bottom line is not, not increased on the Shady Grove project.

TREASURER KOPP: Well in that case it seems to me this ought to be written in some way to make that clear.

MR. OLEN: I, I would agree with you.

SECRETARY MCDONALD: We have a Board record that says total estimated cost for construction is \$15 million originally, and then the next sentence from the University says the estimated cost of construction is now \$17 million. So the Board record does indicate an increase in the project from 15 to 17. Which might not be the case, but that's what --

MR. OLEN: The, it's the separate, it's the separate contracts that we're joining.

SECRETARY MCDONALD: -- the items ought to be better --

TREASURER KOPP: So, I wonder if these should be rewritten --

COMPTROLLER FRANCHOT: Can I ask a question?

GOVERNOR HOGAN: Absolutely. Mr. Comptroller?

COMPTROLLER FRANCHOT: Sir --

MR. OLEN: Yes, sir?

COMPTROLLER FRANCHOT: -- could I just ask on the Bowie State issue, that I appreciate the Governor bringing up, was there any effort to reduce the cumulative, was there any effort to reduce the cumulative project cost through value engineering?

MR. OLEN: We did. We did value engineering on that project, brought down the project by \$5 million over the course of value engineering with Clark Construction. So there was VE done, yes. Yes, sir.

COMPTROLLER FRANCHOT: And it still is going up from \$70 million to \$86 million? And so could I ask, if I have the floor still --

GOVERNOR HOGAN: Absolutely.

COMPTROLLER FRANCHOT: -- the question about, I know we're jumping around from item to item, but Salisbury University, one of my favorite institutions, which I happen to think is a gem, a wonderful place. But the stadium is going from \$16 million to \$22 million. Is that, is there someone from Salisbury here?

MR. OLEN: Yes.

COMPTROLLER FRANCHOT: Could they please explain why the, what the additional 38 percent jump is here and what, what exactly it's going to be spent on?

MS. CROCKETT: Certainly. I'm Betty Crockett the Vice President of Administration and Finance, and I have Eric Berkheimer, the Associate Vice President for Administration and Finance with me. This is an auxiliary project, no State funds. When we decided that we were, we wanted to move forward with the stadium, at that time we used what information we had at hand, which was not the best information, and came up with a project cost. What,

the procurement has, actually has two projects combined but we're really, it's the stadium that we're discussing here. As we began the planning process we like others have found that the market has not been very favorable toward us recently. And it was abundantly clear that we were not going to be able to accomplish the scope for the dollars that we originally thought we would be able to do this project. Because this is important to us in that it is a recruitment tool for the campus, because it was long overdue, we decided that we would invest more of our funds toward the, the project. We, we wanted to do it. We wanted to do it right. We don't get to do a do over. So the University agreed that it would invest the additional \$7 million for the project. That's how we got where we are.

COMPTROLLER FRANCHOT: We're six?

MS. CROCKETT: Well it's --

COMPTROLLER FRANCHOT: Sixteen million to \$22 million.

MS. CROCKETT: Sixteen, it's six. There is an average, a number that it's, is between six and seven.

COMPTROLLER FRANCHOT: Okay. And so what exactly is the new \$6 million or \$7 million going to be spent on.

MS. CROCKETT: It's, I'm sure Eric can talk better about that than I. It really is to address the initial scope for that project. So do you want to explain?

MR. BERKHEIMER: Certainly. The, the scope when it was originally developed was we looked at comparables from other schools that had built stadiums, and this goes back then ten years or so in looking at costs. That was the number that we used to plug in as a preliminary budget number, before design and scoping had even been done. So that was just to get us into the queue, to get us some funding to plan the project, again going through the Board of Regents and using our auxiliary funds to do so. Once the project was scoped then we worked with the service center and our CM to come up with an accurate cost for the scope that we desired for the project.

COMPTROLLER FRANCHOT: Yeah, but isn't that the problem?

MR. BERKHEIMER: Well it's --

COMPTROLLER FRANCHOT: I mean, how could we possibly have any confidence in these initial votes, which obviously commit the State? We love Salisbury University. We appreciate the national championship teams you have. We like the fact you're recruiting outstanding kids. But how can we have any confidence if the bid is just a place marker to be adjusted as you move forward? That's, that's absurd. Really, how can you run a business like that?

MS. CROCKETT: I would tell you this is an unusual occurrence. And I would, and I can say again the market is not helping us. Estimators, you know, we have done professional estimators and they are not getting it down any better than we are in terms of coming up with a projected cost at the beginning. It

was one of those times where because of the importance of the project to us we would prefer to, to add to the project and have something that is comparable or somewhat comparable to our peers. So we were willing to invest our funds for that purpose.

TREASURER KOPP: You say add to the project, you mean add funds to the project?

MS. CROCKETT: Add funds to the project to accomplish the project.

GOVERNOR HOGAN: Okay.

COMPTROLLER FRANCHOT: And if I could just conclude, I'm going to do whatever the Governor wants to do, this is his, basically these are his responsibilities these things. But it strikes me as pretty extraordinary that we're faced with these kinds of jumps. And you've, everybody has mentioned the market. The market, when I go out people are hungry for jobs and they are hungry for discounts and their businesses are not exactly sitting down in Florida at the beach. And so I find it kind of extraordinary that everything here, this \$35 million cumulative increase is just attributed to the market. And I understand it's not your, the taxpayers' money. I'm not real sympathetic to that either because you are a public institution and we need to, you know, we need to make sure that you are tight with a dollar as well as high in quality.

MS. CROCKETT: And I can only assure you that we do attempt to do that. We have actually had difficulty getting bidders on some of our smaller projects. And so the market may be hungry but they don't seem to be hungry for these, whether it's these sized projects, we only have our experience to tell you.

GOVERNOR HOGAN: Thank you. Finally on Item 10-C, there is, no project costs were ever provided to the Board in any previous items. So we're unable to determine if the costs have increased. Can you explain that?

MR. OLEN: This item is the inclusion of once again equipment into the contract. It's the, adding the AV equipment, telecomm equipment into the project. So the, we asked the CM to go back out and bid this equipment, competitively bid the AV and IT. So it is equipment funds. The, once again the project, similar to a couple of the others, the project cost hasn't increased it's just we've asked the CM to implement this portion of the work.

GOVERNOR HOGAN: Mm-hmm. Okay.

TREASURER KOPP: So you're saying in these cases the total cost to the taxpayers, total cost to the taxpayers, of these projects when they are finished, not the pieces of them, is not actually changing? Or it is changing?

MR. OLEN: In, in some of the cases it is. On the Salisbury, the last item, yes. The cost of the project went up.

TREASURER KOPP: Yes. This last item.

MR. OLEN: Yes. But this one it is just inclusion. We are coming with a change order to the original contract asking for approval to have the original construction manager install the equipment.

TREASURER KOPP: I think you do yourselves a great injustice and, and cause confusion on everyone's part not writing it in the way that a normal person candidly can, can understand it. Because we don't have a lot of extra money. What you're saying is this isn't extra money, it's timing?

MR. OLEN: This is timing and this is implementation. Instead of --

TREASURER KOPP: Well --

MR. OLEN: -- it is having the construction manager implement this portion of the work because they are able to coordinate it with the other trades on the site. They are already on the site. Having them hook it up is best for all.

TREASURER KOPP: If, if that's so, if that's so, that's understandable. I would have no idea that was so from reading these, these, these items and the, and the remarks on them. I'm just telling you.

MR. HALEY: Madam Treasurer, that's a point well taken. We'll take that under advisement and we'll make sure we're much more clear in the future once my wheels get through the training session.

GOVERNOR HOGAN: Ms. McDonald, who is ultimately responsible for the overall University System items here? I see --



SECRETARY MCDONALD: For the University System Agenda there is an Associate Vice Chancellor James Salt, whose name is on the items, and he works for the University System.

GOVERNOR HOGAN: And is he here today?

SECRETARY MCDONALD: He is not. He's in Adelphi.

COMPTROLLER FRANCHOT: I thought he retired.

SECRETARY MCDONALD: But I can certainly call --

GOVERNOR HOGAN: So the guy I hear is in charge doesn't think it's important enough to be here to talk about a \$35 million increase?

SECRETARY MCDONALD: I will, I will be in touch with Mr. Salt. I --

GOVERNOR HOGAN: Look, we're asking State agencies, we're trying to run the government more efficiently and more cost effectively. We're asking State agencies to make --

TREASURER KOPP: And transparently.

GOVERNOR HOGAN: -- very difficult choices. The University System, although somewhat autonomous, has to be in line with what everyone else is doing. And quite frankly, the fact that the guy in charge doesn't have the time to show up to talk to us about it is rather irritating. And I would motion that we table all four of these items until March 4th and we have him come here himself and try to explain this to us.

COMPTROLLER FRANCHOT: Second.

GOVERNOR HOGAN: All those in favor?

SECRETARY MCDONALD: Let me just get the items specifically. Because I think you ended up saying five numbers.

GOVERNOR HOGAN: Yeah.

SECRETARY MCDONALD: Five, six, seven, eight, and ten?

GOVERNOR HOGAN: That's correct.

SECRETARY MCDONALD: Okay, five items.

TREASURER KOPP: Could, could I just say, Governor, for, on my part, I think that number seven is different.

GOVERNOR HOGAN: Okay.

TREASURER KOPP: I, I would vote for, seven is the real increase but at least they came forward and said this is, this is a real increase and we have decided we're going to put more of our money into trying to get what we've wanted all along. Not in, as opposed to these others which are just, I don't know what they are. So I would like the opportunity --

GOVERNOR HOGAN: Why don't we, why don't we go with the four items. I agree with the Treasurer. Let's make the motion on the four items and take, take seven out of it. Does that make sense? That's the motion? You got it, Madam Secretary?

SECRETARY MCDONALD: I, oh right --

TREASURER KOPP: What, wait a minute.

SECRETARY MCDONALD: It's, it's the athletic field, which is Item 8. And we just did that. Yeah, I just --

TREASURER KOPP: Eight. I'm sorry, it was eight.

SECRETARY MCDONALD: Okay, so --

GOVERNOR HOGAN: Item 8.

SECRETARY MCDONALD: -- the motion is going to be to defer Items 5, 6, 8, and 10? The motion to --

TREASURER KOPP: No.

SECRETARY MCDONALD: Oh, I'm sorry, five, six, seven, and ten?

GOVERNOR HOGAN: Right.

SECRETARY MCDONALD: The motion is to defer Items 5, 6, 7, and 10 until the next meeting?

GOVERNOR HOGAN: I think it's a three-oh vote to do that.

SECRETARY MCDONALD: Okay.

GOVERNOR HOGAN: Now we need a motion on the remaining items?

SECRETARY MCDONALD: On the remaining items, which includes Item 8.

TREASURER KOPP: Could I just make a remark on Item 1? To change the topic totally. But I don't want the opportunity to go by. Item 1 is a grant of \$3 million from the federal government to our Institute of Human Virology to continue to do its terrific work that they are doing on behalf of the, the people of Haiti. They also do terrific work on behalf of the people in Baltimore City and elsewhere, both, both in research and in going out in the community and helping people with AIDS. I don't know that this is the time but I would at some time really appreciate it if you would give them a few minutes just for an updating on the IHV and, and how they are doing.

GOVERNOR HOGAN: It's a wonderful program. If they are here we can take a few minutes to have them give a presentation.

TREASURER KOPP: Is Mr. Wilkins? Yeah, that's, the tall man.

GOVERNOR HOGAN: Thank you.

(Laughter.)

TREASURER KOPP: I, I can't see much, but I can see, just very, very briefly up to date. Because this is, \$3 million is good.

MR. WILKINS: Thank you, Treasurer Kopp, Governor Hogan, Comptroller Franchot. The two of you have heard some of this story before, but Governor Hogan the University of Maryland Baltimore is part of the University System of Maryland. It's a very special place and it has many entities which are revenue generating businesslike entities. Three of them, just for example, the

Marlene and Stewart Greenebaum Cancer Center, the Institute for Genome Sciences, and IHV, the Institute of Human Virology. This year we have just over \$3 million of funding that comes down from the State budget and with that we have turned that into \$64.5 million of outside revenue coming into the State. We have five years of funding of \$45 million from the Bill and Melinda Gates Foundation, for example.

So we do three things. We do basic scientific research on viruses. This spring we will be putting the Bill and Melinda Gates Foundation's first funded HIV vaccine into clinical trials in Maryland, the first time in the country or in fact the world that the Gates Foundation has funded something like that. So that's external revenue that comes into the State.

We provide essential services. We treat 5,500 inner city AIDS patients in Baltimore through our clinics. And we get Ryan White funding that comes from the federal government to fund that.

And then the third thing we do is something called PEPFAR. The second President Bush, you may wish there might be a third President Bush, but the second President Bush created this program with \$5 billion recognizing that HIV funding was not being well managed in Africa. And so he put it into U.S. universities. And IHV is part of the University of Maryland Baltimore. This year we will surpass treating one million patients in Africa through these grants.

That's more than every man, woman, and child in Anne Arundel County whose lives have been saved through these federal resources that come into the State.

And so it's an interesting budget element as well. There are many entities within the system where a State budget cut cuts the ability to bring in 20 to one revenue to the State in the overall economy, and even to the State budget more than one to one with revenue against the expense cut. So there are some very interesting budget elements of understanding the State expenses to entities that are generating revenue from outside the State.

But we are proud to be part of the University of Maryland Baltimore, and the State, and grateful for the funding that you give us to carry out these important programs. In this particular case that you are approving today, they are not State expenses being approved, it's purely federal dollars from the CDC that we enact in this contract to do our work in Haiti. Thank you.

GOVERNOR HOGAN: Well thank you very much for being here.

MR. WILKINS: You're welcome.

GOVERNOR HOGAN: And thank you for the work that you do.

Thank you, Madam Treasurer. So are we done with our motions on --

TREASURER KOPP: And my, my conscience tells me --

GOVERNOR HOGAN: Very good. So --

TREASURER KOPP: -- I must admit that I'm a member of the Board of Advisors.

GOVERNOR HOGAN: I, I appreciate that.

TREASURER KOPP: I get no money from that.

GOVERNOR HOGAN: So let's move on to the Information Technology or DoIT Agenda.

SECRETARY MCDONALD: Did we vote on the, no we did not vote on the rest of the balance of the Agenda.

GOVERNOR HOGAN: That's what I just said, did we, did we do it?

SECRETARY MCDONALD: Right, no, but I was just checking.

GOVERNOR HOGAN: So there was a motion separating out the items.

SECRETARY MCDONALD: Right. We deferred those items. So the balance of the Agenda --

GOVERNOR HOGAN: The balance of the Agenda?

SECRETARY MCDONALD: Motion?

GOVERNOR HOGAN: There's a motion, second. The Comptroller is voting yes.

SECRETARY MCDONALD: When he comes back we'll see if he's going to vote. We'll put two-oh but when he gets back --

GOVERNOR HOGAN: I think it's a three-oh, you can verify that when he comes back.

SECRETARY MCDONALD: We do. We, that's what we do. Okay. So now we do have Information Technology. Mister, Deputy Secretary Greg Urban is here.

MR. URBAN: Good morning.

GOVERNOR HOGAN: Good morning.

MR. URBAN: Mr. Governor, Madam Treasurer, and when he comes Mr. Comptroller. We have six items, I'm Greg Urban with the Department of IT. We have six items on the Agenda today. We are deferring Item 1-IT, 1-IT is being deferred by the department. I'm happy to answer any questions you may have on the balance of the Agenda.

GOVERNOR HOGAN: Any, any questions on the DoIT Agenda? The Comptroller has some timely questions.

TREASURER KOPP: Yes.

GOVERNOR HOGAN: Just to, just to verify, you, you were a yes vote on the remainder of the items in the, right?

COMPTROLLER FRANCHOT: Thank you, appreciate that.

GOVERNOR HOGAN: Okay. He gave me his proxy before he left the room.

COMPTROLLER FRANCHOT: Okay. So Item 5?

MR. URBAN: Yes, Item 5?



COMPTROLLER FRANCHOT: So we're being asked today to add another \$20 million to what is already a 15-year, \$485 million contract with Motorola, which includes both the baseline contract and the seven one-year renewal options that will almost assuredly be exercised to create an integrated Statewide radio communications network for public safety personnel. The reason for the \$20 million ask, according to DoIT, is to account for operations and maintenance costs which according to my background were not taken into consideration when the \$485 million contract ceiling was established back in 2010. So I have a couple of questions.

First, my background notes indicate that this money would be dedicated specifically to operations and maintenance of equipment that is outside of the two-year warranty window. Given that this contract will last 15 years why wouldn't DoIT have factored in those inevitable costs as it was negotiating the final contract with Motorola and planning to submit it to this Board back in 2010?

GOVERNOR HOGAN: That's a good question.

MR. URBAN: That's an excellent question. Let me just give you a brief background. It's always hard to make the item read as a normal person could understand it when we write these items. So the original contract we have with Motorola covers a scope of work that varies. It's the building of the system in five phases, priced per phase. Additionally the contract specifies the way we are going to build it is to use the existing infrastructure as it stood the day of the

contract. We have increased some of the number of tower facilities and communication facilities in order to achieve better coverage. So we have the opportunity to bring in additional components to the system based on the need of public safety first responders so that is a component of the contract.

Additionally it is the ability to purchase subscriber equipment, which are the two-way radios which the public safety users will use to operate on the system to perform their job. And finally there is an operations and maintenance component to the system.

When the contract was originally awarded there was a lot of conversation with the Board and, and with the staff members about how that contract was awarded and, and the way they requested the Board was to come back as we implement the system in phases. So we have come back each time we have engaged in a separate phase of the contract.

The original contract, the original not to exceed ceiling that was approved by the Board was for the construction of the system. It also included the ability to purchase subscriber equipment and there were some contingencies because in a large construction, a large contract such as this there's always items such as additional tower facilities if we wanted to add to enhance coverage, or undetermined things that were not known at the time when the contract was let.

The contract calls for, the equipment is installed, there is a period of warranty which the contractor will be able to perform, break, fix repairs on that

equipment. As certain, as the regions are implemented and after the warranty period ends we have to go into an operations maintenance mode. We have staff on DoIT that does some of the O&M work. We have elected, again it was part of the original solicitation, original scope in the original contract, to, we have elected to have Motorola perform the operations and maintenance through the life of the contract and we packaged that together and created a cost for that which was lower than the original bid price and we've committed to that for the life of the contract.

What we're asking the Board to do today is acknowledge through accounting raising the ceiling to account for this scope which was not, which was in the original scope of the contract but not in the original not to exceed amount when we brought that item to the Board.

So to be clear on two things I think that are extremely important. The project cost is not going up. This is, and this is not a request to increase the cost of the project. And second, it's an indication of some of the success of the project in the sense that the first two regions, the first two phases of the project, the first two phases of the radio system are fully operational, have been for some time, and are being successfully used by first responders throughout the State. And I hope that addresses the questions that you had. And I understand that it's not always perfectly clear based on what was written what is actually occurring.

COMPTROLLER FRANCHOT: No, what's perfectly clear, crystal clear, is the taxpayers are being asked to come up with an additional \$20 million, and I have a question on that. According to my background notes DoIT estimates that Motorola will only need \$323.5 million through fiscal year 2019, which will end on June 30th, 2019, to deliver the services that it's been hired to do. And that includes the \$20 million that's apparently needed for operations and maintenance. So my question I guess is since we capped it at \$345 million, with the \$20 million in maintenance, you're going to be at \$323 million. Looks to me like we're right on track to stay within the agreed upon amount, amount and --

MR. URBAN: Those numbers --

COMPTROLLER FRANCHOT: -- with the \$20 million factored in. So I guess it's kind of a simple and obvious way to save \$20 million for the taxpayers, isn't it?

MR. URBAN: Well there's, those numbers are correct. And again, what we're asking for is modifying the contract to add the category and the ceiling. We could, but the contract needs to be modified to capture the O&M costs accurately, changing the components of the contract. We should bring those to the Board to make sure that the contract reads the way the contract is being implemented. We can do it under the current ceiling of the contract. We would still have to come to the Board for the approval. We, if that's the recommendation, that we create the \$20 million contract, start a category for

operations and maintenance within the ceiling, we're willing to do that as well, we're happy to do that as well.

TREASURER KOPP: Well --

MR. URBAN: Because the project is, as you said, on, on budget. Well, it's actually under budget in a cost component area.

TREASURER KOPP: This is, it's almost like Never Neverland to us. We're, we're, we're laymen, understand?

MR. URBAN: Yes.

TREASURER KOPP: And you see something, and it certainly looked to me exactly as it did to the Comptroller, that it's \$20 million being added for O&M.

MR. URBAN: Operations and maintenance.

TREASURER KOPP: O&M. And you're saying, yes, it's being put in for O&M, it's being broken out for O&M, but it's not actually a net increase under the total amount that has already been allocated? Is that what you're saying?

MR. URBAN: So the, I'm saying two things. The first is the project cost to deploy the system has not changed. That's the first part I'm saying. And the, the original --

TREASURER KOPP: And, and are we to know this from looking at this?

MR. URBAN: I'm sorry?

TREASURER KOPP: Is there, would there be a way for us to figure that out from looking at this? What you have given us to vote on --

MR. URBAN: Yes.

TREASURER KOPP: -- how, or great, how would we know that?

MR. URBAN: As I said, it's sometimes challenging to put all of the detail --

TREASURER KOPP: It's certainly challenging to me.

MR. URBAN: I understand. I understand. So your questions were --

TREASURER KOPP: Are you asking for more money or not? It's pretty straight, I mean, and you're saying, no, you're asking us to, I think you're saying --

MR. URBAN: We, the Board item asks for authority to spend an additional \$20 million.

TREASURER KOPP: For this, for this particular aspect.

MR. URBAN: For this, for this particular aspect, which was in the original contract with Motorola, but not in the ceiling, the scope of work was within the contract but we did not bring that portion of the contract to the Board for approval when we approved, when we asked for approval for the implementation of the project.

GOVERNOR HOGAN: Why?

MR. URBAN: I don't know that I have a good answer for that question. But there are, there are potential, there are more than one potential valid reasons for doing so.

GOVERNOR HOGAN: Can you give us one?

MR. URBAN: We didn't necessarily have to use this contract to be able to do that, perform that. We could have used a different vehicle. Similarly, we have the ability to purchase radios under this contract, we also have a separate two-way radio contract which we can purchase subscriber equipment. So agencies may have elected to use one or the other, which would account for potentially some of the reason we didn't spend on this contract the entire amount that we estimated for being spent on subscriber radios. So.

COMPTROLLER FRANCHOT: Still. I'm not the best judge of all this because I happen to think this was a bit of a boondoggle project anyway, motivated by a vision of interoperability which may or may not ever occur and somehow be affordable to the local communities. But putting that aside, I, I simply, I'm going to vote no on this because it's, according to the wording it's \$20 million extra and you could have just basically resolved this without asking for an extra \$20 million. And it's, it's murky right now as to what exactly we are asking. So maybe rather than being a malcontent we could, I could just move to defer this until somebody can explain, perhaps the Budget Secretary could take a

look at it, and determine whether or not the taxpayers are being, having an extra tab added. And give us some guidance. I don't know, Governor. I'm open to your suggestion.

GOVERNOR HOGAN: Well my suggestion would be it is very confusing. I wasn't obviously around when all of this originally took place. Both of you were, and you've got questions about it. We have a brand new DoIT Secretary that's been on the job for about a week, I think, maybe not even that.

MR. URBAN: Yes, sir --

GOVERNOR HOGAN: And I'd like to get him together with our Budget Secretary and try to give us a better explanation and come back and handle this at our next meeting. Does that make sense? So there were other items. Any other questions on any other items? We're going to pull this one out.

SECRETARY MCDONALD: Okay.

GOVERNOR HOGAN: Delay it for another couple of weeks. And is there a motion on the remaining Agenda or any further questions on --

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: We have, we have a three-oh vote on the moving approval on the rest of the Agenda. We're going to table this one until we have a chance for the two Secretaries to discuss and come back to us.

MR. URBAN: Okay. Thank you.

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TREASURER KOPP: Thank you.

GOVERNOR HOGAN: Now we move on to the Department of Transportation.

MR. RAHN: Good morning, Governor.

GOVERNOR HOGAN: Good morning, Mr. Secretary.

MR. RAHN: Comptroller, Treasurer, MDOT -- let's see, for the record my name is Pete Rahn, I am the Acting Secretary of the Maryland Department of Transportation. And MDOT is presenting 19 items and I'd be happy to answer any questions that I can, and if not there are staff in the audience to be able to do that.

GOVERNOR HOGAN: Questions on the DOT Agenda? Mr. Comptroller?

COMPTROLLER FRANCHOT: If I could just make a comment in addition to praising the Transportation Secretary for the weather related activity that he is overseeing with you, Governor Hogan. We spent quite a bit of time talking about public school construction and the need for system, well we call it school maintenance there, saving taxpayer dollars while providing safer and healthier learning environments for our kids simply by taking better care of what we already have. And I note over in our area, the Washington area, there were a couple of instances of, recently of concrete falling off bridges and endangering motorists. And what I'd like to do is just get your sense of that situation and the

Metro Rail system that I ride from time to time, which I think continues to suffer from the effects of advancing age and a history of inadequate attention to routine maintenance and midlife overhauls.

TREASURER KOPP: It sounds like many of us.

COMPTROLLER FRANCHOT: Yeah, like us, like people, too.

And, but, and our counties and towns, I know the Governor is very sensitive to this, on the Highway User revenues, which frankly have been a huge problem for our local towns and communities as far as fixing potholes and keeping the level of maintenance that is, would be described as system preservation.

So I'm, I believe we're both in school maintenance and in transportation maintenance we're going to have over the next few years a really serious conversation about what we need to do, both to invest, obviously we need to invest in new schools and we need to invest in new roads and hopefully new transit. But we have to regain the values of, you know, old-fashioned upkeep, taking care of what we have. And so if you could perhaps share some information about what you're going to be doing, the contracts that we're approving today that might support our shared goals of keeping our existing transportation infrastructure in good working order so that we can afford the investments that constantly are being talked about.

MR. RAHN: Yes. Comptroller, the, let's start, you raised numerous issues. So let me --

COMPTROLLER FRANCHOT: Sorry. Sorry about that.

MR. RAHN: -- let me start down them as I recall them. So the first was the incident where concrete fell off of a bridge and significantly damaged a car that was owned by Ms. Dean.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. RAHN: And as a result of that incident I have directed that we examine other bridges of similar age and condition. Originally that number was 17, or actually 29, and then SHA in further examining the system identified another 42 bridges that they would, would inspect. That process has, has now occurred. Of those 69 bridges, 17 of them were determined to have additional preemptive maintenance performed by chipping away loose concrete, extending what they call planking, which is really plywood underneath the bridge to keep debris from falling onto the road. In some places they just call that a bridge diaper and it's designed to, to do exactly that. It's to keep things from falling onto the roadway and damaging cars and endangering people.

I, I would mention on, in the incidence of Ms. Dean I had asked our, our risk management folks in the department to contact her quickly to find out how we can resolve this since the likelihood is that's her only vehicle. There, I'm told that in the Comptroller's Office that is also where claims are resolved. And so I might ask for some expedited assistance in trying to address --

COMPTROLLER FRANCHOT: Sure.

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TREASURER KOPP: Actually the Treasurer's Office.

MR. RAHN: Oh, the Treasurer's Office? Okay.

TREASURER KOPP: But if you want to talk to the Comptroller, that would be swell.

(Laughter.)

GOVERNOR HOGAN: It's in the same building.

MR. RAHN: I'm going, okay. Right. So someone else needs to work with us to, to try to resolve that and so I would ask that.

TREASURER KOPP: We certainly will.

MR. RAHN: I, I would ask to try, because I do believe that's the only vehicle she has. And the quicker we can resolve it the better I think it is. So that is, that, that incident is, is obviously, it's regrettable. We have apologized. And I do believe we have taken action beyond normal to ensure that these bridges will, that we will not have a repeat of that.

On a, on a bigger stage when you look at all of our structurally deficient bridges in the State, I know we have 81. Twenty-one of those are either under construction or are about to be bid out, which leaves us with 60. Of those 60 they are all in design and will be moving through the, the CTP.

The issue, however, is that that's not a static number. As you repair bridges, other bridges deteriorate and fall into that, that status. So it's, it's always a chore to manage it. From a higher level, and this certainly means

absolutely nothing to Ms. Dean, but the number of deficient bridges in Maryland, when you look at the, at the region, which is it looks like about ten or 11 states, we have the lowest percentage of structurally deficient bridges at four percent. The national average is seven. Many of the states around us are in the teens. Again, that means nothing to someone who is impacted by a chunk of concrete falling off of a bridge. So I do believe we responded very quickly and have addressed this responsibly and have gone even beyond normal treatments to ensure that that will not happen again.

COMPTROLLER FRANCHOT: Good.

MR. RAHN: That's a very long answer to one of the topics you've raised.

COMPTROLLER FRANCHOT: How about Metro?

MR. RAHN: And so Metro is an, is an aging system.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. RAHN: It, I certainly recall when it was first under construction and how it was really a, a world class system. And it's definitely showing its age and in my opinion neglect. I think a lot of the issues that we're seeing now are simply from underinvestment over many decades. So it's, it's going to need significant investment to bring it up to, to the standard that it used to, that it used to operate at 15 or 20 years ago. As well as the, the expansions that are being proposed. And the difficulty raised in the political world is that

maintenance is just not very sexy. You don't cut ribbons when you maintain something. And there is always more desire to build something new. But it's, I believe, so from a, not only --

GOVERNOR HOGAN: We'd rather cut ribbons on maintenance.

(Laughter.)

MR. RAHN: I'll make sure that occurs, Governor.

TREASURER KOPP: No, can I just say something? As someone who does ride Metro a lot, first of all, and it's the Red Line, which is getting a lot of publicity right now. There are now some people who are reluctant, who, who commute on the Red Line, who are just a little reluctant, they do anyhow, but a little reluctant because of everything they read in the paper. So that's going to have an impact on, on the bottom line. Secondly, I don't think the public is quite clear about the, the manage, what the role of Maryland is, what the role of the WMATA Board, who, who, who does what. The whole understanding, because this is a very complex thing. And I think the Comptroller is right. If, if, if you get people, fewer and fewer people riding, either because they are nervous or because the costs keep going, the fares keep going up, you are going to have a very serious problem in terms of just more and more traffic on the road. Because a lot of people could drive instead of taking Metro. They choose to take Metro if it's attractive. And, whether, whether it's, was inadequate maintenance, which I have to think it was, or not, we've got to do something to, to, to save this, this system.

MR. RAHN: We, ridership on Metro has already declined.

TREASURER KOPP: It was the second highest ridership in the nation, I think.

MR. RAHN: I don't know that figure. But I, I was recently briefed on, obviously Maryland is putting up roughly a third of the cost of the operation of WMATA. And we have seen that, that Metro has seen its ridership decline and I suspect it has more to do with fare increases than, than concerns of safety. But, but there is a limit what, what you can do. And there, WMATA and the Metro is in a very difficult position right now because no one has an excess revenue available to just invest in making up for underinvestments for the last couple of decades.

GOVERNOR HOGAN: Yeah.

MR. RAHN: So that's the Metro. And then there was the question of counties?

COMPTROLLER FRANCHOT: Highway User.

MR. RAHN: Counties and municipalities and Highway User fees. As you know, the Governor has proposed that over an eight-year period the HUR funds be returned to cities and counties.

COMPTROLLER FRANCHOT: Very commendable.

MR. RAHN: And, and I understand they need it and so we have, have undertaken cost estimates of various proposals. But we do not amend our

CTP based on proposals and we ourselves do not make tax policy. So whatever revenues ultimately the Legislature and the Governor agree to put into transportation we will use those dollars in the most effective, cost efficient way that we can. So if those dollars are returned over a period of time, our CTP will be adjusted to account for those dollars going to the locals whom I understand would like these, would like these funds very much.

GOVERNOR HOGAN: I'd like to thank the Comptroller for bringing up a couple of good topics. One, thank you for congratulating Secretary Rahn. We, you did an excellent job on the snowstorm. It wasn't as bad as it could have been, obviously we take a little credit for being lucky with Mother Nature, but your operation did an excellent job and we got rave reviews all around the State. So thank you for that. And I appreciate your comment about the crumbling bridges.

COMPTROLLER FRANCHOT: Mm-hmm.

GOVERNOR HOGAN: You know, this is something that we talked about a lot. Over the past few years a billion dollars was siphoned from the Transportation Trust Fund and in my opinion misappropriated and used in the General Fund for things that were totally unrelated to transportation. It's one of the few things I ever agreed with the previous Governor on when he in one of his State of the States said we have crumbling roads and bridges and some of the worst traffic in the nation. We disagreed on why. I think it's because we have



neglected many of these issues for eight years and we misspent a billion dollars that should have been spent on transportation. It's a total focus of our administration to restore every penny that was taken from the Transportation Trust Fund and to ensure that it's never, ever used again in the manner it has been in the past, raiding it to pay for General Fund expenses. And that we focus many of those dollars on maintenance and improving our existing roads and bridges. There's a lot of talk about, you know, the projects that get all the attention are the big, new transit projects. We need more people talking about spending the money where we need to spend it, which is where, fixing roads and bridges.

Highway User Revenues, you know, under the previous administration, this was the number one source of revenue to local governments for the past 40 years from the State. It was slashed by 96 percent by the previous administration. I want to get to the point where we fully refund Highway User Revenues. Thirty percent of the Trust Fund was supposed to go to the local municipalities. It's been mismanaged. They got 96 percent taken out, up to 96 percent for the municipalities. We're, we can't restore it all now because of the dire fiscal situation we're in but we did take steps to start to put them back where they should be. It's not money that was meant for State roads. It's money that was already agreed to give to the locals. So we're going to work over the next eight years to restore all 30 percent of the money that was taken out of the local, municipal, and county roads. And we're still going to have plenty of money to fix

all the State transportation projects because, as you know, we have the largest gas tax in the history of the State and we have tons of revenue coming in. So we have a little disagreement on the, with some of our folks downstairs about the automatic increases every single year without ever voting on it, but we're going to have plenty of revenue. And we're going to start focusing on the things that we need to focus on. So thank you, Mr. Secretary. And thank you for bringing that item up, Mr. Comptroller.

COMPTROLLER FRANCHOT: No, if I can just, what your comments that I can't associate myself with everything you say, Governor Hogan, I would like to maintain a little bit of separation. But I remember going --

GOVERNOR HOGAN: We almost voted on, the opposite on one thing earlier.

COMPTROLLER FRANCHOT: Yeah, well that's, we'll have to bring that one back. Well I visited the Town of Hurlock on the Shore, Mayor Joyce Spratt. You know, this is probably six years ago. And she described the annual allocation her town got from Highway User Revenues, it was \$110,000, and she showed me that year's budget which was, it had been reduced down to \$5,000. And she had a very large job producing with good family supporting salaries chicken processing company right at the edge of her town. And she took me down the road that these big trucks that were engaged in that business had to go. And it was just, it was like a minefield because of the lack of maintenance.

And so I completely associate myself with the remarks of the Governor that we need to change the mindset of folks under your supervision. And I know this is not your fault. You know, this is not something that I would limit just to the last eight years as far as neglect, it's been a long time that these maintenance issues have been pushed aside in favor of the new, as the Governor was saying, the new ribbon cutting opportunities. And I support transit. So I'd like to see some of that move forward. But in the interim we simply, we want to do both but we've got to do the one that we're talking about right now, which is maintenance. And I hope there's a kind of a new approach to things and I, I just, you know, it's school maintenance, it's road maintenance. Heck, the Treasurer had leaned over and said what about people maintenance? Yeah, we need to look after ourselves and take care of ourselves. But this, this, anything that you can do on the concept of system preservation that doesn't pull the rug out from underneath the investments we need to make in new projects, I would personally be grateful for it. Because my view is it's leadership even more than money that is what we need in this area. So thank you for that, and Governor, thank you for, you know, just I think putting the State on a much better direction as far as its finances and its ability to pay for the things that we all want.

MR. RAHN: I would only say I hope, I'd, I'd rather under-promise and over-deliver.

COMPTROLLER FRANCHOT: Yeah.

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MR. RAHN: So all I can suggest is that watch what we do over the coming months and years and see if I can deliver on, on your desires for us to make good investments in the right place. And I would, I would just add that while we do have increased funds coming if, if the existing revenues materialize, the reality is there is still going to be less money than, than for everything that people want.

GOVERNOR HOGAN: Sure. There always is.

MR. RAHN: And so we'll still, we'll still end up having to tell many people that we can't do something because we don't have those resources. But we do anticipate with the existing CDP that, that we're going to, we're going to address as many problems as cost effectively, and that's, I keep stressing that, is that I truly believe that we can use approaches that produce more out of the dollars that we have.

GOVERNOR HOGAN: We're going to get them done faster and for less money. Right, Mr. Secretary?

TREASURER KOPP: Could, could I just put a word in Governor?  
Since --

GOVERNOR HOGAN: Sure.

TREASURER KOPP: -- you know, just to, there are, thank heaven, diversities of opinion. That's what makes a, a democracy. Yes, there have been very significant cuts to the State and to the locals, and, and we

recognize, we all recognize that, I think. We have made some significant progress, things like in Queen Anne's County the new lifesaving interchange, which was, which was inaugurated a couple of years ago. It's not as though things have not been done around the State. The Intercounty Connector, which two, at least, at least two administrations worked on and we finally have and, and use. And, and mass transit. In my experience over a number of decades, yes, funds have been transferred from the Transportation Trust Fund and repaid, just as a couple of times funds were transferred from the General Fund to the TTF when it was needed and repaid. Those are not the funds that were cut from the local government, that's, that's, that's a different thing as I'm sure you know when you go back and look at our history.

But there is no doubt, I think you know that the Comptroller in a different life chaired the Budget Subcommittee on Transportation for a number of years, and you're talking to somebody who is in fact a, a long term expert and, and activist in the area of transportation of, of different sorts. So, and you're hearing from three people, all of whom believe strongly in maintenance.

I happen to believe that major maintenance projects for when we were talking about the Red Line, the Metro Red Line, if you can have a project that makes it safer you can cut a ribbon on that and people will rejoice. So I wouldn't worry about that, that aspect of it. But, but just know in this as in other

things, there are different perspectives and one of the great things is we do reach a consensus.

MR. RAHN: If I could add? That comment about you don't cut ribbons on maintenance was really an observation of just the overall, how it's operates around the country.

TREASURER KOPP: Oh, absolutely. I --

MR. RAHN: It was not my view --

GOVERNOR HOGAN: Yes.

TREASURER KOPP: I think you can, though.

MR. RAHN: -- to say that maintenance isn't, I believe that taking care of what we have is incredibly important.

GOVERNOR HOGAN: I, I want you to find the best maintenance upgrade we can find and fix one of those bridges and all three of us are going to come and cut the ribbon.

TREASURER KOPP: Right. And the people will, will rejoice. I don't, I don't think that there's any question.

GOVERNOR HOGAN: Thank you very much. Any other questions on the MDOT Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second?

TREASURER KOPP: Second.

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GOVERNOR HOGAN: Three-oh. We're going to move on to the Department of General Services. Madam Secretary?

MS. BASSETTE: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MS. BASSETTE: -- Madam Treasurer and Mr. Comptroller. I'm Gail Bassette, and the Secretary of the Department of General Services, and the department has 25 items on our Agenda. We are withdrawing Item 11-E, and in addition Items 2 and 4 will be amended to include, "DGS will return to the Board of Public Works for approval of additional funding when funding is appropriate."

GOVERNOR HOGAN: Okay. Is that it?

MS. BASSETTE: Yes, sir.

GOVERNOR HOGAN: I have a question on Item 8-M.

MS. BASSETTE: Yes, sir.

GOVERNOR HOGAN: This is another one of the things that we've talked about a lot, a sole source --

MS. BASSETTE: Yes.

GOVERNOR HOGAN: -- contract for a card reader equipment and service at Spring Grove Hospital in the amount of \$78,000. First of all, the good news is it's a Maryland company and it's not a heck of a lot of money. But it's, as I understand it this would be, they would be locked into this vendor indefinitely into the future, right? And I'm just curious as to, you know, why

there's only one bidder? And you know, how many other situations are there like this where we, we can't get at least two bidders on a contract?

MS. BASSETTE: Okay. Governor, I shared your concern as well. And as soon as I saw this across my desk I made a phone call to the Assistant Superintendent, and I called in some of my staff, the Deputy. And I talked to the Assistant Superintendent and she shared with me that this is an add on card reader to a proprietary system that they already have and they have been using Stanley Security for several years. And that this project is 100 percent reimbursed by the federal funded Hospital Preparations grants program. So it's in addition to. They received the \$80,000 now so they thought they would add additional cards to their existing system. That's --

GOVERNOR HOGAN: Well, I'm glad you saw the same issue.

MS. BASSETTE: Oh, yes sir. And you will be --

GOVERNOR HOGAN: Our Secretary has only been here for like three weeks, but I'll tell you, she's on top of it already.

COMPTROLLER FRANCHOT: Fast learner.

GOVERNOR HOGAN: So she knows what she's doing over there. On, did you, the items you were pulling out for, was 2-A? Is that, which, which ones did you say pushing?



MS. BASSETTE: I looked at, I think my staff knows now that I am very concerned about all procurement and the inclusion of competition. And -

-

GOVERNOR HOGAN: I think this Board kind of got that message across pretty clearly last time we had one of these meetings.

MS. BASSETTE: Yes. 2-AE, there was some competition. Actually it was four requests for information that were sent out and there were only two technical proposals submitted.

GOVERNOR HOGAN: Yes.

MS. BASSETTE: And the Frederick Ward Associates was the winner, winning bidder. But just as addition, Governor, to our efforts to include more competition, I have met with all of my directors and staff and they understand my concern. And we are in preparation now of planning active outreach --

GOVERNOR HOGAN: Great.

MS. BASSETTE: -- and, and identifying those contractors who across the State and in the metropolitan Washington, D.C. area. And to do really our active outreach where we bring in some of the project managers to explain the scope of work. And as we're having these bid, pre, pre-conference bid conferences this would not only give the bidders more informed information or more information so they can make a more informed and conscious decision on

how to bid, but it also encourages teaming opportunities while we're there. So it helps to support the MBE goals also. So I just wanted to let you know that I have my finger on the pulse here.

GOVERNOR HOGAN: Well thank you, Madam Secretary. You know, there's, it's a real, it's a real breath of fresh air when you have a small minority businesswoman who is running the department.

MS. BASSETTE: Mm-hmm. Yes, sir.

GOVERNOR HOGAN: And not a, you know, not to take anything away from some of our dedicated lifelong bureaucrats but, you know, we brought in a lot of people with private sector experience from, in almost ever single agency. And I think you are doing a great job, so thank you very much.

MS. BASSETTE: Thank you. Thank you, Governor.

GOVERNOR HOGAN: She gets what we are trying to get accomplished there.

MS. BASSETTE: Yes, sir.

GOVERNOR HOGAN: And we're going to stay on you.

MS. BASSETTE: Yes, sir.

GOVERNOR HOGAN: So we're going to make sure.

MS. BASSETTE: Please do.

GOVERNOR HOGAN: Get these other bids.

MS. BASSETTE: Yes, sir.

GOVERNOR HOGAN: I also just want to point out one noteworthy item, it's not because I have a question on it, because it's a wonderful worthwhile project. And that is Item 6-AE, the modification for the Harriet Tubman Underground Railroad State Park.

MS. BASSETTE: Yes.

GOVERNOR HOGAN: Is there anyone here that could speak to us and give us a little update on the significant progress and the uniqueness of this project?

MR. LORAN: Good morning. I'm Jordan Loran with the Department of Natural Resources, our Engineering and Construction Unit. I also have with me our architect, Chris Elcock, with the company GWWO. I have a very brief, I know it's getting late, I have a very brief set of posters to help describe the project, give some background.

This is a view of the, the entire site plan. It is a 17-acre site in, in Dorchester County just outside of Church Creek, completely surrounded by Blackwater Wildlife Refuge. And it will include, as you can see, parking for up to 100 cars and we have a visitor center on the structure that's on the right and an administration building on the left. We also will have a picnic pavilion. It is under construction. And we are approximately 30 percent finished on the construction. We're out of the ground with three out of the four structures.

And this facility is dedicated to Harriet Tubman and the Underground Railroad. She was born in Dorchester County we think a couple of miles from this site, nobody is exactly sure which, which farm she was born on. And she was called the Moses of her People. She was, the more I've learned about her, she was an incredible individual. Thirteen times she ran and escaped to freedom and 13 times she came back to get family and friends. She wore a uniform, a Union uniform. She was the only woman to ever lead a regiment of Union soldiers to a battle in South Carolina. I don't want to give away our whole exhibit, but she really was an incredible individual. We're, I know I feel very lucky and honored to be working on this project.

GOVERNOR HOGAN: Thank you for your work. We appreciate it very much. Thanks for being here today.

MR. LORAN: Thank you.

TREASURER KOPP: I had a, what, so everything is on an even keel now? We're making, I mean, I'm trying to read your remarks and understand what they actually are saying about where we are right now and, and what has gone before. And I don't --

MR. LORAN: In regards to?

TREASURER KOPP: Yeah, your Agenda item, your remarks that you write, I assume.

MR. LORAN: No, I did not write them. But --

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TREASURER KOPP: Oh.

MR. LORAN: But I can --

TREASURER KOPP: -- whomever writes --

SECRETARY MCDONALD: The item is asking for a \$60,000 modification.

MR. LORAN: Yes.

TREASURER KOPP: So I think she is actually asking you about what the item is today.

MR. LORAN: The, the item itself is to add funding for the architect and the exhibit designers during the fabrication and installation phase. As originally, as the original design was developed there was not as much interactive, as many interactive elements or audiovisual elements. The designer has, responding to what, what the, the design team has been pushing for has taken the design to a, to a higher level. And that has caused an increase in time and services needed during the fabrication and installation phase of the --

TREASURER KOPP: So --

MR. LORAN: -- of the exhibits.

TREASURER KOPP: -- when will it be completed?

MR. LORAN: Right now the construction is scheduled to finish by mid-December, 2015 barring, we had, we have had some weather delays.

TREASURER KOPP: Yes.

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MR. LORAN: The weather is rock hard down there. The ground is rock hard down there. And the exhibits should start installation shortly thereafter, probably open Summer of 2016.

GOVERNOR HOGAN: Great. Thank you very much.

TREASURER KOPP: Thank you.

GOVERNOR HOGAN: Any other questions on the DGS Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Hearing none, move approval, three-oh vote. Thank you all very much. I want to thank the Treasurer and the Comptroller for their, we're working together. It seems like we're agreeing on a lot of things. I think it was a very productive day for the people of Maryland. Thank you all for joining us. We're adjourned.

SECRETARY MCDONALD: Thank you, Governor.

(Whereupon, at 12:13 p.m., the meeting was concluded.)