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BOARD OF PUBLIC WORKS

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PRESENT

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Governor

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Treasurer

HONORABLE PETER FRANCHOT
Comptroller

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## CONTENTS

<table>
<thead>
<tr>
<th>Subject</th>
<th>Agenda</th>
<th>Witness</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to the Fiscal Year 2016 Capital Improvement Program, Anne Arundel and Montgomery County Public Schools</td>
<td>SEC 11, p. 15</td>
<td>Sheila McDonald, Dr. David Lever</td>
<td>13</td>
</tr>
<tr>
<td>ESRI Enterprise Software Licensing Agreement</td>
<td>SEC A4, p. 26</td>
<td>Sheila McDonald, Barney Krucoff</td>
<td>37</td>
</tr>
<tr>
<td>DNR Agenda</td>
<td>DNR</td>
<td>Emily Wilson</td>
<td>42</td>
</tr>
<tr>
<td>DBM Agenda</td>
<td>DBM</td>
<td>David Brinkley</td>
<td>43</td>
</tr>
<tr>
<td>USM Agenda</td>
<td>USM</td>
<td>Jim Haley</td>
<td>46</td>
</tr>
<tr>
<td>DoIT Agenda</td>
<td>USM</td>
<td>David Garcia</td>
<td>47</td>
</tr>
<tr>
<td>DOT Agenda</td>
<td>DOT</td>
<td>Jim Ports</td>
<td>47</td>
</tr>
<tr>
<td>DGS Agenda</td>
<td>DGS</td>
<td>Nelson Reichart</td>
<td>48</td>
</tr>
</tbody>
</table>
GOVERNOR HOGAN: Good morning.

AUDIENCE: Good morning.

GOVERNOR HOGAN: Thank you very much for joining us. I see a couple of friends of mine in the audience. That reminds me that we are celebrating the one-year anniversary of a big election here in Maryland. I don’t know if any of you heard anything about that?

(Laughter.)

TREASURER KOPP: I can’t remember.

GOVERNOR HOGAN: But the Comptroller racked up a million votes in an unbelievable reelection victory.

COMPTROLLER FRANCHOT: Why thank you. Thank you.

GOVERNOR HOGAN: And I’m really proud of the fact that, you know, people put aside partisanship and party politics and came together to vote to change Maryland for the better. It was a big night for us. It has been an incredible year. People keep saying you have been Governor for a year. Well, I have actually only been Governor for nine months. But the election was a year ago.

I promised to change Maryland for the better. We said we’re going to focus on fiscal responsibility and making State government more efficient and more responsive to the taxpayers. I’m proud to say that here at the

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Board of Public Works we’ve been delivering on that promise. And of course, I had the benefit of my two great colleagues, both the Treasurer and the Comptroller. I think we’re all working together. I want to thank both of you. It’s been a pleasure working with both of you. And together over the past nine months we have ensured that State agencies are putting the interest of the taxpayer at the forefront of their procurement activities, making sure each dollar they spend is spent prudently, lawfully, and in a transparent manner. I think we’re off to a great start reforming our procurement processes but we’ve still got a long way to go. And we will continue to work hard to try to improve how the State purchases goods and services in order to fulfill that vital public trust that all three of us hold.

With that I want to turn the floor over to my colleagues. Madam Treasurer, any opening comments?

TREASURER KOPP:  Good morning. Just briefly, Governor, the best thing about the morning is to have you back.

GOVERNOR HOGAN:  Thank you. It’s great to be here.

TREASURER KOPP:  And to be able to shake your hand.

GOVERNOR HOGAN:  Yeah, I’m shaking hands and I’m feeling great. Thank you.

TREASURER KOPP:  It’s a great pleasure. And a beautiful day.

I mean, this is probably the most beautiful November day that I have ever seen.
GOVERNOR HOGAN: Maybe we can move the meeting outside?

TREASURER KOPP: Even better than a year ago. Yes. There are a couple of things I did want to bring, on this beautiful day, to people’s attention. Because you might not have read about it. There are things we sometimes miss.

First of all, the University of Maryland College Park has been ranked number one in environmental progress in the United States. I mean, it’s a terrific campus. It has integrated concerns about the environment and energy into its entire curriculum. It has through student fees invested in wind energy to the extent that it is now producing 60 percent of the electricity on the campus. I mean, it’s walking the walk and talking the talk. And I would hope that more people in the State of Maryland know that.

And secondly in my own backyard at NIH Dr. Steven Rosenberg, whom you would be interested, Governor, to know was one of the innovators in cancer immunotherapy, has been awarded a national prize. I would hope maybe you would have him up here at some point.

GOVERNOR HOGAN: That would be great.

TREASURER KOPP: Steven is at NCI, the National Cancer Institute, and has been an outstanding scholar and researcher for years but just won this really very impressive public service award, Samuel Heyman. I know
people around here remember Samuel Heyman. The Samuel Heyman Public Service Award. So that is two folks who really have done us proud.

And speaking of how we are doing as a State, obviously we all take great pleasure in seeing the revenue coming back, Maryland getting strong. The Rainy Day Fund, I was just reporting to the rating agencies, the Rainy Day Fund is strong and will be even above five percent, which is great. And thanks to the action you and the Legislature took with the sweeper amendment, $50 million, is that right? $50 million will be going into the pension fund. And I will not pick a fight but I would hope we could see our way to funding the entire GCEI and show that Maryland has really come back. And that the Governor has come back. Although, let me say right now, that the Lieutenant Governor has done a magnificent job.

GOVERNOR HOGAN: He did a great job filling in.

TREASURER KOPP: Yes.

(Applause.)

GOVERNOR HOGAN: He did such a great job I was thinking about giving him the job permanently and letting him --

(Laughter.)

TREASURER KOPP: I understand he’s quite busy anyway. But welcome back, Governor.
GOVERNOR HOGAN: Well thank you very much. It’s great to be back. Mr. Comptroller?

COMPTROLLER FRANCHOT: Well I agree with the Treasurer’s assessment of Boyd Rutherford. I think he is a tremendous asset. But the last time I mentioned that we didn’t see him for several months. So --

(Laughter.)

COMPTROLLER FRANCHOT: But I am very pleased that you mentioned me in your opening comments, Governor Hogan. And I just want to say that I made a commitment when we were both elected that I would lay down the partisan sword. And anything that you proposed that is beneficial to the State’s economy, I would give it my closest consideration. And I just want to say how pleased I am that you have responded like someone that I think the average member of the public would like to see, which is an adult who is mature and looks objectively at issues and makes a read. And I don’t always agree, but we’re going to have --

GOVERNOR HOGAN: What do you mean you don’t always agree?

(Laughter.)

COMPTROLLER FRANCHOT: Don’t get too close.

(Laughter.)
COMPTROLLER FRANCHOT: But seriously, I think that’s what the public wants. The campaigning can wait for several years.

TREASURER KOPP: Right.

GOVERNOR HOGAN: Exactly. Thank you.

COMPTROLLER FRANCHOT: But let me, if I could, just indicate that my annual Shop Maryland for the Holidays tour is gearing up and I’m traveling to Main Streets across the State to encourage patrons to support local businesses this holiday season. Maryland is still recovering from the crippling effects of the economic recession. It’s so important that we reach out and support these small businesses.

These bricks and mortar stores serve as the bedrock of our Main Street communities and fuel our State’s economy. Small businesses do more than just sell goods and services and serve as employers for hundreds of thousands of Marylanders. They sponsor little league teams, support school fundraisers, contribute to worthy causes that strengthen the fabric of our communities. This year I am looking forward to visiting shops in Towson, Baltimore City, Annapolis, Cumberland, Salisbury, Easton, and Cambridge. And I’d like to extend invitations to you, Governor, and please bring the First Lady with you because she’s the only one who actually pulls out a wallet and buys something.

(Laughter.)
COMPTROLLER FRANCHOT: Though, Madam Treasurer, if you’d come with us I’m sure --

TREASURER KOPP: I’ve been known to.

COMPTROLLER FRANCHOT: Yes. Excellent.

TREASURER KOPP: Do you go to bookstores? Actual independent Maryland bookstores?

COMPTROLLER FRANCHOT: Well they are few and far between because, thank you, Amazon, for some things.

TREASURER KOPP: Yes, we’ve got to keep them going.

COMPTROLLER FRANCHOT: Yes. No, I would love to do that. And obviously we do. And Cambridge and others have some terrific new bookstores. But anyone else that would like to join us, it’s a very fun and enjoyable annual tradition for my staff and me, and it’s very much appreciated by the communities around the State where these businesses sink or swim based on their November and December sales.

Last year I was honored to be joined by Governor-Elect Hogan and Mrs. Hogan at stops in Easton and Cambridge. I hope that we can do that again, Governor. And speaking of --

GOVERNOR HOGAN: And I’d like to correct the record there for a second, Mr. Comptroller.

COMPTROLLER FRANCHOT: Yes?
GOVERNOR HOGAN: And interrupt to say that I actually bought a watch in Easton at one of the stores. It wasn’t just the First Lady.

COMPTROLLER FRANCHOT: Yes.

GOVERNOR HOGAN: I was trying to do my part.

COMPTROLLER FRANCHOT: Yes, she brought it over to him.

(Laughter.)

COMPTROLLER FRANCHOT: But no --

GOVERNOR HOGAN: I did pull out the credit card.

(Laughter.)

COMPTROLLER FRANCHOT: I also wanted, speaking of local businesses, just to say I had the opportunity last week to present a proclamation to Mel Krupin, a legendary restauranteur and one of Montgomery County’s most beloved citizens. Mel was the former longtime general manager of Duke Zeibert’s and later the proprietor of Mel Krupin’s across the street, where they had the famous matzo ball wars. Nobody probably remembers that, but I do --

TREASURER KOPP: I do.

SECRETARY MCDONALD: I do.

COMPTROLLER FRANCHOT: -- back in the late eighties and early nineties, Mel Krupin. And then he was the proprietor of Krupin’s Deli on Connecticut Avenue. He truly is an iconic figure in the history of the Washington area restaurant business, someone who has probably met more famous people
than any other person living in Maryland today. And when I think of elite customer service, I think of Mel Krupin.

Mel and his wife Gloria live in the same retirement community as my Dad, who is sitting over there and was at the event. And it was a pleasure to visit with and recognize this great Marylander for all of his contributions to his community and our State. Governor, thank you.

GOVERNOR HOGAN: Thank you very much. With that, let’s get started with the Secretary’s Agenda.

SECRETARY MCDONALD: Good morning, Governor.

GOVERNOR HOGAN: Good morning.

SECRETARY MCDONALD: Good to see you again, and Madam Treasurer, Mr. Comptroller. Before I introduce the Secretary’s Agenda I would like to say what I think is important about this meeting this morning.

As you know, in late spring the Board’s procurement advisor of 14 years, Mary Jo Childs, left us to go to Anne Arundel County to be head of purchasing for Anne Arundel County Public Schools. Well the good news to report this morning is our long and hard search for a replacement procurement advisor is over. As you know, the procurement advisor advises both the Board of Public Works on procurement matters and State agencies. And I would like this morning to introduce to the room Gabe Gnall, the new procurement advisor, formerly --
(Applause.)

SECRETARY MCDONALD: He was formerly the procurement chief at the Department of Budget and Management, so I would like to thank Secretary Brinkley, too, for looking out for the welfare of the entire State.

MR. BRINKLEY: Grudgingly, you’re welcome.

(Laughter.)

SECRETARY MCDONALD: I know he is actually very familiar to procurement people at General Services and at the Department of Transportation and at the University System as DBM’s procurement always helps all of the departments. But now he will be at the Board of Public Works level working with them all. So please contact Gabe Gnall and his information is on our website. Turning to --

GOVERNOR HOGAN: Welcome aboard.

SECRETARY MCDONALD: Turning to the Agenda this morning we have 12 items on the Secretary’s Agenda. We have four reports of emergency contracts. Those four reports comprise 15 contracts. We are prepared for your questions.

GOVERNOR HOGAN: Any questions on the Secretary’s Agenda? Mr. Comptroller?

COMPTROLLER FRANCHOT: On Item 11?

SECRETARY MCDONALD: Item 11 is Dr. David Lever.
DR. LEVER: Good morning.

GOVERNOR HOGAN: Good morning.

COMPTROLLER FRANCHOT: Welcome, Dr. Lever. With this item, Item 11, we’re being asked by the IAC to apply funds from, hold on folks, this is a bit of a mouthful, this is the capital grant program for local school systems with significant enrollment growth or relocatable classrooms. So this comes from that program to increase funding in the fiscal year 2016 CIP for two projects. First is the replacement of Severna Park High School, for which I’ve been a very strong advocate in the past and I appreciate Dr. Lever’s leadership. Second is the replacement and renovation of Gaithersburg High, a school that I’ve also visited on multiple occasions and have strongly supported on this Board.

So I have no trouble with the request as it’s been put in front of us. But I have a couple of related questions, Dr. Lever. First, if you could discuss in a little more detail if you would the program that I just mentioned? I’d specifically like to know the program’s funding source, the amount of money that is disbursed annually through the program, its relationship to the CIP that is approved each year by this Board, and the guidelines which determine how this money is to be spent.

DR. LEVER: The General Assembly approved $20 million for school systems that have large enrollment growth or a large number of relocatable classrooms. The formula that’s used to determine the enrollment growth is, it’s...
school systems that have greater than 150 percent of the average of the statewide growth, and six school systems met that criterion or the relocatable classroom criterion in which they had 300 or more relocatable classrooms. Then the $20 million in funds, which come from the same source as the capital funds, they are bond debt proceeds, they are allocated on a pro rata basis. Each school system, so the six school systems, each school system’s proportion of the total enrollment of those six school systems. And I have the figures with me if you are interested in the breakdown, ranging from a high for Montgomery County of 29.32 percent and a low for Dorchester County of 0.89 percent.

The allocation is meant to be over and above any funds they would receive through the regular capital improvement program. So for these projects are, we are asking for an amendment for the FY ’16 CIP. The total of the CIP funds were approved by the Board of Public Works in May. So these funds would be over and above what was approved at that time.

COMPTROLLER FRANCHOT: No, that’s clear. And thank you. I appreciate that.

DR. LEVER: Mm-hmm.

COMPTROLLER FRANCHOT: On a separate note my Board colleagues may recall that last year this Board approved funding that would allow Dr. Lever to bring an additional staff person on board for the express purpose of bringing the IAC up to date on its multiyear backlog of annual public school
maintenance surveys. For those who may not remember the prior discussion, Dr. Lever cited severe staff shortages as the reason why the IAC hasn't produced a new school maintenance report in -- well, the last one was posted online in November, 2009.

Speaking for myself I can say that in advocating for this additional staff support my primary motivation was to have them on hand as a point of reference, those maintenance reviews since 2009, on hand as a point of reference for this Board this coming January when we will review the IAC appeals and later next spring when we will approve the final Public School Construction Program CIP. Because I do believe the school systems when they come before this Board to ask for new money for new schools, replacement schools, or major improvements to existing schools should be held accountable for how they are taking care of what they already have. And that is where the maintenance records come in and are so crucial. So I do believe that a system’s track record on school maintenance should be taken into account when we are deciding how to spend the limited pool of taxpayer dollars. All of which I guess I’m hoping and expecting, bottom line, is that we will have these reports on hand in plenty of time to review prior to the IAC appeals, better known as the Beg-a-Thon. And I’m confirming, Dr. Lever, that this is going to be the case?

DR. LEVER: Well, it’s going to be a struggle but we are working on it, to have the FY '13s and the FY '14s to you, to the Board of Public Works
with the summary of what each school system’s record is as well as what we call the report card, a kind of narrative overview. These will not be the full blown report with all the color pictures and so forth.

I do want to make a correction, though. Because the, we do have the fiscal year ‘11 and fiscal ‘12 maintenance reports. They are posted on our website, as well as the previous ones. But --

COMPTROLLER FRANCHOT: When were they posted?

DR. LEVER: I would have to check with staff when they were posted. They have been on for a while.

The new staff member has been focused on the FY '16 reports which are underway right now. The inspections are happening as we speak. And his training has involved being out in the field but also working on developing the reports and also improving the process for the physical inspection and what happens immediately after that inspection. As a result the FY ‘13s and the FY ‘14s have devolved onto the Deputy Director, her staff person, and myself. And I have not been able to give it the time that I did in previous years because I have had other assignments. So that’s why, I’m just saying that it is going to be a struggle but we’re going to do everything we can to meet those requirements.

GOVERNOR HOGAN: So back in January when we asked you why we were five, six years behind on the reports and you said if you could only have a staff person we could catch up and get this done, and you would report
back to us and we hired that person a month later in February and we are still pretty far behind, it sounds like.

DR. LEVER: Training -- sorry.

GOVERNOR HOGAN: It has been nine months.

DR. LEVER: Yes. Training has been more difficult than we expected, frankly. And so that’s an aspect of it. And we’re actually working on four fiscal years concurrently, FY ’13 and ’14, FY ’15 that was completed in June, and FY ’16 which is happening now. And so it’s kind of a pancake effect. And so we are working at it as hard as we can.

GOVERNOR HOGAN: Can you give us a more realistic time frame, since you didn’t meet the time frame you promised, when you think you can get it done?

DR. LEVER: Well we have asked for an extension on the reports to February 3rd but we want to have the summary to you by January 15th. The hearing will be on January 27th. So we hope that that will be enough time to review the results --

GOVERNOR HOGAN: It doesn’t really provide a whole lot of time.

DR. LEVER: No. It’s very difficult, I know.

GOVERNOR HOGAN: I mean we were hoping to have it months earlier.
DR. LEVER: Right. That would be very hard for us to do, I’m afraid.

GOVERNOR HOGAN: Why did you tell us back in January that you could get it done if we hired a person?

DR. LEVER: We were optimistic. We thought that he could. The person came in, was very well qualified. It has proved more difficult than we expected.

GOVERNOR HOGAN: So what do you think it really takes? Back in January you said if you hired this person you would be able to catch up. You haven’t been able to. What would it take now for you to get something done before January?

DR. LEVER: Before January, at this point? Actually I think I would need to have a second Deputy Director to handle other tasks that devolve onto myself so that I could focus more on management. For instance, the Monarch report, which we handed in last week, was extremely time consuming. It involved most of my activity during the months of September and October. And that was concurrent with a report by the General Assembly on maintenance and school construction which has, I’ve been working on since summer. We had several other reports. We have an update on the Baltimore City report. Last November we developed a report for the IAC on facility management issues in Baltimore City. The Legislature has asked us to do an update by December 15th.
Our program manager is working on that but I know that that will consume my time between now and December 15th as well.

GOVERNOR HOGAN: Since you brought it up I’d like you to comment about the Monarch Global Academy study we asked you to conduct and let us know where you are with that.

DR. LEVER: Well we handed it in last week. This was based on interviews that we had with most of the people that were involved in the development of the Monarch Academy, as well as with staff members from Anne Arundel County Public Schools, including the Chief Operating Officer Mr. Szachnowicz. And what we’ve concluded is that there is a very large difference in cost between the two facilities that we looked at. Actually we compared it to Rolling Knolls Elementary School in Anne Arundel County. And we looked at the cost basis for North Frederick Elementary School in Frederick City. And what we find is that the very large difference in square footage between the Monarch Academy, at about 63,000 square feet, and a comparable school in Anne Arundel County would be over 94,000 square feet. That difference is driven by the educational specification.

There are seven programmatic elements in the Anne Arundel facility that are not present in the Monarch facility. And then for another nine programmatic elements Anne Arundel builds at a larger size than is built in the Monarch Academy. And so between the two of them you arrive at a difference of
cost that if Monarch were building at the same size as the Anne Arundel facility at
the Monarch’s cost the difference would be $5.7 million over what they did pay,
and at Anne Arundel’s cost per square foot it would be $7.8 million. And the
Monarch Academy also does not include any middle school program --

GOVERNOR HOGAN: $7.8 million per square foot would be a
very high number --

DR. LEVER: That’s a very high number. No, $7.8 million total.

GOVERNOR HOGAN: Yes.

DR. LEVER: Monarch does not provide any middle school
facilities. Although it has grades six, seven and eight it does not provide some of
the standard elements like consumer science or technology education.

GOVERNOR HOGAN: So I’m curious as to, the assignment was
to go back and find what lessons we could learn from how they built the school so
cost effectively. And I’m curious as to what you found that we can apply that will
help in reducing the cost of school construction so that we can alleviate the
substantial backlog of projects that we have rather than just talking about how it
doesn’t really compare.

DR. LEVER: The areas that we need to look into are some of the
building technology differences. They use a pre-engineering structural system
which works under a design build methodology. It did save substantial time and
money. They also used a mechanical system which involves unit ventilators but
without a central control system. It’s not a very energy efficient system and it also is one that involves relatively high maintenance. They used lighter finished materials and that will also have maintenance implications. It does reduce costs, without question. The size is the main thing. The difference is square footage is the reason that they were able to build --

GOVERNOR HOGAN: Well I think the square foot cost was dramatically less. I don’t think it was just the size.

DR. LEVER: It has to do with the systems. The --

GOVERNOR HOGAN: And why can’t we do that in other schools?

DR. LEVER: There is nothing that prohibits it. It’s just we would have to be looking at the maintenance implications. That if any school system did propose to build to commercial standards like the Monarch facility I think we’d be asking two questions. One is have they allowed for the increase of maintenance costs that’s going to be associated with using less durable, lighter materials?

GOVERNOR HOGAN: And all of this is in your report?

DR. LEVER: The, yes, it’s in the report. But we --

GOVERNOR HOGAN: Was there a study done on the maintenance costs with respect to these construction techniques and the systems that they use? Or it’s just your opinion?
DR. LEVER: This is based on industry literature. It’s based on my opinion. It’s based on the opinion of facility planners. We have a quote in the report from --

GOVERNOR HOGAN: It sounds like you didn’t like the whole idea of looking at the Monarch Academy.

DR. LEVER: No, I think that it’s a very successful facility if you accept the unique circumstances that surround it. It has a unique educational program, a unique fiscal basis. Its business plan is quite different from any public school that we have. You have to take this into account. They have an enrollment cap. They don’t have to deal with overcrowding. They are in terms of the size of the school, I think when they add the seventh and eighth grade over the next two years, they are going to see some scheduling problems. And I think they are going to be perfectly well suited to handle that but it’s going to take a good deal of work and staff attention. That’s, the educational specification of that in a standard public school is designed to allow for a certain amount of flexibility, also the lack of predictability in terms of the enrollment. The materials and the systems that are used have to account for the fact that there is one maintenance budget that is spread across, in the case of Anne Arundel, 125 schools. Monarch has a unique funding stream that allows it to work by a business model that’s very similar to what a commercial developer would use. They account for depreciation.
COMPTROLLER FRANCHOT: Yeah, no, I just learned that those two maintenance or three maintenance reports were put up in the last few days.

DR. LEVER: Oh, I thought they were up earlier. I’m sorry.

COMPTROLLER FRANCHOT: Yeah. So I’m glad you did that. And I expect the others up there also. I’d like to, just like to swing in behind the Governor’s question and say this is why fiscal responsibility is so important. It’s not good enough just to shovel money into education. Somebody has to actually look at how the money is spent and whether the taxpayers and the educators are getting a fair return and getting a good product. So back in May I put my hand up on the QZAB and aging school funds and a few other programs that were being presented here because my question was how are they going to spend the money? We were presented with a list of counties, Baltimore County, Montgomery County. Next to them was a big amount of money under these different programs and that was it. Nothing else. So I asked where it was being spent, where did it go? And I asked that the funds be held up until we got an answer. And, you know, that didn’t succeed. But I haven’t gotten anything since May as to where the QZAB, aging schools fund, and those other programs that we voted on, where did the money go? And what kind of outcomes did we get? I understand the input. We vote on money. What is the outcome? And if all we are given is a dollar amount and a county, let’s see, May, June, July, whatever. I’m a little
frustrated in this issue. And I applaud the Governor for at least asking some questions because this is what drives our citizens crazy. Yeah, they all want to support education. What’s the result?

DR. LEVER: We can have the QZAB list to you this afternoon. The ASP application process is still happening and runs through April of ’15. We do have a number of jurisdictions that have requested, others are still formulating their request. So we can provide you the information that we do have. It’s a very extensive list. We’ll send that to you.

COMPTROLLER FRANCHOT: Oh. And make sure you’ve got Baltimore County’s down. I believe that that money can be spent on window box air conditioning units for the 50,000 kids that currently have to go to school in the Baltimore region in inhumane conditions and teachers who have to work in classrooms where they are at risk of fainting and where the special needs kids, the hundreds and hundreds, probably thousands of special needs kids, are particularly tortured by the high temperatures. And as I said, we’re talking in excess of 50,000 kids. And that QZAB, aging school, whatever it is that you, mouthful that you had before, hopefully I’ll see that it’s being spent on box air conditioning units in Baltimore County and Baltimore City.

GOVERNOR HOGAN: In fact I think we asked the County Executive of Baltimore County to address the issue, and we didn’t get any response other than give us more money, with another big dollar figure with no
explanation. So no accountability whatsoever as to what they did with the rest of the money or why they haven’t fixed the problem in all these years.

DR. LEVER: If I could just comment? The QZAB funds and the ASP funds are both bond proceeds and the IAC has established a policy that those funds would not be spent on box units for reasons of durability, energy efficiency --

GOVERNOR HOGAN: They did it in other counties.

DR. LEVER: Pardon me?

GOVERNOR HOGAN: They did it in other counties very successfully, Anne Arundel County as an example.

DR. LEVER: Local money can be spent any way they want. This is State money. This is State --

COMPTROLLER FRANCHOT: Yeah, well that’s a very good point, Dr. Lever. And you need to go back and change that right now. I mean, that is so outrageous that you would stand up here and give that when these kids get up and testify that they vomit in class, that they fall asleep in class. The teachers testify, those that are brave enough to open up because of the retaliation that’s put against teachers who are not allowed to teach in public, but the teachers get up and say they faint, they can’t teach. And we’re not talking ten days we are talking weeks and weeks of the school year. So, you know, kudos to you making that decision. It was a wrong one. Go back and make another one.
DR. LEVER: I did ask the IAC recently about that policy which was established, affirmed, two years ago. And they did reaffirm the policy. But I’ll bring it to them again. We’re meeting on November 16th. I’ll bring it to them for a third time.

COMPTROLLER FRANCHOT: Yeah. Well --

GOVERNOR HOGAN: Well a lot of things were done two years ago that we’re changing. So maybe this ought to be one of them.

DR. LEVER: I just brought it to them recently. But Baltimore City, excuse me, Baltimore County has submitted their capital improvement request for FY ’17. They have 18 projects in their request which will address air conditioning in schools either by complete renovation, a new school, or limited renovation, or a systemic renovation of the school. The timeline, of course, these are big projects. They do take time to carry out. But we anticipate most of those are eligible. The larger projects appear to be eligible for planning or determining whether they are eligible for funding. The smaller renovation projects, I shouldn’t say small, $5 million, $3 million per school, appear to all be eligible at this time.

COMPTROLLER FRANCHOT: And the time frame for your capital product is, what, you like to have ten years? Ten-year life to a capital item? What is it --

DR. LEVER: The minimum is 15 year life, the life of the bonds.
COMPTROLLER FRANCHOT: Fifteen years? Okay. Well most of the box units, at least those in 38 schools over in Anne Arundel County, half of them are still operating and it’s 12 years. They are doing just great. And the kids are in cool classrooms. And all that time these kids up in Baltimore County and Baltimore City have had to sit in stifling conditions. And they’re going to have to continue to be because of these, this decision of you, your IAC, and the local elected officials who are unable to address the problem. And it’s a disgrace.

I mean, I hate to go on and on. But this is probably the most important conversation that we have had in the last nine months on the Board of Public Works. Because what we’re talking about is that the public wants better results and better outcomes. And they want, for God’s sakes, they want safe classrooms that are climate controlled. And we can’t seem to, well, the Governor is injecting his philosophy and I’m strategically allied with him. Because it’s what the public demands. And it’s what’s right. And it goes into all these other programs where we just, as I said, shovel the money out and nobody ever checks on whether it improves the academic performance, whether it produces clean, healthy classrooms. Everybody is just, hey, give us the money.

DR. LEVER: I will bring this to the IAC.

COMPTROLLER FRANCHOT: I apologize for articulating that.

But I --

GOVERNOR HOGAN: You don’t have to apologize at all.
COMPTROLLER FRANCHOT: -- I can’t imagine anything that is more fiscally responsible than overseeing how the taxpayers’ money is spent.

GOVERNOR HOGAN: Well let me just kind of wrap this up. I mean, obviously we all agree education is our top priority. You know, we cut spending in every single department and agency. We increased spending in education. We dramatically increased school construction funding. I was the first Governor in history to ever put any money in the optional GCEI in his first year. We agreed to fully fund it next year. No Governor in State history has ever spent as much money on education as this administration has.

But I agree with the Comptroller. We can’t just keep shoveling more and more money without accountability and the taxpayers are getting pretty frustrated with the results.

DR. LEVER: We have included in our report recommendations on how to move forward with the investigation. There are, one of the points, we’re interested in all aspects of innovation that can reduce costs. We don’t want to sacrifice the educational program so any changes that are proposed have to still support the educational program. And we have to be sure then we’re not increasing the maintenance burden. The Council of Great City Schools has quoted a federal report that indicates that owners should put aside two percent per year for preventive maintenance and routine maintenance for a 50-year building. For a 25-year building those figures should double. That is just general industry
standard. So that if we were using commercial standards, which generally are less durable as a building fabric, then we would want to be sure that the maintenance budget is in alignment with the type of technologies that are being used.

GOVERNOR HOGAN: Well, I would think most people in the State think we’re wasting too much money on school construction. And nearly every single local school administrator came up here and told us that we were spending too much building schools. And they talked about prevailing wage adding one-third to the cost to the construction of schools. They talked about the delay. They talked about the problems. So you continue to defend something that’s kind of indefensible. And we just want to get the problem fixed. And we’re frustrated with the answers that we’re getting.

DR. LEVER: Some of this goes back to State legislation on prevailing wage. The stormwater management requirements are now pushing the percentage of site work up past the 20 percent mark. Prevailing wage, we’re not sure what it adds. But on 262 side by side bids, on trade bids, we found that it was adding 11.65 percent. North Frederick Elementary School bid, the side by sides, it was a hair under 14 percent increase attributable to prevailing wage. Anne Arundel County did an addition to Annapolis High School and I understand that the increase by prevailing wage was about nine percent. So that is definitely adding. So --
GOVERNOR HOGAN:  Well we’ve got a substantial backlog. We’ve poured hundreds of millions of more dollars in. And we just want to build more schools faster and for less money. That’s the bottom line. And I think we’ve probably taken enough time. We’ve got lots of people here for other issues.

TREASURER KOPP:  Could I --

COMPTROLLER FRANCHOT:  Yeah, but I just want to go on --

TREASURER KOPP:  Could I have the privilege of saying anything?

GOVERNOR HOGAN:  Absolutely. You can jump in at any time.

COMPTROLLER FRANCHOT:  Yeah I, hang on a minute because I just want to make sure that Dr. Lever knows that we have transcripts that show you testified before this Board exactly the opposite of what you testified today.

DR. LEVER:  How so, sir?

COMPTROLLER FRANCHOT:  Which is that the QZAB and aging school funds are totally discretionary on how they are spent, not subject to the 15-year capital.

DR. LEVER:  No, no --

COMPTROLLER FRANCHOT:  I mean they could be spent on air conditioning units.
DR. LEVER: I would have to see that transcript because --

COMPTROLLER FRANCHOT: Okay, we’ll send it to you.

DR. LEVER: Please. I would like to see that.

COMPTROLLER FRANCHOT: Yeah. Because it’s --

DR. LEVER: I think what I might have meant --

COMPTROLLER FRANCHOT: -- outrageous that you’re now presenting an entirely different --

DR. LEVER: The school systems select the projects that they are submitting. We don’t select the projects. But they do have to meet these requirements, 15 years, durable. There is a certain list of things that they can and can’t do. So but they select the projects. That may be what I intended to say.

COMPTROLLER FRANCHOT: Well, good. Well send me that because it’s in direct contradiction to my understanding of your testimony before this Board.

GOVERNOR HOGAN: Madam Treasurer?

TREASURER KOPP: Could I just say I think there is a very serious issue here. I hope it doesn’t get covered up with, or get distracted by the smoke of what is a very legitimate political controversy and charges.

I think that at least what I had in mind when you went to do your study was to come back and tell us what we could learn from Monarch, just on this part of the discussion, and similar, similar types of alternative construction...
that we could apply to our school building program without diminishing the quality of education, obviously, and without creating greater long term costs by underbuilding in the beginning. I hope your report is to that and not simply just denigrating anything other than the way we are doing. I trust that it’s not.

DR. LEVER: We’re not denigrating, no.

TREASURER KOPP: All right. So we’re be able to look at it --

DR. LEVER: But --

TREASURER KOPP: -- objectively and look at numbers and look. Let me ask you another question because I just, I’m not good at making charges and I don’t like to make charges and I won’t enter into that sort of conversation. But I would like to know because we’re talking now, we’re supposed to be talking about relocatable classrooms. That’s how we started this conversation. Do you remember that? Do you remember that, Dr. Lever? Yes. It was a while ago. What is the status of the program? How many relocatables, how many kids do we have being educated in trailers now?

DR. LEVER: There are about 3,000 trailers in the State of Maryland. The numbers have gone down just a little bit, I believe. I don’t have that report with me. But they do stay very close to about 3,000. How many kids? We can do a calculation based on, say, 23 per relocatable, 25 per relocatable. The fact is that they are used in so many different ways. One school system will use them for actual classrooms, another will use them for specials. You’ll have one
relocatable that’s being used for the string section of the music program to isolate the kids from the noise of the school.

TREASURER KOPP: That’s perfectly understandable. But I drive by schools where we rebuilt the school, they -- my children went to them.

DR. LEVER: Mm-hmm.

TREASURER KOPP: We did away with the relocatables for all of two or maybe three years, and go around, and they are back. And the kids are in them. They are not being used for any of those other purposes.

DR. LEVER: Yes.

TREASURER KOPP: What, is it because we don’t build the schools? Is it because the growth is just so great in some areas you can’t control it? Or what is the, so now we do these patch programs.

DR. LEVER: It’s that predicting enrollments is a very imprecise art. I saw this when I was in Prince George’s County. We build to what we think is going to be the size of the school, and within Board policy which also sets upper caps on some types of schools. On opening day at one school in Prince George’s County, not one we rebuilt but another one, we had 100 kids who no one had anticipated. It’s things that are outside of anybody’s control in many cases. It could be a civil war in Central America that is driving immigration that families are doubling up or even tripling up --

TREASURER KOPP: Is that it? I mean, do we have an analysis?
DR. LEVER: There are multiple causes --

TREASURER KOPP: I know that. But --

DR. LEVER: -- and no, we don’t have a precise analysis of what the reasons are. But if --

TREASURER KOPP: So there’s no way to address the problem in a statewide priority based manner other than this program that we’re looking at that was just created? Is that right?

DR. LEVER: The difficulty is you could also overbuild. Because it’s such an unpredictable factor you could also --

TREASURER KOPP: But the kids are in first grade only one year out of their lives. I mean, they shouldn’t be, that shouldn’t be the situation.

DR. LEVER: We’re not happy with it either. But the difficulties are in predicting precisely how many kids you are going to be seating when you open that new school. There’s also something called the new school phenomenon which we identified in Prince George’s County, and others have experienced, that the actual fact that a new school will open attracts households with children. Older household members sell.

TREASURER KOPP: Well if you, when were you working in Prince George’s?

DR. LEVER: I left there in 2003.

TREASURER KOPP: Pardon?
DR. LEVER: In 2003 I came on to the State.

TREASURER KOPP: Oh, okay. It was more than a decade ago.

So that was figured out then, right?

DR. LEVER: It’s --

TREASURER KOPP: So --

DR. LEVER: I assure you, the staff at Montgomery County Public Schools, they have outstanding staff. And I know they look at this kind of factor. And they can be off because these factors are so much outside of anybody’s control. On a specific school basis -- they can be very accurate on a countywide basis and yet still be off when it comes down to the specific school.

TREASURER KOPP: I’ll tell you, I don’t think it’s very attractive when people come looking to locate in a new area to find out their kids are going to go to school --

DR. LEVER: I agree.

TREASURER KOPP: -- in a trailer building. The aging schools, don’t we have a report on what aging schools money is used for?

DR. LEVER: Yes. I can provide that.

TREASURER KOPP: I thought maybe you could share them?

DR. LEVER: Sure. We have that list.

GOVERNOR HOGAN: Are there any other questions of Dr. Lever? I think we’ve spent almost an hour talking about the problems of school
construction. And we’ve got a lot of people here in the audience on lots of different issues. Anything else? Thank you, doctor.

DR. LEVER: You’re welcome.

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

COMPTROLLER FRANCHOT: Yes. Item A4.

SECRETARY MCDONALD: Item A4 is the Department of Information Technology. Secretary Garcia, this is your report of a contract award to ESRI, E-S-R-I.

GOVERNOR HOGAN: Good morning.

MR. KRUCOFF: I’m Barney Krucoff. I’m the State Geographic Information Officer. I’ve been a bit of a frequent flier here lately.

Three times we’ve come to the Board asking for an option year on a contract which manages the, provides the State’s mapping software. Just a software contract, no services. The Board did not approve those options. We are now, issued an RFI to replace that software, or to compete it, and there will be an RFP potentially following the RFI. We did not want to leave the State without coverage. There is a cloud service and there are support functions within the contract. So we entered into an emergency contract.

There are several reasons, where this even gets to life and limb. So for example with Hurricane Joaquin possibly coming you, Governor, declared a
state of emergency. We had this contract in place. Part of the job of this software is to provide situational awareness at MEMA. Where is the storm coming? What critical infrastructure is in its path? What vulnerable populations such as nursing homes or schools are in its path? What is the status of the roads? That’s one example. It’s used to map crime, gang areas. It’s used for public health. For example, mapping where people from West Africa came and may have had Ebola. What does DHMH have to watch? It’s used for search and rescue by MSP. And multiple other important activities. So we wanted to keep it under contract.

It’s also used to manage databases that have confidential information. For example, the Comptroller’s Office analyzes tax returns’ geographic patterns. Those names and places are in a software package which we want to keep under support so if an IT vulnerability is identified we have the right to make the patch. And that’s the reason for the emergency.

COMPTROLLER FRANCHOT: Okay. So I have no problem with the emergency contract for six months. I’m not going to vote for the three-month option, because that doesn’t make any sense to me, number one. Number two, when you bring it back there had better be some other competitors. Why do I say that?

Well I happened to be in La Plata visiting some local businesses. And I’m meeting with a very successful, Maryland based, woman owned company that has about 60 federal contracts in exactly this space.
MR. KRUCOFF: This is Zekiah Technologies, obviously.

COMPTROLLER FRANCHOT: Yes, isn’t that interesting? I said have you ever heard of ESRI? They said, are you kidding me, we’ve heard of ESRI. We sometimes partner with them and whenever we compete we often beat them on these contracts. I said did you ever get asked or informed about the State of Maryland? They said no. I said do you need six months to prepare a bid? They say, no, we could have it within the next week or so. Now that was just happenstance.

MR. KRUCOFF: I’m sure it was Zekiah Technologies. And they are not a COTS software provider. They are a services provider. And they would be great and we included them on the RFI.

COMPTROLLER FRANCHOT: No kidding? But I was told this was a situation where only this company, we had to do it for some reason. And are you telling me that this is the only company that’s going to come back?

MR. KRUCOFF: Zekiah? No, there will be others who are COTS software providers. What we told you last time was that this was the software the State uses. It had used it for 40 years. That we had consolidated it. That it’s essentially the Microsoft Word of this function. That there are thousands of trained users in the State and replacing it is not a simple matter and that we benchmark what we pay and we were beating the federal price. That was our
previous justification. Now we are competing it and we’ll come back with the results.

COMPTROLLER FRANCHOT: Well I would suggest, Governor, if you were, someone was agreeable, that we approve the six-month base term and hold their feet to the fire. And say, look, bring back a competitive bid with other companies. And you know, that’s the only way we’re ever going to know whether we’re getting a good deal.

TREASURER KOPP: What is the point of having the six plus three. I don’t get it.

MR. KRUCOFF: We are following the State’s procurement rules. We have to carefully draft an RFP. When I get a template for an RFP --

TREASURER KOPP: So why didn’t you propose nine then?

MR. KRUCOFF: We negotiated a little bit between six and nine months. And we have, we went with six months and a three-month option. And I think the Secretary was involved in that decision.

GOVERNOR HOGAN: Secretary McDonald?

MR. KRUCOFF: We would like as much time as we can get. These processes are complicated. And they are not the purview of just one person. There are protests. There are, it has to stay on the street for a certain amount of time. There will be multiple agencies evaluating the software. We intend to do a very good job, transparent job of making a selection.
TREASURER KOPP: I think I get it.

GOVERNOR HOGAN: Secretary McDonald?

SECRETARY MCDONALD: Because the option term that’s proposed here is over $200,000 the Department of Information Technology would have to return to the Board to exercise that option before they could. So in effect all that will happen with acceptance of this report is the acceptance of the six-month contract that was awarded. They are giving you the information that the contract was written with an option in it so that they can come back.

GOVERNOR HOGAN: Okay.

SECRETARY MCDONALD: But they will have to come back to exercise the option.

MR. KRUCOFF: That option may help us with our negotiating position with the winning RFP person, too.

GOVERNOR HOGAN: Okay.

MR. KRUCOFF: Knowing that we have some ability to extend.

TREASURER KOPP: And the nine, even if you could terminate for convenience we would still have to pay something?

SECRETARY MCDONALD: That’s correct. I think --

TREASURER KOPP: Okay. I get that. Thank you.

SECRETARY MCDONALD: -- the former procurement officer would advise that there be an option in case there would be protests. But this sort
of just willy-nilly approach to maybe let’s terminate for convenience there are actually costs associated with that.

TREASURER KOPP: Costs, okay.

SECRETARY MCDONALD: And so the six months with the option would extend it for three months.

TREASURER KOPP: I just hadn’t realized it. That’s okay.

GOVERNOR HOGAN: Yeah. Okay. Great. Thank you. Any other questions on the Secretary’s Agenda? Is there a motion?

TREASURER KOPP: Favorable.

GOVERNOR HOGAN: All, three-nothing on the Secretary’s Agenda.

SECRETARY MCDONALD: Thank you.

GOVERNOR HOGAN: Now we’ll move on to the DNR Real Property Agenda.

MS. WILSON: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MS. WILSON: -- Madam Treasurer, Mr. Comptroller. Emily Wilson with the Maryland Department of Natural Resources. We have six items on our Agenda today of Open Space and recreation projects, plus some revenue from a forest timber harvest. And I would like to say it’s such, the weather is so compelling for the rest of this week that I would strongly recommend the room if
they can take advantage of these recreation and Open Space projects to step outside and enjoy a little bit of not only the weather but the stunning colors from the leaves.

GOVERNOR HOGAN: That sounds great. We probably should have held this meeting maybe in Western Maryland and outside --

TREASURER KOPP: Yes.

GOVERNOR HOGAN: -- with the trees changing. Any questions on the DNR Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

GOVERNOR HOGAN: Three-nothing on the DNR Agenda. We’ll move on to DBM.

MS. WILSON: Thank you.

MR. BRINKLEY: Good morning, Governor, Madam Treasurer, Mr. Comptroller. The Department of Budget and Management has submitted eight items for today’s Agenda and I have representatives here to answer any questions you might have.

GOVERNOR HOGAN: Questions on the DBM Agenda?

COMPTROLLER FRANCHOT: No. But I’d just like to note that the Secretary represented you, Governor, at the ribbon cutting of the Prince George’s Finance Academy. If anybody out there is looking for something to do
for the kids, anybody who is pro-education out there, giving our kids some degree of financial literacy is the greatest thing we can give them in our K through 12 program. And God bless Prince George’s County, in partnership with the private sector, and the State of Maryland, and Junior Achievement, for constructing a Finance Academy. It’s a spectacular facility. All 8,000 eighth graders in Prince George’s County will take a 14-lesson plan as to what is a budget, what’s debt, what’s interest, what’s compound interest, how do you protect yourself. They learn the basics, then they go to the Finance Academy for a week. And they are each given an income, $30,000, $60,000, family members, a job. They are told to go negotiate a mortgage, a car loan, utility, pay the utilities. Everything is set up in a real life village. And the Secretary will remember this. One kid got up and said, you know, I really like this program because my buddy came in and immediately bought a bright red Ram Dodge truck. And I was able to say to him, yeah, you own a really beautiful truck. That’s terrific. Do you have a driveway to park it in?

(Laughter.)

COMPTROLLER FRANCHOT: So he had to borrow money from me.

(Laughter.)

COMPTROLLER FRANCHOT: But Mr. Secretary, thank you for representing Governor Hogan --
MR. BRINKLEY: Thank you.

COMPTROLLER FRANCHOT: -- and it was really a very upbeat event. And I bring that up just because I’m not sure why I’m bringing that up.

GOVERNOR HOGAN: Well it sounds like a terrific program. I see Senator Justin Ready in the back of the room. You might want to suggest some of your colleagues in the Senate go attend this financial literacy course.

(Laughter.)

GOVERNOR HOGAN: They could learn a few things.

(Laughter.)

GOVERNOR HOGAN: Maybe pick up a little financial knowledge.

MR. BRINKLEY: Governor, my comment is I thought I might have overstretched it. But that’s exactly what I said. It’s too small.

(Laughter.)

MR. BRINKLEY: It’s too small. They need to have some elected people go through here.

GOVERNOR HOGAN: Yeah, very good. Is there any other comments or questions on the DBM Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Move approval. Three-nothing on the DBM. Now we’ll move on to the University System Agenda.

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MR. HALEY: Good morning, Governor --

GOVERNOR HOGAN: Good morning.

MR. HALEY: -- Treasurer --

TREASURER KOPP: Good morning.

MR. HALEY: -- Mr. Comptroller, Jim Haley, University System of Maryland. We have one item on the Agenda today. We’re open for any questions you may have.

SECRETARY MCDONALD: Oh, Jim need to formally items --

MR. HALEY: Yes, we are withdrawing two and three.

GOVERNOR HOGAN: Okay. Any questions on the one item? Is there a motion?

COMPTROLLER FRANCHOT: Which items are being withdrawn?

MR. HALEY: The Bowie State item --

COMPTROLLER FRANCHOT: Yeah.

MR. HALEY: -- and also the property item.

SECRETARY MCDONALD: College Park.

COMPTROLLER FRANCHOT: And why is the Bowie State item being withdrawn?
MR. HALEY: The Bowie State item is being withdrawn because we realized an inconsistency in the solicitation document. And we are pulling that and we are going to resolicit it.

COMPTROLLER FRANCHOT: Congratulations then.

MR. HALEY: Thank you, sir.

GOVERNOR HOGAN: Thank you. Any questions on the USM Agenda? Is there a motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Three-nothing, University System. Move on to Information Technology.

MR. GARCIA: Good morning, Governor, Mr. Comptroller, Madam Treasurer. I’m David Garcia, Secretary of the Department of Information Technology. Today we have six items on the Agenda and we are withdrawing Items 4 and 6. And I have agency representation to answer any questions you may have.

GOVERNOR HOGAN: Questions on the DoIT Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Move approval, is there a second? Seconded, three-nothing. Department of Transportation?

MR. PORTS: Good morning, Governor, Madam Treasurer, Mr. Comptroller. It’s a pleasure to be here. For the record, my name is Jim Ports,
Deputy Secretary, representing the Department of Transportation. We have 12 items to present today. We do have one correction, however, on Item 9-GM. It should read to convey to Ports America Baltimore, Inc. which is a parent company of Ports America Chesapeake. And we want to thank the Comptroller’s Office for bringing that to our attention.

GOVERNOR HOGAN: Very good. Questions? Motion?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: Second? Three-nothing. Department of General Services?

MR. REICHART: Good morning, Governor, Madam Treasurer --

GOVERNOR HOGAN: Good morning.

MR. REICHART: -- Mr. Comptroller. For the record, I’m Nelson Reichart, Deputy Secretary of General Services. And the department has 11 items on our Agenda. We’ll be glad to answer any questions.

GOVERNOR HOGAN: Mr. Secretary, let me just interrupt you for one second and compliment your department, and you particularly. Yesterday we were able to have the grand opening of the State Police Barracks in Annapolis and the Department of General Services did an incredible job cleaning up a pretty messy place and turning that thing around and getting it ready. So thank you for your efforts and please pass my compliments on to the Secretary.
MR. REICHART: Thank you, sir, very much. And we have passed them on after our conversation yesterday. My team did a great job. They are good workers.

GOVERNOR HOGAN: Thank you. Sorry to interrupt.

MR. REICHART: We have 11 items on the Agenda, if anyone has any questions?

GOVERNOR HOGAN: Anybody have questions?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR HOGAN: All right. Second? Three-nothing. Is that all we have?

SECRETARY MCDONALD: That’s it.

GOVERNOR HOGAN: Is there a motion to adjourn?

TREASURER KOPP: So moved.

GOVERNOR HOGAN: So moved. Thank you all very much for coming.

(Whereupon, at 11:06 a.m., the meeting was concluded.)