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

October 7, 2015
10:03 a.m.

PRESENT

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HONORABLE PETER FRANCHOT

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PROCEEDINGS

LIEUTENANT GOVERNOR RUTHERFORD: Well good morning.

AUDIENCE: Good morning.

LIEUTENANT GOVERNOR RUTHERFORD: Is this working? Am I working? Okay, there we go. As you can see, I am not Larry Hogan.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: But I'm here battling for him today. And some might say, I guess last time I was here I was considered the substitute teacher. The Governor is taking care of his treatment this morning. And he is doing well, as well as you could expect at this point. I'm getting over a head cold so they had to keep us separated because his immune system is down. So I had to talk to him on the phone yesterday and they still made me put a surgical mask on.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: But, you know, he still has all of his spirits and still a lot more energy than what you would expect at this point. And he just wants to convey to everyone his appreciation for all the thoughts and prayers that go out to him. But you probably heard this before. He has also stated over and over again that he wants people to send those same

thoughts and prayers to all the other cancer patients that are out there and their families as they go through this terrible situation as well.

So, you know, one of the things that he has been working hard at and has become is one of the I guess voices, one of many voices in terms of cancer awareness through this whole process. And we are all appreciative of what he has been doing in that arena as well.

And with that said, I'll turn to my colleagues here. Madam Treasurer?

TREASURER KOPP: Governor, our hopes and prayers are with Governor Hogan. I must say, I find it amazingly inspiring, not only how well he's doing. But when you read the story about the children and their response to him. I have spent some time at Children's Hospital in Washington myself. And I know there's nothing like a human touch. And it's just terrific. It makes us all feel much, much better. And I thank you.

No, other than that I personally am happy to see autumn coming. I know it's not universal but a great new day in Maryland. Thank you for being here.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. I like autumn also. Mr. Comptroller?

COMPTROLLER FRANCHOT: I'm still having trouble getting that picture of the Lieutenant Governor speaking on the phone with a surgical mask on.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: I was saying, why? I don't think I need to do this.

COMPTROLLER FRANCHOT: But I would like to extend my personal support to Governor Hogan. Obviously these chemotherapy treatments that he has now finished is probably just about the worst thing you could ever possibly go through in how it makes you feel. And it's all cumulative, I'm told. And so I agree with the Treasurer and the Lieutenant Governor that every Marylander should communicate either through prayer or otherwise with Governor Hogan and say we're all fighting for you. We're in your corner. And, because he feels crummy. And he still manages to get up and inspire not just the Treasurer but tens of thousands of Marylanders who have been touched by cancer. And so if you want to know what a good man looks like, go and take a peek at Governor Hogan. Because he is a very classy gentleman.

And Lieutenant Governor, I'm delighted you're here. Last night in a town hall meeting in Arbutus parents, teachers, and students came out in droves to share their stories about the deplorable conditions inside so many schools in Baltimore County. And I know the Lieutenant Governor toured Dulaney High

School, which is frankly a poster child for more than 50 schools that are like that. We heard story after story from students who just want to show up to a school where they can concentrate and learn, where they don't get horrible headaches, or sweat profusely sitting at their desks. From teachers we heard who struggle to keep the attention of their students who deserve far better than the inexcusable work environment they show up to everyday. And we're talking about 33,000 students, by the way. Everybody says why are you concerned with this, Mr. Comptroller? 33,000 school kids in Baltimore County as we speak have to go to un-air conditioned classrooms and that have poor air circulation. It's unhealthy. Furthermore, they can't learn.

We heard from parents who have to send their kids to school everyday knowing what kind of unhealthy and unsafe conditions they will be subjected to all day. Parents, angry and frustrated by the inaction and sheer indifference, who feel completely helpless to provide their kids with a safe and productive learning environment. And could I just add that the people in Baltimore County feel defeated by their own system. They're down. Those folks that came out to that town hall, talk about inspiration, Madam Treasurer. They got inspired because I asked Governor Hogan if he wouldn't send someone from his staff up there. He didn't send one person. He didn't send two people. He didn't send three people. He didn't send four people. He sent five of his senior

staff, led by the Secretary of Budget and Management, and the Deputy Secretary Roy McGrath, I don't know whether Roy is around here? Yep. And that --

LIEUTENANT GOVERNOR RUTHERFORD: Deputy Chief of Staff.

COMPTROLLER FRANCHOT: -- that, Deputy Chief of Staff, that picked up the spirits of the people in Baltimore County who say we can't get anybody to listen to us.

Okay. As I sat and listened to them I found myself thinking less about my role as Comptroller, as a member of this Board, or someone who helps oversee the State's school construction program, and more about my kids Abby and Nick. Thinking about what I'd do and how I'd feel if my kids had gone to school in these sweat boxes. And the more I listened, the angrier I got. There are no excuses for this awful situation. It has gone on far too long. It could have been fixed four years ago within a month for a de minimis amount of money, relatively speaking.

There are 52 schools in Baltimore County as I speak that are not fully air conditioned. It's unfortunate that the County Executive and the Superintendent weren't there last night. Frankly, I see that they are not here today either. They need to realize the impact that not making air conditioning a priority with the \$269 million the county has received from the State since 2011 has had on students, teachers, and parents. They need to realize that these parents,

teachers, and students are tired of the hollow excuses and they demand that this gets done once and for all, whether it's with more affordable box units like Anne Arundel County or in some other way. This clearly is not a question of resources. It never has been a question of money. Never. It's a question of leadership, management, and priorities. The kids deserve better, the parents deserve better, the teachers deserve better. We need a concrete plan for every single school in Baltimore County to be air conditioned, not in 2021, or in 2019. Not when it's politically convenient. Not using someone else's money to pay for your mismanagement, but now in the next month, two months, three months this problem needs to be fixed.

Lieutenant Governor, sorry to start off on that. Usually I have a nice, happy, warm, comfortable, soft statement, but thank you for letting me say a few words.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you.

TREASURER KOPP: Could I just follow that?

COMPTROLLER FRANCHOT: Oh, I forgot to mention Kathy Causey, a member of the Board, I believe. Thank you, didn't get the message that, you know, the, I guess the County Executive was not coming today. But I applaud your participation on the board of education and I appreciate you being here. And help is on the way.

TREASURER KOPP: Could I just add? Because this seems to be an issue that is going on and on and on. Obviously, first of all, air conditioning is essential. I agree completely. My children went to public schools but those public schools were air conditioned. And I think that they should be, particularly in a climate like Maryland which as you know I love dearly but it does get a little warm and subtropic at times. I don't --

COMPTROLLER FRANCHOT: That's why you like August, Madam Treasurer.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: That's why she likes autumn.

COMPTROLLER FRANCHOT: I mean August, like fall, sorry.

TREASURER KOPP: But, yeah, I do think it's terribly important and I think there should be a plan in place to make all of our schools air conditioned. I disagree, Comptroller, when you say it's not a question of money. It obviously is expensive. You either put the money there or you put it somewhere else, and that's sometimes a difficult decision to make. I wouldn't minimize that and I would say that while I recognize that we're focusing, I'm not 100 percent sure why other than very concerned and interested and active parents, on Baltimore City. This is an issue that hits almost all the school districts. I think a comprehensive look by Mr. Lever would be a worthwhile thing to look at the

question of air conditioning, and to be candid are they warm enough in the winter? Now with global warming that may not be a problem. But we have always wanted the best conditions for our teachers to teach in and our students to learn in. And it has been some time since we've had a statewide survey, actually, of, almost a decade I think, of the school systems. And it probably is about time that we had one. I'm not getting between you and the County Executive of Baltimore County and all of that business. But I am saying for the students and the teachers of the State, I think a look not only at the good experience of the independent schools but also of all the public schools across the State would be very worthwhile very --

COMPTROLLER FRANCHOT: Yeah, I appreciate that, and I'm totally supportive of anything that has to do with improving maintenance. The Lieutenant Governor has been a leader on taking care of what you have. That's why it's so appalling when you go up to a county like Baltimore County and you go through Dulaney High School and you see something that obviously has been mismanaged, neglected, and ignored by a county that I understand from the radios today, according to Senator Brochin, has \$1.5 billion in surpluses, up and above the rainy day fund and paying all their bills for the last five years. And his question was where the heck did the money go? Because for one half of one percent of that surplus, box units could be in every single classroom immediately. And I have such great respect for the Treasurer. But you have to listen to the

special needs teachers in Baltimore County in these schools. You think that it's bad enough that your own healthy kid vomits in the classroom, goes home with migraines, is covered with sweat, that the teachers faint. How about the special needs kids who are roasting in these sweltering classrooms? And who because of their physical and mental condition through no fault of their own they are extraordinarily sensitive to temperature changes? And they go crazy. What about those hundreds of special needs kids --

TREASURER KOPP: You're right, but all over the State.

COMPTROLLER FRANCHOT: No, it's not all over the State, Madam Treasurer. This, this is a single, unique problem with Baltimore County. Every other surrounding jurisdiction, Anne Arundel, Harford, Carroll County, much less money than Baltimore County but better leadership, every single one of their classrooms is air conditioned. As are almost all the classrooms in the State, except for Baltimore City, which we understand has a unique situation. But Baltimore County of all counties, affluent, strong, progressive, priority on education, 33,000 of their kids right now are in this situation. And it's going to be fixed. I'm happy to have surveys and studies, but this is going to be fixed, and it's going to be fixed in the near future. Because it's completely unacceptable and inhumane. So I'm happy to get back to the Agenda. Lieutenant Governor, you've been very patient. I apologize. But it is a, it's a public health issue.

LIEUTENANT GOVERNOR RUTHERFORD: Well everyone here is willing to be here for a long period of time anyway. And --

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: -- particularly with me here. As I told the Governor over the weekend when he was talking about the possibility of me sitting in on the Board of Public Works, I said, well you know, you don't need to sit through the two-hour session. And if I'm going to be here it will be three hours.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: So --

TREASURER KOPP: No, I'm sorry.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: And Madam Treasurer, I just want to mention as far as you were saying, global warming and getting, you know, there may not be as much of a challenge in terms of heat over the winter. Well, tell my wife that, who had me turn the heat on over the weekend because she was cold, her California blood. And I was saying put another sweater on, please.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: But it didn't work out that way.

Madam Secretary?

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller. We have 18 items on the Secretary's Agenda this morning, with four reports of emergency procurements. We are withdrawing at the request of the agencies Items 9, 11, and 18.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

SECRETARY MCDONALD: We can answer questions on the remaining 15 items and the emergency reports.

LIEUTENANT GOVERNOR RUTHERFORD: I was joking when I said it was going to take three hours to go through each and every one of these items, so I'll start with number one.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: No. I do have a question, is someone here from Housing and Community Development? I want to talk about, or have them help explain Item 6.

SECRETARY MCDONALD: Item 6? Yes, is mister -- oh, thank you, Mr. Maneval is here, introduce yourself for the record, please.

MR. MANEVAL: John Maneval, Department of Housing. Good morning.

LIEUTENANT GOVERNOR RUTHERFORD: Good morning.

MR. MANEVAL: Item 6 is Miller's Square Retail. It's a \$1 million loan through the Neighborhood BusinessWorks program to support the redevelopment of a former automotive body shop in Baltimore City through redevelopment into a variety of spaces, including innovative social ventures, a movement studio, and a healthy foods incubator. The sponsor is Seawall Development, a long time borrower of the Neighborhood BusinessWorks program. The project is anticipated to create 92 permanent jobs, 100 construction jobs (inaudible) approximately \$11 million.

LIEUTENANT GOVERNOR RUTHERFORD: I'm just trying to understand the process. How do organizations go about applying for this type of financing?

MR. MANEVAL: So Neighborhood BusinessWorks is a financing program available for small businesses throughout the State of Maryland. Financing requests can be submitted on a first come, first ready basis. These awards are not grants, they are loans.

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

MR. MANEVAL: So they are repaid, typically in a ten to 15 year period, with interest. Historically since the program has been around in the mid-nineties when it was formed we have always been able to meet demand of businesses that can present a financially feasible project to us. At this time we fund about \$5 million in new loans every year. The department is committed to

growing that total in the years ahead to enhance its ability to support small businesses in Maryland.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. What's, how do you define small business? What's the size standard for that?

MR. MANEVAL: We work off the Small Business Administration definition --

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. MANEVAL: -- of businesses. And it's based on employee size, based on the type of business.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Okay. No, very good. I just, when I saw it I just was, you know, wanted to make sure that other entities were aware of these types of programs that are available. What is the interest rate on this particular loan?

MR. MANEVAL: This is a three percent interest rate loan --

LIEUTENANT GOVERNOR RUTHERFORD: Oh, that's excellent.

MR. MANEVAL: -- which is a very favorable rate.

LIEUTENANT GOVERNOR RUTHERFORD: Yes.

MR. MANEVAL: We are actively marketing the program to help it grow using private sector capital in the future. And we are very optimistic we

have a strong pipeline at this point. And we like this program because it's self-sustaining and it has a really positive impact on communities all around the State.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. This may in a, sorry to take up a lot of the time. And this question is going to go a little bit off of what, a little different from this. I was speaking to a gentleman just the other day from Cumberland and his question was what kind of assistance could they get as far as broadband. There is currently, I guess and I may be using the wrong term, there is a trunk line that goes to Cumberland. It connects to the hospital there but they don't have the branches off of that trunk line, or nodes, or some terminology that was used. Does DHCD from the community economic development standpoint could provide any type of assistance to the businesses in that community or even to the larger organization, like a Verizon, to make it worth their while to connect to Allegany College and some other areas so that they can have broadband there and encourage further development in Western Maryland?

MR. MANEVAL: What I'd like to do, Lieutenant Governor, is follow up with you on that with a formal response.

LIEUTENANT GOVERNOR RUTHERFORD: Please.

MR. MANEVAL: But I will note we are meeting in the very near future with a group from Allegany College to talk about this program. And we are always out meeting with organizations all across the State with all of our

programs to help them, you know, identify the best source of financing for their needs.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Good.

MR. MANEVAL: But I'd like to follow up with you specifically.

LIEUTENANT GOVERNOR RUTHERFORD: Yes. Let's do that. I like taking advantage of the Board of Public Works because it really gives an opportunity to understand how the State operates. You know the old saying follow the money? It gives you an idea of what, you know, how the State delivers services, and what those services are. And then it's up to you in the public to hold us accountable for it. But thank you very much. And we'll talk about some of these other areas. I think, Madam Treasurer?

TREASURER KOPP: I just had a specific question on this one, since you raised it? The Miller's Square Retail, it's noted, is the fifth project that this group has done.

MR. MANEVAL: That's right.

TREASURER KOPP: I gather here. Is that because they are the only ones who agree to do something here?

MR. MANEVAL: Well the Seawall Group has done a number of projects in Baltimore City over the years. This project is specifically phase two. We supported phase one, which was an adjacent block.

TREASURER KOPP: Uh-huh.

MR. MANEVAL: They have also done a number of other projects in Baltimore City over the last few years, including not immediately adjacent to this project. So --

TREASURER KOPP: So I mean it's not just because they know you and know how to do it that this happens to be the fifth one that's --

MR. MANEVAL: They are definitely our largest borrower in the history of the program. But the program is open. We market it aggressively all throughout the State. This particular organization happens to have a really good track record of identifying, you know, opportunities for redevelopment in Baltimore City, mixed use commercial opportunities. And it tends to be a very good fit with this program. That said, you know, we want to --

TREASURER KOPP: I have no problem with them and I think it's a great program. I just want to make sure that, you know, it's not --

MR. MANEVAL: I understand your question.

TREASURER KOPP: -- default position, they do it.

MR. MANEVAL: Yes. They are really good at it. But we do support a lot of other businesses besides just Seawall.

TREASURER KOPP: All right. One other question. On the top of page eight in your description it says it includes 40 affordable loft style apartments for Baltimore City schoolteachers. Is this an arrangement with the school system? Or how --

MR. MANEVAL: This, that's actually a description of a prior project that was supported through Neighborhood BusinessWorks, which was the first phase. This is the second phase. Miller's Court, which was the first phase, was a mixed use project which involved the school district in providing housing for schoolteachers. It received a number of national awards. And we were happy to support it through Neighborhood BusinessWorks.

TREASURER KOPP: And does it have any impact on retention of teachers or I mean has there been work done --

MR. MANEVAL: I think that's a good question we could put to the school district and find out if it has had that impact.

TREASURER KOPP: I would be very interested in that.

MR. MANEVAL: My guess is it should. They have probably been able to attract teachers they might otherwise not have been able to attract.

TREASURER KOPP: I would be very interested in knowing whether, how you assessed it and how the school system assesses it. Whether it does have an impact on retaining teachers and whether in fact it pays for itself. Because I have no idea what the rents are or anything.

MR. MANEVAL: Well I can tell you the program, the project itself is financially self-sustaining. They are making their debt service payments to us and all other lenders on the project. So it is a self-sustaining project from that respect.

TREASURER KOPP: The schoolteachers aspect of it.

MR. MANEVAL: Okay. Well we can give you a full report on that.

TREASURER KOPP: It sounds like a great benefit.

MR. MANEVAL: Yeah, it has received a number of national awards, actually. Just last Friday, I believe, or the Friday before, it received what's known as the Bruner Award for Excellence, which is a national award given for urban revitalization projects around the country.

TREASURER KOPP: They were talking about something like this in Southern California some time ago, actually having the teachers retirement system invest in it as a good investment. And then I don't know whatever happened. But it's very interesting. And particularly in areas where we have to retain teachers. Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Thank you.

MR. MANEVAL: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: I just want to mention briefly the item that was pulled from the Agenda. The reason that we asked that the North Point sale be pulled from the Agenda, because there are a number of concerns raised by the community with regard to the deal that was put in place. And we're asking the county to work with the community to see if they

can come up with a better plan. There are a lot of concerns in terms of the local usage of the facility. And so with that said we asked that they, the two parties come back together, work with the developer to come up with a better plan that meets the needs of the community.

COMPTROLLER FRANCHOT: I have a couple of questions.

LIEUTENANT GOVERNOR RUTHERFORD: Oh, okay.

COMPTROLLER FRANCHOT: Item 14.

LIEUTENANT GOVERNOR RUTHERFORD: Sorry to jump in.

COMPTROLLER FRANCHOT: That's okay.

SECRETARY MCDONALD: Item 14, again, Mr. Maneval, or it is a Housing Department item. This is the Wyman House.

LIEUTENANT GOVERNOR RUTHERFORD: No, this is the oyster --

SECRETARY MCDONALD: Sorry, 14. I had the wrong page in the book. You're right, oyster recovery. And here we have Mr. Goshorn from Natural Resources.

MR. GOSHORN: Hi, Lieutenant Governor, Mr. Comptroller, Madam Treasurer. My name is Dave Goshorn, I'm Assistant Secretary of the Department of Natural Resources. And you had a, do you want me to --

COMPTROLLER FRANCHOT: Yes, no, I understand there's a gentleman Paul Schurick that works with you, doesn't he? Anybody ever heard of him? Where is he?

LIEUTENANT GOVERNOR RUTHERFORD: He's hiding.

COMPTROLLER FRANCHOT: Yeah, come on up here, Paul. Because this is a great program that you all have created. And I understand as we speak there are tens of millions of oyster spat moving down Harris Creek, and they are going to clean up the Bay. And you have got the watermen involved in this. And I just want to applaud Mr. Schurick, the other board members, Jim Perdue, not to drop names, I believe is on your board. He's very, very supportive of this. And congratulations. I do have one question. I hear from a lot of the watermen that they are not able to get for their work of bringing the oyster shells to make the bed for the little oysters, they don't get a timely payment from your agency. And I'm wondering if that could be looked at?

MR. GOSHARN: Yes. And that is being looked at. That's not actually this project, that's a similar project with special funds where we work through the Oyster Recovery Partnership to purchase shells and then hire watermen to transport them and place them on public bars around the State.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. GOSHARN: We are aware, thanks to your office, that there was a concern about paying them in a timely manner. We've worked with the one

individual in particular that we're aware of and he has been paid, but we and the Oyster Recovery Partnership are looking at ways to expedite that process. Because it has taken a while for them to get paid.

COMPTROLLER FRANCHOT: Excellent. Paul, how did your gala go last night?

MR. SCHURICK: Very well, thank you.

COMPTROLLER FRANCHOT: Good.

MR. SCHURICK: About 400-plus people --

COMPTROLLER FRANCHOT: Good. Well we appreciate the volunteerism --

MR. SCHURICK: Thank you.

COMPTROLLER FRANCHOT: -- that everyone represents. Thank you, Lieutenant Governor.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you. Thank you. Looking good, Paul.

TREASURER KOPP: One question. Do you have, I assume you've got some sort of assessment device that you use to see how successful --

MR. GOSHARN: The restoration projects?

TREASURER KOPP: The projects, yes --

MR. GOSHARN: Oh, absolutely. Both working, between the Department of Natural Resources and our two other, in addition to the Oyster

Recovery Partnership we have two other primary partners, the National Oceanographic and Atmospheric Administration and the U.S. Army Corps of Engineers. So we are doing extensive surveys of the sanctuaries and how that works. And we are on, we've made a commitment this July, this coming July, to provide a five-year assessment of the sanctuaries and the public fishery and the aquaculture industry, all three of those together, how they are functioning. And we will be using that then to determine next steps going forward.

TREASURER KOPP: And that will be next July?

MR. GOSHARN: July, 2016, yes. The initial --

TREASURER KOPP: I'm looking forward to it.

MR. GOSHARN: So are we all. The initial surveys are that they are doing very well.

TREASURER KOPP: Great. Great. Very great.

MR. GOSHARN: Thank you.

TREASURER KOPP: And it is nice to see Mr. Schurick moving back.

LIEUTENANT GOVERNOR RUTHERFORD: Moving.

MR. GOSHARN: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you.

COMPTROLLER FRANCHOT: Item 16?

SECRETARY MCDONALD: Item 16?

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COMPTROLLER FRANCHOT: Yeah, I'm interested in Part B, the Hill neighborhood in Easton.

SECRETARY MCDONALD: Okay. I'm not sure if Ms. Raines is here. Is Ms. Raines here from the Historic Trust?

COMPTROLLER FRANCHOT: Good. So this is a grant, I believe, of \$100,000 to the Bethel AME Church in Easton, Maryland.

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

COMPTROLLER FRANCHOT: Anybody here who is responsible for that?

SECRETARY MCDONALD: Well Ms. Raines is responsible for these four grants on the side of --

COMPTROLLER FRANCHOT: Okay. Well I just want to remind everybody that for years New Orleans has been misrepresenting itself --

LIEUTENANT GOVERNOR RUTHERFORD: Right.

COMPTROLLER FRANCHOT: -- as the city where the earliest free African American community was located. They're wrong. It's located in the Hill neighborhood of Easton, Maryland. The oldest known site of free African Americans living in an organized community, in the Hill neighborhood of Easton, Maryland. And I can't support more a \$100,000 grant going to the Bethel AME Church if they are involved in that. Because that church was established by freed slaves. So the next time you see someone from New Orleans saying they

are number one, just remind them they are number two. And I really applaud that allocation of resources. Thank you, Lieutenant Governor.

LIEUTENANT GOVERNOR RUTHERFORD: Well, thank you. Thank you for that correction. I didn't realize that New Orleans was running around saying that.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: Yeah, because this community has been existence since the late 1700s. So, and for New Orleans of all places that sits below sea level to make that kind of allegation. Any other questions?

COMPTROLLER FRANCHOT: I just wanted to follow up on your appropriate comments about Item 18, the North Point Community Center.

This is not a small issue for the people of Dundalk. This is something that has absolutely tormented the community. And this project was brought in by the folks from the county government and it was presented to the citizens as a fait accompli that public land was going to be sold to a private developer. And they were going to have to either take it as is, or the entire facility was going to be allowed to rot.

That was the, citizens understandably got very up in arms about the whole thing. They defeated every politician at the polls that supported it. Because they said we want to, we want to be consulted. We don't want

somebody coming in from outside our community and telling us my way or the highway, take it or leave it, this is what we're going to do. And by the way, we're doing it for your benefit.

So the citizens got organized and they threw out all the elected officials that supported this in the area. And now we're faced with this situation. Because this item, I believe, was originally on the Board for the 21st of this month. So everybody in Dundalk got all charged up and concerned that it was going to be approved over their strong objections. And then suddenly it got put on the Board's Agenda for today, and they really got alarmed. Because for years they have been told to sit down and listen and that the other folks are going to do the talking. That's how they feel in Dundalk. They have absolutely no say in this.

So those two items, the fact that it's sale of public park land for private developers, and that it doesn't have a single iota of local support, and in fact there's bitter, bitter opposition. So I applaud the Governor for not voting, certainly not pushing this thing through. But I have a strong message for the citizens of Dundalk. This is your opportunity to reassert your control. Because you have a Board of Public Works that is going to listen to you. And you don't have to be force fed something for your own good that you don't want. I'm not sure how I'll vote at the end of the day. But to every person up there in that area,

take advantage of this and understand that the Governor and the Board of Public Works is empowering you, the smallest citizen, to stand up and be heard.

So thank you for doing this, Lieutenant Governor Rutherford. And, but this project is not in limbo. This project is not somehow going to be pushed through at midnight without the public's support. It has got to have the support of every local official there. It's got to have the support of every citizen group. It has got to have a whole new approach taken, which could start with folks, we'd like to get people from the community together and we'd like to actually ask you what you would like. So kudos, and join you in sending this off the Agenda. But I certainly hope that folks up in Dundalk understand that this is a huge victory for the little people. Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: I have one additional question. And this has to do with --

TREASURER KOPP: Can I just clarify?

LIEUTENANT GOVERNOR RUTHERFORD: Oh, I'm sorry.

TREASURER KOPP: And this is really just clarifying.

LIEUTENANT GOVERNOR RUTHERFORD: Sure.

TREASURER KOPP: What you said, Lieutenant Governor, my understanding is where it is now you, you, and the Comptroller, you are bringing together the locally elected government -- is that what I heard? Locally elected government, or their bureaucrats, or whomever, and the people?

LIEUTENANT GOVERNOR RUTHERFORD: Right.

TREASURER KOPP: To try to work through a solution? Which I think, I mean, my hat's off to you.

LIEUTENANT GOVERNOR RUTHERFORD: Yes. Yes.

TREASURER KOPP: I think that, I really don't think zoning decisions should be made at the Board of Public Works.

LIEUTENANT GOVERNOR RUTHERFORD: No.

TREASURER KOPP: But sometimes it's required to act a little to bring --

LIEUTENANT GOVERNOR RUTHERFORD: Yeah, the idea is to facilitate the conversation and to get the two parties to come together. The two parties plus the developer to come together.

TREASURER KOPP: Yeah. I mean, the potential is great. But right now, you're right. Although, Comptroller?

COMPTROLLER FRANCHOT: Yes?

TREASURER KOPP: I did get one letter.

(Laughter.)

COMPTROLLER FRANCHOT: Good. Don't tell who it was because I don't want them drawn and quartered up there.

TREASURER KOPP: -- the guy anywhere.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Well in the Appendix, A2, there is an emergency. And I saw the comment in terms of the late reporting, but there was an emergency January 21st. It was declared, the award was made on the 22nd, and it's just reaching the Board now on October 7th. That's a long period of time. And maybe they were overly-enthusiastic about our inauguration on the 22nd --

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: -- but they could have gotten over that a little quicker and gotten this to the Board. So please, in the future, Mr. Secretary, I know you were still in New Mexico at that time. But please ask the folks at State Highway and others.

MR. RAHN: Lieutenant Governor, Comptroller, Treasurer, I apologize for these. There's actually three of those there that they shouldn't, these shouldn't be like this. The expenses were legitimate. They were emergencies that needed to be addressed. And the paperwork was messed up. And it sat apparently on someone's desk where it shouldn't have and it didn't reach you within the 45 days. And I apologize for that. And I can assure you that I have directed our procurement people to do their best to make sure that doesn't happen again, and if it does there will be appropriate accountability applied.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

COMPTROLLER FRANCHOT: Good.

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LIEUTENANT GOVERNOR RUTHERFORD: Thank you.
Okay.

SECRETARY MCDONALD: Thank you, Lieutenant Governor. I
think --

LIEUTENANT GOVERNOR RUTHERFORD: All in favor of
moving --

COMPTROLLER FRANCHOT: Move favorable.

TREASURER KOPP: Second.

LIEUTENANT GOVERNOR RUTHERFORD: All in favor?

THE BOARD: Aye.

LIEUTENANT GOVERNOR RUTHERFORD: I think three-oh,
it's approved.

SECRETARY MCDONALD: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you,
Madam Secretary. I believe we go to Department of Natural Resources.

MS. WILSON: Good morning, Governor, Mr. Comptroller,
Madam Treasurer. Emily Wilson with the Maryland Department of Natural
Resources. We have 12 items on our Agenda today. I'd be happy to try to
answer any questions.

TREASURER KOPP: Could I just state for the record, Lieutenant
Governor, that Items 4A, 5, and 8, we have received written support, strong

support from the 21st Legislative District. Senator Rosapepe, Delegates Barnes, Frush, and Pena-Melnyk, who are very enthused about these projects and would like --

MS. WILSON: Thank you.

TREASURER KOPP: -- you all to know that.

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

COMPTROLLER FRANCHOT: Madam Treasurer, thank you for bringing that up. Actually Item 4A also has one of its, it's a grant to the Landover Hills Veterans Memorial Park Gazebo, \$22,500. I visited that and they are, they allow you to buy bricks if you want and put the name of a veteran on it as a way of raising money to complement the State's share. And so I bought a brick --

TREASURER KOPP: For your father?

COMPTROLLER FRANCHOT: -- for a World War II veteran B-17 bomber pilot for the Navy, it happens to be my Dad and he's sitting over there on that couch 93 years old.

LIEUTENANT GOVERNOR RUTHERFORD: I thought he was there.

COMPTROLLER FRANCHOT: So Dad, you've got a brick over there.

(Applause.)

LIEUTENANT GOVERNOR RUTHERFORD: You know, I think the last time I was here your Dad was here and I joked with you it was take your parents to work day.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: And then a couple of months later my daughter at her job had take your parents to work day, so my wife and I went to that. And it was a bit strange. But --

(Laughter.)

COMPTROLLER FRANCHOT: He's just here keeping an eye on you, Governor.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

COMPTROLLER FRANCHOT: And I will say that Dad has commented a number of times at, because he has met the Lieutenant Governor casually, how impressed he is with you. And I describe you as all business. And we praise the Governor a lot. But frankly you are a real asset to his administration.

LIEUTENANT GOVERNOR RUTHERFORD: Well, thank you. Thank you. Any other questions with regard to the Department of Natural Resources? No? We have a motion on the Department of Natural Resources Agenda?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

LIEUTENANT GOVERNOR RUTHERFORD: All in favor? No objections. I think we have three votes on Department of Natural Resources.

MS. WILSON: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: Department of Budget and Management?

MR. BRINKLEY: Good morning, Lieutenant Governor, Madam Treasurer, and Mr. Comptroller. The Department of Budget and Management has submitted 14 items on today's Agenda. I have representatives here to answer any questions that you might have. Items 13 and 14 are supplemental.

LIEUTENANT GOVERNOR RUTHERFORD: Do we have people testifying on one of the items? 1-S is it?

SECRETARY MCDONALD: Item 1. You may want to hear from MTA first.

COMPTROLLER FRANCHOT: Yeah, I have, actually have a few questions if I could.

LIEUTENANT GOVERNOR RUTHERFORD: So if we have someone from MTA --

SECRETARY MCDONALD: Item 1 on the DBM Agenda?

COMPTROLLER FRANCHOT: Yeah, fine. The MTA person.

MR. BRINKLEY: Anna Lansaw, the Director of Procurement.

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LIEUTENANT GOVERNOR RUTHERFORD: Good morning.

MS. LANSAW: Good morning, Madam Treasurer, Lieutenant Governor, Mr. Comptroller, for the record my name is Anna Lansaw. I'm the Director of Procurement for the Maryland Transit Administration. How can I respond to any questions you may have?

COMPTROLLER FRANCHOT: Good. I appreciate that. We're being asked today to award a five-year contract with two one-year renewal options to CareFirst of Maryland to provide comprehensive healthcare benefits to employees of the Maryland Transit Administration. The combined cost of the medical and dental contracts with the option years included is \$634.1 million.

This particular procurement has a rather troubled history. Some of you might recall that last year the MTA released a new RFP, evaluated competitive bids, and was poised to award the contract to Cigna. In fact, I believe they did award the contract to Cigna and I believe they sent a contract to Cigna for the contract, for the winning bid, and Cigna signed it and sent it back. It was protested by CareFirst, who we are being asked to award the contract to today. And in a highly irregular, that's the only way to describe it, highly irregular event, CareFirst first of all protested the award to Cigna, and MTA looked at it and turned it down, rejected the protest. And then in a kind of extraordinary move, all of a sudden Mr. Brinkley's predecessor group at DBM swooped in and plucked the award away from Cigna and asked MTA to rescind the award. And it was all

about a, quote, serious defect in the RFP that all of a sudden became apparent. And the reason I say it's highly irregular is because nobody talks about who brought up the fatal flaw. But it certainly raises concerns about the evaluation, and for them evaluation of financial proposals.

So the Board had over my objection voted two to one to extend the existing contract with CareFirst by one year in order to initiate a new procurement. I voted no because frankly I felt that the whole deal was rotten. I believed then, as I do now, that Cigna was treated unjustly, thought that the reversal of course coming as suddenly as it did toward the end of the process was highly irregular at best. And the State Board of Contract Appeals, for its part, also took a dim view of the Board's decision, rendering the contract extension null and void this past July. And then they put that on hold.

Now fast forward to the present. We're being asked to award a single bid contract for \$634 million to the incumbent vendor. I'd ask someone to explain to me how this process is any better than the one that we discarded a year ago and how this isn't just the latest occurrence in what has become a fatally flawed procurement. According to my background notes the MTA received four bids in response to the RFP back in 2009. How did the market dry up all of a sudden given the enormous dollar figures that we're dealing with?

Some folks may be sitting at home and wondering why the MTA has its own healthcare benefit contract. The Treasurer and I and the previous

Governor had long discussions about that. As I understand it, this dates back to the days of the old Baltimore City Transit Company, which in the 1950s began to provide benefits to its employees. And it was an aspect of the operation that remained intact when it became a State agency, the City transit agency became a State agency, the MTA under the Maryland Department of Transportation. Which leads to a question, when was the last time that this healthcare benefits contract was not held by CareFirst? How long ago, dating back to the 1970s, has CareFirst been the provider of healthcare to the MTA?

MS. LANSAW: I know that CareFirst has been providing at least for 15 years.

COMPTROLLER FRANCHOT: At least for 15 years. Well who provided it before that?

MS. LANSAW: I do not know, sir.

COMPTROLLER FRANCHOT: Anybody here know? Okay. Let me take a wild guess, for the last 40 years CareFirst or its predecessors has provided healthcare. They have been the incumbent vendor.

Was Paul Comfort, the relatively new MTA administrator, on the job when this latest procurement was initiated? Is he here?

MS. LANSAW: No, he's not here, sir. But he was, he did approve the recommendation for award.

COMPTROLLER FRANCHOT: But was he on the job when the procurement was initiated?

MS. LANSAW: No, he was not.

COMPTROLLER FRANCHOT: Okay. Has Mr. Comfort brought in new procurement personnel? Or are these, the contracts being administered by the same people who oversaw the 2014 and 2015 procurements?

MS. LANSAW: As to date, our procurement staff is fairly new. We only have one veteran in our procurement staff. All but one are less than a year old on our procurement staff.

COMPTROLLER FRANCHOT: Okay. Well the leader of procurement reform in the State of Maryland happens to be sitting at my right elbow, the Lieutenant Governor. And I, as I said, have a lot of confidence in his decision making. But I would ask that this at least be considered to be deferred until the next Board meeting so that people can really understand what's going on here. Because this is exactly what we talk about when we are frustrated with the lack of procurement reform. Single bid contracts, huge amounts of money, \$600 million. Not understandable procurement procedures but for some reason the incumbent vendors always end up winning. And if we could take a couple of weeks and just take a deep breath and look at this and try to understand how it is that we can possibly constructively help reform the procurement system so we

don't get single bid contracts like this. And particularly it's because of the highly irregular nature of what happened with this contract.

I understand that the, obviously probably some bad things will happen if it's deferred for two weeks. I obviously would insist that the healthcare be delivered to the transit workers. I'm huge supporters of them. They are wonderful people who drive our buses and deal with the situation in Baltimore. But if we've got an incumbent that's been there for 40 years, maybe we could get the incumbent to extend their service beyond the expiration date at a reduced rate so the State is not losing any money. And we could have a quiet moment to assess this situation.

I made all those arguments to the previous administration. When the Governor got off his blackberry he just voted with the Treasurer, two to one, and took a big yawn. So I have no idea what might happen here. But I think this is something that we need to take a look at.

LIEUTENANT GOVERNOR RUTHERFORD: Mr. Secretary?

MR. RAHN: Lieutenant Governor, as the Comptroller noted this is a very unique situation at MTA. In fact they have many provisions of their CBA that go far beyond what the average State worker receives. However, it is what we have to deal with. And the issue with this contract being approved now is that, is not that the coverage of their healthcare expires. But the issue is we

have to provide an open period for employees to decide what they want for their healthcare. And that's what we are bumping up against, is we need --

LIEUTENANT GOVERNOR RUTHERFORD: The enrollment period.

MR. RAHN: So, correct, for open enrollment. And as is noted, this was an ongoing procurement before we came in. But I, because of the tireless work of Mr. Bereano, I spent quite a bit of time diving into this. And we do have an independent consultant who has been acquired by MTA through this process to ensure that we don't have a flaw. And so the consultant has said we have a very clean procurement. And I don't know what happened prior to this that's causing us to have to, you know, to have to have gone out twice. I've heard reports with theories. But the reality is it happened. And so this is the procurement that we're having to work with.

We have, we have a clean process that has gotten us to this point. And our consultant, Winstead (phonetic), has said that that is a proposal that the cost and benefits are similar to other plans in other places. So we have a value here. There's actually a cost savings with this proposal from previous years. And I, like I said, from my viewpoint I'm concerned about deferring because of open enrollment. And I'm concerned about repeating the same thing that has been complained about from the first procurement.

So I believe we have a clean procurement. I believe we're at a point that we need a decision. And I would hope that the Board would approve this.

COMPTROLLER FRANCHOT: I mean, points well taken. But I've heard them over and over through the years. It's the same old song. We, I think, are in favor of procurement reform. We are not in favor of business as usual. Get a new consultant and don't pin this on Mr. Bereano. Because it's the other side that I'm suggesting at the last moment with the previous administration came in and in a highly irregular fashion plucked this from a company, rescinded the approval of the contract that they had signed. And how can you possibly hold Maryland out as a State that has a good business reputation if you allow that kind of shenanigans to go on? And the frustrating part is it had nothing to do with you. It had nothing to do with you, Lieutenant Governor. It's the people who preceded you. And all I'm begging for is take a couple of weeks and look at this. Because, and I'm sure the employees, well we have, I have a lot of questions if you want to push it through, such as \$630 million for 4,500 people? Can someone please help me why we're spending \$36,000 per year, per person? And --

MR. RAHN: It's a (indiscernible).

COMPTROLLER FRANCHOT: Yeah. I mean what is that all about?

MR. RAHN: It's a (indiscernible). That's what was in our CBA. These are the provisions we must provide. Again, Comptroller, sir, I wasn't blaming Mr. Bereano. I was recognizing him for the amount of work that he's done, which is impressive, and his persistence.

COMPTROLLER FRANCHOT: Yeah. But Mr. Enten has been on the other side, trust me. And what I'm concerned about is moving forward with this with this amount. We're talking about a long term contract. I, you know, rest my case. We're here for reforming, not continuing. And how can you let something like this go by and say that, and the amazing thing is it's not even you, it's not even your situation. So maybe we can delay it for a few weeks. I would be appreciative.

LIEUTENANT GOVERNOR RUTHERFORD: Madam Treasurer?

TREASURER KOPP: Thank you, Governor. This is a complicated issue. And let me say, first of all, I think the Comptroller and I and Governor O'Malley, and I would bet Governor Hogan, I don't know, all are concerned about the fact that these MTA employees haven't after all of these years been brought into the personnel system, the pension system, and everything else that the other State employees are in. I don't get that at all, although I understand that that's the legal framework right now.

My recollection is somewhat different. I, my recollection is that last fall we went out with an RFP and it was found by the Department of Budget and Management, the prior Department of Budget and Management, that it had significant flaws and it was brought to our attention. There was an executive meeting of the Board, it was put before us, and we agreed with our advisors and the attorneys and said that this should not go through. Went back into public meeting and in public meeting said we're rejecting this, it has got to be made better.

There were a number of things which were outlined in the letter from the MTA on November 12th to, and this is something I don't really know about, to Scott Livingstone, who was the representative of Cigna. He's no longer the representative of Cigna. And also to the representatives of CareFirst, Delta Dental, Dominion Dental, United Healthcare, laying out the problems in the prior RFP as they had been laid out to the Board. And the Board authorized a one-year extension of the present contract in order to have time to rewrite a contract without those fatal flaws. And the Board of Contract Appeals agreed that it was a flawed RFP, although they didn't agree with the one-year extension but then they said we'll postpone our disagreement until the end of the year so people would have healthcare services.

And then they have come out with a new RFP. It didn't come out until about March, I understand. It was probably started by the prior

administration and completed by your administration if it came out in March, and with your consultants. And unfortunately, surprisingly, one of the companies chose not to bid although they saw that it was a new contract and that the flaws that they had been told about, if they were told by their named representative about them, had been cured and they could see what it was and they chose not to bid on it. Therefore we didn't have any as many contestants as we had the year before. I find that very unfortunate, I agree.

They went through the normal process and came up with this winning contender, who is coming in with a lower bid than before, which I congratulate you on. You must have had something to do with working them down. And the question now is do we reject that one too because we didn't get the bidder who we asked, and they were solicited, Cigna was solicited to bid. We have all this in writing. Chose not to for whatever business reasons they have, I understand that. But just to say that's the way I see it from my papers. It's a slightly different twist. And I think for us to reject this now would send another negative message about our procurement process. Although I started out by saying I don't think we probably should be handling the healthcare of these employees this way anyhow. But that's my position, Governor.

LIEUTENANT GOVERNOR RUTHERFORD: The question I have, and this may be for the Secretary, the enrollment period, is there a mandated time in the collective bargaining agreement in terms of that enrollment period?

MS. LANSAW: No, sir. I know we tried to time the open enrollment period the same as the State. And they try to do it at least 30 days prior to the beginning of the new year.

LIEUTENANT GOVERNOR RUTHERFORD: New calendar year?

MR. RAHN: So open enrollment, Lieutenant Governor, actually we are receiving papers already about enrollment for flexible spending and insurance and everything else right now. It has already been distributed to (indiscernible) employees in the State.

LIEUTENANT GOVERNOR RUTHERFORD: Right.

MR. RAHN: But not to our MTA employees.

LIEUTENANT GOVERNOR RUTHERFORD: But they, they would have until essentially December 31st?

MR. RAHN: Well --

LIEUTENANT GOVERNOR RUTHERFORD: But there needs to be a period of time before that date so that it gets processed by the personnel agencies and --

MR. RAHN: December 1st is sort of the period that payroll has been telling us they need, they need the time to make sure that all the payroll deductions are in place starting January 1st.

LIEUTENANT GOVERNOR RUTHERFORD: So a two-week deferral puts us, and excuse my remedial date counting, around the 21st of October? That still gives you November to the 1st, or at least the 21st to the 1st, to be able to meet the --

MR. RAHN: But you have to remember we have to, we have to know what it is we're presenting for our open enrollment. Lieutenant Governor?

LIEUTENANT GOVERNOR RUTHERFORD: Yes?

MR. BRINKLEY: Anne Timmons from our HR.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Very good.

MS. TIMMONS: I'm the Benefits Director for the State, Anne Timmons. And it's actually a requirement under the Internal Revenue Code Section 125 that they have an open enrollment period every year. And the reason you can't run that right up to 12/31 is because you have to get the file to the vendors so that people get their ID cards before the 1st of January. So you have to, we need time to get that information distributed to them and the whole open enrollment process.

LIEUTENANT GOVERNOR RUTHERFORD: But I was hearing that your drop dead date is December 1st, to have all the information?

MS. TIMMONS: To get the files over, yes.

LIEUTENANT GOVERNOR RUTHERFORD: Get the files over? Okay. I mean, it cuts it close. But --

MR. RAHN: Lieutenant Governor, I just don't know what, if we wait two weeks I don't know what the decision would be different in two weeks than --

LIEUTENANT GOVERNOR RUTHERFORD: Yes. I don't either. The, I guess, you know, one of the challenges that I have is that there was a second bid done and I don't recall and from my notes and reading the material that there was a protest at that bid. So it would be, I think we have some people from the different organizations to speak. And, you know, that would be one question, would be why didn't some of these other agencies or entities bid on this contract? So --

SECRETARY MCDONALD: I believe Ms. Lansaw has some information about some other companies that didn't bid, not one of the ones that want to speak today. You may want to maybe without disclosing names of bidders tell them what they said as to why they didn't bid on this.

MS. LANSAW: We --

SECRETARY MCDONALD: Or that did bid and weren't able to come up to your specifications.

MS. LANSAW: We did receive comments from the three major, three other major providers in the network. One bidder did state that they could

not provide throughout the service area that is outlined in the requirements of the RFP. Another one stated that they did not feel they could be competitive after the result of the DBM healthcare and chose not to bid. The other major one did propose, did not meet the requirements of the RFP. I provided ample opportunities for them to cure. They still did not provide the cure.

I would also like to state that this procurement, knowing that the factors behind it was very, I made sure that the integrity of the process was ensured. I had evaluators from two other agencies that had no vested interest into the MTA but had a vested interest in ensuring that the State got the best deal. We had DBM's consultant assisting us from the writing of the RFP to the evaluation, to the price analysis, all the way through the process. I made sure that everything was fair, clear, and the process was ensured, the integrity of the process was ensured. I would not be able to give you a better, clean procurement than what was provided.

COMPTROLLER FRANCHOT: Yeah. Well, Governor, I've heard it over and over again. It's the same story. And we end up with single bid incumbent vendors winning these huge contracts. And it's wrong. It has nothing to do with you. It has everything to do with a system that needs to be reformed. The only way to reform it is to put our foot down and say, no, it's not going to forward. And to sit here and think that in this wonderful country we live in there's only one company that can bid on this is ridiculous. And so I don't know

what the upshot is. But I'd like to have a couple of weeks to think about it and maybe come up with something that CareFirst could agree to that would allow us to move from this bad situation to something where there's some true competition, true transparency, where you don't have to rely on your statements about your integrity and your consultants coming in. How do we know that? How does the taxpayer know it unless there's a competitive bid? Seriously? And we're talking about \$600 million. So --

TREASURER KOPP: Comptroller, they chose not to bid.

LIEUTENANT GOVERNOR RUTHERFORD: I guess the question --

COMPTROLLER FRANCHOT: Well, that's a good question, if I could interrupt. Why did they choose not to bid?

TREASURER KOPP: I have no idea.

COMPTROLLER FRANCHOT: Hm, let me think now. Well, it's a very lucrative contract. Maryland always pays its bills. Maybe because it's not on a level playing field?

TREASURER KOPP: And it was a different contract that cured what has been called the completely botched up provisions.

COMPTROLLER FRANCHOT: Highly --

TREASURER KOPP: Which (indiscernible).

COMPTROLLER FRANCHOT: -- highly irregular. That's what this is, highly irregular. That's why we need to catch our breath, take a look at it, think about what we need to do, maybe talk to CareFirst, and see if there isn't some way to bring competition and transparency so that the taxpayers don't have to rely on your obvious integrity. I have no question about that. It's the integrity of the process.

LIEUTENANT GOVERNOR RUTHERFORD: Let me ask, in the second bid you said that there was, there was actually two bidders, correct? But one did not meet all the requirements. Was that the HMO requirement?

MS. LANSAW: Yes, that is correct.

LIEUTENANT GOVERNOR RUTHERFORD: Was that requirement in the first round?

MS. LANSAW: Yes, it was.

LIEUTENANT GOVERNOR RUTHERFORD: And how many bids did you receive in the first round?

MS. LANSAW: Three.

LIEUTENANT GOVERNOR RUTHERFORD: Three. And the same, did the bidder who said they couldn't meet the HMO requirement, did they bid in the first round?

MS. LANSAW: Yes, they did.

LIEUTENANT GOVERNOR RUTHERFORD: So they could meet it the first time, but they couldn't meet it the second time?

MS. LANSAW: That is correct.

LIEUTENANT GOVERNOR RUTHERFORD: Was that part of the correction to the flaw in the first one, was the HMO requirement?

MS. LANSAW: No, the HMO requirement is part of the collective bargaining agreement. It has to be part of the, whatever RFP that we had. It was part of the RFP on the failed one. It was part of the RFP in this one.

LIEUTENANT GOVERNOR RUTHERFORD: Was it, but was it changed in any way in the second one?

MS. LANSAW: The RFP itself? There was numerous changes in it but not the requirement of providing an HMO.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. But the actual, I mean, you can require something, but the contours of the requirement, did they change in the second RFP?

MS. LANSAW: There was significant changes in the second RFP.

LIEUTENANT GOVERNOR RUTHERFORD: As it related to the HMO as well?

TREASURER KOPP: In that provision?

MS. LANSAW: No.

LIEUTENANT GOVERNOR RUTHERFORD: Oh, it didn't relate, so the HMO provision in the first RFP was almost the same or was the same in the second RFP. But the vendor who applied in the second, or bid on the second, decided that they were not going to bid for the HMO requirement?

MS. LANSAW: They provided an alternate plan that we could not accept because of the collective bargaining agreement.

LIEUTENANT GOVERNOR RUTHERFORD: I'd like to hear from CareFirst, I think, if that's okay? I see some signaling going on.

MR. ENTEN: Good morning, Governor, Mr. Comptroller, Madam Treasurer. My name is Robert Enten. I'm an attorney in Baltimore. I represent CareFirst. I have for many years. I have with me today Mary Penczek. Mary Penczek has been with CareFirst for 18 years. She is in charge of all state and municipal contracts for CareFirst.

First of all, I'd like to thank you for affording us the opportunity to speak today. Just in a way a little bit of background, CareFirst is a Maryland company. It is headquartered in Maryland. It has over 3,000 Maryland residents that are fully employed by their company. They pay, those employees pay over \$21 million in taxes to the State --

LIEUTENANT GOVERNOR RUTHERFORD: I'm going to interrupt you just for a moment. Because, I mean, I support Maryland companies,

I love Maryland companies, I love their employees, but that's not relevant to what we're talking about right now.

MR. ENTEN: Thank you. I just wanted to make sure that we knew, to bring this background out. You know, I have talked to a number of you and to your staffs over the past few weeks. I have reviewed the letters that Cigna has written. I understand, I reviewed the transcript of last year's November Board of Public Works meeting.

COMPTROLLER FRANCHOT: I have it right here.

MR. ENTEN: I have reviewed the decision of your own Board of Contract Appeals. The, I think to get to the heart of it, Mr. Comptroller, we would be glad to answer any questions you have today, is that what happened in 2014 happened in 2014. This is a 2015 bid that is clean as a whistle. Now to get to the heart of it, I think, is the allegation today, or the concern today, I should say, and the allegation that was raised in the last Cigna letter that I read, was that this is not a competitive bid, this is a sole source bid.

COMPTROLLER FRANCHOT: Single bid.

MR. ENTEN: Single bid. And I can only say that it's Cigna, Cigna and CareFirst were the two bidders last year, basically. United bid and was not selected, but they couldn't qualify. For Cigna to come in today and complain that this was not a competitive bid when they made the business decision, for whatever their business reason was, not to bid, and now come in and say, well,

you know what? You should put this out for a third time because it wasn't a competitive bid, when you are the ones who chose to make it non-competitive.

I have never, ever seen a situation where we have entertained a protest by a vendor who chose not to bid. And under Maryland law they have no right to protest to the Board of Contract Appeals. Obviously, any citizen can come before you. And I know, Mr. Comptroller, that you are not here because, to raise your concerns because of Cigna. I know, and I knew going into this what your concern would be.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. ENTEN: But I have to say in this situation the Department of Budget and Management has looked at this I think extraordinary, as has the MTA, because of the history. They hired a different consultant to look at it. It's not the same consultant as last year. The bid was different. And to take this company now and make them now go through a third procurement, they played by the rules every step of the way. They had no idea whatsoever that this, that they were going to end up being the only bidder. They didn't know that. They assumed that the company that objected to the cancellation so vehemently last year of the procurement would bid again. And they knew if they were going to get it they were going to have to compete and they were going to have to put in a competitive price.

In addition the department issues a BAFO, a best and final offer, normally done when there are competing, okay, everybody, we got your bids. Now let's see what else you can do. This contract has \$11.4 million in savings to the State of Maryland. This is not an incumbent who is the only bidder and raised the cost of the contract. This is an incumbent, it is not their fault they are the incumbent, this is an incumbent that by all evaluations of the employees has done a magnificent job. And they came in with a lower price, a lower price.

I would urge the Board to please respect the process. The process, if you believe the process was tainted last year, that was last year. No one is alleging I think the process is tainted this year. But there ended up being at the final, 11th hour, only one bid, but I think you have to look at the bid. The standard is is the bid fair? Is the bid reasonable based on all the circumstances? This is a bid that saves the State of Maryland money and I think you quite frankly set a pretty amazing precedent when you now say that a company who made the conscious decision not to bid but instead to pursue an appeal to the Board of Contract Appeals, to now come in and say, you know what? We should, you should do what we didn't, what we asked you not to do last year, which is to cancel the contract. Extend it for another year, which the Board of Contract Appeals says is illegal. And now they are going to come in and be the ones to ask you to do that. I don't believe you'll necessarily make your decision based on the fact that they've asked it. I understand your concern, Mr. Comptroller. But I

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really think that the fair thing to do to everyone at this point is to approve this item, supported by the Department of Budget and Management, supported by MTA, and all the players that are involved. It's a clean procurement. And we would ask you very much to act today to vote to approve this. Let's get this new contract up and running with different benefits, a different structure, in the normal course. I don't believe that you should delay it for another two weeks. I agree that I'm not sure what that will change. Either, you know, we have the contract or we don't have the contract. That's the bottom line. To make this company go through a third procurement, they have not done anything wrong at all. They have played by the rules. They assumed this was a competitive process and they bid it as a competitive process.

Now I'm not the numbers expert here. I think the consultant, the department knows the numbers. And I have also Mr. Chopper with me today. Mr. Chopper is the CareFirst employee who is responsible for this account.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. ENTEN: And I have Ms. Penzcek here today, who is responsible for all the State accounts. And they would be glad to answer any specific questions you have. Thank you very much.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you. Can we also then hear from I guess the Cigna people? But thank you. There were some representatives from Cigna who wanted to speak?

MR. ENTEN: Thank you very much.

MR. BEREANO: Good morning, Governor, and good morning, Madam Treasurer, good morning, Mr. Comptroller. For the record, Bruce Bereano. I'm a registered lobbyist for Cigna.

LIEUTENANT GOVERNOR RUTHERFORD: Can I interrupt for a moment? Because I didn't think you would be here because you were having knee surgery, correct?

MR. BEREANO: Well, you know, I did say to my client I anticipated you bringing that up, Lieutenant Governor. And I do have an appointment next week to map out a date and a procedure for that. And again, I thank you publicly, as I have many times privately, greatly for your care and concern of my well-being.

LIEUTENANT GOVERNOR RUTHERFORD: Let me just set the record straight. I have known Mr. Bereano for a number of years. And I think it was back in December or January, he said he was getting knee surgery. It may even have been earlier than that but he was waiting until after the election, and then it became after the inauguration, then it became after Governor Mandel's birthday, then it became after MACo, then it became after Tawes, was before MACo.

MR. BEREANO: Have to do Tawes.

LIEUTENANT GOVERNOR RUTHERFORD: Yeah. Then there was something else. And so I've been --

MR. BEREANO: Now is the hour. Now is the hour. Now is the hour. I, as you know I'm a committed person and I didn't want to bring up those proceedings.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Sorry to --

MR. BEREANO: I will have my doctor send you a note.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: It's kind of the reverse. Normally you send a note when you're not at someplace. I want a note -
-

MR. BEREANO: I'm going to have to, thank you.

LIEUTENANT GOVERNOR RUTHERFORD: All right. Sorry to interrupt.

MR. BEREANO: Thank you for the opportunity. It would, that is (indiscernible) Regional Vice President at Cigna, and we thank you very much for the opportunity to speak. I know you have other Agenda items. Please bear with me as you know a great deal of time and effort has been spent on this matter.

I'm here today to try to right a wrong, a wrong to my client Cigna, and a wrong to the State of Maryland. Very respectfully, and it's already been discussed, this new administration as it has been said many times previously at the

Board of Public Works and in other proceedings, wants to do things in a business like fashion. They want, they are committed to a fair, transparent, and integrity driven procurement process, and one that encourages vendors to bid and participate for the benefit of the State of Maryland.

The history and background of this procurement, not the one immediately in front of you and I'm not questioning its narrowed cleanliness, but this procurement in front of you is the son of the original procurement and it cannot be looked at in a vacuum. To look at it in a vacuum is totally unrealistic and is a continued unfair look at this matter on behalf of not only my client but all the other healthcare providers and the vendors that are looking at this matter. Because it's the history and the background before you that in reality you only have one person who is the incumbent, one vendor, who is really before you bidding on this matter.

There were four bidders originally on the first contract. And to approve this is to compound the wrong that happened to my client. And let me tell you briefly about the wrong that happened to my client. In August of '14, and you have a time table which I gave you, but in August of 2014 we were awarded, Cigna was awarded the contract. Two days later we signed the papers and then we started ramping up and getting ready to do the job. A month and a half later, a month and a half later, after we signed it and everything, we get a simple two-sentence letter which is in your packet telling us everything is cancelled or

rejected. We asked why. We're not told. That is a very important point. We are not told. We repeatedly, repeatedly asked why did you reject us? We want it. We were \$16 million cheaper than CareFirst. Why? They refused to tell us. Previous administration, Governor. Previous administration.

It was not until, not until the 28th of April of this year in the Board of Contract Appeals, and I have the entire transcript here, that we learned why it was pulled away from us, why a BAFO was not done, why a cure was not attempted. Now we were told on the 28th of April in sworn testimony, two days before the bids were due on this contract. The contract before you for approval went out on the 13th of March of this year. Paul Comfort didn't come in until the 13th of May and his senior staff thereafter. And then you have the bid being due by the 1st of May and obviously we did not have the time to bid on it.

Now why did we not bid on it? We didn't bid on it because my clients, right or wrong, and it is a very serious business decision, was profoundly shocked and disillusioned. They didn't believe, they didn't believe that they were going to get a fair trial. As the Comptroller indicated at the last Board of Public Works meeting when the extension was given, a lot of time and effort is spend, and money is spent on doing these procurements. They are not easy things for companies to do. And they were in the Board of Contract Appeals and they had their issues before there and they were pursuing that remedy. And they thought that if they bid again that it would be the same old, same old.

But it's not just why, respectfully, why my client did not bid on the matter before you. Why didn't the others bid? Why didn't Aetna bid? Why didn't United bid? Why didn't -- I think Kaiser bid but they were thrown out. But why did they not bid? So what you have before you is over half a billion dollar expenditure. I think it's going to be seven years. I know it says five and two ones. I usually see that the two ones usually continue. That's a long period of time to be locked in. I knew that CareFirst was going to come in cheaper with their bid, which they have done and they did before, because they lost last time and they were \$16 million more expensive than my client. Our solution, which I have indicated, no one, we are not trying to hurt the workers. The workers are just kind of, you know, in this process non-voluntarily. But our suggestion is very respectfully and very sincerely is do another one-year extension so that you can do your moment, you can, you know, have some calm, and let's start all over again. We're going to bid. We're going to bid. I make that commitment. And hopefully United will bid, and maybe Aetna, and Kaiser Permanente. But do another extension. You have done extensions before. You did an extension on this before. And then there will be continuity. The incumbent will continue for one more year, so they will have 41 years. We're going to bid again. And I think we're going to prove, I think we're going to prove we are better priced. We know we have a far better product and footprint than CareFirst. That's why we won it the first time. Because we just don't process

healthcare claims. We deal with wellness, we deal with preventative medicine, we would deal with all such stuff.

I am not criticizing the Department of Transportation. I am not criticizing the MTA. I am very flattered by your comments, Mr. Secretary. I think an easy solution is do an extension. Rather than do seven years for a half billion dollars plus, do a one-year extension and then put it out to bid again. It will be calm. Enrollment will not be a problem. There will be continuity, because you have the same vendor. Those enrolled may continue that enrollment, although if there is another open enrollment maybe they might want to switch. And you do another procurement.

I don't think, the important thing here, and I'll finish up. The important thing here is to go forward and approve this, either today or respectfully in two weeks, is rubber stamping the way things were done in a previous administration. That's wrong. And I say it respectfully, it's wrong. And signals have to be sent to show that we're doing things differently. This is not to be looked at by itself, please. Let's be realistic. This is, this is, grew out of the fakakta just botched contract process that preceded us where my client was so terribly treated. Not just pulled away from them, but they were refused to be told what the problem was. Had we been told what the problem was, we would have bid a second time because we would have then had some faith. We would have thought. But you take that, you take it, I'm not saying this disrespectfully, you

take the unusual meeting that occurred at the Board of Public Works where you went into private session. And I'm not saying that disrespectfully. And then to come out and extend it, my client was just bewildered. And they are not babes in the woods, but they are bewildered and they just didn't believe. And that's why they didn't bid. We want to bid again. We want to do business here in the State of Maryland in a procurement process and a philosophy of this administration. Thank you for listening to us.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you.

MR. BEREANO: And Ms. Truffer might have a word or two, if you may? Is there anything you want to say?

MS. TRUFFER: I do, I do have one clarification. Excuse me. The \$16 million that Bruce is referring to was only projected for that 2015 year. That was a \$16 million savings over CareFirst's original numbers for that one year. If you extrapolate that over the whole term of the contract it's much more than that. So probably around \$50 million. That was on the first --

LIEUTENANT GOVERNOR RUTHERFORD: On the first --

MS. TRUFFER: -- RFP.

LIEUTENANT GOVERNOR RUTHERFORD: Right.

MS. TRUFFER: Right.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Thank you. Any other questions? Okay.

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MR. BEREANO: Thank you --

MS. TRUFFER: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you. I don't think we have any motions on the, we don't have any motions on the floor at this point.

TREASURER KOPP: Well I would move to approve the contract.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Mr. Comptroller --

TREASURER KOPP: -- any second --

LIEUTENANT GOVERNOR RUTHERFORD: Yeah. Mr. Comptroller, I think this is going to be the first time that you and I are going to disagree. And I hope you don't tell the Governor. But I'm, I just have to say I think that the parties had an opportunity to bid on the second contract. From what I understand from the Secretary of Transportation and his personnel, they cleaned the system. And while this is a new day in Maryland, and particularly in Maryland contracting, there is a concern that we had one bidder that got through the process. I do want to second the motion of the Treasurer and take it to a vote. All in favor?

TREASURER KOPP: Aye.

LIEUTENANT GOVERNOR RUTHERFORD: And opposing?

COMPTROLLER FRANCHOT: Yes. An emphatic no.

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LIEUTENANT GOVERNOR RUTHERFORD: I support, two to one. Thank you.

SECRETARY MCDONALD: The balance of the Budget Agenda?

LIEUTENANT GOVERNOR RUTHERFORD: Any other questions on the Budget and Management Agenda?

COMPTROLLER FRANCHOT: Yes. Item 7?

LIEUTENANT GOVERNOR RUTHERFORD: Yes. I have questions on that also, 7-MOD.

TREASURER KOPP: Can I just, just a note before you get to seven, on 2-S? Which looks really interesting. Again, if you, Madam Secretary, could ask the --

MR. BRINKLEY: Do you want somebody up for 2-S?

TREASURER KOPP: It's about a study of how the new All Payers system, the new waiver works. And I would just like a report at the appropriate time to the Board of Public Works.

MR. BRINKLEY: Okay. Do you want me to call Shannon up now? Because the Secretary is not here. The Deputy Secretary --

TREASURER KOPP: No, if he could just send --

LIEUTENANT GOVERNOR RUTHERFORD: Oh, the Population --

TREASURER KOPP: Yeah. I mean, it's just very interesting.

MR. BRINKLEY: And on seven? Gordon Medenica --

MR. MEDENICA: Shall I begin?

LIEUTENANT GOVERNOR RUTHERFORD: Sir?

MR. MEDENICA: Good morning.

LIEUTENANT GOVERNOR RUTHERFORD: Good morning.

MR. MEDENICA: I'm Gordon Medenica, the Director of the Maryland Lottery and Gaming Agency.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Good to see you. Questions?

COMPTROLLER FRANCHOT: Yeah. So we're being asked to extend for one year a contract with Scientific Games International, which I understand provides the Maryland State Lottery with the infrastructure that connects the retailer terminals to the central site system. The current contract began on October 26, 2005 and is set to expire on June 26, 2016, a term of ten years and eight months. So one might ask why do we need to further extend a contract that has already been in place for a decade?

MR. MEDENICA: Absolutely. The original RFP for the new contract was begun to be prepared late last year. Then there was a decision made to take it out of the DBM arena and put it into DoIT. That delayed us for a little while until March. Then the, my predecessor resigned the position and I came

into the position in June and wanted to review the RFP and we have continued to make changes to that RFP.

Where we really need the time is in the implementation. We can get through the RFP and make a decision probably by mid-next year. But the actual conversion process which involves all the technology of the Lottery is a lengthy and laborious process and involves all our 4,600 retailers around the State, and physically changing out all of the equipment, the terminals, the monitor screens, the satellites, everything else in the system. So the extension is to really give us sufficient time to do that implementation next year with the sufficient time.

COMPTROLLER FRANCHOT: Okay. Once again, I guess, we're dealing with decisions made by the previous administration. So I certainly don't hold you necessarily accountable. But a decade? A decade we have this contract and we're in --

MR. MEDENICA: This is actually --

COMPTROLLER FRANCHOT: -- we're in this situation where, you know, we have to, we're getting around, are we bidding it less than a year before it's set to expire?

MR. MEDENICA: Yes, this --

COMPTROLLER FRANCHOT: I mean, I understand we have new leadership but --

MR. MEDENICA: This is very typical in the Lottery business. These cycles of technology typically are about ten-year cycles. And if you look at most of the lotteries in the country that is a very normal timeframe for technology cycles. So --

COMPTROLLER FRANCHOT: No, I have no problem with that. But why are we standing here, sitting here, having this discussion with less than a year to go? And then you are talking about extending the contract?

MR. MEDENICA: Yes.

COMPTROLLER FRANCHOT: For a year?

MR. MEDENICA: Again, it's to give us time to do it right. And we've had these delays that, you know, again, prior to my time that --

COMPTROLLER FRANCHOT: Okay.

MR. MEDENICA: -- and then we've come in. And the other, the final element of that is that the largest trade show in the lottery space is occurring next week in Dallas. We are sending a number of people. We want to review a lot of the technology that is out there in the marketplace to raise our knowledge before we issue the RFP, probably later in the month or next month.

COMPTROLLER FRANCHOT: Oh, okay. So let me get this straight. We're going to award the contract to a new vendor sometime in early to mid-2016.

MR. MEDENICA: That's right.

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COMPTROLLER FRANCHOT: But we're extending this current contract through June of 2017.

MR. MEDENICA: Yes.

COMPTROLLER FRANCHOT: So for the period of a year we're going to be paying two vendors? The outgoing and the incoming at the same time?

MR. MEDENICA: No, absolutely not. The new vendor contract doesn't take place until the conversion period is over and it begins in the middle of 2017. Plus with the extension we will be getting the same rate that we're getting now, which we anticipate is going to be lower than the new contract. We believe the new contract will be more expensive because the new technology is more expensive. So in fact we'll save a little money. But again, as you well know, the Lottery is not, the economics of the Lottery is not based on the cost side. We run the entire Lottery with 3.3 percent of our sales. And so what is important about this contract is not just the technology but also the marketing enhancements that come with it.

So we want to be able to do the technical implementation with sufficient time. We will be under the old contract at the old rates, which we believe will be less than the new rates. And we wanted to make sure that we have sufficient time, regardless of who wins the contract. Because even if the incumbent wins all of the equipment changes out regardless. So that

implementation period is necessary regardless of who the winners are. And again, there are only three companies in the world that provide this kind of service. We expect vigorous bids from all three. And we hope to choose the very best system for Maryland its Lottery players.

COMPTROLLER FRANCHOT: Well I don't obviously want to be disrespectful of your operation but it doesn't sound like a very good procedure. And I'm not quite sure what to do with that. But what happens to the extension if the incumbent vendor competes for and wins the new contract as well?

MR. MEDENICA: Again, the conversion process is the same because all of the equipment has to be changed out. So we still need that year to get to all 4,600 of our retailers, give them new equipment, new communication lines, and then literally flip the switch and go over from one system to the other system on the date of new contract.

COMPTROLLER FRANCHOT: Is there a reason why the Lottery agency couldn't accelerate the pace of the procurement process and award the contract prior to the end of the fiscal year, which would provide some of the lead time that you want without the need for a costly contract extension?

MR. MEDENICA: Again this, from the bidder's side this is a very laborious process. The bids that come in on these kinds of contracts, because there are so many elements to them, are enormous, thousands of pages. And it is our expectation that we want to give the bidders, the entities, sufficient time to

give us good bids. We think if we hurry up their schedule in preparing the bids we may not be getting the very best bids.

COMPTROLLER FRANCHOT: Okay. And just your comment about 3.3 percent of the Lottery revenues are used for your administrative costs. The Treasurer is the Chair of the Pension System's board of trustees. We take care of 200,000 Marylanders who are members of that system for a third of a one percent. So --

MR. MEDENICA: That's impressive.

COMPTROLLER FRANCHOT: -- you've got something to shoot for.

(Laughter.)

MR. MEDENICA: Absolutely.

LIEUTENANT GOVERNOR RUTHERFORD: Question for you. The original target date for the new contract was July 1st. You may have mentioned how we missed that. What was the challenge of not getting that procurement out earlier and being able to award? Then you wouldn't have needed I guess this additional time.

MR. MEDENICA: Again, we had a gap with leadership.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. MEDENICA: I came in in June. And you know, having experience with these kinds of contracts in the past wanted to review the RFP myself. And we've been making changes.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. MEDENICA: And we think it will be a good RFP and a very competitive process.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. I don't understand the Lottery business per se. But it seems to me that at least the way technology is going, technology seems to get less expensive than more expensive. And you said you anticipate it being higher, the next bid.

MR. MEDENICA: Yes.

LIEUTENANT GOVERNOR RUTHERFORD: Is it because of the equipment per se?

MR. MEDENICA: Partially the equipment, the marketing enhancements, the reporting capabilities. Some of the equipment is just more of it, largest TV screens in the shops. You know, faster communication technology, more sophisticated software. It's a huge bundle of services that we acquire. This is our largest vendor contract.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. All right. Thank you. Madam Treasurer?

COMPTROLLER FRANCHOT: I have a question, if I could while you are up there --

TREASURER KOPP: (Indiscernible).

LIEUTENANT GOVERNOR RUTHERFORD: Yes.

COMPTROLLER FRANCHOT: This is slightly different, Lieutenant Governor --

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

COMPTROLLER FRANCHOT: -- but I've been watching some football recently, and the only ads I see are concerning these groups of Fan Duel, or something? And Draft Kings?

LIEUTENANT GOVERNOR RUTHERFORD: Oh, yes.

MR. MEDENICA: And Draft Kings.

LIEUTENANT GOVERNOR RUTHERFORD: Draft Kings.

COMPTROLLER FRANCHOT: And that looks like a just completely blatant wholesale gambling operation. Every ad is about them. What, who --

LIEUTENANT GOVERNOR RUTHERFORD: I felt the same way when I have seen those ads.

COMPTROLLER FRANCHOT: Yes. So who --

LIEUTENANT GOVERNOR RUTHERFORD: I think Mr. Nugent knows a lot about them.

(Laughter.)

COMPTROLLER FRANCHOT: Yes. Yes. I thought I saw Mark with one of those bid, fake checks right in front of the thing. So my question is a serious one. Is, you're I guess our resident expert on the Lottery, which is a publicly owned gambling system. And the, you know, I guess you oversee somehow the casinos.

MR. MEDENICA: Yes.

COMPTROLLER FRANCHOT: But they are highly regulated.

MR. MEDENICA: Yes.

COMPTROLLER FRANCHOT: And there are protections for citizens not getting fleeced by a completely -- well, I don't know. I hope somebody regulates them. Who the heck does regulate them?

MR. MEDENICA: It's completely unregulated right now. If I may offer a personal opinion?

COMPTROLLER FRANCHOT: Please.

MR. MEDENICA: I think it's really just a work around some of the gaming restrictions on sports betting. And I think it's a, it's a clever attempt to get around the need for regulation and integrity. And just recently, just a day or two ago --

LIEUTENANT GOVERNOR RUTHERFORD: Yes.

MR. MEDENICA: -- there was a scandal that erupted because employees of one of the outfits were actually playing, with the information that they got from their employer, they were playing on the other outlet and winning substantial amounts of money. So I think it's an absolute powder keg. Certainly in the gaming industry right now it's probably topic number one. And I think, you know, watch this space. But I think it certainly doesn't fall under our purview but I think it, you know, we will see where this goes and how the legal pushback will occur.

COMPTROLLER FRANCHOT: Well I don't want to get on Mark's wrong side. And obviously --

(Laughter.)

COMPTROLLER FRANCHOT: -- fantasy football and sports are a big deal. But they are one half step away of total corruption of professional sports and I'm absolutely stunned Major League Baseball is involved in this. And what are they thinking?

MR. MEDENICA: NFL.

COMPTROLLER FRANCHOT: And the NFL and Major League Baseball, what are they thinking?

MR. MEDENICA: Well, you know, this is all a result of a, maybe calling it a loophole is inaccurate, but the 2006 federal legislation known as UIGA, the Unlawful Internet Gambling Act, carved out space for fantasy sports.

But at the time fantasy sports were a fairly innocent low key activity. And what these current vendors have done is just elevate that to a huge, very visible end run around gaming regulations.

It's not clear, by the way, that they are making any money doing this. I think they are pumping a lot of money into it, certainly in advertising which you can't avoid these days. You know, whether they actually have a business model that works is to be seen. But certainly I think on any kind of legal review my personal opinion, and I'm not a lawyer but I play one on TV --

(Laughter.)

MR. MEDENICA: -- is that this is not correct.

COMPTROLLER FRANCHOT: Well maybe you, since you are our expert, and I would, obviously you work for the Governor. But maybe you could prepare something, since you are very knowledgeable, that outlines some of the issues. I mean, I don't even know whether we're, I guess the casinos subtract out taxes, I believe.

MR. MEDENICA: That's correct.

COMPTROLLER FRANCHOT: And I think you subtract taxes from your winner.

MR. MEDENICA: Absolutely.

COMPTROLLER FRANCHOT: What am I on with these lucky Marylanders that win money? Are we all on the honor system?

MR. MEDENICA: I mean at this point, yeah, in terms of personal income taxes I would think the winners --

COMPTROLLER FRANCHOT: So I don't know, maybe you could send something to the Board, I guess, that summarizes some of your thoughts. Because it's --

MR. MEDENICA: I'd be glad to.

COMPTROLLER FRANCHOT: -- it's metastasizing, to pick a word.

MR. MEDENICA: Very true.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you.

TREASURER KOPP: That's very interesting.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you. No, I've had that same thought. And I think we talked about it with some of the staff, in terms of it does appear to be just gambling. I know they tried to shut down a lot of the offshore internet gambling sites. And this, there is some loophole, I don't know if it's because they are saying it's a game of skill versus chance, and there is something else involved. But it basically just advertises gambling.

I have a question on 8-S-MOD. And this is very brief, if there is someone here that can explain it?

MR. BRINKLEY: Vince Kilduff, Deputy Executive Director, Office of Programs, Family Investment Administration.

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LIEUTENANT GOVERNOR RUTHERFORD: Greg? Good morning.

MR. JAMES: Good morning. I am not Vince Kilduff. I am Gregory James, I'm the Deputy Secretary for Operations at Department of Human Resources. Governor, Madam Treasurer, Mr. Comptroller, we are here before you today with a \$439,780 modification to cover the last four months of our existing contract with TALX Corporation, which provides our employment and income verification services.

LIEUTENANT GOVERNOR RUTHERFORD: Now is this a situation where you ran out of money, or what was allocated, and that's why you need this additional?

MR. JAMES: So yes, with an asterisk on that. And what I would say is we have run up against the end of our budgeted amount under the, our authorized amount under this contract. And that is because since it was originally authorized in 2011 we have expanded our utilization of this contract and the services that they are providing for us have also expanded. So in order for us to continue using this service the last four months of the contract we need this additional increase.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. And was any of this, well I guess you weren't there, but could not have been anticipated? That if you are going to expand the usage of the vendors under the contract, not

necessarily originally believed or agreed upon, that it's going to cost more money? And so earlier someone didn't come in with a modification to say, you know, we're going to end up spending more money on this? Is there any comment about that?

MR. KILDUFF: Madam Treasurer, Lieutenant Governor, Mr. Comptroller, Vince Kilduff. Yes, we did. We modified it previously and thought we had it nailed. The number of hits, or the number of say verifications, and this is a wage and hour verification that we're downloading, just kept going up. The Medicaid expansion, the original intent was some data coming off the IRS database that would verify some wages. In hindsight that didn't happen as usefully as it could have. And in hindsight looking back I guess why do people come to welfare offices? Because there is a disruption in income so the IRS data is really out of date. So there's higher caseloads, more people on Medicaid and the Medicaid expansion from the Affordable Care Act.

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

MR. KILDUFF: Even two years in we're still seeing jumps there. It's 1.2 million, I believe now. It was, I think our peak was 1.3 million in the State, in Maryland. So it's an enrollment trend that's driven that's even exceeded the expectation we had earlier sought to modify.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Now how are we as far as being prepared for the new contract? February 29th is the

expiration of the existing contract. Are we ready to go on the street or on the street with the new, or a renewal?

MR. KILDUFF: Very close to it. We have had intense conversations with our AG's Office, the Attorney General's Office, and our procurement folks. If you look at the industry, this is an outfit that has a superior product compared to the other ones. There would be I think some major compromises if we, you know, out there. But we, you know, checked out the competition, the alternatives. Our internal capacity to, you know, (indiscernible), it's basically a big database.

LIEUTENANT GOVERNOR RUTHERFORD: Right. But I mean you're, you're going to be putting a new bid out. So the incumbent can bid but there will be other bidders. I just want to make sure that we get a new solicitation out on the street.

MR. JAMES: Right. So Governor, at this point we anticipate that this will be a sole source contract.

LIEUTENANT GOVERNOR RUTHERFORD: Really?

MR. JAMES: Because when we put this out for bid, it was originally put out for competitive bid last time, we had only one bidder. And it's the incumbent provider. As we have looked at the industry, as Mr. Kilduff has said, we do not see any other provider in the space that is capable of providing this. We have also looked at other states and checked with them to see if anybody

else out there doing this? Anybody else in the space? So based upon that at this point we anticipate --

TREASURER KOPP: Why?

MR. JAMES: -- doing a sole source.

TREASURER KOPP: I mean this is just a matching of public data, going into different databases? But why?

MR. KILDUFF: It is essentially a matching of private data. This is (indiscernible), the company, this is owned by (indiscernible) subsidiary. So they do business with private employers, often the big ones, like your Target, your Walmart, these kinds of folks. And say, okay, people handle this wage verification in various government agencies, maybe banking and other things like that. And so, you know, they make some money on that end. And then on the government side you need to verify income. You know, often these are need based programs. Programs that are welfare to work programs, we need to verify hours. And you can, I mean really with a few mouse clicks, get this in their database. I mean, it's, you know, (indiscernible). Your chains, your larger employers are going to be on this. It's a very efficient process. Otherwise if we say check a state wage database, it's a different animal there. It's quarterly wages and then the start/end date doesn't give us enough hours, doesn't break it down by months. And so that's why we need this more robust product, more detailed product. And it's a real time match. Versus setting it out, versus, you know,

writing something, for example, and mailing it to (indiscernible). So you know, or if there's, some other (indiscernible) lead to this, like national welfare data matches, National Directory of New Hires, it's called. And you say, okay, there's a National Directory hit. With something like that you go on this, oh, yep, you've got it. Or you may say, oh yeah, that job ended two months ago. It's not relevant to this case. But it sort of plays into several facets of what we do.

LIEUTENANT GOVERNOR RUTHERFORD: It does seem like there would be more competitors. It's not a --

TREASURER KOPP: Yeah.

LIEUTENANT GOVERNOR RUTHERFORD: -- I mean it's relatively inexpensive but maybe it's a lot of data and data intensive. But you would think some of the big guys that deal with big data could do this. And but maybe they just don't want to play in this area. All right. Additional questions? Any other questions on this item or -- thank you.

MR. JAMES: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: Any additional items on the DBM Agenda?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

LIEUTENANT GOVERNOR RUTHERFORD: With the, I guess, approval that we had a split decision on one. All in favor?

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TREASURER KOPP: Aye.

LIEUTENANT GOVERNOR RUTHERFORD: Opposed?

(No response.)

LIEUTENANT GOVERNOR RUTHERFORD: Thank you. Go to the University System.

SECRETARY MCDONALD: Mr. Haley is here from the University System.

MR. HALEY: Good morning, Madam Treasurer, Lieutenant Governor, and Mr. Comptroller. Jim Haley, University System of Maryland. We have 11 items on the Agenda today for your consideration and we have removed Item 9-C. I'll be happy to answer any questions that you have.

LIEUTENANT GOVERNOR RUTHERFORD: You said you removed Item 9?

MR. HALEY: Yes, for further consideration.

TREASURER KOPP: So we immediately turn to Item 9.

LIEUTENANT GOVERNOR RUTHERFORD: Yes. I turned to nine, yeah, and that was one. Yeah, I was going to ask about that one in particular. So. Question about several of them that they seem to all be at College Park. And I know you provided some information. But I was particularly struck that they all had a 30 percent MBE goal and they all have seven percent African American sub and four percent women owned. And what struck me when I saw

that, and it starts with 1-C-BP, and it continues with 2 and 3, that are we just using the same subcontractors and giving them the same work throughout this? And as a wise man had said to me once before when he was looking at the MBE program, that it's ten percent of our certified MBEs seem to get 90 percent of the work. And so there's a concern that instead of having a flowing river of new MBEs, we have, and I'm paraphrasing, a stagnant pond. Thank you, Mr. Rhee, for that.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: And so it did strike me seeing that. Can you tell me a little bit about the, you know, what's going on with the subgoals and the goal selection? And even the decision that 30 percent is adequate?

MR. HALEY: I'd be happy to. The University System of Maryland has strived in the past to increase the MBE goals on all our contracts. We've worked recently with GOMA with respect to working in that area and trying to get more MBEs certified through MDOT. What we do when we look at each particular project is we look at where it is, the type of scope of work that it is, and then we try to make sure that we get enough MBE participation that is beneficial to all of us in the State of Maryland.

I'd like to bring up Bill Olen, if I can, to let him further describe about the MBE, the number of MBEs and the types of MBEs we have and who they are. Okay? Bill?

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Thank you.

MR. OLEN: Good morning. On the Clark Project, Item 1 --

LIEUTENANT GOVERNOR RUTHERFORD: Mm-hmm.

COMPTROLLER FRANCHOT: What is your name, sir?

MR. OLEN: Excuse me?

COMPTROLLER FRANCHOT: What is your name?

MR. OLEN: Bill Olen, I'm Executive Director of Design and Construction for College Park. There were 21 MBEs, different firms, on Item 1 with the Clark project. On the project for HJ Patterson, (indiscernible and there were 17 different firms.

LIEUTENANT GOVERNOR RUTHERFORD: Seventeen --

MR. OLEN: Different MBE firms.

LIEUTENANT GOVERNOR RUTHERFORD: Are they different from the Clark firms?

MR. OLEN: Five of the firms are the same between the two contracts.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. And then there is the Patterson?

MR. OLEN: That was the one I was, that was the one where we had, there are five of the same MBEs between the Clark project and the HJ Patterson project.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. And then what about the fieldhouse, Cole Fieldhouse?

MR. OLEN: That is just the initial award to the --

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. OLEN: -- to the construction manager. There is no MBE participation at this point.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. OLEN: On the Salisbury project there are three MBEs, and they are not the same --

LIEUTENANT GOVERNOR RUTHERFORD: Yes, Salisbury. Right, Salisbury was different. And then the remote library storage?

MR. OLEN: That --

LIEUTENANT GOVERNOR RUTHERFORD: So Turner Construction?

MR. OLEN: Turner Construction. The, this, the item in front of you is just for the shelving for the storage facility.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. OLEN: And there is no MBE with that.

LIEUTENANT GOVERNOR RUTHERFORD: Right. But, yeah, with this particular item. But as far as the project, it's mentioned that the overall goal is still 30 percent.

MR. OLEN: Correct.

LIEUTENANT GOVERNOR RUTHERFORD: And seven percent African American, four percent Asian?

MR. OLEN: Correct.

LIEUTENANT GOVERNOR RUTHERFORD: Yeah, I'm just concerned that it seems as if there's just a template. Oh, we're going to have a procurement, we're going to have 30 percent, we're going to do these subgoals. Versus, you know, looking at what the marketplace might be and whether it makes sense that you can have, you know, a higher goal or a lower goal. It just it looks like it's just window dressing.

MR. HALEY: Well --

LIEUTENANT GOVERNOR RUTHERFORD: And we don't want that stagnant pool, as we called it.

MR. HALEY: We'll certainly make a concerted effort to take that into consideration as we move forward.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

COMPTROLLER FRANCHOT: Can I ask question?

I think you're the gentleman that I've been looking for for many, several years.

(Laughter.)

COMPTROLLER FRANCHOT: I have a question about when you are formulating these overall project estimates of \$147 million for Cole Fieldhouse renovation, and \$173 million. In that process where is there a person that is particularly tasked with protecting the taxpayer?

MR. OLEN: There are more than one agency. DBM was involved in reviewing the estimates as part of the --

COMPTROLLER FRANCHOT: No, no, I'm talking about who is preparing the estimates. Is that you?

MR. OLEN: It depends on where in the process. During the planning process when we are going through appropriations, the University System works with DBM to come up with the request that goes forward to the Legislature and the Governor. During, once the appropriation is met then myself and my staff have the responsibility to keep the project within that approved appropriation.

COMPTROLLER FRANCHOT: Well I served in the Legislature for 20 years. It's a wonderful group of people, fabulous. None of us ever worked in the private sector. We're all great people, but it's not what, so I appreciate that level of review. But I'm wondering the figure you take to the Legislature, is that something you're responsible for? Or is that some, am I not talking to the right person? Who comes up with that figure?

MR. OLEN: That's based on the part one and the part two program that are reviewed by DBM based on requests that come from the system, from the individual campuses, that go through DBM. Based on historical data that's used in the (indiscernible) on the CPW form that the State agencies use. That's how that figure is established.

Some of it is, it may be site specific. So depending on the campus in the University System it may be more expensive to build on a certain campus because of site issues. Mine routing, for instance, in Frostburg will drive up the cost of a project there. That's just an example.

LIEUTENANT GOVERNOR RUTHERFORD: I don't know if this is, Mr. Comptroller, where you were going. But the development of the actual estimate really has nothing to do with DBM. DBM does not do construction. They are not in that business at all. They bean count, but that is it with all due respect.

(Laughter.)

MR. BRINKLEY: That's what we do.

LIEUTENANT GOVERNOR RUTHERFORD: And in some cases, lack of it. Respect for you, but the agency I have challenges with. But someone with technical skill comes up with the estimate in terms of how much the cost is going to be to construct this facility. Site conditions make a big difference. Is that a person at the University System? Do you bring in experts,

outside experts that can give you an evaluation of that? Or do you rely on your CM?

MR. OLEN: Once the --

LIEUTENANT GOVERNOR RUTHERFORD: That's kind of three questions.

MR. OLEN: Let me start at the end. Once we award the contract to the CM, we do rely on the CM's estimating experience, their expertise along with the architect. So we get two estimates once those contracts are awarded. Prior to the contracts awarded when we are doing initial estimating, that's my staff. We look at historical data. We look at data, at maybe similar project that we completed at a campus and then we look to see what that program is. There might be a different type of program. Then we adjust the estimate based on historical data.

LIEUTENANT GOVERNOR RUTHERFORD: So prior to the CM coming in you do an estimate based on history and your experience?

MR. OLEN: Right.

LIEUTENANT GOVERNOR RUTHERFORD: And that's what you take to DBM for the program?

MR. OLEN: That's correct.

LIEUTENANT GOVERNOR RUTHERFORD: And then when the CM comes in you adjust up or down regardless, you know, listening to them. Okay. Does that help?

COMPTROLLER FRANCHOT: No, I was just wondering where the taxpayer is represented.

MR. OLEN: All through the process, sir.

COMPTROLLER FRANCHOT: Really? By whom?

MR. OLEN: By my staff and the, and the, you know, the experts, whether it's the personnel that we hire for our contracts.

LIEUTENANT GOVERNOR RUTHERFORD: Mr. Comptroller, my bias --

COMPTROLLER FRANCHOT: You're the expert, Lieutenant Governor. But --

LIEUTENANT GOVERNOR RUTHERFORD: No, no, I'm not an expert, but I'm biased. I'm not an expert but I am biased. My bias would be, and in the olden days, before all of us, it actually would have been DGS would have been doing that. And the benefit of that is because you have someone at arm's length and that's, and we'll get DNR on that at a later point. But there's an arm's length relationship because you are not going to occupy the building. So you, you know, you can take a dispassionate view of the project, where you are bringing someone in essentially that's on the outside looking at it. That's the

whole idea of even procurement. The contracting officer is supposed to be arm's length from the project. You don't want the person who is occupying the building to build the building. Because just like in home construction a person is going to ask for everything, and sometimes they find out they can't afford it. And that sometimes has happened when there was easy lending and then it changes around on them. So that's where I think we addressed that. And some of the things we're thinking about as we look at some of the procurement reform. And I know we'll get a lot of resistance from the University System if we try to bring everyone under the same type of procurement structure. I expect that we would get resistance from the University and their friends and allies, but I think that's something we should at least discuss. So back to you, I just --

TREASURER KOPP: But isn't it just a bit more complicated? Because you've got the Board of Regents. You've got constraints on how much they can borrow. They have to, I mean, there are some parts of the University which don't see construction for a long time because somebody has got to weigh all these things and they try to squeeze out as much as they can for their share before they even get to --

LIEUTENANT GOVERNOR RUTHERFORD: The program.

TREASURER KOPP: -- DBM and the program. So I mean there are a lot of --

LIEUTENANT GOVERNOR RUTHERFORD: Well, yeah, and there's --

TREASURER KOPP: -- to squeeze.

LIEUTENANT GOVERNOR RUTHERFORD: You're right. And there has been for a long time just a concern of favoritism. That College Park gets a lot more attention than the other schools in the system. And, you know, they are the biggest and they are the toughest and they have the biggest, you know, the biggest group of students there. And they have challenges when they beat Duke, burning of, you know, sofas and things of that nature. So they have those challenges. And you know --

TREASURER KOPP: But it's also an issue when the community colleges educate 50 percent of the undergraduates.

LIEUTENANT GOVERNOR RUTHERFORD: Oh, absolutely. And I'm a major proponent of community colleges. So, as well as the transitional process.

TREASURER KOPP: Yes.

LIEUTENANT GOVERNOR RUTHERFORD: Yes, they are very good at that. Thank you. I know you didn't want to hear that speech. But unless there's other questions? I think that was it. I did want to ask about nine, but you pulled nine. Maybe, I don't know if I'm going to be here when this comes back but I'll just state my case now.

I would have thought, and for those in the University System, with nine being pulled, thinking about this marketing for communication service for the business school, you have business students who are studying marketing, I think this would be a good project for them to work on and the winner to have the marketing program for the business school. Free labor and they get experience. Okay. Any other questions on the University? Do we have a motion?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

LIEUTENANT GOVERNOR RUTHERFORD: All in favor?

THE BOARD: Aye.

LIEUTENANT GOVERNOR RUTHERFORD: We're all in favor. Okay. DoIT.

SECRETARY MCDONALD: Just so you know, Dr. Loh and Dr. Miyares were here from the University System.

LIEUTENANT GOVERNOR RUTHERFORD: Oh, Dr. Loh? I didn't see him back there.

SECRETARY MCDONALD: So I bet Dr. Loh will take that word back to --

LIEUTENANT GOVERNOR RUTHERFORD: Oh, Dr. Loh, good to see you. Please come up. I'm sorry. I didn't, we've already approved everything but we can at least hear from you.

DR. LOH: Thank you, Lieutenant Governor.

LIEUTENANT GOVERNOR RUTHERFORD: It's good to see you, sir.

DR. LOH: Likewise.

LIEUTENANT GOVERNOR RUTHERFORD: I'm sorry I was unable to make it to the game this weekend. I think some other, some alums were sorry that they were able to make it to the game.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: But as I, as I sometimes say, Maryland is a basketball school. So. But it's good to see you, sir.

DR. LOH: Thank you.

SECRETARY MCDONALD: And hard court practice started yesterday.

LIEUTENANT GOVERNOR RUTHERFORD: Well we know both the women and the men's basketball teams are going to be very good. And of course they have a wonderful soccer team as well.

TREASURER KOPP: And President Miyares, always a pleasure.

LIEUTENANT GOVERNOR RUTHERFORD: Ah, good to see you, sir.

DR. MIYARES: Good to see you, sir. Yes.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

Department of IT?

MR. GARCIA: Good afternoon, Lieutenant Governor, Madam Treasurer, Mr. Comptroller. I'm David Garcia with the Department of Information Technology. We have seven items on the Agenda for this afternoon. And two of them are supplemental.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MR. GARCIA: And I believe we have agency representation for everything.

COMPTROLLER FRANCHOT: Move approval.

LIEUTENANT GOVERNOR RUTHERFORD: I just, I, before we go with approval, this is a comment. I don't need anyone to necessarily answer. I did see a retroactive with the children's software. That's again not good. I don't think it's your fault but at least let the Office of Children know that they need to move things along. And if they need help, seek it out from the other departments in terms of procurement assistance.

MR. GARCIA: Lieutenant Governor, that's partially my fault actually.

LIEUTENANT GOVERNOR RUTHERFORD: Ha. Ha.

MR. GARCIA: So we recommended that they were going to piggyback off of a DHR contract and they were unable to, and so we had to move to a retroactive status to cover them.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Thank you. I appreciate your honesty there. We'll deal with you later.

(Laughter.)

LIEUTENANT GOVERNOR RUTHERFORD: And then on the supplemental item, which is also supplemental. It's interesting that there is a, it requests \$97,000. There was a previous modification on August 5th, but I guess their modification, I don't get it. They didn't ask for the \$97,000? Did I say million? \$97,000, this is Board of Elections, or was there something?

SECRETARY MCDONALD: Ms. Lamone is here. I don't know

--

LIEUTENANT GOVERNOR RUTHERFORD: Yes. Just real brief. I'm not going to spend a lot of time. But it just struck me that it's \$97,000 when just, what month are we? Two months ago there was \$900,000. Hello.

MS. LAMONE: This is a little tiny amount. Good afternoon, everyone. Linda Lamone, State Administrator of Elections. Since that time and over the summer we've been working on developing the necessary networks that we need to have in place for the election. One for example is for the official results that are transmitted the day after the election. Then another one is for the

real time reporting on election night. And as we developed the need for those we have determined that we needed additional help to get them installed and whatever the technical people do to make these happen. And half of that amount, Governor, is special funds. So the State is, what, \$47,000.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. And just as a side, we're going to be ready for the primaries?

MS. LAMONE: Yep --

LIEUTENANT GOVERNOR RUTHERFORD: With new equipment and everything that's going and involved with that?

MS. LAMONE: Absolutely. And we're, in fact we're testing the whole system out in a week and a half.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Mock?

MS. LAMONE: Our mock election test.

LIEUTENANT GOVERNOR RUTHERFORD: Mock election test?

MS. LAMONE: Yes.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. All right. How is the mock done? I mean, is it done by, in certain jurisdictions? Or do you do it --

MS. LAMONE: It's Statewide.

LIEUTENANT GOVERNOR RUTHERFORD: Statewide?

Okay.

MS. LAMONE: Each county is doing their own. The number of voting units and ballots that they are using depends on the size of the county.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

MS. LAMONE: Most of them are doing it in their office with their own personnel. It's not a voter outreach event, it's a test.

LIEUTENANT GOVERNOR RUTHERFORD: All right.

MS. LAMONE: To see if all of our procedures are in place and if not what needs, what else needs to get done.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Good. Okay. Questions? Okay, thank you.

MS. LAMONE: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: Any additional questions on DoIT? We have a motion on the floor with the DoIT Agenda. Second?

TREASURER KOPP: Second.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. All in favor? We're all in favor?

COMPTROLLER FRANCHOT: Aye.

TREASURER KOPP: Aye.

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LIEUTENANT GOVERNOR RUTHERFORD: All right. Okay. Thank you. Okay, thank you. I guess this takes us to Department of Transportation.

MR. RAHN: Thank you, Lieutenant Governor, Comptroller, Treasurer. For the record, I'm Pete Rahn and the Maryland Department of Transportation. MDOT is presenting 23 items today, including one supplemental item.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. Any questions on MDOT's Agenda?

COMPTROLLER FRANCHOT: Move approval.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. See I told you that I'm the one that holds everything up because I do have a question. It's on Item 20, and I understand the need to do it. I just, it just seems very expensive, the relocation of the utilities for construction of the Purple Line. \$20 million, this is to move telephone wires and cable wires for Verizon?

MR. RAHN: Lieutenant Governor, it is expensive.

LIEUTENANT GOVERNOR RUTHERFORD: Did we check their estimate? I mean, this isn't one of those where, you know, I know Verizon will come in and say, well yeah, we'll move, it's \$20 million. Did we, is there any independent verification, or semi, or back and forth?

MR. KENDRICK: Good morning, members of the Board. Jamie Kendrick from the Maryland Transit Administration. We have a number of checks and balances on this. The first check and balance is the federal regulation that is we only pay the reasonable non-betterment cost of any relocation. So anything new or different that the utility would like is something that's on, on their dime. The second set of checks and balances we do indeed compare Verizon's rates, Washington Gas' rates, against industry norms. Third, actually we have taken on some in the Purple Line, actually more than some, a fair amount of the relocation ourselves as a risk management strategy, which will end up probably keeping that number well under \$20 million.

The wild card here on Verizon in particular is the D.C. region itself. And for security purposes, we don't know everything that is out there. Verizon won't tell us everything that is out there. And so there is perhaps a bit more contingency on Verizon itself. As these other agreements come before for Washington Gas and Pepco, we can take a much smaller contingency on that number.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. All right.

TREASURER KOPP: What is the roll out on this? What is the five-year --

MR. KENDRICK: So the first task, if I may, on both Verizon and Washington Gas, which is the other item, is the, a critical path relocation of

utilities at the Bethesda Metro Station where Montgomery County is actually funding a new south entrance to the station. That is about an 18-month relocation of three utilities sequentially. And so we, that is one kind of stand alone project for which there is an already agreed upon price within the items that you have today. Those three will start to move ahead upon your approval. Verizon I believe goes first, I'm sorry, Washington Gas goes first. This is at Elm Street and Wisconsin, excuse, Connecticut Avenue, will take, again, all told about 18 months. But again, that's only a small portion of that which you are approving today. One other --

TREASURER KOPP: Right.

MR. KENDRICK: -- Mr. Lieutenant Governor, is that every time Verizon goes to move a utility, it really is on a task based process. So if we need to move something near the University, for example, they will give us a discrete task and then they take on risk of delay. So if they tell us, you know, 90 days and it's 120, they actually take a pretty significant deduct on that work at the University.

TREASURER KOPP: I have a couple of little backyard questions. So when Washington Gas Light and Pepco both go in and dig up from, I don't know, Wisconsin Avenue and Connecticut, are they going to do it at the same time? Or are they going to fix it, patch it up, and then somebody else go in and --

MR. KENDRICK: That's a good question. Actually --

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TREASURER KOPP: What's the normal delay?

MR. KENDRICK: -- one, an issue we have been debating here, we have one of the reasons to pull this particular set of tasks out at Bethesda is to try and, is to get Washington Gas, Pepco, Verizon in and out at the same time. That does not physically mean at the same time but in one continuous cycle, so they are not opening and closing, opening and closing the road.

TREASURER KOPP: People aren't going to get used to being able to drive and then stop and then --

MR. KENDRICK: We in Montgomery County are very sensitive to the idea of not opening and closing that street for a variety of reasons. Now there may well be a gap between when the utilities finish their work and when the Purple Line concessionaire subject to your approval begins work at Elm Street. And depending on the amount of time, if it's going to be --

TREASURER KOPP: Just try to remember the people.

MR. KENDRICK: Say again? I'm sorry?

TREASURER KOPP: Try to remember the people who are trying to live in the environment.

MR. KENDRICK: Absolutely. There's two garages right there and a significant office building. And we have to protect and work --

TREASURER KOPP: Yes. And people who drive down Wisconsin Avenue, or drive down, I mean --

MR. KENDRICK: They should be fairly well protected. It's the ones, the access to the garages on Elm Street in particular that are something we are very sensitive to.

MR. RAHN: Madam Treasurer, I am very sensitive to that topic. Whatever we are doing, I look to lessen the impact on the users and adjacent properties to it. This project is --

TREASURER KOPP: It's a big project.

MR. RAHN: -- it's going to be disruptive to areas. But whatever we do --

TREASURER KOPP: Yes. And some of those people, of course, didn't want the project there to start with.

MR. RAHN: Correct. But whatever we do, we're going to do it with the least impact possible. And I do want to stress something that we said, which was we're going to, Verizon is going to, we're going to be back with more for Verizon. This is moving utilities and --

MR. KENDRICK: And there will probably be a handful of real estate agreements that come before you. So you will have chance to ask us further questions on Verizon specifically.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

TREASURER KOPP: Let me just put in as a marker, with great hesitation, this all is within the context of doing the Purple Line P3. And that

raises from our perspective also different issues, as you know, that can't be addressed right now about debt affordability and where everything fits together.

LIEUTENANT GOVERNOR RUTHERFORD: Yes.

TREASURER KOPP: Just I don't want people to think we don't, we're not aware of that complication.

MR. KENDRICK: And if I may, the reason that we brought this kind of as a part one with these, is Bethesda is specifically broken out reimbursable by Montgomery County. But that does not presuppose that as a project of independent utility. Bad word, bad use of that word, but that can proceed and would proceed independent of Purple. For construction purposes we have married them together. But the other 18 million, say, it will be held off until we know what we're doing with Purple.

TREASURER KOPP: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: All right. Thank you. Is that your nephew? I saw you smile when he came up. Is he a relation?

COMPTROLLER FRANCHOT: I knew Jamie when he had hair, years ago.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

COMPTROLLER FRANCHOT: And yep, it's good to see you. And you're just as smart as you were many, many decades ago when I worked with you.

MR. KENDRICK: Thank you. I appreciate it.

COMPTROLLER FRANCHOT: Good job.

MR. KENDRICK: As a matter of fact, my sister was on panel last night with you in Arbutus.

COMPTROLLER FRANCHOT: Oh, excellent.

MR. KENDRICK: Yes. And I was there as well. Thank you very much.

LIEUTENANT GOVERNOR RUTHERFORD: Thank you. Any other questions on the Transportation Agenda? We have a motion?

COMPTROLLER FRANCHOT: Move approval.

LIEUTENANT GOVERNOR RUTHERFORD: Second?

TREASURER KOPP: Second.

LIEUTENANT GOVERNOR RUTHERFORD: All approved, all agreed. I think we're fine, three-oh. Next is Department of General Services.

MS. BUCKLER: Good afternoon, Lieutenant Governor, Madam Treasurer, and Mr. Comptroller. For the record, I'm Lauren Buckler, Assistant Secretary of Facilities, Planning Design, and Construction for General Services. The department has 25 items on our Agenda, including one supplemental item. We would be glad to answer any questions you have at this time.

LIEUTENANT GOVERNOR RUTHERFORD: I just have one question. Item 7-M? The extension is requested to complete the procurement.

What is the status of the solicitation, the new solicitation on this building management contract?

MS. HEVEY: Good morning, Lieutenant Governor. Yes, I'm Nancy --

LIEUTENANT GOVERNOR RUTHERFORD: Please -- okay.

MS. HEVEY: I'm Nancy Hevey, I'm the Director of Procurement for the Department of General Services. And this solicitation is very close to being solicited. The preparation has been done and it is getting ready to go on the street.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. And we'll be fine in terms of having it all completed in time before this, the current contract, even with the extension, the extension ends end of April?

MS. HEVEY: Correct.

LIEUTENANT GOVERNOR RUTHERFORD: So you don't anticipate coming back to us with some kind of excuse?

MS. HEVEY: No, sir. I do think that we should have this successfully completed.

LIEUTENANT GOVERNOR RUTHERFORD: Okay. All right. Well I think --

TREASURER KOPP: Governor, could I just point out on Item 24?

LIEUTENANT GOVERNOR RUTHERFORD: Yes.

TREASURER KOPP: For the record, the Hagerstown Community College, a great, great institution that has the very strong support of Delegate Wilson, who represents it and wanted that noted.

LIEUTENANT GOVERNOR RUTHERFORD: Okay.

TREASURER KOPP: But really it's a great institution and something that benefits the Hagerstown area, and all of the surrounding areas a lot. Good school.

LIEUTENANT GOVERNOR RUTHERFORD: Very good. Very good. Well, thank you. Thank you for pointing that out.

TREASURER KOPP: Thank you.

LIEUTENANT GOVERNOR RUTHERFORD: I'm a very big believer in the community college system, so thank you very much. Any other questions with regard to the DGS Agenda?

COMPTROLLER FRANCHOT: Move approval.

TREASURER KOPP: Second.

LIEUTENANT GOVERNOR RUTHERFORD: I guess we have approval, all approved. No dissenting. We're done today. This was very good.

TREASURER KOPP: It wasn't that long. It wasn't that long.

LIEUTENANT GOVERNOR RUTHERFORD: It wasn't as long. I don't think we went three hours. Two, almost two and a half. I guess that's a new record for me.

(Whereupon, at 12:24 p.m., the meeting was concluded.)