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GOVERNOR'S CONFERENCE ROOM  
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P R E S E N T

GOVERNOR WILLIAM DONALD SCHAEFER, Presiding;

HONORABLE LOUIS L. GOLDSTEIN, Comptroller;

HONORABLE LUCILLE MAURER, Treasurer;

SANDRA REYNOLD, Secretary, Board of Public  
Works;

CHARLES L. BENTON, Secretary, Department of  
Budget and Fiscal Planning;

MARTIN W. WALSH, JR., Secretary, Department of  
General Services;

MICHAEL NELSON, Assistant Secretary,  
Department of Natural Resources;

RICHARD PECORA, Deputy Secretary, Department  
of General Services; and,

MARION J. BOSCHERT, Administrative Assistant,  
Board of Public Works.

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P R O C E E D I N G S

GOVERNOR SCHAEFER: All right. The Board will come to order. What's first?

MS. REYNOLD: Secretary's Agenda, and we'd like to withdraw Items 18 and 19.

MR. GOLDSTEIN: 18 and 19.

GOVERNOR SCHAEFER: Do we have a new secretary?

MR. GOLDSTEIN: First, we'd like to welcome our new secretary.

MS. REYNOLD: I think we ought to make a separate motion.

GOVERNOR SCHAEFER: I think we ought to, absolutely. We're very honored to have --

MR. GOLDSTEIN: Sandy Reynold, she's had a lot of experience with the Board of Public Works.

MS. REYNOLD: Thank you.

MR. GOLDSTEIN: Done an excellent job, and I feel we're in good hands here. We welcome you back.

MS. REYNOLD: Thank you.

MS. MAURER: Pleased to second that.

GOVERNOR SCHAEFER: Anybody got any objections to it?

(Laughter.)

MS. REYNOLD: Move quickly after that or forever hold your peace.

GOVERNOR SCHAEFER: All right. You're withdrawing what?

MS. REYNOLD: 18 and 19.

GOVERNOR SCHAEFER: Okay.

MR. GOLDSTEIN: 18 and 19?

MS. REYNOLD: Those are the subordinations.

MR. GOLDSTEIN: Okay.

MS. REYNOLD: Shore erosion.

MR. GOLDSTEIN: At the request of the Department of Natural Resources?

MS. REYNOLD: Right.

MR. GOLDSTEIN: Governor, the first item on the Secretary's Agenda is the scrap tire recycling program, Item 16, page 31.

MS. REYNOLD: Yes, sir. The secretary is here. Mr. Perciasepe.



MR. PERCIASEPE: Good morning. This item, Item Number 16, is a requirement that we have to come to the Board before February 1 to set a fee on the sale of new tires to put into a scrap tire recycling fund. We are recommending to the Board that the fee be set at a dollar a tire.

It is estimated that there are around 4.4 million scrap tires generated each year in Maryland, and this is a waste disposal problem that we've had over many years. In fact, there are over 10,000,000 scrap tires now currently stockpiled in locations around the state.

The idea of the fund will be to generate the fund at around \$4,000,000 a year, that would be capped at \$15,000,000, and would be used primarily to -- it will be used to remediate those existing piles through innovative techniques, through an RFP process that we are going to put -- that the Maryland Environmental Service will be putting out and through regulating them out of landfills. It also will be used to set up a system to handle the existing annual generation of

4,000,000 new waste tires a year.

So I would like to suggest an amendment, if I may, to the item in your package. On page 32, item number four would simply read, "The fund will be used to remediate existing stockpiles of tires as well as tires generated on an annual basis," period; and item number five would be deleted. And I would provide that information to you with a formal write-up to you this afternoon or maybe this morning.

GOVERNOR SCHAEFER: Okay.

MR. PERCIASEPE: I'm willing to answer any questions and, also, George Perdikakis, the director of the Maryland Environmental Service, is here also if there are any questions about that aspect of the program.

MS. MAURER: I think it might be well to hear from Mr. Perdikakis about where we are in going out for bids.

MR. PERDIKAKIS: The RFP is complete. It's getting reviewed now by all the attorneys, and hopefully we'll be here within two weeks to ask you to give us



permission to put the RFP out.

MS. MAURER: And, for the record, what you're asking for in the RFP is?

MR. PERDIKAKIS: We're asking for technical and monetary proposals, how to solve the scrap tire problem in the State of Maryland, and it's very wide -- it's open so that we will admit anyone to come in and talk to us about the procedure that they would want to use.

MS. MAURER: So then, after that, you'll be able to determine some of the costs and the staffing that's needed to carry that out.

MR. PERDIKAKIS: Correct.

MR. GOLDSTEIN: Now, do you have people on your staff right now, attorneys, that are sufficient to write the RFP?

MR. PERDIKAKIS: I'm sorry?

MR. GOLDSTEIN: Do you have attorneys on your staff now that can write the RFP?

MR. PERDIKAKIS: We have the assistant attorney people from Mr. Perciasepe's office and from my

office. They're working together, and it's complete.

MR. GOLDSTEIN: How many attorneys are working on it?

MR. PERDIKAKIS: Two.

MR. GOLDSTEIN: Two. So, in other words, you've got enough lawyers right now, haven't you?

MR. PERDIKAKIS: That's correct.

MR. GOLDSTEIN: There's no need to hire some more.

MR. PERDIKAKIS: No.

MR. GOLDSTEIN: All right. I just want to put that in the record. The more lawyers you get, the more complicated it gets. You know that.

MS. MAURER: "I'm just a country lawyer."

MR. GOLDSTEIN: Now, number two, we've been talking about these scrap tires for a long time, and I've asked you to check with reference to using these tires to generate electricity like that in California and Connecticut. I never have heard from you recently. What's the status?

MR. PERDIKAKIS: Mr. Comptroller, I did take a

trip and I have reported to all the members of the Board. I went to see the Oxford energy plant in Modesto, California. It works. That plan -- the cost of electricity in California is about eight cents per kilowatt hour. Here in the State of Maryland it's about 2-1/2 to three. For the economics, it's not there. They're not making money in California.

We did meet with the Oxford energy people. We asked them if they will be interested to do a project like this. They said no, but they offered to take our tires from here and take them to New York State or some place like that.

They will be invited thorough this RFP. We will send them a copy of the RFP, so that if they desire to come and try to build a plant like that, we'll be able to offer them what they will ask, provided that it's going to be reasonable to the State of Maryland.

Unfortunately, I cannot report to you here today that we can solve the tire problem in the State of Maryland, that it's not going to cost any money at all. It's going to cost money. It's going to have a tipping

fee; and how much it's going to cost, I don't know, sir. This is the reason we think -- I believe, and I think Mr. Perciasepe believes, that we should open the process to the entire industry to come in and try to --

MR. GOLDSTEIN: Well, we all agree on that, we all agree on that. I just wanted to get up to date on what you've been doing, because you've been studying this thing now for two years. It's not a new issue. Getting rid of these tires has been a big issue for several years. You know that, especially over in Hughesville.

MR. PERDIKAKIS: Yes, sir.

GOVERNOR SCHAEFER: Louie, in defense of George, he's tried and tried to get rid of the tires. They just won't build the plant here. They just won't do it. They're not making any money any place else. And what they're asking now is an RFP, "Come on in and tell us."

We have done some remarkable things with tires. Mr. Walsh has disposed of those Hughes (sic) tires down there, almost 5,000,000 tires sitting in a



place that was going to blaze up. It's very difficult to get rid of tires. A lot of theories, but when you try to do it, it's tough. Grind them up and put them on roads, can use that for part of it, but that's not the amount of tires -- I'm fumbling.

What I'm saying is you've been trying for a long time, really trying to find a way to get rid of the tires. The gas and electric company won't build a plant here. They just tell you no, they will not build a plant. Maybe they will now if we pay for it, but you're going to pay a lot of money.

MR. PERDIKAKIS: Governor, as you know, for the past six months, we're building oyster reefs down at Mid-Shore County Landfill in Talbot County, and today I'm told that we will place those reefs into the waters of the Chesapeake Bay for oyster habitat. We have used a lot of these tires with the money that you approved about three or four months ago to do something with tires.

GOVERNOR SCHAEFER: Good old Harry Kelly of Ocean City had a great idea. He was going to put them



in cement, put them out in the ocean; and the cement crumbled, and all the tires landed up on the beach. That's a serious -- really tough to get rid of a tire. But he's trying, I know he's trying to get rid of the tires, and this RFP will at least start the process. We'll see where we go from there.

I think you're doing it the right way. I think you're starting with the RFP and working back. I think the fee is reasonable. So I think you're doing all right.

MS. MAURER: And we'll considered it as amended, as proposed by Secretary Perciasepe.

MR. PERDIKAKIS: Thank you.

GOVERNOR SCHAEFER: Thank you. All right.  
What's next?

MR. GOLDSTEIN: That's all we have on that agenda, as far as I'm concerned. I move we approve the agenda as amended except those items that were withdrawn.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.  
What's next?

MS. REYNOLD: The Board is going to defer discussion of Open Space till a later time. So we can move right along to Budget and Fiscal Planning.

MR. GOLDSTEIN: You want to defer it?

MS. REYNOLD: We're going to defer the Open Space items.

MR. GOLDSTEIN: Is that okay with you?

MR. NELSON: Yes, sir.

MR. GOLDSTEIN: Deferred, right? All 61 items?

MS. REYNOLD: Yes, sir.

GOVERNOR SCHAEFER: I would dare you to object.

(Laughter.)

MR. GOLDSTEIN: I move we approve the deferral.

MR. BENTON: Our agenda includes the item --

MR. GOLDSTEIN: I made a motion. I move we approve the deferral of the 61 items as recommended.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.

All right. What's next?

MR. GOLDSTEIN: Budget and Fiscal Planning.

MS. REYNOLD: Budget and Fiscal Planning.

MR. BENTON: Our agenda includes the item of the Fort Washington Marina, and I believe you would like to hear from DNR.

MR. GOLDSTEIN: That's Item 5-S, page 5B.

MS. REYNOLD: Mr. Gilmore.

MR. GILMORE: Thank you. Members of the Board, my name is Bruce Gilmore. I'm the director of the Boating Administration of the Department of Natural Resources. I'm joined today by Mr. Mitchell Nathanson, the successful offeror under a very long procurement for the operation and further development of Fort Washington Marina. I'm also joined on my right by Rev. Norris Syndor, who is the president of the Fort Washington Boating Association, and that's composed of the slip holders of Fort Washington Marina.

The item before you is a contract for the operation and further development of Fort Washington Marina. It is a revenue service contract. It was the

result of a very long procurement process that we went through, in which we sent out 100 RFP's to various interested parties. We went through a long process of preparing the RFP, getting it out.

We had five offerors and, as a result of an evaluation committee consideration, we selected Mr. Nathanson. Of the five offerors, two were determined not to be invited to provide best and final offers, one withdrew, and so we were left with two. And we evaluated five criteria: first, the financial soundness; secondly, the experience as a marina operator; thirdly, the operation plan; fourth, the development plan; and, number five, minority participation. We also evaluated separately the revenue proposal that all the offerors submitted.

In all those categories in total, Mr. Nathanson was deemed by the evaluation committee to be superior. The evaluation committee was composed of three persons: myself, our procurement officer, and another individual from another program who is an economist by training; and the latter two had no previous interest in this



matter. They were objective as, frankly, was I.

If I can speak a little bit about Mr. Nathanson, his reputation in the marine industry is paramount. He has operated three very successful -- currently operates three very successful ventures in Maryland. He has operated two other ventures in Maryland that he has owned. He's operated a successful venture in North Carolina, a substantial marina/hotel complex there. He also manages two other facilities, and he manages three for the Resolution Trust Corporation which, as you know, is that entity that's trying to deal with the difficulties that the banks have.

We are prepared for any questions, and I believe Rev. Sydnor would also like, if it's the will of the Board, to make a few remarks.

MR. GOLDSTEIN: Well, the question is --

MR. GILMORE: Yes, sir.

MR. GOLDSTEIN: Excuse me. We want to be sure that he's going to make these improvements costing approximately \$400,000.

MR. GILMORE: Yes, sir.



MR. GOLDSTEIN: That's number one. Number two, as you just mentioned, he operates three now in Maryland and he did operate two and he sold, and he operated one in North Carolina for the Sheraton. You know, that's down there on the Moose River.

MR. NATHANSON: It has since been sold.

MR. GOLDSTEIN: Sold.

MR. NATHANSON: It was on the Noose and the Trent River.

MR. GOLDSTEIN: Yeah. So you're not operating that now.

MR. NATHANSON: No, sir.

MR. GOLDSTEIN: And you're now managing three for the Resolution Trust Corporation?

MR. NATHANSON: I presently own three facilities: one in Annapolis, one in Solomon's, and one in Oxford. Then I manage four others. Three of them are at RTC.

MR. GOLDSTEIN: Right. So you're a right busy man.

MR. NATHANSON: Yes, I am.

MR. GOLDSTEIN: So, evidently, what you do, you develop them, get them up to a real good business, then you dispose of them. So I just want to be sure, down here where we've got \$13,000,000 of taxpayers' money invested, that when you get it improved, that you want to sell it, that we're going to be sure that we've got the right person or persons operating it, so the state is going to get no less than \$60,000, based on this contract, plus 15 percent gross of all the monies coming in from gasoline, repairs on boats, and food and what have you.

So we just want to be sure that the Board of Public Works -- we have all the confidence in Natural Resources, but the Treasurer and the Governor and myself and our successors will be here to approve it, to be sure that that thing is operated right and take care of what our good friend, Rev. Sydnor, wants, so the average person can get in there, not all the millionaires out of the Washington area and Virginia.

Is that going to be in there and about the dredging? You know, we have unusual conditions down

there in Piscataway Bay or Piscataway Creek, that he'll take care of --

MR. GILMORE: Yes, sir.

MR. GOLDSTEIN: -- or his successor will take care of the dredging to keep the channels open.

MR. GILMORE: Yes, sir. That is part of the contract, and it binds the operator to maintain the facility including the dredging. Not only does he have to maintain the depth of the basin, but he also has to maintain the channel out to the Potomac River.

MR. GOLDSTEIN: And that's all in the contract?

MR. GILMORE: Yes, sir.

MR. GOLDSTEIN: And you agree to that, Mr. Nathanson?

MR. NATHANSON: Yes, I do, Mr. Comptroller.

MR. GOLDSTEIN: Just want to get it all in the record, so there can't be any misunderstanding. People read different things in contracts. That's why you've got courts and got so many lawyers involved in all these propositions.

So it's best to put it in the record initially, so there can't be any misunderstanding.

MS. MAURER: I'd like to ask Mr. Nathanson for the record --

MR. NATHANSON: Yes.

MS. MAURER: -- that you will be covered by liability insurance and there'll be a waiver for the state of any liability while you operate?

MR. NATHANSON: That's correct.

MS. MAURER: And you will also have the fire and any other insurance that's necessary?

MR. NATHANSON: Yes. We have taken actually the construction cost. The project is not totally completed yet, but we have the cost for the actual replacement. We've already received proposals from our various conveyors of insurance, which will delineate all fire insurance, liability, and it will name the state and actually, I guess, the Department of Parks, as an additional insured, but it is our responsibility.

MS. MAURER: That's important. Thank you very much.



MR. GOLDSTEIN: And the other thing, sir, you'll sign this agreement individually as well as a corporation?

MR. NATHANSON: Yes, Mr. Comptroller. It had been my intention all along that I would be signing personally. I do that for my facilities that I own.

MR. GOLDSTEIN: That's very nice, sir. I just want to be sure it's agreed on and it will be done.

MR. NATHANSON: Yes, sir.

MR. GOLDSTEIN: That's all the questions I have at this time.

MS. MAURER: I think we should hear from the Reverend.

REV. SYDNOR: Thank you very much. I really appreciate the opportunity to be here, because today not only am I really representing the slip holders and the boaters but also the community, who are happy that we're in the process of getting the operation of the marina.

Of course, we come in, I guess, biased to a certain degree because we would like the state to have operated the marina; however, for the working class,



blue-collar, you know, low-income folks that we are, we have followed the bidding process and have found -- and actually from the beginning, too, may I add -- and have found it to be relatively fair in what they have asked for.

We went all the way down, took all the RFP's ourselves; and, by the way, we did hire a couple attorneys, too, Mr. Comptroller, to look through it to make sure that it not only represented us and taking ourselves' interests but also that it represented the state well and to give a kind of return that we thought would be good, particularly now in these economic times.

But also we'd like to give this operator an opportunity to operate this facility, and we're going to work very, very closely with him. As you know, we do complain from time to time. And, in that process to make sure that everything is done well, that the money is well spent, that the property is well kept, that people are happy as reasonable as can be, and that we serve a wide spectrum of the community and provide moderate pricing and things of that nature, we'll be

monitoring it very closely. And, may I finally say that, if things are not right, we'd like to have the opportunity to come back and stand before you again.

MS. MAURER: We expect that.

REV. SYDNOR: Thank you very much for the opportunity.

MR. GOLDSTEIN: Reverend, this meeting is always open. Let fresh air come in and sunshine and the moonlight. So come any time you want. Glad to have you.

REV. SYDNOR: Thank you very much.

MS. MAURER: Mr. Gilmore, this is the first privatization of the state marine facilities; is that correct?

MR. GILMORE: Yes. This is the first privatization of a facility built entirely by state funds, 100 percent funded. There are many other facilities, great facilities in Baltimore, where I'm a native son somewhat, in the Inner Harbor that were built with 50/50 grants from the city; and those, too, have been privatized, and I was there and remember that

process, and it's worked extremely well, were very successful ventures. We had that in mind when we set out on this RFP.

MS. MAURER: It's nice to have the agency, the community and the individual who won the competitive procurement standing together and looking forward to working together.

MR. GILMORE: Thank you very much.

MS. REYNOLD: Before we leave this item, we do have another speaker who signed up. Ms. Coyle, representing the Piscataway Company, would like to speak to the Board.

MR. GOLDSTEIN: Thank you.

MR. GILMORE: Thank you very much. Appreciate it.

MS. REYNOLD: Ms. Coyle.

MS. COYLE: Thank you. Good morning, members of the Board. I'm here to raise objections --

MR. GOLDSTEIN: You want to give your name and title for the record, please.

MS. COYLE: I'm sorry. My name is Julie

Coyle. I'm the president of Piscataway Company, Inc., and I was the former operator of the Fort Washington Marina under the aegis of the National Park Service, and I have been the prime litigant in several actions to ascertain that the marina remain a full-service marina after the state took it over.

And I'm here to object to the award of this contract today for several reasons. It is inappropriate and premature in light of several bid protests which have been filed, and these are very substantive bid protests. An award at this time, when a protest is pending, is actually contrary to law in the State of Maryland, as I'm sure you know.

In addition, in the settlement of the federal case that we had, which was a citizen's suit to ensure again that the marina remain a full-service marina accessible to a broad facet of the boating public, and to return the marina to private-sector management, we settled an agreement with the National Park Service and the Department of Natural Resources. The terms are binding, which require DNR to do certain things before



they let this contract, among which was to have a public hearing as to whether there would be a restaurant, and they had to provide a complete marina, a marina which, when it was complete, provided for major haul and engine repairs, an array of services.

The RFP that was submitted -- that was distributed did not require an adherence to the terms of the settlement agreement, and there is no assertion that the terms have been met; and, to the best of my knowledge, they have not.

I believe it is not in the public interest, and I ask you to defer any decision until you have reviewed the bid protest, and I have submitted written -- the copies of the various documents, and I have all this in writing, and I'd ask you to review it very carefully. I don't believe that it's appropriate to rule on this, as appealing as it sounds to have Mr. Nathanson take over. He's extremely competent, I know; but, if you look over the RFP and if you look over our bid protest, you will see that, even though there may be 150 people, the RFP was written so that it



actually discouraged competition from the private sector. And it is significant that out of all those RFP's that were sent out, there were only five, only five who saw that they could dare risk such a venture.

GOVERNOR SCHAEFER: What you're saying is you want us to delay, pending our reviewing your protest?

MS. COYLE: Yes, and I think -- in other words, as I read the Maryland law, you have to defer unless there is substantive -- let me get my wording right here; I've got it in front of me. Okay.

An award would be not only contrary to law; it does not protect any substantial state interest. If there is an appeal pending, you can only award to protect substantial state interest. And, since the boating season doesn't even start until April, there really isn't any reason to award it today, in other words, given that these protests are in the works.

GOVERNOR SCHAEFER: Wasn't your protest reviewed by someone in the state?

MS. COYLE: I beg your pardon?

GOVERNOR SCHAEFER: Wasn't your protest

reviewed by someone in the state?

MS. COYLE: We are in the Board of Contract Appeals at this time with one, and now we have a second protest which we registered when we were dismissed from the final round of bidding, which we feel was arbitrary and capricious.

GOVERNOR SCHAEFER: That will go to the Board of Contract Appeals also?

MS. COYLE: No. That one would -- that I don't understand either. When they dismissed us from the bidding, we got a letter and it said that we had the right to appeal and that then we would be debriefed on the reasons why we weren't invited back for a second round. Okay. So, of course, that's what you do, you write a letter and say, "I protest," and then we asked for the documents. Well, then they come back and say, "Well, we're not giving you the documents," in other words, to see how the bidding process was evaluated, "until the award is given." So then that puts us between a rock and a hard place; it doesn't put them, because if you award this, then it almost makes moot our

protest. I'm not sure I'm making myself clear.

GOVERNOR SCHAEFER: As I understand, you have a protest.

MS. COYLE: There's two protests.

GOVERNOR SCHAEFER: Right, but you have them -- one protest already up with the Board of Contract Appeals?

MS. COYLE: Yes.

GOVERNOR SCHAEFER: That hasn't been heard yet?

MS. COYLE: That's right.

GOVERNOR SCHAEFER: And that's still pending. That would overrule anything that we would do today, if I'm not mistaken on that.

MS. COYLE: Yes, it would.

GOVERNOR SCHAEFER: And your second is you're protesting the procedure?

MS. COYLE: Yes.

GOVERNOR SCHAEFER: Well, I think --

MS. COYLE: First, we protested the terms of the RFP --

GOVERNOR SCHAEFER: Right, that was the one with Contract Appeals.

MS. COYLE: -- as being unfair and not within the parameters of the COMAR; and then, secondly, when we were dismissed from the bidding, then we protested our dismissal.

GOVERNOR SCHAEFER: I see. I'd like to just hear from our side, the state's side, on how you were dismissed. I'd like to hear that.

MS. COYLE: I don't think they can do that.

GOVERNOR SCHAEFER: They can't say anything?

MS. COYLE: No.

MS. MAURER: They're here, and perhaps Mr. Benton could comment on the procurement.

MS. COYLE: Maybe Mr. Coleman could answer that, but I think that, as a matter of law, all those things are private until --

GOVERNOR SCHAEFER: Well, they could at least tell us what they did as far as the protest is --

MR. GOLDSTEIN: Mr. Gilmore is here with his attorney; right?



MR. COLEMAN: Yes, sir.

MR. GOLDSTEIN: Why don't you give your name for the record, please, sir.

MR. COLEMAN: Yes, sir. I'm Sean Coleman. I'm an assistant attorney general assigned to the Maryland Department of Natural Resources, and Ms. Coyle is correct. There were two protests that were filed as a result of this procurement.

The first protest, which protested the conditions of the RFP, was denied by the procurement officer at DNR. Ms. Coyle appealed that to the Board of Contract Appeals, and they have heard that case, and the board has affirmed the decision of the procurement officer at DNR.

GOVERNOR SCHAEFER: So that appeal was dismissed?

MR. COLEMAN: The appeal was dismissed, and Ms. Coyle through an attorney has appealed that to the Circuit Court in Prince George's County.

GOVERNOR SCHAEFER: Okay.

MR. COLEMAN: The second protest which Ms. Coyle

filed as a result of her being dismissed from the procurement is pending, pending her ability to see her procurement file and what the scoring was on her evaluation.

With regards to the second protest, the department dismissed her proposal because it was not reasonably susceptible of award. There were several -- I can say at this point there were several proposals that were submitted; and, as a result of the first round of evaluation by the committee, Ms. Coyle's proposal was substantially lower than the other offerors' proposals.

GOVERNOR SCHAEFER: In other words, you can't show her the file until after we make an award?

MR. COLEMAN: That's correct.

GOVERNOR SCHAEFER: So, if we make the award today, she then has the right to see the file and to formalize her protest?

MR. COLEMAN: Yes, sir.

GOVERNOR SCHAEFER: Okay.

MS. COYLE: Now, back to what Mr. Coleman was saying, the Board of Contract Appeals has dismissed our

case not on its merits but on a contention that we filed late, that we filed not within the statutory 10 days, and that is what we are contesting.

GOVERNOR SCHAEFER: To the Circuit Court.

MS. COYLE: In other words, we are in the Circuit Court --

GOVERNOR SCHAEFER: Right, I understand that.

MS. COYLE: -- to overturn that decision to dismiss based on filing late, and we expect and hope to be back in the Board of Contract Appeals, and then they'll hear it on the merits. It has not been heard on the merits, hasn't been dismissed on the merits.

GOVERNOR SCHAEFER: I understand that. And your second appeal is -- nothing can happen until we make an award, so that you'll have an opportunity to see your file. That puts you in a tough position, but apparently that's what the law --

MS. COYLE: That's why I'm asking you to delay it.

GOVERNOR SCHAEFER: There's no reason to delay because, if you delay, you still won't be able to see

your file. So, if we make the award today, then you have the opportunity to take a look at your file. That gives you the opportunity to file your protest. Otherwise, we're just delaying the action; and, if we make the award and you win in the Circuit Court and goes back to the Board of Contract Appeals, still the Board would be overturned if they give a decision in your favor. So the award today, I think, can be made and should be made, and we move forward.

MS. COYLE: But that's not what it says, Governor. The COMAR says that you can't make an award while there is an appeal.

GOVERNOR SCHAEFER: I don't think that's true.

MR. COLEMAN: Governor, the Code of Maryland Regulations clearly permits the Board to make an award of a contract pending a protest.

MS. MAURER: We've done it many times.

GOVERNOR SCHAEFER: We can make the award --

MS. COYLE: It only says if it meets substantial state interest, and I'm contending that the marina has --



GOVERNOR SCHAEFER: Ms. Coyle, I hear you, and I understand what you're saying, but you've got an operator that you, yourself, said was a good operator. We've been through the process, and you're having your legal right to go through the Board of Contract Appeals to the Circuit Court. You can't go forward with your other appeal until after we make an award, and then you have the right to look at the file, and then you have the right to file forth with your legal action.

MS. COYLE: I also want to remind you that while the -- back to the matter of their not meeting the terms of the settlement agreement, is not part of the RFP. That is a separate issue and they have not met it; and, if it requires me to submit something further to the Board, then I would ask to do that.

GOVERNOR SCHAEFER: Ms. Coyle, I think you've got a whole lot of reasons, but they're just reasons on top of the reason on top of the reason. You've got your legal remedy, and I think you've had an opportunity to do everything you've said up till now. I personally would not delay the award. I would move forward with

the award. That's my opinion.

MR. COLEMAN: Governor, with regards to the settlement agreement and former litigation, Ms. Coyle's remedy is to reopen that case in federal District Court, where it was originally filed, not to interrupt this procurement process.

MR. GOLDSTEIN: Where did she file it?

MR. COLEMAN: In United States District Court.

MR. GOLDSTEIN: She filed it in the District Court, United States?

MR. COLEMAN: Yes, sir.

MR. GOLDSTEIN: In Baltimore?

MR. COLEMAN: I was not involved in the litigation at that time.

MS. COYLE: Yes, it's Baltimore.

MR. GOLDSTEIN: Right.

MS. COYLE: It's unfortunate for a citizen to have to go through the court process to do this when, all along, what this Board ought to be doing is looking at where all this money has gone into this marina, millions and millions of dollars, and there is little to

show for it, problems and problems. In 1986, the State Senate Budget and Taxation Committee passed a law that was supposed to guarantee that the buildings were kept. It was going to save all this money. It was supposed to give my company preferential treatment.

GOVERNOR SCHAEFER: Well, you were managing, though, weren't you? Weren't you the management --

MS. COYLE: Yes, I was the operator of the marina.

GOVERNOR SCHAEFER: Well, why didn't you raise all that question at the time?

MS. COYLE: I did. I was responsible for the law being passed.

GOVERNOR SCHAEFER: But nothing happened as a result of that.

MS. COYLE: They went around the law. They claimed that the buildings couldn't be brought up to code, when they never were below code. DNR did that, and then they justified spending 4,000,000 and said -- the department said you couldn't be expected to spend \$4,000,000 on it, and so the state should take care of

it. Then from 4,000,000, it went to 7,000,000 and 8,000,000, and now they're talking 10,000,000. I can show you private facilities all over the bay that have done ten times as much for that money. Where's the money gone? There's nothing to show for it. They haven't met the terms of the -- they never did what the Budget Committee expected of them, and this has just cost the taxpayers of Maryland millions of dollars.

GOVERNOR SCHAEFER: Well, that's your contention, Ms. Coyle. I hear you, but you've had all the legal remedies. You had the law passed, and I don't think that we're trying to circumvent the law. I don't find any reason to think we're circumventing the law. Went through the process that we have, that the Board has, and I think we are sort at a standstill at either award or not award, and I don't find any reason not to suggest that we award today and move forward.

MR. GILMORE: May I just add one other thing? The settlement agreement that Ms. Coyle refers to is part of the RFP, is therefore part of the contract. Its terms bind Mr. Nathanson. He must go out and do the



public meeting with respect to the food service that Ms. Coyle referenced. It's very specific. He's aware of it. It was mentioned to all offerors at the time of the oral presentation at the marina and tour.

MS. MAURER: From the attorney -- we have many times had to decide the substantial state interest and have proceeded ahead while a protest is pending. Would you summarize briefly for the record the substantial state interest in proceeding.

MR. COLEMAN: Yes, ma'am. In this case, the contract operator must get into the facility as soon as possible in order to start his advertising and gear up for the spring boating season. Boaters will be making their decisions about where they're going to be keeping their boats in February and early March. He has to be able to begin the process of advertising. If he cannot do that and obtain that amount of business, the state will suffer in that its revenue will be decreased.

Additionally, the state, as a result of this contract, will be able to minimize its expenditures because its staff will be reduced almost immediately.

There are several state employees now who will be either transferred to Mr. Nathanson's payroll or terminated as a result of this contract. So it would be a cost savings to the state as a result of that.

Additionally, it's important for Mr. Nathanson to get into the marina to -- he'll need a shakedown period, so to speak, prior to the boating season beginning in the spring. It will serve the state's interest to have him in there immediately and to begin that shakedown period, so that once the boating season does start, he will be up and ready to roll operationally.

MR. GOLDSTEIN: The employees that Mr. Coleman referred to are contractual employees, and they are aware that this transition will occur. They will be interviewed by Mr. Nathanson and he will decide whether or not he will hire any or all of them.

MS. MAURER: Thank you very much.

MR. GOLDSTEIN: Just one final question. In other words, what's being done here today is following the intent and letter of the law of Maryland?

MR. COLEMAN: Yes, sir, absolutely.

MR. GOLDSTEIN: In every respect?

MR. COLEMAN: Absolutely.

MR. GOLDSTEIN: Thank you, sir.

GOVERNOR SCHAEFER: Thank you, Ms. Coyle.

Thank you very much.

MR. GILMORE: Thank you very much.

GOVERNOR SCHAEFER: All right. I think we might take a motion on this one.

MS. MAURER: Separately.

GOVERNOR SCHAEFER: You want to make a motion?

MR. GOLDSTEIN: Governor, I approve this -- I move that we approve the contract as discussed here today with the verbal statements that we've placed in the written contract to carry out the intent of the law of Maryland in every respect.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.  
What's next?

MR. GOLDSTEIN: Governor, Item 14-S is the canteen. I see they're raising the price of a can of soft drink from 50 cents to 60 cents. Pretty high

price. I know when you stop on the roadside somewhere and buy something, it's high. I just wondered if that would stop these fellows from having the opportunity of drinking a Coca-Cola or a glass of ginger ale or something.

MS. REYNOLD: We have someone here if you'd like to have some testimony. Mr. Carpeneto.

MR. GOLDSTEIN: My question -- I'm not debating the price of cigarettes and all, but the price of a little can of soft drink. You can buy it in a store now for about 25 or 30 cents. Now you're going to raise the price to 60 cents from 50 cents.

MR. CARPENETO: Sir, this particular modification raises the price of juice by a nickel. The price of soda went up in the last modification, and the reason that it went up during the last modification was there was a tax increase on vending machine services that came into effect; and, also, the contractor was experiencing price increases from his supplier. The contractor is Blind Industries.

MR. GOLDSTEIN: Well, I know that's one of the



biggest rackets in the country today, vending machine prices. Look, I'm an old country merchant and I shop, you see.

MR. BENTON: The Comptroller is correct. It does say here that the price of soda goes up from 50 to 60 cents.

MR. GOLDSTEIN: And candy. It probably went up one cent, and they're raising the price nine cents, you see.

MR. BENTON: Modification to date --

MR. GOLDSTEIN: You see these little candies here?

MR. CARPENETO: Yes, sir.

MR. GOLDSTEIN: You can buy these anywhere from 50 cents a pound to five dollars a pound, same candy. Same little damn candies, put them in a fancy box, it's five dollars. You go and buy them in bulk, you buy them for 50 cents a pound. I buy them in bulk, see. I always carry candy to give it to people. It's good for your sore throat in a smoky place, you see. And I could give you many other items. Help yourself.

I've got a whole pocketful of them. I'll bring you a pound of them tomorrow. You can go to any one of the big chain stores today and just piles of cans of soft drink, their own brands, Pepsi, Cokes, you name it.

MR. CARPENETO: Yes, sir.

MR. GOLDSTEIN: You know that.

MR. CARPENETO: Sure.

MR. GOLDSTEIN: I mean, I don't want to stop the vending machine people making a few extra dollars.

MR. BENTON: Of course, this goes into the inmate fund.

MR. GOLDSTEIN: I understand that, I understand that; but, I mean, I like to be fair to these people. A lot of them are there not because they want to be there. You know that. They don't have any -- I'm not going to spend any more time, but it's a hell of a big increase.

Used to be able to buy a can for 10 cents, then it went to 15 cents, then it went to 20 cents. Whew, boy, I'm telling you. Well, I've spoken what's in my heart and my mind, so I'm not going to say any more about it. It's a hell of a damn big increase. They're

probably paying one more cent, so they're making nine more cents' profit.

MR. CARPENETO: I will say the price increase that I've seen from their suppliers was three or four cents; and, when you throw in our commission and you raise it up to the nearest nickel, which is what the machines will handle, that's why the price increase was there.

MR. GOLDSTEIN: Could raise it to 55, but they had to raise it 10 cents. I'll guarantee you, if you check closely, their increase is probably one cent a can. Those guys buy in volume. You know that.

MR. CARPENETO: Yes, sir.

MR. GOLDSTEIN: They buy in volume. They're not buying like you and I, just an ordinary guy who walks in a store and buys two or three packs for our kids or people who have guests.

MR. CARPENETO: Yes, sir. I took a look at their invoices from their wholesalers.

MR. GOLDSTEIN: And how much did it go up a can?

MR. CARPENETO: I don't remember the exact price, but it was a few cents a can.

MR. GOLDSTEIN: Okay. God bless you. Have a nice happy day. That's all I have on this agenda. I want to vote against 14-S. I'll vote for the rest of them, but I'm not going to vote for 14-S.

MS. MAURER: Move approval -- do you want to move approval for everything but 14?

MR. GOLDSTEIN: I move approval of everything except Item 14-S on this agenda.

MS. MAURER: I second it.

GOVERNOR SCHAEFER: No objection. So ordered.

MS. MAURER: And I'll move approval of 14.

MR. GOLDSTEIN: I vote no.

GOVERNOR SCHAEFER: All right. I think I'll pass.

(Laughter.)

MS. MAURER: Okay. That's all right.

GOVERNOR SCHAEFER: 14, all in favor, signify by saying "aye."

BOARD MEMBERS: Aye.



GOVERNOR SCHAEFER: All opposed?

MR. GOLDSTEIN: No.

GOVERNOR SCHAEFER: Louie's opposed. Okay.

What's next?

MS. REYNOLD: Okay. University of Maryland.

DR. MYERS: Good morning. I'm Don Myers, representing the University of Maryland System. I'd like to defer Item 1-C and withdraw Item 5-C -- 5-S, excuse me, in order to permit the University of Maryland System to coordinate with Secretary Walsh and the Department of General Services on several details about it. We also have a revision to Item 4-C-MOD.

We'd be glad to answer questions if you have any.

MS. MAURER: What was your revision on 4-C?

DR. MYERS: The revision on 4-C is in the last line which makes clear that the funds for this project and the amendments to the project are from NASA, federal funds from National Aeronautics and Space Administration.

MR. GOLDSTEIN: We don't have the new one. Let's see what it says here.

DR. MYERS: The very last line makes it clear.

MR. GOLDSTEIN: Oh, I get you, right at the bottom here.

DR. MYERS: Yes, sir.

MS. MAURER: Change orders will be paid --

MR. GOLDSTEIN: The work will be managed by the engineering and so-and-so, and change orders will be paid by -- right. Just want to be sure. Thank you, sir. It was their fault because you had to delay it. They didn't put the money up.

DR. MYERS: Yes, sir.

MR. GOLDSTEIN: Right. Thank you. I move we approve the agenda with the exception of items withdrawn.

MS. MAURER: Second.

GOVERNOR SCHAEFER: Before we -- no objection. So ordered. You've got some expert down there who is very critical of what we've done in Ocean City. First of all, I'd like just -- I'm going to call Don, but who asked him for his opinion, this expert that knows everything about the sand dunes and all the rest of it?

Did you read the paper?

DR. MYERS: I did not see that article by someone from the university.

GOVERNOR SCHAEFER: Yeah, University of Maryland has these -- he objects to us putting the sand down. I think he ought to spend a little bit of his time in administration. I think we'd be better served. I was not at all very happy by him going to the newspapers instead of at least telling me that he had objections to this. We see it in a different way. I'm really unhappy with the university. They are theoretically part of our system, and for him to hold press conferences and press releases on something that involves hundreds of millions of dollars, I don't look on that with a very happy view. I hope you'll express to Don and to the rest of the people down there that they at least owe us the courtesy to call and say that they're going to issue these.

DR. MYERS: I will do that.

GOVERNOR SCHAEFER: It's very difficult, because the taxpayers are upset enough, and this man

comes forth with a dissertation on this is all wasted money. I don't think it was. I think it happened to save a tremendous amount of property. And I'm not too happy with these boys that do this.

DR. MYERS: I'll pass that message.

GOVERNOR SCHAEFER: Okay. What's next?

MR. GOLDSTEIN: Look how much money the University of Maryland spent at Horn Point, putting up bulkheads, and did Solomon's Island the same way, to protect their waterfront.

DR. MYERS: Yes, sir. Yes, sir.

MR. GOLDSTEIN: I'm just telling you, I know what goes on. Suppose they hadn't done all that work at Horn Point.

DR. MYERS: Well, obviously, it would have eroded away.

MR. GOLDSTEIN: That's exactly right, you see.

GOVERNOR SCHAEFER: Okay. What's next?

MS. REYNOLD: You want to make a motion on this agenda?

GOVERNOR SCHAEFER: We've already --



MR. GOLDSTEIN: Yeah, we've already done that.

GOVERNOR SCHAEFER: All done.

MS. REYNOLD: We both missed it. Thank you.

MR. GOLDSTEIN: And I move we approve the Public Safety Agenda. The University of Maryland, yeah, we've done the University of Maryland.

MS. REYNOLD: Public Safety.

MR. GOLDSTEIN: I move we approve Public Safety.

GOVERNOR SCHAEFER: So ordered. What's next?

MS. REYNOLD: Transportation.

MR. GOLDSTEIN: Transportation is next.

MR. MCALLISTER: Good morning. Brian McAllister of the Department of Transportation. This morning's agenda consists of 23 items. We're ready to answer any questions.

MR. GOLDSTEIN: Item 1-C on page 1, Dundalk Marine Terminal, that's where they do the work on those several facilities. I know the bid came in very low, 994,800, and the estimate was 1,485,000, a difference of 490,000.

MR. GREEN: Good morning. I'm Bob Green.

MR. GOLDSTEIN: I just want to be sure these people can do the job, when you compare it to the fact that one, two, three, four, five, six, seven bidders came in below the engineer's estimate.

MR. GREEN: The bidding that we received is reasonably typical of the kind of bidding that we're seeing today. Our engineering estimates are based on previous work that is done, but the bids that come in are much lower than this. In this particular instance, we have 11 bidders for the contract, and seven or eight of the bids were below our engineering estimate.

The low bidder, just as a matter of information, was lower than the rest of -- substantially lower than the rest of the bidders because they have their own divers that are working for that firm, and this is a lot of underwater work. Other companies would have had to go out for a subcontract, and diving people are expensive. This is a good company.

MR. GOLDSTEIN: Well, the point I want to make is then your engineers ought to get updated information,

not rely on old information, because sometimes this estimate could leak out and you may only have one bidder and he'd bid up to what you estimate. That's the reason I'm a great believer in this competitive bidding. You save money, and you've got good people here; but you ought to be checking today's prices, not what you did two or three years ago. Okay?

MR. GREEN: Yes, sir.

MR. GOLDSTEIN: Thank you, sir. And Item -- wait awhile -- Item Number 2-C, that's where you're going to be doing all this dredging. And who's going to be there to watch and measure the solids that comes out and goes in down there to Miller's Island?

MR. GREEN: Item 2-C, as you see, is for maintenance dredging in a number of different areas around the port. Some of them are -- most of them are Port Administration properties. Some are with two private companies.

We always take soundings by our own people both before and after the dredging work is done, so that we can measure what has been removed. We have very good

equipment, very advanced equipment, to do this, and we are the ones who determine the amount that has been removed.

MR. GOLDSTEIN: And you watch the operation?

MR. GREEN: That's correct.

MR. GOLDSTEIN: Okay. Thank you, sir. Let me see one item here. Okay. I move we approve the agenda.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.  
What's next?

MS. REYNOLD: Department of General Services.

MR. WALSH: We've got 35 items on the DGS Agenda today. First, I'd like to withdraw 16-GM. The second item I'd like to comment on is one that I have not had a chance to talk with you, Governor, but we talked about briefly at the pre-Board, and that is Item 12-S.

I just need to inform the Board that we have had a protest on this award by an organization that is not listed here on this agenda, in that they were dismissed as non-responsive, and they have already gone



through the administrative procedures inside DGS and their protest was denied, but they have appealed to the Board of Contract Appeals.

MR. GOLDSTEIN: Item 12-S, page 15?

MR. WALSH: Yes, sir. And what we would propose to you is we will not award this until the Board of Contract Appeals rules, and we're assuming they would rule in our favor. So that I would ask for approval by the Board now rather than wait three extra weeks.

GOVERNOR SCHAEFER: What do you want to do now?

MR. WALSH: I could just withdraw this item and bring it back after the Board of Contract Appeals rules. However, the Board of Contract Appeals rules between now and two weeks from now. I would go forward and make the award. That's what I recommend.

MS. MAURER: Contingent upon the resolution of the --

MR. WALSH: On their approval, yes.

MS. MAURER: -- Board of Contract Appeals.

MR. WALSH: It was a very non-responsive bid,

strings attached to all of their input.

GOVERNOR SCHAEFER: Okay. Subject to Board of Contract Appeals, okay, fine.

MR. WALSH: And then we have three supplementary items that we've added to the agenda: Item 2A-C, 2B-C and 32A-CGL.

MR. GOLDSTEIN: Well, Governor, Item 2B-C, I think we ought to make some mention. That's that Charlotte Hall Veterans Home.

MR. WALSH: Yes, sir.

MR. GOLDSTEIN: That's Phase III residential housing, which is so important, and this will certainly take care of your recommendation that we expedite some of these contracts. This will give approximately 70 people employment, and there's a real big need for this facility, a big waiting list. I think we've got the gentleman here from the Veterans Administration.

MR. WALSH: Yes, sir.

MR. GOLDSTEIN: And they do an excellent job down there.

MR. WALSH: Yes, sir. We have Mr. Thomas

Bailey, who's the chairman of the Maryland Veterans Home Commission, joining us here today. I'd just like to comment this is a "Maryland Goes to Work" project. We're moving this forward by virtue of supplemental treatment today, moving this forward at least three weeks for award. We've moved very quickly through the design stage and move to award, working closely with Mr. Bailey and his people.

This \$4.9 million facility -- and I'll let him comment on the operational aspects, but from a standpoint of "Maryland Goes to Work," this will put to work about 75 full-time people for the next 14 months on Charlotte Hall and, besides that, put about \$2-1/2 million of supplies and support type work, concrete transit mix trucks, prefabrication, all the type of deliveries, and then take that whole 4.9 million and do the three-to-five-times multiplier; and we have a very excellent "Maryland Goes to Work" project here.

MR. BAILEY: Thank you, sir. Thank you very much for the occasion to be here with you today. I'm elated that finally we're going into Phase III, and it's

through the efforts of you people here, understanding the needs of the veterans of the State of Maryland.

This new wing will be 126 beds, of which 42 will be dedicated, one complete floor, to Alzheimer's disease. The positive need for this wing is evident in that we have 62 active applications at the moment. The reason that we have 62 is that other people have greater need and cannot get into the facility, so they seek their own avenue of nursing. I can assure you that with the new wing there will be no waste of time in having it fully occupied.

MR. GOLDSTEIN: Governor, I've been there several times. I can tell you the place is clean and the folks are happy, and it's really a very congenial area. I want to congratulate everybody that's involved in it.

GOVERNOR SCHAEFER: Good place.

MR. GOLDSTEIN: Thank you.

MR. BAILEY: Thank you very much.

MR. GOLDSTEIN: Lucy, do you want to say anything about Item 30?



MS. MAURER: That's the one we just talked about. Hans Mayer is here to tell us about the Rock Creek Foundation and how the tax-exempt bonds will lower their cost. It's in Montgomery County.

MR. MAYER: Members of the Board, good morning. I'm Hans Mayer, executive director of the Maryland Economic Development Corporation, the acronym MEDCO.

We are in this case an issuer of tax-exempt bonds for the purpose of providing capital to three organizations, three tax-exempt organizations. They presently -- one is Rock Creek, United Cerebral Palsy, and Harford-Bel Air Mental Health Organization. Each of them has in one way or another been involved in what is known as taxable financing, if you will, bank financing. Each of these organizations, because they are 501C-3 organizations, could be given the benefit of tax-exempt financing, meaning that their cost of money would probably be about 80 percent of what it is now. Rock Creek is one of those organizations.

A number of years ago, Rock Creek, as I understand it, received some money from the state. That

money was only to be repaid, as I understand it, if, in fact, they stopped providing services that they were created for. That notice from the state has precedent. In order to sell these bonds, we're asking that the state subordinate that interest. I did not realize until I read the agenda today that the -- or the agenda item that, in fact, that agreement has five years left to go; that, in fact, Rock Creek needs to continue to provide those services for another five years, and then that requirement is extinguished.

The bonds we're issuing will be for 25 years. They will be financing a new acquisition for them as well as for the other groups at a tax-exempt rate. The bond holders, not MEDCO necessarily and certainly not the trustee, are concerned that they have an interest, a first-lien interest, in this property that the monies are going to be used for, and that's why we're asking for this.

These bonds, incidentally, are not being sold to, if you will, the man in the street. These are risky bonds. They are only subject to the first liens on the

property and the revenues of these organizations, which are tax-exempt organizations which, as we all know, do have difficulties now and again. There is no credit enhancement on these bonds. There is no letter of credit. There's no bond insurance. These bonds are to be sold to sophisticated institutional investors. These are not your -- these aren't triple "A" bonds that the State of Maryland issues. These are risky investments. So, in order to sell them, we have to give as much security as we possibly can, and one of those ways, obviously, is to provide the first lien on the real property that's provided, that's acquired or improved through this approximately \$6,000,000 that's being sold.

MR. GOLDSTEIN: I take it these are revenue bonds; right?

MR. MAYER: They're revenue bonds.

MR. GOLDSTEIN: And what interest rate do you anticipate you'll have to sell them for?

MR. MAYER: They're going to be priced, Mr. Comptroller, probably in the next two weeks. You know rates are very reasonable today. Now, these bonds,



I will tell you, are not, again, are not rated, they're not credit enhanced. So the rate that you're going to see on those is not going to be comparable to some of the things that you all are used to.

MR. GOLDSTEIN: Will it be higher than a normal mortgage rate that they can get?

MR. MAYER: No, sir. It will be less than that.

MR. GOLDSTEIN: Will be less?

MR. MAYER: Yes. It will be less than taxable financing, whether it's from your local banker or however you do it, or you go to a mortgage banking company. These will be tax-exempt bonds.

MR. GOLDSTEIN: What's going to be the total bond issue?

MR. MAYER: Approximately 5.8, \$5,870,000.

MS. MAURER: This is a very good -- happens to be a very good provider, takes care of any of the placements from the state; but, as we had talked earlier, I think it would be good after this to have some discussion on a policy level of how far we go in lowering costs currently if the state gives up its



protections for money that it has put in. Some we have built, some of the facilities have contributed to them significantly. It's a very hard question. These lowered costs are particularly urgent right now, but I think we're going to have to raise a question of how we balance that.

MR. MAYER: I didn't mention that the savings that are going to accrue to these organizations should ultimately also accrue to the state. As the service provider contracts are put together, fixed costs are considered as part of the calculation. As their fixed costs decrease, those savings should accrue to, in this case, the Department of Health and Mental Hygiene.

MR. GOLDSTEIN: Okay.

MS. MAURER: Thank you.

MR. GOLDSTEIN: I move we approve the agenda except the items that were deferred.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.

(Whereupon, at 11:35 a.m., the above-entitled meeting was adjourned.)