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

GOVERNOR HARRY HUGHES, III, Presiding;

HONORABLE LOUIS L. GOLDSTEIN, Comptroller;

HONORABLE WILLIAM S. JAMES, Treasurer;

SANDRA R. KOESTER, Secretary, Board of
Public Works;

J. MAX MILLSTONE, Secretary, Department of
General Services;

LOUIS H. STETTLER, III, Secretary, Department
of Budget and Fiscal Planning;

CONSTANCE LIEDER, Secretary, Department of
State Planning;

EARL SEBODA, Assistant Secretary, Department
of General Services; and,

BARBARA B. ALLEN, Administrative Assistant,
Board of Public Works.

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P R O C E E D I N G S

GOVERNOR HUGHES: Can we proceed? The first personal appearance is the Department of Transportation, a hand-carried item, Number 27, page 45, Secretary Bridwell.

MR. BRIDWELL: Governor and members of the Board, I'm appearing to request the Board to delegate authority to the Secretary of Transportation to award and approve contracts for the extension of Pier "D" at the Baltimore/Washington International Airport in order to accommodate a rather significant expansion of service at the airport with Piedmont Airlines.

This opportunity at BWI Airport has occurred in a very short time frame. Quite literally, the whole plan and the negotiations with Piedmont Airline has been put together since the third week in December. So, as a result, many of the normal processes have been shortened in order to meet the requirements that are critical to the airline in terms of starting operation at -- to increase operation at BWI Airport.

So that you're aware of it, there have been a number of briefings informally to the Board of Public Works,

to legislative leaders, both House and Senate, and to oversight hearings before the Ways and Means and Appropriations Committee in the House and the Budget and Taxation Committee in the Senate. So that the intent and the evolving plan for accommodating this expansion of BWI has been fairly widely disseminated, although essentially all of it in the form of briefings.

The critical factor is the time frame in which we must accomplish the construction activity for the pier extension. In our negotiations with Piedmont, they wanted to start their expanded operation July 1 and, after considerable work on the part of staff and our architects and engineers, we found that we just simply could not be done; but we have committed is to have the first phase of the Pier "D" extension completed and ready for operation by August 1 and the complete project finished by the end of December of this year. This is in order to expand initially the number of gates, that is, the loading areas, the loading facilities to seven by the 1st of August and to twelve by the end of the year.

In order to accomplish that in such a short time

frame, it is necessary to take some unusual but fully legal procedures, namely, the selection of contractors through a competitive process, but not a sealed bid competition. Some of the portions of the project will be done by sealed bid, namely, the pavement improvements to the airfield itself, the taxi ways and ramps and, also, what we call the loading bridges, that is, the mechanical equipment that connects to the terminal structure and provides for the connection with incoming and departing planes.

The principal portion of this project which cannot be done under the sealed bid prescription would be the construction of the terminal building itself, that is, the expansion to the terminal building. Even in that instance, however, we have had competition among contractors and presently are negotiating with the one that was rated highest in order to undertake that work.

During the informal briefing of the Board, the question was raised as to the legal authority for the Board to delegate and for the Secretary of Transportation to carry out that delegation; and, as a result of that, attached to your package is a advice-of-counsel letter

from the Attorney General's Office, Mr. William Kahn, addressed to Ron Moser, the Assistant Secretary of the Department for Administration. Also in your package is a letter signed by myself and addressed to each of the Board members, which summarizes the request and the reason for the request.

There are two particular points that I would like to make. One, that I'm requesting the delegation of authority to award and approve and modify contracts for the elements of this particular project and in the maximum amount of 20.9 million dollars composed of several parts which also are on the attachment of the package that the Board has received.

The second thing that the letter says of importance is that the Department of Transportation will as a regular agenda item report to you each month at the regular Board meeting of the actions and the activities that have been undertaken in the preceding month so that the Board will be kept fully aware of each action and each activity.

So that we're also clear on the record, if the Board were to choose not to delegate this authority to the

Secretary, we still could go forward with the project, but in order to meet the time limits that are set by our letter agreement with Piedmont Airlines, it would be necessary for us to conditionally select contractors and undertake work with the Board faced with the potential for retroactive approval of a number of both contracts and potential modifications to contracts.

We are aware that the Board does not like to have an agency take an action and come in for retroactive approval and, therefore, we're requesting this limited delegation for this specific project in the maximum upset amount of 20.9 million dollars and with the provision that we report to you every 30 days on the activities undertaken.

That completes my presentation.

GOVERNOR HUGHES: Any questions of Secretary Bridwell?

MR. JAMES: Do you think he ought to put in anything about the financing?

GOVERNOR HUGHES: Yes, a couple of things. Maybe you ought to briefly mention something about the financing.

MR. BRIDWELL: Yes. The --

GOVERNOR HUGHES: Proposed financing and, also, something about the significance of this decision to that airport and the State of Maryland.

MR. BRIDWELL: All right. Fine. Obviously, the State of Maryland has made a major investment in the BWI Airport through both the airfield improvements which have been significant and, of course, one of the most obviously noticeable things is the complete reconstruction of the terminal building. So that we have an excellent airport and for many years to come will provide exceedingly good service for the business and the personal travel of the people of Maryland.

What's involved here is an expansion which, otherwise, would have occurred over a longer period of time in order to accommodate the growth in operations and in passengers at BWI, but this obviously is speeding it up much faster than otherwise would occur. The reason, of course, is that Piedmont intends to operate a hub operation at BWI and which they will initially expand this August from their present six flights a day to 22 flights, and their stated intent is to get to an increase of 48 flights

by the end of the first year of operation. Now, what this means to us then is a significant increase in service, primarily between BWI and cities in the northeast and near midwest and the south. Therefore, it's a significant advantage in terms of business activity, economic development because of the rather sizable increase in the opportunity for direct flights between the Baltimore/Washington area and other cities.

It obviously has benefits in the sense of increased employment. Piedmont alone, without any spin-off employment, will increase initially their number of positions at BWI by approximately 100. It obviously has the stimulative effect in the short range of the construction activity and, therefore, the construction jobs involved.

The principal factor, however, is that it is a major expansion of service for the business and the personal travelers serviced by the Baltimore/Washington International Airport.

On the financing, again because this obviously was not in our budget either for fiscal year '83 or '84, we've had to scramble in order to put together a financing

package. In order to accommodate that, the Department of Transportation has arranged to borrow from the Maryland Transportation Authority, that is, the Toll Facilities part of the Department, a loan of \$20,000,000 with an interest rate equal to what the Authority presently earns on its investments of retained earnings.

The Authority approved this loan with a stipulation that the Authority could call the loan on a year's notice any time after January 1, 1985, in the event those funds are needed for other projects of the Authority, such as the Fort McHenry Tunnel and the Choptank Bridge. That, obviously, gives us then approximately two to three years in order to either continue that financing as originally set forth or to find alternate means of financing the project over its life.

We have requested and the Governor has approved a budget amendment to undertake the project for the remainder of fiscal year 1983, and we are now preparing a supplemental budget to go to the General Assembly for fiscal year 1984.

In terms of the arrangements with Piedmont Airlines, we have a letter agreement with Piedmont in which

they are committing to a lease of this facility for five years with four five-year options to renew, and the financing for it is -- and the charges to Piedmont Airline will be based upon a pay-out of principal and interest on a flat rate schedule for 25 years for the terminal portion, that is, the actual building portion of the terminal, and on a rates and charges of 15 years for principal and interest on the loading bridges.

MR. JAMES: What about the pavement? Is that --

MR. BRIDWELL: Sir?

MR. JAMES: The pavement, the pavement.

MR. BRIDWELL: The pavement is a little bit different because that goes into the airfield account and, therefore, that is a shared cost to all of the airlines that operate at BWI.

GOVERNOR HUGHES: And there are Federal funds.

MR. BRIDWELL: Involved in this initially will be \$2,000,000 of Federal funds which are already on hand and which we clearly can put to work on this project. Additionally, we are expecting -- and not unrealistically, we're expecting a million dollars a year for the next four

years of Federal grant funds to be applied to this project. So that out of the total cost then, there will be approximately \$6,000,000 of Federal funds utilized in this project.

GOVERNOR HUGHES: The Federal funds are for the paving; correct?

MR. BRIDWELL: Federal funds are for the paving. It's possible that some isolated kinds of terminal activities could be funded, but primarily the paving.

GOVERNOR HUGHES: Any further questions?

MR. GOLDSTEIN: How will Piedmont repay this?

Can you --

MR. BRIDWELL: They will repay it on the -- one other point that I should make is that our agreement with Piedmont is that their payments will be deferred for the first 18 months. The interest on the investment for that period will be capitalized over the remaining life of the two major elements, namely, the terminal building and the loading bridges; and they will pay on a straight recovery rate for 15 years for the bridges, 25 years for the building.

MR. GOLDSTEIN: Let's see if I understand you.

MR. BRIDWELL: Sir?

MR. GOLDSTEIN: In other words, for the first 18 months, they'll make no payment at all.

MR. BRIDWELL: They will make no payment for the principal and interest on the building and the loading bridges. They will from day one, however, pay for the operation and maintenance portion of the project and, of course, obviously, will pay their landing fees and all other associated costs. So that the deferral of payments is for the terminal building itself and for the loading bridges. The remainder of the charges would be paid when they start the expanded operation.

MR. JAMES: Very nice presentation.

MR. GOLDSTEIN: Yes, sir.

MR. BRIDWELL: Thank you, sir.

GOVERNOR HUGHES: Any further questions?

(No response.)

GOVERNOR HUGHES: I assume there's a resolution here that we are to act upon.

MR. BRIDWELL: There is, yes.

MR. JAMES: I move that Item 27 be approved.

MR. GOLDSTEIN: I second the motion.

GOVERNOR HUGHES: Did you include the resolution?

MR. JAMES: Yes, including the resolution, including the adoption of the resolution.

GOVERNOR HUGHES: Yes. It's been moved and seconded that Item 27-GM be approved and, also, that the resolution attached to it be adopted. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

MR. BRIDWELL: Thank you.

GOVERNOR HUGHES: Should we sign that now while we've got it?

MS. KOESTER: If you'd like.

GOVERNOR HUGHES: Might as well. All right.

The next personal appearance is the Maryland Environmental Service on the Secretary's Agenda, three items, 19, 20 and 21 on pages 27, 28 and 29.

MR. MCKEWEN: Gentlemen, I am Tom McKewen, Director of Maryland Environmental Service, and we're here

with you this morning on a rather complicated matter; and with your indulgence, I would suggest that perhaps the shortest way to proceed with this is to have me simply introduce the documents for the record, make way for Allied Chemical who wishes to make a statement, and then come back with our attorney and we'll go into the details and whatever level of detail you'd like to proceed.

But, basically, what we have before you on the three agenda items are a combination of agreements which accomplishes three purposes. One, it would terminate the suit between Allied Chemical and the Port Authority. Secondly, it provides for dedication of certain parcels of land at Hawkins Point for the use of Allied. Thirdly, it provides for Allied to pay for the cost of operating the waste disposal that they will benefit from and provides a contract within which the Service would provide that operation.

Now, if you'd like, what I'd like to do is to call upon John Quinn who is General Manager of Chrome Chemicals for Allied, and Mr. Robert Cremen who is the Secretary-Treasurer of the local Teamsters Union. Mr. Quinn.

MR. QUINN: Before beginning, I should comment that Mr. Dick O'Connell from Miles and Stockbridge is also with us this morning in the event there are further questions as we proceed. Briefly, I have business area responsibility for Allied's Inner Harbor chrome chemicals facility, and I would like to make some brief statements regarding the scope of our Baltimore operation, some insights regarding our markets, and the strategic implications and, also, briefly comment on the site studies, some of the concurrent R&D programs that we've implemented over the past few years, the problems encountered, and then just a word on the proposed agreements.

Regarding the business scope, our Baltimore facility, as some of you may know, exists on a 20-acre site on Fells Point in the Inner Harbor. Chrome chemicals have been produced at Fells Point literally since 1845, and by Allied Chemical at that site since 1954. Our total employed census is approximately 3360 people. Payroll is some \$14,000,000 annually. Taxes approximate 1.47 million to the State, and indirect State taxes approximately 900,000 annually. Local goods and services purchased deriving from

this facility approach \$23,000,000; and our capital investment over the past 10 or 11 years has approached \$30,000,000. Replacement value, if we were to proceed with a new green fields facility, would be roughly \$130,000,000 in today's dollar value.

By way of process background, one ton of finished product generates approximately two tons of solid waste. In our case, that amounts to about 100,000 tons per year of solids which must be disposed of.

Now, concerning the markets, we are the second largest producer of chrome chemicals domestically. The production is rather concentrated worldwide. There are only three domestic producers, and there are only a total of eight free world producers. The major markets include pigments, metal finishing and plating, the tanning of leather, wood preservation, oil well drilling compounds, and water treatment chemicals primarily for corrosion inhibition purposes.

Now, many of these markets are strategic and are of military importance. Among them are engines; for example, the hard chrome plating is used to plate camshafts, piston

rings, and cylinder liners. It's also used in shock absorbers for both planes and autos, and many of the high-temperature applications in jet engines exploit the use of corrosion-resistant and high wear-resistant components.

The corrosion inhibition characteristics of chrome chemicals are also used in marine paints with many naval applications, cooling systems for oil refineries and chemical plants and, also, on aircraft carrier decks. Metal surface treatment find endless uses in electronic parts, printed circuits, and aircraft components which are anodized.

Since 1973 when we were notified that the Dundalk property would not be available to us, we have initiated many site studies. Employing use of a consultant at a cost of about \$300,000, we evaluated the geology primarily in Baltimore County and Anne Arundel County and homed in on a site in Rossville of some 50 acres which was, in our view and in the view of our technical experts, geologically the best. The final outcome, however, was such that we were pre-empted from use of this property by legislative developments and, also, community resistance.

Although it was environmentally sound, we abandoned ultimately the use of this property.

We were forced ultimately to turn to the only permitted hazardous waste site in the State, a private site operated at that time by BFI, now closed, at an extraordinary economic penalty.

Concurrently with some of our site studies since 1973, we also had numerous R&D programs evaluating the potential use of the material in refractory, ceramic and other aggregate type applications. These to date have not been commercially feasible. We have also looked at chemical treatment of the material to render it non-hazardous, and we are continuing these studies by funding the Alfred University Research Foundation in its efforts to secure an upgraded product.

I should bring mention to the Board a rather significant process --

MR. JAMES: Is this hazardous material actually?

MR. QUINN: Well, sir, there are a number of criteria that would qualify one for a hazardous designation. Among them are reactivity, ignitability, corrosivity, and

toxicity. On the first three, this material is not ignitable. It is a very, very non-reactive material, and it is also non-corrosive. With respect to toxicity, the key criterion is the quantity of heavy metals that appear in the leachate as designated by Federal EPA tests; and, if it does not meet the drinking water standard, any substance would thereby be a hazardous substance. It's this latter point that is the difficult area with respect to our material.

With respect to the major project, I was identifying, in 1981 we invested some \$4,000,000 in our plant in the Inner Harbor to reduce the solid waste generation by 40 percent. During 1982, during the period February through September, we attempted to bring this process on-stream. We encountered severe difficulties in start-up expense. Our losses ran into many millions of dollars. It is cited in Allied's 1982 annual report, and I'm somewhat chagrined to report to the Board this morning that that technology did not -- despite its favorable results at a bench-scale level in R&D, did not prove to be commercially feasible; but it is, I think, descriptive of the

type of effort we put forth to minimize the generation of this material.

Fundamentally, since 1973, the lack of a long-term site has had an adverse impact on our business planning. As you might imagine, a planning horizon with a business of this magnitude is obviously greater than a year-to-year basis. It has impacted on discretionary investments of an expansionary nature; and it has also had, due to media coverage and other related comments concerning this matter, an adverse market place effect.

However, despite the long negotiation and it has been a difficult period, we feel today's documents and the agreements before you do represent the end of a long road; and, although it is not equivalent to the 40-year agreement we had at Dundalk, we think it is a reasonable and equitable step assuring for the interim our location viability. And I would also say given the prudent site management that has been demonstrated at Hawkins Point to date, there is no doubt in my mind that we can remain a viable economic factor in the Baltimore scene.

Unless there are some questions, I would like to introduce Bob Cremen who, as Mr. McKewen has stated, is Secretary-Treasurer of the Teamsters Local 311.

GOVERNOR HUGHES: Any questions of Mr. Quinn?

(No response.)

GOVERNOR HUGHES: Thank you, Mr. Quinn.

MR. CREMEN: Governor, gentlemen, Teamsters Local Union 311 has represented the members of Allied Chemical, the employees, since approximately 1967. I have approximately 280 members there and their family which are greatly concerned with the matter of waste. If this permit -- I feel if this permit is not granted, then I'd have approximately 280 people and their family that may lose their jobs. I have people down there that's worked there as long as 40 years, and I think it's very important that they have this waste site approved. That's all I have to say.

GOVERNOR HUGHES: Any questions?

(No response.)

GOVERNOR HUGHES: Thank you very much.

MR. JAMES: Tom --

MR. MCKEWEN: Yes, sir.

MR. JAMES: It would be helpful to me if you would separate Site 1 and talk about Site 1 and Site 2 separately.

MR. MCKEWEN: Surely. Fine.

MR. JAMES: Because I think there's a lot of confusion between the two, and I wish you'd explain what the situation is on Site 1 and then go to Site 2.

MR. MCKEWEN: Fine.

MR. JAMES: Because Site 1 has been in operation, has it not?

MR. MCKEWEN: Yeah. Site 1 --

MR. JAMES: Or the reverse. I get it confused.

MR. GOLDSTEIN: Mr. McKewen, why don't you have that map that you had on Monday. I think that map --

MR. JAMES: Well, we've got --

MR. MCKEWEN: Well, we have -- attached, we have two things here.

MR. GOLDSTEIN: Yes, but you had a larger map. That larger map, I think, will show it much better than that small map.

MR. MCKEWEN: Fine. And we also have -- attached to the summary is a small map.

MR. GOLDSTEIN: He has a large map.

MR. MCKEWEN: And we also have the aerial which is perhaps the easiest one to identify.

MR. GOLDSTEIN: Well, that's the reason I suggest that.

MR. MCKEWEN: Yeah.

MR. GOLDSTEIN: See, it makes it much easier to understand what you're talking about.

MR. MCKEWEN: And, John, could we move that down just a bit. Let me just -- perhaps we can summarize some of the important points here. The old site, the one that was operated some years ago that Mr. Quinn referred to, Site 1, is in this area. That has been dormant for several years; but this is the area, you'll recall, that we're spending significant sums of money to provide a clean-up.

The site that is presently operating is Site 2. That's in this area. We've been operating that for, I suppose, about three years. And much of what these contracts provide -- or agreements provide is that Allied who

presently has Site 2 dedicated to it would continue to have Site 2 dedicated to its use; and within that site and under existing permit, there is two years' capacity. In addition, we will file for a second permit which would give additional capacity of one year on Site 2. At that point, Site 2 will be terminated, capped, and the cost of that closure and the cost of monitoring maintenance for at least a 30-year period would be part of the cost that Allied will be paying under the agreements.

Secondly, we will, when Site 2 is terminated, also make some capacity available on Site 1. Parts of Site 1 were not used in the past, are now usable, and we will be applying for a permit to make parts of that available for Allied; and our best estimate is that that will provide them with an additional four years, making a total of seven years for Allied's use.

Independent of that, of course, we will also be -- we are constructing now and will be constructing additional cells for other Maryland generators on Site 1.

MR. JAMES: Is that where your two and a half million is being expended --

MR. MCKEWEN: That is correct.

MR. JAMES: -- plus other money that you hope to get?

MR. MCKEWEN: That is correct. The two and a half million is for Site 1 corrective work and to provide capacity for other Maryland generators.

MR. GOLDSTEIN: Probably you could tell the Board, Mr. McKewen, about the fees that will be paid by the different users to get this money back and how much Baltimore City is getting back on each ton of stuff that you're putting in these respective sites.

MR. MCKEWEN: With regard to Allied -- since that's the one we're doing, we'll start with them first. Allied, they have in the past and they will continue under the new contract to provide all capital and all O&M expense. They will also be paying a six dollar surcharge. That six dollars will go to Baltimore City, and of that I think one dollar will be used for neighborhood improvements in this general area of the city. We simply act as a pass-through, if you will, of that money to the city.

The other Maryland generators will also pay

operational costs and that surcharge and, in addition, they will pay as part of their fee a part of the capital cost so that we can repay the loan from the State, as well as repay loans which we will borrow commercially in the future as the Site 1 facility is expanded.

Now, if you'd like, we can briefly describe what is in each of the agreements and in the -- between the three parties, the Port Authority, Allied, and MES, and --

GOVERNOR HUGHES: Tom, just one point --

MR. MCKEWEN: Yes, sir.

GOVERNOR HUGHES: -- on the surcharge that goes to the city, the law does authorize the local surcharge on these kinds of sites, doesn't it?

MR. MCKEWEN: Yes, Governor.

GOVERNOR HUGHES: I don't think it's ever been done.

MR. MCKEWEN: The MES law specifically authorizes that, and I might -- the justification for that is twofold. One, that if this were a privately operated waste disposal facility, that private operator would pay taxes on that facility; and, secondly, the facility will be receiving

waste not just from Baltimore City, but Statewide, only Statewide; but it will be beyond the city. And the law contemplated that bringing waste from one jurisdiction into another could cause some stress that would be eased at least by a form of payment, a royalty on the tonnage brought in.

MR. JAMES: Well now, we're operating 2 -- you will operate 2 exclusively for Allied.

MR. MCKEWEN: That is correct. That is correct.

MR. JAMES: And they'll pay the cost of the --

MR. MCKEWEN: Yes.

MR. JAMES: -- maintenance and operation and closures.

MR. MCKEWEN: Correct.

MR. JAMES: And then on Number 1, we're going to operate that, and partly it will be operated for Allied, but the rest of it will be operated for the general public.

MR. MCKEWEN: That is correct. That is correct.

MR. JAMES: Okay.

MR. MCKEWEN: All -- any other waste generator in the State of Maryland whose waste is acceptable.

MR. GOLDSTEIN: Well now, on the charges to these other people that will be coming in there to dump their respective waste, hazardous or toxic, have you sat down and figured out the cost per ton to take care of all the expenses you've gone to, the interest on the money and the cost of the land and the guards you have to put down there? You've got another item here today to hire guards.

MR. MCKEWEN: Yes. I'd be happy to go into the guard contract at some point.

MR. GOLDSTEIN: Well, I'd like to have an answer. In other words, you've got an investment there of several million dollars.

MR. MCKEWEN: Right.

MR. GOLDSTEIN: And you'd have to get "X" dollars from each ton to pay that money that's invested, do you not, sir?

MR. MCKEWEN: That is correct. And the one -- there is one distinction between what we'll be charging Allied and what we will be charging the other generators. All of them will pay all costs of capital and operation and maintenance and insurance and the rest. Allied will

not pay a cost for the use of the land. The reason for that is that the -- what we're dealing with is the settlement of a lawsuit that dates back several years. There has been some give and take on both sides of that suit; and, basically, it was agreed that Allied, instead of having a contract with the Port Authority that provided them with 40 years of very low-cost disposal, is accepting an assurance of seven years of disposal at higher costs and, actually within that seven years, only two years of that is now permitted. We are confident the other five years will be forthcoming, but it is not a guarantee.

Because of that kind of movement, it was agreed on Allied's part -- one of the negotiating points that was agreed to was that we would not charge Allied specifically for the use of State-owned land. All other costs they will pay.

GOVERNOR HUGHES: In return, they dismiss the suit.

MR. MCKEWEN: In return, they dismiss the suit with prejudice.

MR. JAMES: One aspect of this thing is a little

bit nebulous. I believe you have agreed to assist Allied in getting an additional site after this usage terminates.

MR. MCKEWEN: That's a -- yes, Mr. Treasurer. That, in effect, is a restatement of what our law provides which is that anyone can call upon us to assist them in disposing of waste, so that we're not really committing anything we otherwise wouldn't under our law be required to do.

GOVERNOR HUGHES: Any further questions of Mr. McKewen?

MR. JAMES: Well --

MR. MCKEWEN: There was a question on the guard contract. If you'd like, I can address --

GOVERNOR HUGHES: Might as well take it up while you're here.

MR. MCKEWEN: Address that now?

GOVERNOR HUGHES: Might as well. Do you have any problem with addressing it now?

MR. GOLDSTEIN: I have a question I want to ask you about the suit. I just want to be sure we get it in the record. Maybe Mr. O'Connell, the lawyer for the company,

ought to put the statement in the record. I had the pleasure of meeting with you on Monday. You're a very distinguished lawyer and a very distinguished law firm. It's my understanding if we approve this -- these items, 19 --

MR. JAMES: That's preliminary to the question.

MR. O'CONNELL: I'm going to find out, Senator.

(Laughter.)

MR. GOLDSTEIN: Bill, you've been a country lawyer, haven't you?

(Laughter.)

GOVERNOR HUGHES: Court of Appeals always starts off with the "learned Judge below" --

MR. GOLDSTEIN: That's right.

GOVERNOR HUGHES: -- and then reverses him.

MR. O'CONNELL: I notice that, Governor.

MR. GOLDSTEIN: I just want to get this in the record, so everybody will know what we're talking about.

MR. O'CONNELL: Fine.

MR. GOLDSTEIN: It's my understanding there was a contract made several years ago when the Maryland Port

Authority had its autonomy, that you sold them so many -- 80-some acres of land and you had the privilege to dump that chrome for 40 years; is that correct?

MR. O'CONNELL: It was not only a privilege, but the State wished to purchase the chrome refuse for 40 years.

MR. GOLDSTEIN: Yes. Now, the EPA over in Washington and other environmental groups said you can't do that; is that right, sir?

MR. O'CONNELL: Well, there have been citations --

MR. GOLDSTEIN: Right.

MR. O'CONNELL: -- as Mr. Quim said, about the hazardous nature of chrome; yes.

MR. GOLDSTEIN: So now, in lieu of dumping it over there at the Dundalk, you want to use Site 1 and Site 2 and have a promise that they may get some other sites after seven years, that you're going to dismiss that lawsuit with prejudice; is that right?

MR. O'CONNELL: That is correct.

MR. GOLDSTEIN: That means you can't sue again.

MR. O'CONNELL: That is correct.

MR. GOLDSTEIN: Okay. I just want to put it in

the record to be sure everybody will know exactly what we're doing. You're speaking for the Allied and the Chrome Company; you're speaking for both clients?

MR. O'CONNELL: Allied and the Chrome Company?

GOVERNOR HUGHES: One and the same.

MR. JAMES: One and the same.

MR. O'CONNELL: No, it's just one client, Allied.

MR. GOLDSTEIN: Well, I know, but today when I first -- Mr. Quinn here, it says Chrome Chemical Company. Every time I've been hearing it, it's been Allied; but today --

MR. O'CONNELL: Well, no, but he's the Manager of the Chrome Chemicals Division of Allied Chemical of Allied Corporation.

MR. GOLDSTEIN: Well, that's the reason I wanted to get it in the record. In other words, Allied, Chrome and any subsidiary; so there will be no question about it.

MR. O'CONNELL: There is no question, Mr. Comptroller.

MR. GOLDSTEIN: Okay. I just want to get it in the record, so that -- you see, look, when I spoke to him

on Monday, it was Allied, wasn't it, sir?

MR. SCIBINICO: Yes, sir.

MR. GOLDSTEIN: Today it's Chrome.

MR. SCIBINICO: Well, it's Chrome Chemical area within the Allied --

MR. GOLDSTEIN: You see, I remember what I'm talking about. So I just want to be sure we're talking about the same company.

MR. SCIBINICO: It's the same company.

MR. GOLDSTEIN: So, in other words, I want to get in the record that you're going to file the dismissal of the suit with prejudice, whether it be Allied or Chrome Chemical Company, or any subsidiary; is that correct, sir?

MR. O'CONNELL: It's going to have to be Allied Corporation. They are the plaintiff.

MR. GOLDSTEIN: All right. Well --

MR. O'CONNELL: So they will, in fact, file the order of dismissal.

GOVERNOR HUGHES: Chrome is a division, not a separate corporation; right?

MR. O'CONNELL: That's correct.

GOVERNOR HUGHES: A division within Allied Chemical.

MR. O'CONNELL: That is correct, Governor.

MR. GOLDSTEIN: Well, I just want to be sure, Governor, we get it in the record because we were talking about Allied, and today Mr. Quinn is down here representing Chrome Chemical Company. I just want to be sure we're talking about the same parties. Is that clear to you, sir?

MR. O'CONNELL: Yes.

GOVERNOR HUGHES: Well, our agenda, the personal appearances shows Mr. Quinn General Manager of Chrome Chemical Company. Maybe that's an error.

MR. O'CONNELL: That's probably wrong. He's the Manager of Chrome Chemicals of the Allied Chemical Division of Allied Corporation, and they are the plaintiffs and they will file -- they will dismiss the suit once the settlement agreement is agreed to.

MR. GOLDSTEIN: Well, I just want to get that in the record, so everybody understands that.

MR. O'CONNELL: There it is.

MR. GOLDSTEIN: Thank you, sir. You're a gentleman

and a scholar. Thank you, sir.

MR. O'CONNELL: Any other questions?

MR. GOLDSTEIN: Okay.

GOVERNOR HUGHES: Thank you.

MR. O'CONNELL: Thank you.

GOVERNOR HUGHES: Why don't we vote on these three and then take up the security guards.

MR. JAMES: All right, sure. I'd like -- you want to move on this or do you want me to?

MR. GOLDSTEIN: Well, as you all know, I've been a little reluctant about these contracts, but I feel now that we've got everybody in the court, so to speak, and they've all agreed to what they're going to do. The State's got a fair deal, and I think the Allied Chemical has got a fair deal. So I move we approve the contracts.

MR. JAMES: All right. I'll second the motion.

MR. GOLDSTEIN: Items 19, 20 and 21.

GOVERNOR HUGHES: It's been moved and seconded that Items 19, 20 and 21 be approved.

MR. JAMES: I think we ought to thank Tom McKewen for all the hard work he's done on that.

GOVERNOR HUGHES: I do, too.

MR. GOLDSTEIN: Yes, indeed. Part of his job, and we thank you.

MR. MCKEWEN: Well, thank you.

MR. JAMES: It's been a tough charge, Tom.

MR. MCKEWEN: Oh, I've enjoyed it.

MR. JAMES: Have you?

MR. MCKEWEN: For the most part.

GOVERNOR HUGHES: Well, I've been with it for a few years myself.

All in favor of the motion, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it. Thank you all very, very much. Alleluia.

MR. GOLDSTEIN: Alleluia and praise the Lord.

GOVERNOR HUGHES: Now, Tom, while you're here, you want to -- what is that item number?

MS. KOESTER: Budget Item 2-S, Governor.

MR. GOLDSTEIN: It's Budget Item 2.

GOVERNOR HUGHES: Budget Agenda, 2-S?

MS. KOESTER: Yes, sir.

MR. GOLDSTEIN: Two sugar.

MR. MCKEWEN: Yes, 2-S on Budget and Fiscal Planning. Let me clarify a bit perhaps. I understood there were some questions about this, the awarding of a contract.

GOVERNOR HUGHES: One of the questions is the use of bond funds for security guards.

MR. MCKEWEN: All right. On December of 1982, we provided the Board with a budget for the project, and one of the items on that budget was start-up costs, meaning that we would incur costs in operating the facility before we had revenue coming in. It would be a matter of months before the revenue caught up. And the use of the bond funds for -- the reason bond funds were listed here -- and I think that's a little bit misleading. But the reason for that listing was that all of the money that we have available to us to both build and initiate operations at Site 1 is the two and a half million dollars borrowed from the State.

MR. JAMES: Yes. Well, the point -- I raised this point, Tom. You're short on money. You don't have enough money to build the facility that you want to build on Site 1, as I understand it. You need more money; right?

MR. MCKEWEN: We will, yes.

MR. JAMES: And I think you need a lot more money. You're spending \$184,000 here for police protection which I thought was going to go into the project.

MR. MCKEWEN: Well, that is part of the operating cost, Mr. Treasurer. Actually, the cost per year is 61,000. That 184,000 is over a three-year period. Only a very small amount of that 60,000 would come out of the bond funds because we would have revenues coming in very shortly.

MR. JAMES: How much protection do you need here?

MR. MCKEWEN: Beg your pardon?

MR. JAMES: Just how much protection do you need here? Don't you have one narrow approach to this?

MR. MCKEWEN: We will have -- and this is part of the requirement under the permit -- we have to be able to maintain surveillance over the entire site which will mean that we will be required to have two guards on duty any time

the site is not being operated. So we will have -- for the 60,000, we will have the equivalent of six and a half full-time people; two guards on duty, two shifts during each working day, three shifts on Sundays. So we are buying what amounts to a six and a half person staff for that \$61,000 a year.

MR. JAMES: Won't you have any operational money coming in to meet this type of expense?

MR. MCKEWEN: We will. In fact, half of that 61,000 will be paid by Allied; and the other half, 30,000 approximately, most of that will be paid by revenue -- in fact, it will all be paid by revenue eventually. It's only that right now for purposes of signing the contract, the only money available to us to attach to that contract is the money available to build and operate the facility.

MR. JAMES: You mean of the 61,000 Allied is going to pay 30?

MR. MCKEWEN: They will pay half, yes, of that cost because half of the surveillance is for their benefit.

MR. JAMES: Well, then you say you're not going to spend the whole 184?

MR. MCKEWEN: That is correct. We will not.

MR. JAMES: That further confuses me.

MR. MCKEWEN: That's -- I say that the item is unclear because it should not have been attached solely to the bond fund. They should have been attached --

GOVERNOR HUGHES: Well, it's not that you won't spend 184,000 over three years, is it? But the item is not clear on the source of the funding of those costs.

MR. MCKEWEN: That's right. The source is misleading. Yeah. Half of that cost will be paid by Allied directly, and the other half will come out of the revenues.

MR. JAMES: Well, that's not what this item says.

MR. MCKEWEN: I know it doesn't, and it should not --

MR. GOLDSTEIN: Well, let me ask you a question. Let's take the site that's used by Allied, exclusively for Allied.

MR. MCKEWEN: Right.

MR. GOLDSTEIN: Shouldn't they have their own guards there? Why should we have to put guards there?

MR. MCKEWEN: Well, we discussed that, Mr. Comptroller,

and it would have been both more expensive to have two different services provided and, also, the matter then of liability.

MR. GOLDSTEIN: Yes, but the one site is exclusively for Allied.

MR. MCKEWEN: Site 1 is for the first two years, yes.

MR. GOLDSTEIN: That's right.

MR. MCKEWEN: Site 2 -- pardon me -- for the first two years.

MR. GOLDSTEIN: Whatever that site is, that's going to be for their exclusive hazardous waste, whatever you want to call it.

MR. MCKEWEN: But we will have an integrated surveillance system that covers the perimeter of the entire property; and it would be quite a bit more expensive, as well as dividing responsibility if we had to have two separate firms responsible for each part of the site.

MR. JAMES: That's why they're putting up the 30.

MR. MCKEWEN: That's why they're putting up half the cost.

MR. JAMES: This item ought to explain that clearly.

MR. MCKEWEN: You're correct.

MR. GOLDSTEIN: That's right, never said that.

GOVERNOR HUGHES: Maryland Environmental Service has responsibility for operating these sites; right?

MR. MCKEWEN: That is correct.

GOVERNOR HUGHES: And you should have the responsibility for the guards, as far as I'm concerned.

MR. MCKEWEN: We will send over a clarifying memorandum on this for the record.

GOVERNOR HUGHES: Okay.

MR. GOLDSTEIN: But, Governor, you see --

MR. JAMES: You need this today?

MR. MCKEWEN: Beg your pardon?

MR. JAMES: Do you need this --

MR. MCKEWEN: What is our time frame on awarding that contract?

MS. BALENSKE: It's been in the works since November, and we had to start using the guards right as construction began; so this has been held up since November.

MR. JAMES: Well, with the understanding we get it revised.

GOVERNOR HUGHES: Clarified.

MR. MCKEWEN: We will have a memo to you this afternoon on it.

MR. JAMES: All right. Okay.

GOVERNOR HUGHES: You had another item, didn't you?

MR. MILLSTONE: Yes, he does, General Services Agenda.

MR. MCKEWEN: Yes.

GOVERNOR HUGHES: General Services, page 14.

MR. MCKEWEN: On DGS Item 10-C.

MR. MILLSTONE: That's correct, page 14 on my agenda.

MR. MCKEWEN: That item --

MR. GOLDSTEIN: What page is that on?

MR. MILLSTONE: Page 14 on my agenda.

MR. GOLDSTEIN: Right.

MR. MCKEWEN: -- is a change order to the Hawkins Point Contract Number 3, Gregory and Sons. They were

employed to do several things, but the thing that is at issue here is to continue clean-up of the old facility on Site 1; and, as they --

MR. JAMES: Is that the paint? Is that the paint?

MR. MCKEWEN: No, sir. No, sir. This is the old chrome waste that had been causing a potential leachate problem, and part of the cost of the contract was to remove the chrome waste to a new mini-cell where it will be properly secured and would no longer cause a leachate and, also, to remove part of the waste so that we could install drainage facilities to guard against any future leachate production. As they excavated, they found, number one, more material there than the original test borings had indicated, which seems to be some kind of natural law. Secondly, the Health Department was concerned about sediments in one of the ponds which may have been marginally a problem. In any event, they required that we remove those sediments which was not part of the contract Gregory had been awarded; but he was already on site and had the equipment. So we're requesting the change order to allow him to do that work to get on with the clean-up and the construction of the

new cell.

MR. GOLDSTEIN: When was that waste put there?

MR. MCKEWEN: That was put there back in the '77-'78 era.

MR. GOLDSTEIN: Who put it there?

GOVERNOR HUGHES: It's the Allied Company.

MR. MCKEWEN: Put there by the -- well, put there by a contractor for the Port Authority. This was when the Port initially was attempting to assist Allied after the Dundalk operation ceased. This was not part of the present operation.

MR. JAMES: Where is the paint?

MR. MCKEWEN: The paint --

MR. JAMES: This is a multi-faceted site and --

MR. MCKEWEN: That's a nice description. The paint sludge is over in this area, and that is still the subject of tests and investigation. I have no conclusive statement to make on it at this point. I'm hoping that I or somebody can shortly.

MR. JAMES: Okay.

MR. GOLDSTEIN: Has there been any paint company --

got a sample of their waste? Or is that a secret?

MR. MCKEWEN: Mr. Comptroller, I'm not handling that investigation. I really can't say exactly what they are doing.

MR. GOLDSTEIN: Well, who's handling it?

MR. MCKEWEN: It's by the Health Department and the Attorney General's Task Force.

MR. GOLDSTEIN: Well, are you coordinating it? Are you involved in it?

MR. MCKEWEN: Oh, yes. We've provided them with a lot of information, but basically it is their investigation; and we provided them some samples, but what else they're doing, I'm really not certain.

MR. GOLDSTEIN: Well, it's going to be your responsibility to move it, isn't it?

MR. MCKEWEN: It will if they conclude that it must be moved, but since it is a legal investigation possibly with legal consequences, I would rather not comment on the -- what evidence they may be collecting.

MR. GOLDSTEIN: Well, in other words, you're hedging on my questions. I'll let you go. That's all right.

MR. MCKEWEN: Okay.

GOVERNOR HUGHES: That's the Strike Force.

MR. GOLDSTEIN: Okay. I understand. Thank you, sir. You said enough.

GOVERNOR HUGHES: Thank you, Tom.

MR. MCKEWEN: Thank you.

MR. GOLDSTEIN: Yes, sir.

GOVERNOR HUGHES: The next personal appearance is the Maryland Historical Trust on the General Services Agenda, page 20, Bester House.

MR. PENCEK: Thank you. I'm Bill Pencek, Administrator --

MR. JAMES: What's this item?

MR. GOLDSTEIN: Item 16-RP, page 20.

GOVERNOR HUGHES: General Services, page 20.

MR. PENCEK: -- of Technical Preservation Services at the Maryland Historical Trust. I've brought the additional information that was requested by the Board. The information which you have includes a summary of the project from the loan application. On the longer sheets are the projected sources and uses of the cash for the

project, the projected profit and loss statement for the project, and the breakdown on the proposed use of the property, and rents once the property has been rehabbed.

The project is feasible only with the low interest financing which the developers, the partnership, are attempting to put together, and with the Federal historic preservation tax credit available through the Economic Recovery Tax Act of 1981. The building is currently used as one residential and three commercial units. The partnership would rehabilitate the building for use as four commercial office units.

The added condition that the \$25,000 equity contribution from the partnership be placed in escrow concurrent with settlement of the project is certainly a desirable addition to the item.

The best summary of the project is on page 8 from the loan application, and perhaps I could just read through that. That will again orient everybody on what it is that's being proposed by this motion. It is the short sheets, Comptroller, the page that I have folded, the very top. It's right on the top.

GOVERNOR HUGHES: You're not going to read that whole thing, are you?

MR. JAMES: Well, we understand it. I think I understand the project.

GOVERNOR HUGHES: Yes.

MR. PENCEK: All right.

MR. JAMES: In other words, the buyers are going to assume the present mortgage; we're going to give them a second mortgage. At what interest rate is the second mortgage?

MR. PENCEK: 13.1 percent.

MR. JAMES: Thirteen. That's 52,000 we'll have --

MR. PENCEK: Total, correct.

MR. JAMES: Basically, first lien. They're going to put another 125,000 into the property, of which 100,000 will be a loan, 25,000 will be cash.

MR. PENCEK: Right.

MR. JAMES: That's it, isn't it?

MR. PENCEK: That's it.

MR. JAMES: Right. There's one question I want to ask you. We inherited a good bit of money from this

lady, didn't we, the former owner?

MR. PENCEK: We did.

MR. JAMES: Are you going to use that money to lend on this project, or are you going to use State money?

MR. PENCEK: The State money, loan money will be used on this. The monies which were left to the Trust by the Bowman estate are to be used -- the income from those monies are to be made as grants to projects within Washington County. Those monies have already been encumbered for the current round of grants up there. So timing, it won't work out.

MR. JAMES: You're not free to use that money to finance this project.

MR. PENCEK: Right.

MR. GOLDSTEIN: You say the 25,000 will be put in escrow. Have you talked to the principals about that?

MR. PENCEK: Yes, we have.

MR. GOLDSTEIN: Who's going to be the escrow agent?

MR. PENCEK: The escrow agent has not yet been identified. We can work that out.

MR. GOLDSTEIN: That's very important.

MR. JAMES: We'll find one honest person out there to handle that.

MR. GOLDSTEIN: I know. I know. But, in other words, I think it ought to be put in the Maryland Historical Trust. They ought to be the escrow agent.

MR. JAMES: Well, I would say a bank.

MR. GOLDSTEIN: Well, a bank and the Trust to be sure the people are spending the money. These people are not putting up anything now, right now.

MR. PENCEK: Right.

MR. GOLDSTEIN: Assuming the first mortgage and giving them a second mortgage, and they're getting this loan from the Housing Authority.

MR. PENCEK: We will work that --

MR. GOLDSTEIN: I mean, it's nice to have OPM, other people's money.

MR. PENCEK: We will work that out with our legal counsel of DECD to make sure that those monies are put in escrow and expended. The Maryland Trust has in the past acted as escrow agent.

MR. GOLDSTEIN: Well, certainly, because you're

the ones interested in seeing that they complete this project and be sure and get your money back.

MR. PENCEK: Yes, sir.

MR. GOLDSTEIN: How long a mortgage is the 30,000 mortgage going to be? For how many years?

MR. PENCEK: Ten years.

MR. GOLDSTEIN: Ten years. At $13\frac{1}{2}$ interest you said?

MR. PENCEK: 13.1.

MR. GOLDSTEIN: 13.1.

MR. JAMES: Why are you charging them so much interest if you want this project to go? I'm not particularly interested in them, but that's a pretty high interest rate if you want the project to go.

MR. PENCEK: We are limited by the statute regulating the loan fund.

MR. JAMES: Oh, you are?

MR. PENCEK: Yes, sir.

MR. GOLDSTEIN: That's what people are paying for mortgages right now. That's what the mortgage market is right now. It was 16, but it's now down to around 13.1

right now. If you've got to go out there and buy a home -- I mean, maybe not you, but somebody representing you would be paying around 13.1. That just seems to be the rate.

MR. JAMES: Well, my point is we're granting money for historic preservation, and here we have some people that are putting up money to develop a very fine historic preservation project, and we charge them a high interest rate. But we're giving them a break on the others. So I guess it all evens out.

MR. PENCEK: Yes, sir.

MR. GOLDSTEIN: Only paying $7\frac{1}{2}$, that's cheaper than the State of Maryland can borrow money right now.

MR. JAMES: Yes, that's pretty good.

MR. GOLDSTEIN: Yes. I'd like to borrow some at $7\frac{1}{2}$.

MR. JAMES: You don't need any money.

MR. GOLDSTEIN: Well, I'm not building anything. I've already built mine and paid my own money.

GOVERNOR HUGHES: Any further questions on this item?

(No response.)

GOVERNOR HUGHES: Okay. Thank you.

MR. PENCEK: Thank you very much.

GOVERNOR HUGHES: Okay. Now I guess we go to Department of Transportation.

MR. MILLER: Good morning. I'm Jim Miller from the Department of Transportation. We have 27 items on today's agenda. We have previously handed out a revised Item 25-GM, and we had a hand-carried Item 27-GM which you have already acted on.

At this time, we're ready to answer any questions you have on the agenda.

MR. GOLDSTEIN: I think you ought to have a little explanation, Governor, on Items 1 and 2. That's the Mondawmin North and Mondawmin South.

MR. MILLER: Mr. Kiladis is here to answer your questions on those items.

MR. GOLDSTEIN: You know, we had a settlement with them once before.

MR. KILADIS: Good morning. My name is Nick Kiladis. I'm with the Mass Transit Administration. Items 1 and 2 are change orders to two related contracts, the

Mondawmin North and South Tunnels.

Several weeks ago, you approved the settlement of a major claim on these contracts, and at that point -- at that time, I pointed out that there were some remaining change orders covering the wrap-up of the work that was accomplished. Most of those change orders have been approved under delegated authority.

These two major change orders represent the actual work that was accomplished and verified through measurements and are being paid for or adjusted under the original bid prices, unit prices that appeared in the contract. As you can see, one of them ends up as being a credit of about \$140,000. The other one was an addition, about 161,000. But these represent the final quantities arising out of these contracts.

MR. GOLDSTEIN: Well now, will these two items complete their payments?

MR. KILADIS: I believe that's it. I believe that's all of them. There were some others that were being processed, as I said, under delegated authority. I'm not sure whether those were finally approved or not.

MR. GOLDSTEIN: I see. Thank you, sir. How about explaining Item Number 4, that Honeywell contract, 17½ percent increase.

MR. KILADIS: Item Number 4 is the settlement of a major claim on the supervisory and control system contract. This contract covers the installation of fire protection equipment, security systems, power measuring, and monitoring equipment, and several other types of systems.

When the contract was awarded, the proposed installation dates for the equipment varied anywhere from one year to three years after notice to proceed with this contract. And, even though the contract included within it a 90-day window for which the installation date could be moved with no additional cost to us, unfortunately we didn't achieve all those availability dates. As the work progressed, we were getting a series of claims from the contractor. Finally, as you can see from the agenda item, the contractor submitted a claim for a total of \$427,000 for all the delays arising out of this contract.

The claim was carefully evaluated by our staff

and by our consultants, and we ended up negotiating for this amount of \$182,000, which we think is a fair and equitable settlement to the claim.

MR. GOLDSTEIN: Big difference from 427,124 to 182,000. All these people start out with real big claims. Are they really fictitious claims or are they real claims?

MR. KILADIS: It's a claim as they see it.

MR. GOLDSTEIN: I see.

GOVERNOR HUGHES: And they put it in the best light from their standpoint.

MR. JAMES: Never change that.

MR. KILADIS: There's always two parties to a contract.

MR. GOLDSTEIN: Oh, yeah, the right party and the wrong party.

GOVERNOR HUGHES: Well, if there's any question, obviously they're going to resolve it in their favor --

MR. GOLDSTEIN: Sure.

GOVERNOR HUGHES: -- in determining what their claims should be. Do you have any overall ballpark figure about the whole system as how we're coming insofar as cost

is concerned?

MR. KILADIS: Okay. Right now we're still within the budget. There are still outstanding claims, many of which are being appealed to the Board of Contract Appeals. Depending on the outcome of that, we're right on the edge. Let's put it that way.

GOVERNOR HUGHES: If you come in within budget, it will be the only system in the whole country that's ever done it.

MR. KILADIS: That's true.

GOVERNOR HUGHES: Keep it up. I mean, keep it down.

MR. JAMES: Well, I think a lot of the credit goes to the fact that the labor agreed not to strike and --

GOVERNOR HUGHES: That's a tremendous part of it.

MR. KILADIS: That was part of it, but some of the other major projects had similar agreements. Labor stabilization agreements were very prevalent when our project started. They were carried out in San Francisco. They were carried out in Atlanta. So they were typical.

MR. JAMES: Yes. But that's a big factor.

MR. KILADIS: That did help considerably.

GOVERNOR HUGHES: Okay.

MR. GOLDSTEIN: My next one, Governor, is 11-AE on page 19, unless Bill has one before that.

MR. JAMES: Well, Item 10 --

MR. MILLER: Sir, Mr. Green is here to answer your questions on that item.

MR. GOLDSTEIN: Number 10?

GOVERNOR HUGHES: Do you have one before that?

MR. GREEN: Good morning. I'm Bob Green, Deputy Port Administrator. Agenda Item 11-AE is a feasibility study for the design and erection support services for raising four container cranes at Dundalk Marine Terminal. These cranes that were built approximately ten years ago lack the necessary vertical clearance to accommodate the newer and larger container ships that are coming into the port. Now, in order to make these older cranes equivalent in capability to the new cranes that we already have installed, it's necessary to raise the older cranes some 15 feet to give them the necessary clearances to operate with the new cranes.

MR. JAMES: Well, how many of those new ships do you have coming in? Wouldn't you have enough new cranes to service the new ships?

MR. GREEN: Well, we purposely delayed putting out this contract until we got the new cranes operating. Now, one of the services or one of the things that we do at Dundalk is our capability of handling any ship at any berth; and so we run -- the berths are not leased out to an individual shipping line. When a ship comes up the river, they call and we place them at any berth that is open. So, if we are limited to the number of berths, they will very quickly stack up.

So, while the majority of ships that come into Dundalk will not necessarily need this further clearance, all of the new ships for the lines coming in do require this clearance. So we will very quickly find ourselves in an outmoded status.

MR. GOLDSTEIN: What's going to be the total cost to really raise these four cranes that will take care of the extra 15 feet?

MR. GREEN: Well, our estimated cost to do this,

and this will be a publicly bid contract, is \$1,650,000.

MR. GOLDSTEIN: A million six hundred and fifty thousand.

MR. JAMES: Sounds like a lot of money to raise cranes 15 feet.

MR. GOLDSTEIN: I know. I just wanted him to say something on this. I had it marked.

MR. GREEN: It's a lot involved in raising one of these cranes.

MR. JAMES: Well, how much is --

MR. GREEN: The crane right now --

MR. JAMES: How much is a new crane?

MR. GREEN: The crane right now is 73 feet high above the berth area. This will raise it 15 additional feet, and that's a substantial proportion; and that's one of the reasons why we want the original equipment manufacturer to handle the engineering design on this particular thing and watch the construction as it goes through.

MR. GOLDSTEIN: So it will go from 73 feet --

GOVERNOR HUGHES: What does one of those cranes weigh? About 80 tons?

MR. GREEN: It's somewhere in that vicinity, 80 to 100 tons, yes.

MR. GOLDSTEIN: So it will go from 73 feet to 88 feet; is that right?

MR. GREEN: That's correct, sir. And that's the height of the new cranes that we have down there now.

MR. GOLDSTEIN: The new ones you bought from over in Japan, Hitachi.

MR. GREEN: That's correct.

MR. GOLDSTEIN: They're 88 feet.

MR. GREEN: They're 88, and that's the state of the art today at all of our competing ports.

MR. GOLDSTEIN: Well now, on the Secretary's Agenda under Item 1, you know, emergency contracts, there's an item there, Hitachi America; you spent \$29,630.83 for Crane Number 4628, and you spent 55,000 for Crane Number 63 -- excuse me, 683005. Are those the new cranes the money was spent for?

MR. GREEN: The two -- those are the two emergency contracts we had --

MR. GOLDSTEIN: Yes, sir.

MR. GREEN: -- and that is one of the new cranes that was damaged in a ship collision. That's no fault of the manufacturer. That was a ship collision -- or a part of the ship operation, rather.

MR. GOLDSTEIN: In other words, that crane was leased to the shipowner or the --

MR. GREEN: That's correct.

MR. GOLDSTEIN: And they were loading their ship --

MR. GOLDSTEIN: That's correct.

MR. GOLDSTEIN: -- and they damaged the crane.

MR. GREEN: That's correct.

MR. GOLDSTEIN: So it's 29 and that's the same -- I assume it's two different cranes. There are two different contracts.

MR. GREEN: No, it's two different contracts, but it's on the same crane.

MR. GOLDSTEIN: It's on the same crane. So, in other words, you spent --

MR. GREEN: One is the --

MR. GOLDSTEIN: You spent around \$85,000.

MR. GREEN: That's correct.

MR. GOLDSTEIN: Are you going to get that money back from the ship company?

MR. GREEN: That's correct. This is part of an insurance claim.

MR. GOLDSTEIN: Is that crane still out of whack?

MR. GREEN: No. No. That has been repaired. It's back in operation. It has been for a month or so.

MR. GOLDSTEIN: And those four new cranes, are they operating now, the ones that are 88 feet?

MR. GREEN: They are operating now. These are the ones, as I mentioned the other day, we've had start-up problems with those cranes. They'll work for a while and then they'll cut down, and the problem has not been with the original equipment manufacturer. The problem has been with the electronic components that we required them to place in each of the cranes. We require all American components to be in all of our cranes to minimize our maintenance problem, and that's where we have the problem.

MR. GOLDSTEIN: Well, who -- in other words, I bring my ship in there, I need to load 50,000 tons, and I retain one of these 88-foot Hitachi cranes. Who operates

that crane?

MR. GREEN: The actual manual labor is done by the longshoremen in the National Longshoremen's Association.

MR. GOLDSTEIN: Are they your employees?

MR. GREEN: No.

MR. GOLDSTEIN: Well, who do they work for?

MR. GREEN: They work for the stevedoring company.

MR. GOLDSTEIN: And they, in turn, operate --

MR. GREEN: And they operate the cranes.

MR. GOLDSTEIN: And they operate the cranes.

MR. GREEN: That's right. We lease the crane to a stevedoring company and they perform the actual cargo-handling operation when the ship is in port.

MR. GOLDSTEIN: Well, who operates these motors you're talking about keep coming down?

MR. JAMES: That's part of the crane operation, isn't it?

MR. GOLDSTEIN: Well, one minute, Bill, let me see.

MR. GREEN: No, the stevedoring company is the actual operator. The Port Administration is responsible for placing a piece of equipment there that can be operated.

MR. GOLDSTEIN: All right. Now, suppose that electric motor goes down, who goes to work on it and sees that it will operate so the crane can stay in operation?

MR. GREEN: The Port Administration does.

MR. GOLDSTEIN: Well, see, I sent you an article I saw in the papers several weeks ago that the shippers were complaining that the cranes didn't work, they had to have long dockings there, had to pay extra fees because the ship wasn't loaded timely.

MR. GREEN: That's correct. That's correct.

MR. GOLDSTEIN: Well, what are you all doing about it?

MR. GREEN: When the -- when a ship is there and a ship is working and that crane goes down, it costs the ship money.

MR. GOLDSTEIN: Sure it does.

MR. GREEN: Now, by having additional cranes there, unless there's some obstruction for a working reason, we are able to move one of the cranes down into position and take over that operation. That does take a little --

MR. GOLDSTEIN: Have you ever thought about maybe

selling these cranes and let an operating company come in and operate the cranes?

MR. GREEN: Yes, sir.

MR. GOLDSTEIN: And you all get out of that business?

MR. GREEN: When we built Berth 13, that was our desired position, was to lease out that entire operation; but, when we went out for bids, we could not get satisfactory bids for that operation. Their bid --

MR. GOLDSTEIN: Oh, you didn't have anybody --

MR. GREEN: Their bid would have generated less net money for the State than our present operation does.

MR. GOLDSTEIN: You didn't have anybody in mind when you built it, did you? Did you try to find if you had any --

MR. GREEN: Any specific? We had talked with a number -- we talked with a number of companies and there was a lot of interest in taking over that operation. However, when it got down to the bottom line, they were not willing to pay as much as the State is earning today. Ended up being a financial consideration. We just turned

all the operations down.

MR. GOLDSTEIN: Well, with the competition you've got from Philadelphia and New York and the Virginia ports, if the cranes don't operate, these ships are going to stop coming there, aren't they?

MR. GREEN: That's one of the problems and that's one of the reasons why we're working very, very heavily on this. Those new cranes, they will eventually settle down. They're very good -- very good cranes. I wish they were operating better than they have been.

MR. JAMES: What's not operating?

MR. GREEN: The electronic portion that makes the crane go back and forth to pick up the container --

MR. JAMES: Little embarrassing, isn't it, American product?

MR. GREEN: It's rather embarrassing. It's rather difficult getting it settled, too. There have been many meetings on it.

MR. GOLDSTEIN: When do you hope to have the problem resolved, so you can go out and tell the shippers that we've got good cranes, we're going to get those extra

four cranes with 88 feet? That will be eight operating cranes, wouldn't it?

MR. GREEN: Of course, one of the things -- this gives me a chance to bring it out. What we're shooting for is almost impossible to achieve, but we are shooting for 100 percent up-time of every crane when there's a need for it; and our down-time ranges at its worst to five percent. It's averaging one to two percent right now. What we're trying to do is eliminate that one to two percent.

MR. JAMES: How many cranes have you?

MR. GREEN: We have 17 cranes.

MR. JAMES: Seventeen?

MR. GREEN: Yeah.

MR. JAMES: I thought it was 11. I don't know where I got that.

GOVERNOR HUGHES: Well, you're talking about --

MR. GREEN: We're talking all of our terminals.

GOVERNOR HUGHES: -- all cranes, not just container cranes.

MR. GREEN: All of our terminals.

MR. JAMES: Well, how about container cranes?

MR. GREEN: We have 11.

GOVERNOR HUGHES: You were right. Amazing.

MR. GOLDSTEIN: Eleven container cranes.

MR. JAMES: Isn't that amazing?

GOVERNOR HUGHES: Amazing. He was right.

MR. JAMES: My brain is very accurate.

MR. GREEN: You remembered that number. Thank you.

MR. JAMES: I don't know how I got that figure. I thought we had 11 some place. That's a lot of cranes, isn't it?

MR. GOLDSTEIN: Yes, sir.

MR. JAMES: Okay.

MR. GOLDSTEIN: How about Item Number 12?

MR. MILLER: Yes, sir. Mr. Kiladis is here for that.

MR. KILADIS: Item Number 12 is an amendment to the design contract for one of the designers of the Section "B" extension of the rapid transit project. This contract was awarded when we only had design money committed; and, even though the scope of services allows expansion to

cover construction-related services, at that point those services were not funded. As funds become available for each construction project, we've been issuing amendments to cover the cost of the review of shop drawings. This particular amendment covers the cost of the shop drawings associated with the joint SHA/MTA 6B construction project which is out around Owings Mills.

MR. GOLDSTEIN: When is this project going to start?

MR. KILADIS: It's being built right now.

MR. GOLDSTEIN: Sir?

MR. KILADIS: It's under construction right now. This is covering the work associated with review of shop drawings coming from the construction contractor.

MR. GOLDSTEIN: I see.

MR. KILADIS: This is one of several joint MTA/SHA contracts that's been awarded.

GOVERNOR HUGHES: You know, on the Beltway there where you see an overpass going.

MR. GOLDSTEIN: I see an overpass; yes, sir. Is that part of it?

GOVERNOR HUGHES: Yes.

MR. JAMES: Yes.

MR. GOLDSTEIN: Owings Mills. How about Number 13?
It's a big change order.

MR. MILLER: Mr. Gottemoeller is here to answer your questions on that item.

MR. GOTTEMOELLER: Good morning, Governor, members of the Board. My name is Fred Gottemoeller. I'm the Deputy Highway Administrator. This is a change order to a project that we have to do the project planning for a section of the Intercounty Connector between Gaithersburg and Laurel. That study is aimed at resolving a number of questions and controversies that have come up in those areas having to do with right-of-way that's been reserved and what to do with it and, also, some traffic problems in the vicinity of south Laurel that have been of concern to those communities.

This change order -- there's a number of items that have come up as a result of review of preliminary work, community meetings and agency reviews of preliminary work where we've had to go back and do additional studies to

respond to those concerns.

The item is retroactive. It actually should have been presented to you probably last November, but through an oversight on the part of our staff, it was not and we're presenting it to you now. We are taking steps to try to avoid having that happen in the future.

I'd be glad to answer any questions on it.

MR. GOLDSTEIN: I see it's going to cost \$245,000,000. When will this project ever be started and constructed?

MR. GOTTEMOELLER: Well, I doubt that the project as a whole will ever be built. The reasons for studying it have to do with trying to make final decisions on some of the rights-of-way that have been reserved, and look at partial areas within the corridor where a solution might be feasible. For example, we might be looking at building an interchange, a new interchange on I-95 that would serve the south Laurel area where there's some concern there about travel to their hospital which is in that area and getting some of the gravel trucks that presently use local streets off of the local streets.

So that kind of solution is probably going to be the result of this rather than a road between Gaithersburg and Laurel. I doubt if we'll ever see a \$245,000,000 project come out of this, but that is the price of one of the alternatives that's being looked at.

MR. GOLDSTEIN: It will keep escalating, the cost, won't it, due to inflation?

GOVERNOR HUGHES: This has been going on a long -- ten years, twelve years.

MR. GOTTEMOELLER: Yes, sir. Yes, sir. And it's been a controversial project every other delegation.

MR. JAMES: Well, you're trying to figure out what parts of it are necessary and what you can break out and build?

MR. GOTTEMOELLER: Yes, sir. And there are some gaps in the road system in that corridor now. The State road system is not continuous; and, if you want to make that trip, you have to jog between the State roads and some county roads, and there is quite a bit of traffic demand in that corridor. But, as I say, I think the eventual result will be partial pieces connecting up some

of the existing roads, perhaps a couple new interchanges, that kind of thing.

MR. GOLDSTEIN: Thank you.

MR. JAMES: There's a comment in here on that -- we didn't have the other day -- 16-M-MOD --

MR. GOLDSTEIN: 16?

MR. JAMES: -- by Richard Stringer.

MR. MILLER: You have questions on Item 16, Senator James?

MR. JAMES: Yes. There's a comment here from Mr. Richard Stringer that says, "It would seem more appropriate to competitively bid this work rather than simply broaden the scope of existing contract which deals solely with the maintenance of various electrical equipment at BWI Airport."

MR. MILLER: Mr. Schaus can address your questions on that item, Senator James.

MR. JAMES: Are you aware of this comment, Mr. Schaus?

MR. SCHAUS: Yes, sir. I saw this yesterday morning right before we had the pre-Board meeting for the

first time. The basic contract itself was originally competitively bid, and it's our feeling that the prices that we're paying for this particular work and the service that we've received has been quite good at BWI. The work at Martin has been added to this contract. It's part of this amendment, and it was a management decision to go that particular route as opposed to going out for a competitive bid for that Martin piece of the same type work.

GOVERNOR HUGHES: It's only \$7,500.

MR. SCHAUS: Yes, sir. And the original contract was competitively bid.

MR. JAMES: Is it comparable work?

MR. SCHAUS: Yes. It's basic maintenance of relay switch gear and what have you, in substations. It probably -- when you look at the cost of doing the procurement, this was the most expeditious and we felt the proper route to go.

MR. GOLDSTEIN: Now, are you having any trouble with General Electric over there at BWI?

MR. SCHAUS: No, sir. As I indicated on Monday, they've been very good on this contract. It was another

reason that we elected to add the Martin substation pieces to it. They've been extremely good and responsive.

MR. GOLDSTEIN: See, Mr. Green, he's not having any trouble with General Electric. Have you been to the top man up in Schenectady, New York? Have you written the President or Chairman of the Board? Sometimes, you know, the lower echelon won't give you any service.

MR. GREEN: Well, actually, as Mr. Schaus said the other day, these are two different kinds of equipment. We also use GE at Dundalk Terminal. We hire them for handling General Motors generators and things like this. They do a very excellent job. The problem we're having is in a new field, and they're working on it. I mean, the cranes are all operating today. One was down for a half a day last week. But it's a problem I'm sure will get worked out eventually. It's a -- the new electronic controls are the problem. It's not their normal everyday work that they're doing around.

MR. JAMES: Electricity is very mysterious.

MR. GOLDSTEIN: Yes, but that's the reason I think, you know, a company like General Electric, one of the biggest

in the world, don't want their reputation tarnished by somebody saying that if it was a Japanese motor, it would work. How in the hell do you know that? I've seen plenty of Japanese motors that don't work. If you ride up and down this road when they had that snowstorm here last week, I saw all kind of Datsun and Toyotas laying in the snow-banks, and the General Motors cars went on by waving to them.

MR. JAMES: Well, they're light cars. You see, they don't go through the snow too well.

MR. GOLDSTEIN: Yes, that's right.

MR. JAMES: Okay. Fred, did you check into why they put reverter clauses in all those deeds? I just wondered about that. I'm not too worried about it.

MR. GOTTEMOELLER: Well, I did and I found out that it is not a matter of law. It's a matter of policy. And, basically, the reason is that under the law the local governments often get a break on the price, that is, it's either the fair market value or the cost plus six percent, whichever is lower; and, if it was a piece of property bought years ago and real estate prices were a lot lower,

the cost plus six percent is often much, much lower than the fair market value.

MR. JAMES: Governor, got several pieces here very small, just fractions of an acre, and they put reverter clauses in when they convey to the local governments. I was wondering whether -- just the reason for that.

MR. GOTTEMOELLER: The concern, I guess, is that --

MR. JAMES: Doesn't make much sense to me, to tell you the truth.

MR. GOTTEMOELLER: The concern is, I guess, if they get it for much below the fair market value and have the option of reselling it, they might make quite a profit on it and --

GOVERNOR HUGHES: Sell it the following week.

MR. GOTTEMOELLER: Well, yes, that kind of thing.

MR. JAMES: But on selling -- wait a minute now, this is -- I'm looking at 19.

MR. GOLDSTEIN: 19?

MR. JAMES: No. I mean -- which one is here?

MR. GOTTEMOELLER: One of those items, I think the sale price is about \$170 and the fair market value was

\$770. So -- Item 19, I think.

MR. GOLDSTEIN: It's Number 19, page 32.

MR. JAMES: Oh, yes. The property is 7.6 acres.

MR. GOTTEMOELLER: Someone could make a quick 600, I suppose, turning it around.

MR. JAMES: Well, you know, that's ridiculous. You know they're not going to do that.

MR. GOTTEMOELLER: Well, for a piece this small, I think it probably is. But we have -- certainly, it's your option. As I said, there's no requirement that we do it. It has been a policy that we've applied consistently, but if the Board chooses, we could waive it on any individual parcel.

MR. JAMES: We've got one here, 0.91 acres which is a very small piece of ground and you've got a reverter clause in it. The other one is 0.127 of an acre and you've got a reverter clause. All right.

MR. GOTTEMOELLER: As I was saying, Senator, if the Board --

MR. JAMES: I know you hate to get rid of property -- the State Highway Administration.

MR. GOTTEMOELLER: No.

MR. JAMES: How many pieces of surplus ground do you have? About 2,500?

MR. GOTTEMOELLER: Frankly, I don't know. It varies quite a bit as projects are completed and we add to the list, and we also sell off parcels constantly. I could find out.

MR. JAMES: Okay.

MR. GOTTEMOELLER: If the -- you know, if it's the Board's direction, we could certainly not put in the reverter clause on individual parcels or, you know, change our policy.

MR. JAMES: Well, if we had a good reason to put it in, I think that's all right. You know, sometimes there is a good reason.

GOVERNOR HUGHES: Maybe you ought to work on changing the formula which says the State can only get so much out of it.

MR. GOTTEMOELLER: Well, we have proposed a bill to that effect this year, Governor.

GOVERNOR HUGHES: Yes.

MR. GOTTEMOELLER: I'm not sure where it stands at the moment.

MR. GOLDSTEIN: Bill, you think we ought to have an explanation of Item 24? It's the exchange of property, Federal Government.

MR. JAMES: Well, I was satisfied.

MR. GOLDSTEIN: I'm satisfied, too.

GOVERNOR HUGHES: Yes.

MR. JAMES: Yes.

MR. GOLDSTEIN: How about Item Number 25-GM, that gasoline station at BWI Airport, Governor? I think they've had a lot of problems over there.

MR. MILLER: Yes, sir. Mr. Schaus is here for that item.

MR. SCHAUS: This particular contract will provide for an operator for the gasoline station at BWI Airport. As I indicated in our discussions of yesterday, this is the fourth operator that we've had in the last three years. We have had some problems in getting, in effect, experienced operators for the station; and the competition that the station faces from the surrounding

community has also been rather stiff. The operator at the gas station at BWI is required, of course, to make monthly rent -- or, excuse me, monthly concession payments to the airport for the quantity of gasoline and services provided.

We feel that this particular operator is probably the most experienced gasoline station operator we've had since the new station was constructed in 1979. We've seen steps in the interim contract that we have with him where he is going out to the employees of the airlines, the airport itself, and trying to get more of the local service work. We feel he probably has the best opportunity of all to succeed that --

MR. JAMES: What equipment does he have?

MR. SCHAUS: Say again, sir.

MR. JAMES: What equipment does he have? Does he have equipment to raise a car up or --

MR. SCHAUS: That is part of the gas station itself that was provided under the original construction contract. He has all the associated shop equipment that is his.

MR. JAMES: Have a tow-truck? Does he have a tow-truck?

MR. SCHAUS: He has the requirement for a tow-truck; yes, sir, he does.

MR. GOLDSTEIN: Well, if the man will give quality service, he'll do a good business there. He's got a captured audience. All those people who work there, I think, would love to have their cars worked on while they're waiting during the day's work.

MR. SCHAUS: It's not quite the captive audience that you might think, because we have gas stations within a mile and a half of the airport who have been quite aggressive in the past. But I think, as you said, the quality of service under this operator appears to be the best that we've had since the station was begun.

MR. GOLDSTEIN: Well, take yourself for example; suppose you want car oil-changed and greased. Would you go a mile and a half and leave the car and have to bum a ride back?

MR. SCHAUS: Oh, no, sir. I always have done exactly what you said. I have always used the airport gas station. It's very convenient.

MR. GOLDSTEIN: It's common sense.

MR. SCHAUS: Drop it off in the morning when you come into work and --

MR. GOLDSTEIN: Sure. Drop your car off in the morning, and six or seven o'clock you've got to go back home and your car is ready to go.

MR. SCHAUS: I couldn't agree with you more.

MR. GOLDSTEIN: It's a convenience.

MR. SCHAUS: I think it's a marketing thing, and this particular operator seems to be attuned to marketing his services to that market.

MR. GOLDSTEIN: That's right.

GOVERNOR HUGHES: Anything else?

MR. GOLDSTEIN: Don't you think we ought to have an explanation of Atlantic and Gulf Stevedores?

MR. JAMES: Oh, that's right.

MR. GOLDSTEIN: Item 26-L-MOD, Atlantic and Gulf Stevedores, Incorporated.

MR. JAMES: That settlement, yes.

MR. MILLER: Yes, sir. Mr. Farley will answer your questions on that item.

MR. GOLDSTEIN: I think you ought to have a little

explanation in the record on that. That's a right big item, Governor. You see, what's happening is both of these big stevedore companies are now merging.

MR. FARLEY: Governor Hughes, members of the Board --

MR. JAMES: 26, yes.

MR. FARLEY: -- my name is Tom Farley. I'm Assistant Attorney General assigned to the Maryland Port Administration.

This item is a lease amendment which embodies the agreement to settle an on-going lawsuit between the Port Administration and Atlantic and Gulf Stevedores, Incorporated, which is its lessee at the South Locust Point Marine Terminal, which is the only marine terminal which the Port Administration leases out in its entirety. It's by far the largest lease and one of the largest revenue-producing arrangements we have.

And after considerably discovery and some 15 to 20 depositions and the review of literally thousands of documents, it was the opinion of counsel that a legitimate dispute and a legitimate difference of opinion existed

between the parties as to the meaning of one crucial word in the lease; and, consequently, that it was to the mutual benefit of both to reach an amicable settlement without going into court and arguing about it and, in our opinion, risking what we thought was the likelihood of a loss of the litigation and, consequently, a recovery of absolutely none of the revenue which we were claiming in the litigation.

This is an amicable settlement, and I believe as an attachment to the item you have some statistics which were run by one of our financial analysts which show that depending upon cargo projections over the remaining life of the lease, it represents anywhere from about a 47 to a 58 percent recovery of the disputed amount, which we believe is very reasonable in light of the circumstances.

I'd be happy to answer any questions you have.

MR. GOLDSTEIN: The only question I have is now this company, Atlantic and Gulf Stevedores are now -- have they merged with I.T.O. or --

MR. FARLEY: Essentially, Mr. Comptroller, the parent corporations of those two have merged. The John W. McGrath Corporation and McGrath Services Corporation, which

are A&G's parent corporations, have merged with Ogden Services which is the parent corporation of I.T.O. The two will now be operated by the joint parent corporations, and it is really as yet unclear exactly how the operating is going to work, the extent to which the two will remain somewhat autonomous.

Apparently, I.T.O. or Ogden is the surviving party in the merger; but whether A&G will begin operating under a different name at some point in the near future is something we don't really know yet. As far as we can see, the only impact on that would be a change in the name of our lessee. We can't see any serious threat to the operation on our terminal.

MR. GOLDSTEIN: This new outfit would be responsible for this lease.

MR. FARLEY: Yes, sir.

MR. GOLDSTEIN: You don't see any problem there?

MR. FARLEY: No. Frankly, I don't. Having reviewed, among other things, the financial documents of A&G, it's my belief at least -- and this may be personal opinion, but I think it is based on some knowledge -- that this will

make for a more financially sound corporation, and I think it will increase the likelihood that they will have a profitable arrangement over there and that they will renew the lease and continue to generate substantial revenue to the State.

MR. GOLDSTEIN: Do you have any trouble with other companies with reference to the word "cargo" now?

MR. FARLEY: No, sir. This was -- as I say, it's the only situation in the Port in which we lease an entire facility to a stevedore. It's also the only lease we have ever had that was put together even vaguely in that way with that kind of an additional rental provision.

We have recently put together another lease which has as yet not been executed with I.T.O. Corporation on the Clinton Street Terminal.

MR. GOLDSTEIN: On which one?

MR. FARLEY: That also contains an additional rental provision --

MR. GOLDSTEIN: On what terminal? I didn't catch it.

GOVERNOR HUGHES: Clinton.

MR. FARLEY: The Clinton Street.

MR. GOLDSTEIN: Clinton Street.

MR. FARLEY: Yes.

MR. GOLDSTEIN: Yes, sir.

MR. FARLEY: That contains an additional rental provision which has been altered somewhat from what we have in the A&G lease to clearly provide exactly what the parties have in mind.

MR. JAMES: Well, lawyers are suspicious of the English language.

MR. FARLEY: Well, what we ended up with here was -- we believe was a single word used a single time in a single document which had at least two possible meanings.

GOVERNOR HUGHES: Thank you.

MR. GOLDSTEIN: Yes, sir. Thank you, sir.

MR. FARLEY: Thank you.

GOVERNOR HUGHES: That does it, doesn't it?

MR. GOLDSTEIN: Yes, sir.

MR. JAMES: I move we approve the agenda.

MR. GOLDSTEIN: Second the motion.

GOVERNOR HUGHES: It's been moved and seconded that the Transportation Agenda be approved with the exception

of Item 27 which has already been approved. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

MR. MILLER: Thank you, gentlemen.

GOVERNOR HUGHES: Why don't we take the University of Maryland and get that out of the way? They've only got two items.

MR. JAMES: Well, yes. They don't have anything, and I think we can take Larry Goldstein.

MR. GOLDSTEIN: University of Maryland -- I didn't have anything on their agenda.

GOVERNOR HUGHES: There's no problem with the University of Maryland.

MR. JAMES: Larry, what do you want to talk to us about today? That site, Ocean City?

MR. GOLDSTEIN: That Ocean City thing.

MR. LAWRENCE GOLDSTEIN: Any question on Secretary's Agenda, Item 3?

MS. KOESTER: You all had asked that he appear on Item 3.

MR. JAMES: Yes. Okay. We might as well get rid of that one.

MR. GOLDSTEIN: Let's see here, that's Item 3, page 3, American Original Corporation.

MR. LAWRENCE GOLDSTEIN: My name is Lawrence Goldstein, the Wetlands Administrator, Board of Public Works. This was an application by the American Original Corporation for the emergency issuance of a Wetlands license prior to the holding of a public hearing. The public hearing is scheduled for February 25, two days from today.

Accordingly, the Department of Natural Resources inspected the site; and, based upon their recommendation that a building is in danger of failure, that a fuel storage location is in danger of collapsing, it was recommended to the Board that an emergency license be issued. The hearing, it will be held in two days. That hearing will determine if, in fact, there should be any modification to the license as requested.

If we didn't grant an emergency license, it

wouldn't appear 'til the next Board agenda and we couldn't do any work on it.

MR. GOLDSTEIN: Well, is this at the main West Ocean City seafood docks where the Davis Company and all these other people get all these ships coming in and trawlers?

MR. LAWRENCE GOLDSTEIN: Yes, sir. Mr. Cassell, Department of Natural Resources, Wetlands Permit Section --

MR. GOLDSTEIN: It's quite a big business down there, isn't it?

MR. LAWRENCE GOLDSTEIN: -- can tell you about that site specifically.

MR. CASSELL: Gentlemen, my name is Harold Cassell, Chief of the Wetlands Division of Department of Natural Resources. This is a commercial facility for the retail and wholesale off-loading of shellfish, mostly the large quahog clam. It's one of the trawler operations in the West Ocean City Harbor. It's fairly close to the inlet, has an exposure directly upon the inlet. And, because of the trawlers laying on their side at very low water, some of the structures that they use for support for the trawlers

have deteriorated, including a concrete wall on which one of the retail buildings, outlet building for seafood is positioned.

We felt this appropriate case for a Wetlands licensing process because of some imminent damages both to the private and public interests at that site.

MR. JAMES: You have here a proposed fill area on this map. What's involved there? I thought that the -- I really don't understand the project too well.

MR. CASSELL: Okay.

MR. GOLDSTEIN: Well, Bill, you know that they've had some awful heavy east winds and high tides down there this winter. You take a big heavy trawler laying up against a dock and the pressure of that ship hitting up against that dock, there's no give to it.

MR. CASSELL: The building rests on a concrete retaining wall which you'll see somewhat -- well, back in the designation of that plan. Then there's a proposed fill area which presently is under a concrete --

MR. JAMES: Well, is it filled behind the revetment or whatever you want to call it, the replacement

bulkhead?

MR. CASSELL: Yes, they will fill behind that. That presently is under a concrete deck, but water does go back into that area.

MR. GOLDSTEIN: You've seen it, haven't you, Governor? It's a wooden dock, concrete slab with a wooden dock in the water out there.

MR. CASSELL: It's relatively junk-laden, that particular area right now. They've thrown a lot of material in there that probably should be closed in.

MR. GOLDSTEIN: Well, you don't see any environmental damage that's going to be done, do you?

MR. CASSELL: No, sir, not at all, not at all. There's an obvious need for some repair work there.

MR. GOLDSTEIN: In other words, here you've got a dock and you've got ships coming in there, and because of all this heavy -- I imagine all that heavy sea we've had this fall and winter, haven't we?

MR. CASSELL: Given another six months, they'll have some economic problems associated with not having done something.

MR. GOLDSTEIN: I say let them do it full-steam ahead, just like we did back -- you remember two or three years ago when we had all those storms. We gave people -- told them to take a picture and gave them the right to go right ahead. Is this a similar situation?

MR. CASSELL: In this situation, we've recommended to the Board that it be issued in advance of the hearing this week.

MR. GOLDSTEIN: I move we approve it.

MR. JAMES: Well, see, that must be -- all right.

Second.

MR. GOLDSTEIN: I move we approve it.

MR. JAMES: Yes.

GOVERNOR HUGHES: It's been moved and seconded that the item be approved. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

MR. GOLDSTEIN: That's a -- that east wind, you have some kind of seas roll in there.

MS. KOESTER: Do you want to proceed with the Secretary's Agenda?

GOVERNOR HUGHES: Yes, I want to break. I've got something that's come up. Can we break now for lunch?

MR. JAMES: Sure.

MR. GOLDSTEIN: Yes, sir.

GOVERNOR HUGHES: Is there anybody waiting around that we might take?

MR. GOLDSTEIN: There's no more personal appearances, are there? I see some folks sitting here that look like they're hungry.

MS. KOESTER: The Department of Agriculture is here on -- there's some regulations that they're asking you to approve, and I'm looking for the item number now. Item Number 6 on the Secretary's Agenda; it's the Water Pollution Control Program. I don't know if you want to talk about it now. You had asked that some explanation be available today.

MR. JAMES: Going to take some time to go over that, I guess.

MR. GOLDSTEIN: Want to wait 'til after lunch,

I reckon.

GOVERNOR HUGHES: All right. Let's take it after lunch.

MS. KOESTER: Can you all wait 'til after the break?

THE AUDIENCE: (Nods head affirmatively.)

GOVERNOR HUGHES: Okay. We'll break for lunch.

(Whereupon, at 12:05 p.m., a luncheon recess was taken.)

GOVERNOR HUGHES: Where were we? On the Secretary's Agenda?

MS. KOESTER: Yes, sir. Governor, for the record, the Secretary's Agenda consists of 21 items. Items 18, 19, 20 and 21 were hand-carried and distributed previously, and we'd like to withdraw Item Number 5, please.

MR. GOLDSTEIN: Item Number 5?

MS. KOESTER: Yes, sir.

GOVERNOR HUGHES: Okay. Anything more on Wetlands?

MR. GOLDSTEIN: Let's see here. My next item was Number 6, that agriculture water pollution control program.

MS. KOESTER: Mr. Shea and company.

GOVERNOR HUGHES: Now, wait a minute. Is this Wetlands?

MS. KOESTER: No, sir.

MR. GOLDSTEIN: No. This is agriculture, Governor, water pollution --

MR. JAMES: No. This is that nine-point water pollution control.

MS. KOESTER: Regulations.

GOVERNOR HUGHES: All right. Then we're through Wetlands.

MS. KOESTER: Yes, sir. Ernie, would you step up to the microphone and give your name and affiliation, and I think the Board would like to have just a very brief overview of the program and then ask you some questions.

MR. SHEA: Certainly. Governor and Board members, my name is Ernie Shea. I'm the Director of Agricultural Development and Marketing with the Department of Agriculture.

We're here today to present and review with you the regulations which will govern the agricultural cost-share program for the control of water pollution which results from nutrients, sediment, agricultural chemicals,

or other pollutants from agricultural operations.

The regulations have been co-promulgated by the Secretaries of Agriculture and Health and Mental Hygiene. Their instructions to us were to keep them as simple as possible, but to still incorporate in the statutory requirements. The regulations have been reviewed with the agricultural community, with the soil conservation districts, with the groups that will be directly involved with them; and, at this point, we're not aware of any major problems or concerns that they have.

The program -- we have attempted to structure the program so that it parallels an existing Federal cost-share program. The farm community is familiar with the Federal program. It's been in existence for 40 years. So we feel that that's the reason why we structured it after that.

We did hold a public hearing on the 14th of January, received many comments, and have incorporated the substantive, significant changes into our draft regulations. What you have before you is the draft with the edited comments typed in along the margins.

I'd be glad to answer any questions or go into the program in more detail if you desire.

MR. GOLDSTEIN: Well, why don't you give us an example? Suppose you've got a 500-acre farm down on the Eastern Shore, say, Dorchester County or Talbot County, and this farm is adjacent to a creek or a river. What do you have to do? In other words, suppose you want to plant corn or soya beans, use insecticides, fungicides, herbicides, and pesticides. Now, what do you have to do?

MR. JAMES: Well, you've got to be in a district first.

MR. SHEA: Well, the first thing you would do is you would have to decide whether or not you wanted to spend some of your own money to correct a water pollution control problem. If there's no water pollution problem, you don't even have to worry about the program.

MR. GOLDSTEIN: All right. Well, who's going to determine that?

MR. SHEA: The soil conservation districts in each county. There's a district in each county.

MR. GOLDSTEIN: Do they have enough manpower to

do that?

MR. SHEA: That is a problem, but we're addressing that through a supplemental budget request, and we're also requesting the counties to provide additional support to these independent soil conservation districts to provide technical help in the field. We feel at this point that we have a bare minimum and we can start the job. We could do a much better job if we had more manpower in the field, but --

MR. GOLDSTEIN: Yes, but that's --

MR. JAMES: What area did you say that was? What area?

MR. GOLDSTEIN: Well, I said a 500-acre farm, which is not too big a tract of land, in Dorchester County or Talbot --

MR. JAMES: It's not in here. It's not in the bill.

MR. GOLDSTEIN: All right. Does this take Kent County? Is Kent County in it?

MR. SHEA: Oh, you -- excuse me, you mean the geographic areas.

MR. GOLDSTEIN: Yes.

MR. SHEA: We have identified geographic areas for cost-sharing in the bill.

MR. JAMES: That would be on the Sassafras River.

MR. SHEA: This is noted on the regulations. I believe it's on the second page.

MR. JAMES: It's very limited.

MR. SHEA: Second page, 03, program eligibility; the geographic areas have been listed there --

MR. GOLDSTEIN: Wait a minute. You say on page three?

MR. JAMES: Yes.

MR. SHEA: Page two, sir.

MR. GOLDSTEIN: Page two?

MR. SHEA: Under Section 03, the --

MR. JAMES: Program eligibility, Louis; it's .03.

MR. SHEA: Right. Under "B" it says, "The following geographic areas."

MR. GOLDSTEIN: Yes, I see it. Okay.

MR. SHEA: And they're listed there. These are the geographic areas that have the most significant water

pollution problems resulting from agriculture. We have a limited amount of funds, and our objective is to try to target the funds so that we can demonstrate positive results. However, you do not have to be in one of those geographic areas also to participate.

MR. JAMES: Is that \$5,000 figure in the law?

MR. SHEA: Yes, sir.

MR. JAMES: What can you do with \$5,000?

MR. SHEA: We think that you'll be able to work with most of the best management practices that we have proposed with \$5,000. Now, certainly, there will be some that \$5,000 won't even touch. An animal waste system may run as much as \$30,000. Five thousand dollars certainly isn't going to be much incentive, but it will be some; but for best management practices such as grass, waterways, diversion ditches, ponds, assisting with some costs associated with no-till planting, \$5,000 will go a long way.

We also plan to couple our State resources with available Federal resources which will increase the total amount available to a farmer.

MR. JAMES: Is there a Federal program in this

area?

MR. SHEA: Yes, sir. The agricultural cost-share program which is administered by the United States Department of Agriculture is available now for farmers. They' have limited funding. Their maximum funding is \$3,500 per year per farm. So our limit is higher than that. It's \$5,000 per project. So we can cost-share in more than one project per farm. If there's a problem in a particular gully and they need a grass waterway, we can go in and help solve that problem. The other part of the farm, if there's a problem with an animal waste system, we can go in and work with that one, too.

So we've set a maximum in the regulations of \$25,000 per farm as a starting point to see how that works. If there's a need to increase that amount, we're certainly receptive to considering it.

MR. GOLDSTEIN: You say the maximum is 25,000 per farm?

MR. SHEA: Per farm; yes, sir.

MR. GOLDSTEIN: Does the farm have to pay the money back?

MR. JAMES: No. It's a grant.

MR. SHEA: This is a grant. It's a grant program.

MR. GOLDSTEIN: It's a grant.

MR. SHEA: The grant can be upped to 87½ percent of eligible costs. We will -- we have --

MR. GOLDSTEIN: Eighty-seven and a half, but it can't exceed 25,000; is that what you said?

MR. SHEA: That's correct.

MR. JAMES: Five thousand per project.

MR. GOLDSTEIN: Five thousand.

MR. SHEA: Five thousand per project, \$25,000 per farm.

MR. GOLDSTEIN: Five thousand dollars per project.

MR. SHEA: The exception to that is the section in the law that said, if there's a pooling agreement, if two farmers go together, two adjoining landowners, and they want to solve a mutual agricultural related water pollution problem, there is a pooling agreement set up that the maximum amount is increased to \$10,000 per project. The bulk of them will come in as the single project, though.

MR. JAMES: Is there any interest in this program?

MR. SHEA: Yes. The soil conservation districts have begun to discuss the program with the farm community, and there are many plans that have been drawn up and are waiting for some type of cost-share program or some type of outside help to come along so that the farmers can implement them. We think that it's going to start small, but it will snowball once farmers become familiar with the program.

MR. GOLDSTEIN: Well, where is this money going to come from if it snowballs?

MR. SHEA: Well, the money right now is coming from the Water Quality Loan Act of 1974, the proceeds of the bond money; \$5,000,000 was made available.

MR. GOLDSTEIN: So, in other words, we have to borrow 5,000,000 and pay interest on it.

MR. JAMES: Is it that much? In that bond issue is that much?

GOVERNOR HUGHES: Yes, last year's legislation.

MR. SHEA: Five million was diverted last year; yes, sir.

MR. GOLDSTEIN: It will snowball, all right.

Any time you give somebody free money, it will snowball.

I guarantee it, it will snowball.

GOVERNOR HUGHES: If it works, though, it's well worth it -- what it will do to our rivers and the bay.

MR. SHEA: Most certainly.

MR. GOLDSTEIN: Well, Governor, the Patuxent River -- it's not so much this farming business as the sewage coming in the river.

GOVERNOR HUGHES: Well, it's both on some of these.

MR. SHEA: We plan to --

GOVERNOR HUGHES: It's different on different rivers.

MR. GOLDSTEIN: I'm talking about the Patuxent.

MR. SHEA: We plan to allow 34 percent of that available funds for the Patuxent because we recognize --

MR. GOLDSTEIN: Thirty-four percent of 5,000,000?

MR. SHEA: Yes. We've set aside -- we've administratively set aside percentages of that 5,000,000. We've blocked it off by the geographic areas, and we've set aside 34 percent of the funds for the Patuxent. Now, that can

change as we go along. If farmers aren't interested in the program or there aren't as many problems as we think, we can move that money into a soil conservation districts -- or a geographic area, rather, where there is a problem where they can spend it.

MR. JAMES: It's only part of the Patuxent River basin, Louis.

MR. GOLDSTEIN: Well, that's way up the river. That's up there near Prince George's County.

MR. SHEA: Most of -- the Patuxent areas, we've incorporated most of the agricultural areas in there. We've excluded out the more urbanized sections. So we're trying to concentrate the money where agricultural production is still a viable enterprise and where it's significant.

MR. JAMES: The run-off, is that the -- what are the ingredients of pollution? Are they basically the herbicides and that kind of thing, or are they some type of animal waste?

MR. SHEA: Senator James, it's a combination of several types of pollution, depending upon what type farm we're talking about. I think we in the agricultural

community recognize that we do contribute to the overall pollution, non-point source pollution. We are responsible for some of it, but not all of it. The common sources of agricultural non-point pollution are really mostly sediment. Chemicals, sediment -- everything moves with sediment, and when it moves into the waters of the State, that's when we get the pollution problem. So we can control the sediment movement, we can control the pollution run-off. That's the objective.

MR. JAMES: I know at the Bush River when I was a boy at the Boy Scout camp, and I could just about walk across that river, but my legs would always go about that deep into the mud that flowed down from the Harford County farms. I bet you there's 20 feet of mud on the bottom of that river. That's topsoil that's accumulated there. And Clarence Long came down there one day with a pair of boots on and walked out. He was making an investigation and he announced that topsoil had accumulated in the Bush River. That was the results of his investigation.

But the topsoil that has run into our rivers is just absolutely unbelievable.

MR. SHEA: It's a problem we're trying to address in this program, will help.

GOVERNOR HUGHES: The amount per acre is unbelievable.

MR. JAMES: Yes.

GOVERNOR HUGHES: I don't know if we have any figures on that. I've heard some in the past.

MR. SHEA: Tons per acre per year, and I'm not an expert on it, but I believe the normal run-off -- or the rate where it can be replaced naturally is four tons per acre per year, and some farms can have 20 tons per acre per year eroding from the farm. Now, that varies with terrain, type of soil, and --

MR. GOLDSTEIN: Well, if they use proper farming techniques like contouring and all, they wouldn't have that much. So it's up to the individual farmer.

MR. SHEA: That's correct. Some of these practices that need to be implemented, however, are very expensive and provide no real economic benefit back to the farmer. So what we're trying to do is show them through these practices, through the cost-share program, that it

will help keep the soil in place and ultimately it will help the farmer; so they'll be willing to spend the money.

MR. GOLDSTEIN: Well, we started that back in the '30's under President Roosevelt.

MR. JAMES: It's an experiment; see how it works.

MR. GOLDSTEIN: Use cover crops and contour your land. It's common sense.

MR. SHEA: No-till farming.

MR. GOLDSTEIN: Yes.

MR. JAMES: Well, I move --

GOVERNOR HUGHES: Any further questions?

MR. GOLDSTEIN: No.

MR. JAMES: No. I have no problem.

GOVERNOR HUGHES: Thank you very much.

MR. JAMES: I guess we'd better have a specific motion on this, hadn't we?

GOVERNOR HUGHES: Okay.

MR. JAMES: I move we adopt the proposed regulations attached to Item 6.

MR. GOLDSTEIN: I'll second the motion with the understanding that they're going to keep us informed if you

make any changes in these regulations.

MR. SHEA: Yes, sir. The statute requires that the Board of Public Works approves the regulations. If we change any individual project, every time we develop a project, if we're going to be using the proceeds of the State bond money, we have to come back to the Board and you have to approve each individual project. So you will be getting, I would expect, monthly updates on the program.

MR. GOLDSTEIN: Well, I think you ought to give us a report maybe every six months, so -- I don't want this to be like one of those programs that we had under Mr. Roosevelt where the rich farmers get all the money. You see, I once ran against a county agent that did that -- the Senate; he took care of all the rich farmers, didn't take care of the poor farmers and tenant farmers. I beat his damn brains out in the election, you see. I don't want the same thing to happen here, let you just go ahead and start catering to the big farmer and let the small farmer suffer.

So I think you ought to give us a report every six months, who's getting the money and how and why.

MR. SHEA: Be glad to.

MR. GOLDSTEIN: Because, after all, taxpayers all over the State is going to be paying for this program. Is that clear?

MR. SHEA: Very much so. We'll be glad to provide that.

MR. GOLDSTEIN: Right.

GOVERNOR HUGHES: It's been moved and seconded that we approve the resolutions attached to Item 6. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

MR. GOLDSTEIN: Governor, Item Number 7 on page 14, that needs to be corrected. That Melwood Farm is located in Prince George's County, if my memory serves me correctly. Isn't that right, sir? Melwood Farm, isn't that in Prince George's County?

MR. DUNHAM: No, sir. There are two Melwood projects.

MR. GOLDSTEIN: Oh, I see, two Melwood projects.

MR. DUNHAM: Melwood Farms is in Charles County, and the Melwood Horticultural Center is in Prince George's County.

MR. GOLDSTEIN: Well, right here you've got the -- I see. "On behalf of the Melwood Horticultural Training Center, Upper Marlboro."

MR. DUNHAM: Right. The farm is a part of the parent organization which is the Melwood Horticultural Training Center.

MR. GOLDSTEIN: I see. So you've got two Melwoods.

MR. DUNHAM: Yes, sir.

MR. GOLDSTEIN: Just want to be sure I had it right, because I know Melwood has always been in Prince George's. Thank you, sir.

MR. JAMES: What's the amount of that lien that we're waiving or we're subordinating? I've forgotten. I read it once.

MR. DUNHAM: The acreage --

MR. JAMES: No, the amount of money.

MR. DUNHAM: Oh, the amount of money?

MR. JAMES: Yes. It's in here, I'm sure.

MR. DUNHAM: Yes. The first mortgage is 85,000, and the farmer's home is 75,000.

MR. JAMES: And what's our investment?

MR. DUNHAM: We have 325,000 granted.

MR. JAMES: Are we subordinating 325,000?

MR. DUNHAM: Yes, sir.

MR. JAMES: What's the total value of the whole place? What risks are we running?

MR. DUNHAM: Melwood has been in operation, the farm, I think at least 15 years, if not longer. It's been in there for a period of time. It was funded initially -- or this project is funded, I should say, with a community block grant as well as Farmers' Home money and State grant money.

MR. JAMES: Well, what's the capability of meeting all these obligations, though? Are we running any risks?

MR. DUNHAM: Well, I would say no. They have -- our money is a grant. Community block grant, of course, is an outright grant. And they currently have something -- I believe it's something like 36,000 to retire the two mortgages, first and second.

MR. JAMES: Well, this agreement is if they sell it, then we get our money back.

MR. DUNHAM: Yes, sir.

MR. JAMES: That's the covenant. Yes, that's right.

MR. DUNHAM: No, our right of recovery is already in the land records, and this is just to take a cloud off the title insofar as Farmers' Home would be concerned prior to their entering into the permanent financing.

MR. GOLDSTEIN: Let's see, it's about 107 acres in this property; is that right? That's according to this paper here, 107 acres.

MR. DUNHAM: Frankly, I don't recall exactly how many acres.

MR. GOLDSTEIN: Can you tell us how many buildings -- in other words, we'll wind up having about a third mortgage, won't we?

MR. DUNHAM: We would loan --

MR. GOLDSTEIN: Three hundred and twenty-five thousand is the FHA, homeowners, Farmers' Home, whatever you call it.

MR. DUNHAM: Yes, Farmers' Home is 75,000.

MR. GOLDSTEIN: Seventy-five.

MR. DUNHAM: Then we have 85,000 first mortgage from original deeder to the property.

MR. GOLDSTEIN: It's 85,000 mortgage on the property right now?

MR. DUNHAM: Yes, sir.

MR. GOLDSTEIN: Who holds that mortgage?

MR. DUNHAM: I can't tell you offhand the name of the persons that deeded the property to Melwood initially.

MR. GOLDSTEIN: Where does the 75,000 come in?

MR. DUNHAM: That currently is a construction loan through, I think, it's Southern Maryland Bank and it will become permanent financing --

MR. GOLDSTEIN: All right. So that's 160,000.

MR. DUNHAM: A hundred and sixty?

MR. GOLDSTEIN: It's 85 and 75.

MR. DUNHAM: And 325 from our money which gives you -- well, 85,000 is, in a sense, out of the picture because that was already on the property when they first bought this tract of land. So, for this given project --

MR. GOLDSTEIN: Is that mortgage now paid off?

MR. DUNHAM: No, sir. It's still being amortized.

MR. GOLDSTEIN: Well, it's still on the property then.

MR. DUNHAM: It's on the property, but it's not on this given project, portion of the property.

MR. GOLDSTEIN: I don't understand it then.

MR. DUNHAM: Well, they had that -- they owned the property with the first mortgage already on it when they came to us for a grant. The farm is an operating -- has been an operating facility.

MR. GOLDSTEIN: I thought I understood it, but I don't understand it now. If you could give us a breakdown in dollars and cents -- do you have it there on a piece of paper somewhere?

MR. DUNHAM: No, sir. Let's see.

MR. JAMES: It's got two mortgages on it. One is 85 and one is 75.

MR. DUNHAM: Yes, it's got two mortgages.

MR. GOLDSTEIN: Well, that's what I thought. That was 160,000.

MR. JAMES: Yes.

MR. GOLDSTEIN: Well, he says no.

MR. DUNHAM: No, I'm saying for this project you have a cost of, say, \$400,000, of which 75,000 is a second mortgage which will be held by Farmers' Home Administration; and 325,000 is an outright grant from the State.

MR. JAMES: When was the grant made?

MR. DUNHAM: December 1980, I believe, Senator.

MR. JAMES: So that's already on there.

MR. DUNHAM: Yes, sir.

MR. JAMES: Yes. So they already have that money.

MR. GOLDSTEIN: And that went in to make the improvements; is that right?

MR. DUNHAM: That is making improvements. The project is just pending final inspection and close-out, and Farmers' Home are anxious to go ahead and have the subordination agreement signed so that they, in turn, can enter into their permanent financing with Melwood.

MR. JAMES: As I recall, I think, Louis, the 325 -- our only interest in it is if it's sold within 15 years -- is that the --

MR. DUNHAM: Yes, sir.

MR. JAMES: Then we get the money back.

MR. DUNHAM: Right, based upon the then value.

GOVERNOR HUGHES: And this makes the \$75,000 --
it makes that subject to the \$75,000 second mortgage.

MR. DUNHAM: Right.

MR. JAMES: That's right. That's right.

GOVERNOR HUGHES: That's all this is.

MR. JAMES: Yes.

MR. DUNHAM: Basically, that's it.

GOVERNOR HUGHES: So this is really to permit
them to make a second mortgage.

MR. DUNHAM: Yes, sir, that is correct. It's
similar to others that we've had in the past.

MR. JAMES: Yes.

MR. GOLDSTEIN: How many people do you take care
of down here?

MR. DUNHAM: They have -- during the summer, they
have a summer camp, and I understand they take a number of
clients out of Baltimore City as well as surrounding areas
for about a two-week period. So they have -- well, I guess

during the course of a year, they're probably taking care of 4 to 500 different clients. And we also use the facility in the wintertime.

MR. GOLDSTEIN: But don't they operate it after the summer season is over?

MR. DUNHAM: No, I say they also use it in the wintertime.

MR. GOLDSTEIN: Is this right on Nanjemoy Creek?

MR. DUNHAM: It's in Nanjemoy. My recollection is it does not sit right on the creek. It's in a nicely wooded area and it's well isolated.

MR. GOLDSTEIN: Oh, yes, I've been down to Nanjemoy. I dedicated the firehouse down there. It's way over in western Charles County. Okay. Know exactly where it is.

GOVERNOR HUGHES: Thank you.

MR. DUNHAM: Yes, sir.

MR. JAMES: I don't have anything else.

MR. GOLDSTEIN: I don't either.

GOVERNOR HUGHES: Okay.

MR. JAMES: I move we approve the agenda.

MR. GOLDSTEIN: Second the motion.

GOVERNOR HUGHES: It's been moved and seconded that we approve the Secretary's Agenda. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it. Go to Open Space now.

MS. KOESTER: Yes, sir.

GOVERNOR HUGHES: Anything on Open Space?

MR. GOLDSTEIN: I didn't have anything on it.

MR. JAMES: No.

MR. GOLDSTEIN: I looked at it and it looked all right to me.

GOVERNOR HUGHES: Do I hear a motion?

MR. GOLDSTEIN: I move we approve the Open Space Agenda.

MR. JAMES: Second.

GOVERNOR HUGHES: It's been moved and seconded the Open Space Agenda be approved. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it. Budget and Fiscal Planning.

MS. KOESTER: Governor, for the record, the Budget and Fiscal Planning Agenda consists of 27 items. Number 27 was hand-carried and distributed previously.

MR. JAMES: On Number 1, there seems to be a little bit of a problem. In the explanatory letter --

MR. GOLDSTEIN: Bobby, have you got --

MR. SWANN: Phil is here.

MR. GOLDSTEIN: Okay.

MR. JAMES: -- under date of February 28, it seems to be a five-year pay-out whereas the agenda item shows a three-year pay-out to the successful bidder. I was wondering if that is an error.

MR. MARTIN: If I may, let me explain that. My name is Philip Martin. I'm Director of Data Processing Division for the Comptroller of the Treasury.

Governor and members of the Board and Treasurer James, the item --

GOVERNOR HUGHES: Eighteen. You said 28.

MR. JAMES: It was 18th. I'm sorry. In Latin, that's my "lapsus linguae!"

MR. MARTIN: The item is actually for five years.

MR. JAMES: "Lapsus linguae!" I'm giving them a Latin lesson. I said 28 instead of 18th. In Latin, that's called "lapsus linguae!"

MR. MARTIN: Yes, sir. I'll take your word for that, Treasurer James, not having taken Latin.

The Board item, sir, on the second page -- what makes it confusing, on the front page we tried to display all of the bids and the various financing plans offered in the bids and which the Evaluation Committee did their deliberations. On page two of the item, about three-quarters of the way down, you'll notice that the contract -- the words below the column there, "Contract negotiations for a 5-year annual payment plan resulted in the \$4,250,117 for the BDC --" that's the Baltimore Data Center -- "and \$4,243,889 for the ADC," Annapolis Data Center. Those two figures added together represent the contract amount at the top of the page of \$8,494,006.

I think what did get a little confusing, we tried to present to the Board the rather complex bids and financial plans that were evaluated; and I'm sorry that I didn't say right at the very beginning in the description that this contract is for a five-year annual payment plan and at ten percent. And, in our February 18th letter to the Board, we were trying further to provide information of the technical evaluation and then, also, the workloads that we expect -- very briefly the workloads at the two centers. If that answers your question.

MR. JAMES: Yes. I'd like to ask a question just for a matter of curiosity. What's the difference between a residual value and a trade-in allowance?

MR. MARTIN: As you may recall, a couple weeks ago, I was here with disc-drives, and we had that question -- the Governor had. The residual value is the value anticipated for the equipment we are purchasing at a future point in time.

MR. JAMES: Oh, I see.

MR. MARTIN: The trade-in value is the old stuff that we're getting rid of.

MR. STETTLER: Residual values are generally estimates of the future value in this particular case, on the open market if we were to sell the machines, whereas a trade-in is generally what somebody has offered us at the time of the bid.

MR. JAMES: Something like an actuarial calculation; very reliable, right?

MR. STETTLER: One's for used cars and one's for --

MR. JAMES: Okay.

MR. GOLDSTEIN: See, if you're getting ready to buy a new Mercury and your old car is four years old, the guy says, "I'll give you \$1,000 for your old car;" but here you're buying that new car for 10,000. That has a residual value after five years of 5,000. So you get the best part of the deal. See, one's residual and one's trade-in. It's right there at the time you make your deal. See the difference?

MR. JAMES: Yes. That's a rather uncertain figure.

GOVERNOR HUGHES: Residual is, residual, yes.

MR. GOLDSTEIN: Well, let me tell you, it's amazing, today's junk is tomorrow's antiques. I'm trying to think -- one of these kind of Fords; you rode in one

up there at that parade up there in -- well, I know it was up there in Gaithersburg and --

GOVERNOR HUGHES: Thunderbird?

MR. GOLDSTEIN: Sir?

GOVERNOR HUGHES: Thunderbird.

MR. GOLDSTEIN: Those Thunderbirds, you remember those Thunderbirds?

GOVERNOR HUGHES: Yes.

MR. GOLDSTEIN: Those Thunderbirds, I think they cost something like \$4,000 when they were new. There's a whole club of them. You know the minimum value of one of those? They bring anywhere from 15 to \$30,000, depending on the condition. I had no idea. And, man, they can sell them as fast as they put them on the market. It's a stylish convertible car, you see, and they've got heavy steel. The one I rode in, the man and his wife had four of them, and they do the work themselves. They buy them and recondition them, and you can't tell them from a new car. It's amazing how those things have escalated in value.

So when they bought them, what was the residual value? The dealer would have probably said \$500. I guarantee

if he thought they were going to bring 15 or 20,000, he wouldn't have sold them, would he? He would have probably kept them in his show window.

GOVERNOR HUGHES: Well, is the residual value figured in the price proposal? I guess it is.

MR. STETTLER: In evaluating the price proposals, it was figured.

GOVERNOR HUGHES: Is there a guaranteed residual value?

MR. STETTLER: No, it's not. The basic reason is that we were essentially bidding over a seven-year period and you wanted to be -- you're supposedly buying a technology for seven years, and maybe one of the options was to buy a particular computer in the initial years and then upgrade it to a higher computer at a later year; and this is a device to take into account the fact that at some point in time you might be getting rid of your first or --

GOVERNOR HUGHES: It's a rather subjective element for a big process.

MR. STETTLER: -- or changing the technology, yes.

MR. JAMES: Well, you know, they're not worth

anything after seven years. Those things aren't worth anything after seven years, are they?

MR. STETTLER: No, but the ones -- some of the options are to buy a smaller one and then upgrade it after three years. You know, it was at one time thought that --

MR. MARTIN: The way these numbers were arrived at, Governor, was -- as stated in the RFP and the way the committee then did it was that we would solicit three large national firms that are in the used computer business. Those firms were Greyhound Computer Corporation, COMDISCO, and a company called CMI Corporation, all three large national firms. We took their figures and averaged them. That was the way we arrived at the --

MR. STETTLER: Statistically subjective. That's the only way to deal with something like this. You have to --

MR. JAMES: Well, I don't have any question if they buy the large computers. It's a good decision. I don't have any question about that.

MR. GOLDSTEIN: Well, another thing, you guarantee the Legislature, their work will be done; the income tax will be done, the courts, prisons.

MR. JAMES: Plus you have the double capability.

MR. STETTLER: The big machine has two offices.

MR. JAMES: It seems to me that's a big item.

MR. GOLDSTEIN: As long as they've got the responsibility to do the work. As you know, in January, February and March, you've got the Legislature, you've got income tax refunds and --

MR. MARTIN: Yes, sir.

MR. JAMES: Have you got the money to pay for this ten percent down?

MR. GOLDSTEIN: Oh, yes. It's in the budget. The money is there.

MR. JAMES: I move we approve it.

MR. GOLDSTEIN: Second the motion.

GOVERNOR HUGHES: It's been moved and seconded we approve the item. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

MR. GOLDSTEIN: Thank you.

MR. JAMES: I guess on 2-S -- I suppose that --
I don't know, how are we going to handle that one?

MR. GOLDSTEIN: It has to be rewritten.

GOVERNOR HUGHES: Approve it?

MS. KOESTER: Well, you approved it --

MR. JAMES: We'll approve it with the understanding that it's going to be rewritten to reflect the share of Allied.

MS. KOESTER: No. You approved it with the understanding that a clarifying memo regarding the funding source would be brought to you.

MR. JAMES: Have we done that? Have we already done that, or shall we do it now?

MS. KOESTER: That's what you did.

GOVERNOR HUGHES: No, we haven't acted on it yet.

MS. KOESTER: Yes, yes. I'm afraid you did.

MR. JAMES: Well, I so move on that.

GOVERNOR HUGHES: No, I'm not afraid. Did we?

MR. GOLDSTEIN: Sir?

GOVERNOR HUGHES: If we did, fine.

MS. KOESTER: Yes.

MR. JAMES: We did? We did?

MS. KOESTER: Yes.

MS. ALLEN: Yes, I have it approved.

MR. JAMES: I don't recall we did it.

MS. KOESTER: Yes, so do I. We both have it down that you took a separate vote on it this morning.

MR. JAMES: All right. Okay.

MS. KOESTER: With that understanding.

MR. GOLDSTEIN: Yes, that Allied would pay 30-some thousand dollars as part of their cost.

MR. JAMES: Yes. Okay.

MR. GOLDSTEIN: Item 7-S, I know I asked about it last time; and, based on the explanation, not much you can do about it. They've all got Japanese parts, all these different cameras.

MR. JAMES: Yes. I was wondering, those figures don't add up for me. Of course, that doesn't mean anything.

MS. KOESTER: On 7?

MR. JAMES: On 7, they say the cameras cost \$200,000 apiece and we're getting -- how many, is it nine cameras? That's a lot more than the 1,362,000. I don't

understand it. That memorandum attached, it says --

MS. KOESTER: Bruce, you want to step up to the microphone, please. You want to introduce yourself.

MR. HERGET: Yes. I'm Bruce Herget from Maryland Center for Public Broadcasting.

MR. JAMES: The memorandum says in one place that the cameras will cost \$180,000 at list price; then another place, it says that all cameras --

MR. STETTLER: Those are the video tubes and the pedestal. I'm sorry. I think that's the pedestal and heads only that are made in England, are 180,000.

MR. JAMES: Well, how much are these cameras apiece?

MR. HERGET: The individual camera or the camera system?

MR. JAMES: Well, what you're buying, what you're buying here.

MR. HERGET: What we're buying, we're buying nine systems at approximately \$100,000 apiece. That is the bid price. Now, the figure in there of 1.3 million is the total of the lease/purchase.

MR. JAMES: I see.

MR. GOLDSTEIN: So you're buying nine, that would be 900,000; and the associated equipment makes the difference?

MR. HERGET: No. The total includes the associated equipment, the pedestals, the heads, the lenses.

MR. GOLDSTEIN: A hundred thousand each?

MR. HERGET: Approximately 100,000 each. The total bid for the base now is \$936,000.

MR. GOLDSTEIN: Well, how come you get 1,362,571?

GOVERNOR HUGHES: We're spreading that over six years.

MR. STETTLER: Finance costs.

MR. HERGET: That is the total of the lease payments.

GOVERNOR HUGHES: Lease payments.

MR. GOLDSTEIN: I see.

GOVERNOR HUGHES: Lease purchase rather than --

MR. JAMES: Doesn't tell you this. Doesn't tell you. Doesn't tell you -- what's the interest rate you're paying?

MR. HERGET: Approximately $12\frac{1}{4}$ percent, sir.

MR. GOLDSTEIN: How much?

MR. HERGET: About $12\frac{1}{4}$ percent, I believe.

MR. GOLDSTEIN: Twelve and a quarter percent interest?

MR. HERGET: Yes, sir.

MR. JAMES: For six years. Six years?

MR. HERGET: Seven year with a dollar buy-out.

However, there is a addendum that was approved by the Attorney General's Office for a five-year payment using \$240,000 a year with 95,000 as the last payment, and then the total is only about 1.1 million dollars. It saves an additional \$200,000 to the State. And that was also approved by the budget analyst.

MR. JAMES: Why do you let -- did you wait so long? Why wouldn't you replace these as you go along instead of -- these things --

MR. STETTLER: I can answer that question.

GOVERNOR HUGHES: Didn't get the appropriations.

MR. JAMES: Yes.

MR. STETTLER: Basically, they -- I think they

first asked -- Public Broadcasting first asked money to replace the cameras maybe three years ago. The question was asked and there was a lot of engineering data presented that you really have to do it as a system; you cannot just do one at a time.

MR. JAMES: Get them all.

MR. STETTLER: And, you know, a million dollars is what we were talking about in terms of, you know, the original estimate of how much it would take to do it; and we just didn't have the million dollars to put in the budget. So last year it was agreed that they would try -- over a couple years, they would try to put it together through some type of lease plan.

MR. GOLDSTEIN: Bill, why couldn't they borrow the money, say, from you? You're not going to get 12½ percent right now, are you?

MR. JAMES: No, 8, about 8, about 8.

MR. GOLDSTEIN: That's what I'm talking about.
We're getting --

MR. JAMES: That's short-term money, though.

MR. GOLDSTEIN: I know. But long-term money is

only about 10 percent. Long-term money is only 10 percent, according to the Wall Street Journal the last several days. Why couldn't they borrow the money from you and pay you whatever the current interest or a little bit more?

MR. JAMES: Because I won't lend anybody any money.

(Laughter.)

MR. GOLDSTEIN: I know, I know. No, I'm talking about you personally. I'm not talking about you personally.

MR. JAMES: I mean the Treasury.

MR. GOLDSTEIN: You see, you're dealing with a State agency.

MR. JAMES: Well, you really -- if you borrowed it on the open market, I mean, the State borrowed it, it would probably be around 9 percent, something like that.

MR. GOLDSTEIN: That's right. Here the State is a triple "A" tenant paying 12½ percent interest. Doesn't make sense.

MR. STETTLER: The first bid, I believe, had 17.9 on it, didn't it?

MR. HERGET: Yes, sir.

MR. GOLDSTEIN: I just wouldn't pay it.

MR. STETTLER: We called down to Dallas who's the group who's doing it and they reduced it to this.

MR. HERGET: Yes.

MR. GOLDSTEIN: Here we're buying computers -- we had them on the last time -- we're paying around 10.

MR. STETTLER: Ten percent.

MR. GOLDSTEIN: So why should we pay these people? I'm not going to pay them no damn 12½ percent interest. It's too much.

GOVERNOR HUGHES: Who's it financed with?

MR. STETTLER: I think it's a Dallas bank. First Continental Finance Corporation of Dallas, Texas.

MR. HERGET: Dallas, Texas.

GOVERNOR HUGHES: You're buying the equipment from this outfit --

MR. STETTLER: Well, they're -- it's essentially -- we're not buying the financing separately from the equipment.

MR. JAMES: Can we purchase at any time?

MR. STETTLER: Pardon?

MR. JAMES: Can we purchase at any time under this? See, we have no information here at all.

MR. HERGET: Yes, we do.

MR. GOLDSTEIN: See, it's just a blind thing here.

MR. HERGET: There is a buy-out option at the end of each year.

MR. STETTLER: The end of each year.

MR. JAMES: The end of each year. Well, of course, if you had this, you could, if you wanted to, make arrangements to borrow the money and pay it off; you could do that, cut it off.

GOVERNOR HUGHES: Could you finance it separately?

MR. STETTLER: No, that gives us a problem to finance them separately.

MR. GOLDSTEIN: Why?

MR. STETTLER: I think the Treasurer is the expert on that. We cannot because that is the danger of creating a debt and going out just as we do when we borrow money for a general obligation, you know, our bonds. The agency -- apparently, we can go through an installment purchase, but we cannot buy equipment from one and then finance it from another. We could arrange -- and the University has arranged at times to buy a piece of equipment from somebody

and then bid the financing and get the two people together and then offer to the State a composite deal. But, Treasurer, the question came up, is could we just go out and shop for financing alone and have a separate agreement on financing; and I think you're the one who's always had problems with that.

MR. JAMES: I don't know how we could do it.

MR. GOLDSTEIN: Interest rates are coming down. Why should we tie ourselves and pay 12 and --

GOVERNOR HUGHES: Can we buy this out within the year, did you say? Do we have an option to buy at the end of the year?

MR. STETTLER: We could buy at the end of each year, yes.

MR. HERGET: Yes, sir. At the end of each year, there is an option to buy it out.

GOVERNOR HUGHES: I think we ought to look for a way to get out of it by the end of this year.

MR. MILLSTONE: You're going to have half the money as of July 1.

MR. STETTLER: The first buy-out, I believe --

isn't the first buy-out actually '84?

MR. HERGET: Yes, after July 1, 1984, I believe it is.

MR. STETTLER: So we have at least 15 months.

MR. GOLDSTEIN: And these Texas people, they'll take you and get all the interest they can. I mean, you know that. Did you all try and get financing cheaper than that? Who negotiated this deal?

MR. HERGET: Negotiated the deal -- it was done through the Department of Budget and Fiscal Planning and the Attorney General's Office. They were the ones with the contracts. The Attorney General's Office worked directly with the leasing company to draw up the contract.

MR. GOLDSTEIN: I'm not trying to put anybody on the spot.

MR. HERGET: As it was --

MR. STETTLER: When the original bid came in at 17½ percent, we went back to the Dallas bank at that time -- I think this was a couple weeks -- got a better deal, but that was the original --

MR. GOLDSTEIN: Well, isn't there any Maryland

bank here who would be willing to finance this deal?

MR. STETTLER: This was bid as a package.

GOVERNOR HUGHES: That is the problem of separating it. Why don't we try to see what we can do within the next year to buy this thing out at the end of the year?

MR. JAMES: Max has a theory on that.

MR. MILLSTONE: We're going to have close to \$230,000 a year to pay. You have 230,000 in this year, and July 1 you're going to have 230,000 in fiscal '84. So you've got damn near 50 percent of your money as of July 1 of this year. You don't really need too much more to buy it at the 900,000 and save the interest.

MR. HERGET: That was taken advantage of in the addendum that is in your packet there. Then the total price for the cameras is about 1.1 million and not the 1.3. It saves an additional \$200,000 and it's then a five-year lease with \$240,000 a year payments and the last payment being 95,000, I believe.

MR. GOLDSTEIN: Why couldn't you go to a Maryland bank and say, "Look, you buy the cameras and we'll pay you so much?" Let them buy the damn cameras just like you do on

a lease/purchase.

MR. JAMES: They don't have the right to borrow money independently, though, do they, the Public Broadcasting Division?

MR. STETTLER: No. None of the State agencies do.

MR. JAMES: No. Of course, not. That's the problem. You can buy --

MR. STETTLER: We could buy -- you know, we could buy something or, alternatively, you know -- or we could lease it. I mean, I guess the -- this is a lease agreement. Now, this is not a large enough company that has their own -- I mean, they get the leasing, and they have a financing company that does the leasing for them; and that's why that package comes in in that way.

MR. GOLDSTEIN: Suppose you went and bought the cameras direct, in other words, pay cash for them, right on the barrel-head --

MR. HERGET: Yes, sir.

MR. GOLDSTEIN: -- the day they're delivered and working, you pay cash. How much would you have to pay for it?

MR. JAMES: Nine hundred thousand.

MR. HERGET: Nine hundred thirty-six thousand
three hundred and --

MR. GOLDSTEIN: How much?

MR. MILLSTONE: Nine hundred and thirty-six
thousand.

MR. GOLDSTEIN: Nine hundred and thirty-six
thousand dollars.

MR. HERGET: -- three hundred and one dollars.

MR. GOLDSTEIN: Nine thirty-six three hundred
and one dollars.

MR. HERGET: Yes, sir.

MR. GOLDSTEIN: That's for cash. This other way
you're paying 1,362,000. So you're paying 400 -- you're
almost paying again half, half of the purchase price. It
doesn't make sense.

MR. HERGET: Again, there is the alternate which
is about 1.1.

MR. STETTLER: If we had the money, we would have
put the money up front.

GOVERNOR HUGHES: Sure.

MR. GOLDSTEIN: What's the life of these cameras?

MR. HERGET: Approximately ten years.

MR. STETTLER: Well, you're on your original set of cameras right now, are you not, your color cameras?

MR. HERGET: Yes, sir. They are 14 years old.

MR. JAMES: Well, I think we'd better go with it.

GOVERNOR HUGHES: Are you suggesting going with the five-year rather than the --

MR. HERGET: Yes, sir.

GOVERNOR HUGHES: Which reduces it some. Then we'll try to get out of it next year.

MR. STETTLER: When we can try and buy out on July 1, 1984.

GOVERNOR HUGHES: Yes.

MR. STETTLER: That's the '85 budget.

MR. JAMES: We wouldn't have to -- you wouldn't have to --

GOVERNOR HUGHES: Wouldn't have to, but I'd like --

MR. GOLDSTEIN: But by then you'll already have paid two years' interest.

MR. STETTLER: That's correct, sir.

MR. JAMES: Well, I will say that this public television is really, I think, a wonderful thing. They really give you wonderful programs.

MR. GOLDSTEIN: Look, they're 100 percent, they're great programs. But I'm just trying to say how can you buy something -- I'm looking out for the taxpayers' interests. In other words, if I were buying these cameras, if I had the money, I'd pay cash.

MR. JAMES: Well, even under those automobile sales, they're charging 11.9 to people who are buying cars.

MR. GOLDSTEIN: 10.9.

MR. JAMES: Well, Ford is charging 11.9, I think, isn't it? That's supposed to be a bargain rate.

MR. GOLDSTEIN: Yes, but here you're dealing --

MR. JAMES: You go to a bank and borrow money, they're going to charge you God knows what.

MR. GOLDSTEIN: The prime interest rate is about $10\frac{1}{2}$, 11 percent at the very most, the prime rate.

MR. JAMES: That's different from consumer lending. That prime rate doesn't affect consumer lending much.

MR. GOLDSTEIN: Yes, but the State of Maryland

gets prime rate -- triple "A" rating, got good credit. It's awful high interest to pay, I tell you that. Now, it's a better deal -- we bought the computers; we only paid ten percent.

MR. HERGET: I don't know if this will help, but it's my understanding that one of the problems that the leasing companies have with leasing to a government agency is the fact that one legislator cannot legislate years ahead for these monthly payments. So the leasing agency or the leasing company --

MR. GOLDSTEIN: That argument don't hold water because --

2, MR. HERGET: -- whatever we dropped down, there's no penalty.

MR. GOLDSTEIN: -- once you get the cameras and you're going to stay in business, you're not going to close up all these television stations, you know that.

MR. HERGET: That's true.

MR. GOLDSTEIN: You've had them for 14 years, haven't you?

MR. HERGET: Yes, sir.

MR. GOLDSTEIN: You're still in business, aren't you?

MR. HERGET: Yes, sir.

MR. GOLDSTEIN: Okay.

MR. STETTLER: This particular unit, the group that's financing the cameras that came along with the bid is not real familiar with government leasing; but, you know, they did sign all the clauses and all.

GOVERNOR HUGHES: I think we'll go with this --

MR. JAMES: I think we'd better go with it.

GOVERNOR HUGHES: -- and try to get out of it next year.

MR. JAMES: Yes. All right. So move.

GOVERNOR HUGHES: I'll second it.

MR. GOLDSTEIN: I second it with reluctance.

GOVERNOR HUGHES: All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

MR. GOLDSTEIN: Item 12, Item 12. How about

Item Number 12, page 17B, financial advisor?

MS. MCFALL: I'm Trudy McFall. I'm the Director of the Community Development --

MR. GOLDSTEIN: I didn't catch your name.

MS. MCFALL: Trudy McFall. I'm the Director of the Community Development Administration, and I'd be happy to answer any questions you have on our contract amendment for our financial advisor.

MR. GOLDSTEIN: That's a pretty big modification from 90,000 to 160,000.

MS. MCFALL: Yes, it is.

MR. GOLDSTEIN: What do these people do for you?

MS. MCFALL: Well, they assist us in an array of things, particularly related to our revenue bond financings. They help us structure the financing, prepare the financial documents, help us structure programs with new program ideas, basically to make sure that the State of Maryland gets the best possible rates; most secure possible financings.

MR. GOLDSTEIN: You don't have anybody in Maryland that can do this, Senator Bank, Baker and Watts, Alexander

Brown?

MS. MCFALL: Well, prior to the time that I took over the directorship of CDA, we had always used our underwriters to provide us all of our financial assistance. I think that the underwriters have their own interests and they may or may not be always the interests of the Community Development Administration and the State of Maryland; and I just feel much more comfortable with hiring a financial advisor whose sole mission is to be on our side and advise us and make sure that we're getting the very best financial conditions.

MR. JAMES: The underwriters are the ones that go out and try to find the bidders -- are the ones that bid. They're the ones that bid.

MS. MCFALL: They're the ones who make the profit and set the rates and set the spreads and --

MR. JAMES: And they're not trustworthy.

MS. MCFALL: Essentially, I found it to be a very powerless situation in which our staff that doesn't have this kind of financial capability attempted to do negotiated bond sales with underwriters whose interests, while ours

hopefully, are primarily theirs as well. I think that our financial advisor has -- well worth it. I don't think there's any question that it's a substantial amendment, but I also don't think there's any question that I could cite to you many ways in which the participation of this firm has saved us substantial amounts of money, well in excess of what they cost us.

MR. JAMES: How long have they been on-board?

MS. MCFALL: Since mid-year, since July, I believe their contract began.

MR. JAMES: Oh, it only began last July?

MS. MCFALL: Yes, last July. So six, seven --

MR. JAMES: Were they competitively selected?

MS. MCFALL: Yes, they were, and they were the lowest bidder at that time.

MR. JAMES: They've made a lot of progress, Louis, I see in a short time.

MR. GOLDSTEIN: Yes, sir, 90 to 160. Yes, sir. And getting higher all the time.

MR. JAMES: Well, they've been very active out there. I think that's the reason.

MS. MCFALL: Yes. Essentially, that's the reason for the contract amendment, is that we have just been more active in terms of revenue financing than we anticipated. You have to recognize we started procurement for this contract some six months before it was awarded, and you take your best guess of what your financing opportunities will be; and we've been more active.

MR. GOLDSTEIN: This was done for single homes?

MS. MCFALL: Single family and multi-family, and we are also doing home improvement and energy financing.

MR. GOLDSTEIN: And you all are keeping track of all the accounts?

MS. MCFALL: Yes, we do. Funny, I anticipated that question. Yes.

MR. GOLDSTEIN: Yes. Well, that's the reason --

MS. MCFALL: Every penny.

MR. GOLDSTEIN: You have all the accounts up to date?

MS. MCFALL: Yes, yes.

MR. GOLDSTEIN: They can be inspected?

MS. MCFALL: Yes.

MR. GOLDSTEIN: Okay.

GOVERNOR HUGHES: They're all separately audited, aren't they, by --

MS. MCFALL: Yes, yes.

GOVERNOR HUGHES: -- Coopers and Lybrand, aren't they?

MS. MCFALL: Yes, sir.

MR. GOLDSTEIN: Thank you.

MR. JAMES: All right. I checked on this independently and I find that it's reasonable.

MR. GOLDSTEIN: Let's see, Item 20. How about Item 20-GM? Is anybody here that's familiar with that case? Item 20-GM, page 26S.

MR. EICHORN: Yes. Governor, members of the Board of Public Works, my name is George Eichorn. I'm an Assistant Attorney General, and I along with another Assistant tried that particular case. I'd be happy to answer any questions that you might have.

MR. GOLDSTEIN: What part of the statute makes the State of Maryland responsible for this individual's acts, accusing one of her co-workers of doing something

that she didn't think was right and proper?

MR. EICHORN: Well, I apologize. I don't have in front of me the write-up that I made. I believe I've cited it in the --

MR. JAMES: 16C, Article 78A.

MR. GOLDSTEIN: I know, I know.

MR. EICHORN: If I may say, what happened here was an individual, the plaintiff in this case, was in a seminar setting up in Hagerstown and another lady observed him in conduct which she termed to be masturbation. She reported that to her supervisor and he, in turn, asked for an investigation. The investigation was inconclusive. At a subsequent time, this gentleman sued her for defamation. There was another lady who testified at trial that she observed similar conduct as this defendant observed; and, in addition, there were two other witnesses who observed similar conduct; one, two hours later in another meeting-type situation, and another lady who was quite positive in what she saw and termed it masturbation, saw this kind of conduct by the plaintiff two weeks previously in a classroom setting.

Based on that, we feel that this lady did act in good faith in reporting what she saw; in fact, had a duty to report --

MR. GOLDSTEIN: But didn't she lose her case in the court?

MR. EICHORN: Yes, sir. I regret to say that the jury disagreed with the points that we made and the witnesses who testified. She did lose. Trying to --

MR. JAMES: Well, I don't see why we have to go into all this. This is a case where she was reporting to her superiors something that she thought was improper. It seems to me she had a right to do it. Now, the fact that she is penalized by a jury comes squarely within the terms of the statute, it seems to me; and we have a right to protect her.

MR. EICHORN: We think so. It was in the course of her employment. She did what she felt was proper and what her boss felt was proper. The court did let her boss out. He was also sued. He was let out.

GOVERNOR HUGHES: I don't have any --

MR. JAMES: I think she thought she was doing her

duty and, if she made a mistake and she did it in good faith, it seems to me that the statute permits us to protect her. That's the way I look at it.

GOVERNOR HUGHES: Anything further on this?

MR. EICHORN: No. I appreciate the opportunity.

GOVERNOR HUGHES: Thank you.

MR. EICHORN: Thank you.

MR. GOLDSTEIN: Thank you, sir. Okay. Item 27 --

MR. STETTLER: I might add on Item 21-GM, the budget amendment, University of Maryland, the bill has passed the Senate.

MR. JAMES: Passed Senate? Let me know where it is. I'll follow it up in the House. What's that number?

MR. STETTLER: I don't have that number with me.

MR. GOLDSTEIN: That's the one you're interested in, Bill, about the excess money.

MR. JAMES: Yes. I think I worked it out.

MR. STETTLER: I'll find the bill number.

MR. JAMES: It will be your job now to figure out what they're doing. Well, you know, especially with a hospital, you know, they require us to approve what they

do with surplus money up at the hospital. They have no idea how many patients they're going to have --

MR. GOLDSTEIN: That's right.

MR. JAMES: -- what their revenue is going to be. If they happen to have revenue in excess of estimates, to say that we're going to approve how they spend the money in the hospital is ridiculous.

MR. STETTLER: Unfortunately, the revenue has not been their expectation in the last two years.

MR. JAMES: No, no, it's been down.

MR. GOLDSTEIN: Governor, Item 27-GM, page 34B, Item Number 5 is a new addition; is that right?

MS. KOESTER: Yes, sir.

MR. GOLDSTEIN: Where's Mister -- have they gone home, have they?

MS. KOESTER: I don't know where Mr. Eskew is, but the addition to the policy that the Department of Natural Resources has had is, as Comptroller Goldstein says, Number 5 which really allows a contractor to pay the State in firewood.

MR. JAMES: Yes, we can take wood.

MR. GOLDSTEIN: The barter system.

MS. KOESTER: In a way.

MR. GOLDSTEIN: Yes.

MS. KOESTER: An exchange.

MR. GOLDSTEIN: Okay. Have use for the firewood; it's a good way to do it.

MS. KOESTER: I think that we talked about this one pre-Board ago, and the Board sense was to give it a try for a year and see how it worked out.

MR. GOLDSTEIN: Give it a try and see how it works, right.

MR. JAMES: Okay.

GOVERNOR HUGHES: Do I hear a motion on that agenda?

MR. GOLDSTEIN: I move we approve the agenda except the ones that were previously approved.

MR. JAMES: Second.

GOVERNOR HUGHES: It's been moved and seconded that we approve the Budget and Fiscal Planning Agenda except for those items previously acted upon. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

MR. JAMES: This agenda item is a good example of the complexity that would occur in the event that we had to comply with the Administrative Procedure Act. I don't know whether these rules and regulations with respect to the public or not --

MR. GOLDSTEIN: What item are you talking about?

MS. KOESTER: 27.

MR. JAMES: I'm talking about 27.

MR. GOLDSTEIN: Oh, yes.

GOVERNOR HUGHES: The firewood?

MR. JAMES: Yes. We'd have to make a decision on whether we would have to run this in the Maryland Register and make it effective and all that.

MS. KOESTER: Forty-five days and all that, public hearing.

MR. JAMES: And this would be a typical example of making a decision of whether to go with it or not.

MS. KOESTER: That's right.

MR. JAMES: We probably would have to do it.

MS. KOESTER: I think you probably would.

MR. GOLDSTEIN: There are two items on the University of Maryland Agenda. I don't see anything wrong with them. I move we approve them.

MR. JAMES: Second.

GOVERNOR HUGHES: It's been moved and seconded the University of Maryland Agenda be approved. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: General Services.

MR. MILLSTONE: Governor, if I may for the record, you have copies of these two hand-carried additions to the agenda, Item 7A-C, page 11A, a contract award for St. Mary's City Commission, the Visitor's Center Complex; and the second item is Item 16A-RP which is the proposed sale of 35 acres of land by the University of Maryland to Litton Systems, Inc., which is page 21A. Both these items were

given to the members of the Board, but I'd like to give them to the Secretary for the record.

GOVERNOR HUGHES: Okay.

MR. GOLDSTEIN: Item 21?

MS. KOESTER: Page 11A and page --

MR. JAMES: Did we approve that 10 -- that Hawkins Point?

MR. MILLSTONE: Yes, sir, this morning.

MR. GOLDSTEIN: I've got this one, I think.

MS. KOESTER: You should have both of them.

MR. GOLDSTEIN: I've got that one, 16A-RP, 21A.

MR. SWANN: I believe you have that in your file there.

MS. KOESTER: That's the Litton one.

MR. JAMES: My first one was --

MR. GOLDSTEIN: Yeah, I know, I've got it right there in the file.

MR. JAMES: I'm clear up to 17. What's your question, Louis?

MR. GOLDSTEIN: Yeah, I'm just getting the University of Maryland. I want to put that right in place

where it belongs. My first one was -- let's see, the Swallow Falls. They explained that yesterday about the --

MR. MILLSTONE: Shower building.

MR. GOLDSTEIN: -- the shower building. Let's see, Boys' Village of Maryland, explained that about the --

MR. MILLSTONE: Licensing regulations.

MR. GOLDSTEIN: Multi-service buildings, Bel Air, explained that. My next one was Item 8-C-MOD, University of Maryland, page 12, Engineering Building.

MR. MILLSTONE: Yes, sir. That's the -- the contract originally called for the penthouses to be renovated; but, when they began removing the concrete slabs, they found that the reinforcement bars had rusted out. So they had to remove them, and it's being done now on a time and material basis with a guarantee not to exceed \$153,154.

MR. GOLDSTEIN: You think that's necessary; right?

MR. MILLSTONE: Oh, yes, sir.

MR. GOLDSTEIN: Okay. Thank you. How about Item Number 9-C-MOD, that prison, that new prison up in the Hagerstown area?

MR. MILLSTONE: Yes, sir. This is something that

they've learned as a result of the opening of the 512-bed prison in Jessup. They need a somewhat more secure window in the 720-bed prison we're building up in Hagerstown. The windows at Jessup do permit the passage of contraband. The new windows that will be used at Hagerstown will not presumably, until the prisoners find a way to get it through.

GOVERNOR HUGHES: They're very ingenious.

MR. MILLSTONE: Yes, they are.

GOVERNOR HUGHES: How's that construction coming?

MR. MILLSTONE: Very well. We're months ahead of schedule up there.

MR. SEBODA: Twenty-eight percent complete.

MR. GOLDSTEIN: All right. That answers the question. We took care of 10 this morning. 11-AE, page 15, they're expanding that prison there in Baltimore.

MR. MILLSTONE: Yes, sir. The 1982 General Assembly approved a change in the legislation to increase the number of beds from 250 to an amount not to exceed 300. So the architect was -- set out to design an addition of 48 beds. It's a four-story building. It's a pretty complex

design.

MR. GOLDSTEIN: How many stories in that building?

MR. MILLSTONE: Four stories.

MR. GOLDSTEIN: Four stories plus the basement?

MR. MILLSTONE: No basement.

MR. GOLDSTEIN: No basement.

MR. MILLSTONE: No, sir.

MR. GOLDSTEIN: How come you don't have a lower level?

MR. MILLSTONE: Well, it will be slab on grade, but it won't -- no basement.

MR. GOLDSTEIN: I see. That's unusual, isn't it?

MR. MILLSTONE: Not for that type of construction, really no. It's just a wing onto what you have already. In other words, you have a 250-bed prison with your administration complex and the food service and whatever else is involved. This is just a residence hall.

MR. GOLDSTEIN: I see. Okay. Real property, we took care of 16. Well, this other item here, 16, Governor, that's the --

MR. JAMES: You know, we asked for more information

on 17. Did they postpone that?

MR. GOLDSTEIN: 17?

MR. JAMES: Yes. We wanted to know what the rights of termination were.

MR. MILLSTONE: 17, I'd like to withdraw, if I may. Yes, sir.

MR. JAMES: You know, that was a 98-year lease and we didn't even have a copy of it.

MR. MILLSTONE: Yes, sir.

MR. GOLDSTEIN: 17. But don't we want to take up the University of Maryland? That's Item Number 16A-RP, page 21A. That's the Litton purchase, Governor. I have a copy of all the agreements here. I read them over. Here's copies of them for anybody.

MR. JAMES: You want to enter them in the record, or that's --

MS. KOESTER: It's really not necessary. They're just the documents that you'll be signing.

MR. GOLDSTEIN: Need a signature here. There's 15 signatures required here. There's five copies. Do they want all five copies signed?

GOVERNOR HUGHES: They're all signed except for the Board?

MR. GOLDSTEIN: Sir?

MS. KOESTER: Yes, sir.

MR. GOLDSTEIN: But the Board has to sign them; yes, sir.

GOVERNOR HUGHES: Yes.

MR. JAMES: We might as well sign them right now.

MR. GOLDSTEIN: I would think so. Here's the copy of the -- I saw the one plat. I don't know, I imagine that goes with one of these leases, I suppose. There's only one here, Governor. Here's the plat and here's -- if you want to start signing them.

GOVERNOR HUGHES: Go ahead and start signing them.

MR. GOLDSTEIN: All right. I wonder if you could make up a copy, so I can put it in my file.

MS. KOESTER: Yes, sir.

MR. GOLDSTEIN: Somebody is always calling up, you know, after the fact. That's a good day's work, 720 new people getting jobs.

GOVERNOR HUGHES: And more coming.

MR. GOLDSTEIN: More coming. I think that would be an ideal situation with the University, engineers and electronics and physics. It's a great thing. I think the University of Maryland with its unique location can rival Chapel Hill. With so much resources right there, Bureau of Standards and all the research and everything that goes on, got the greatest opportunity in the world, you know that.

MR. MILLSTONE: With Washington on one side, Baltimore, Philadelphia.

MR. GOLDSTEIN: That's right. But all that research and development, all those companies all over the world are right within 15 - 20 miles of the campus. You can't miss.

GOVERNOR HUGHES: Well, being next to the nation's capital helps, too.

MR. GOLDSTEIN: That's it. That's right.

GOVERNOR HUGHES: I mean, it attracts a lot of those high-tech industries.

MR. MILLSTONE: Lot of consulting firms.

MR. JAMES: What do they call them? The Beltway

Bandits?

MS. KOESTER: Yes, that's it.

MR. GOLDSTEIN: Let's see, those leases there, there were two leases, I think.

GOVERNOR HUGHES: Anything else on General Services?

MR. GOLDSTEIN: Let's see, there was one -- well, let's see, there's two -- I had two leases there I wanted to ask questions on, Governor, 20-L and 21-L, pages 25 and 26. It's with reference to this parking. That's getting to be a real problem up there in Baltimore. If you look at the guy who's President of both of these, they're two different companies; S.P.C., Incorporated, that's Item 20-L, page 25. His name is Christos D. Sarbov. Then you look on the next page, 21-L, the company is S. & W. Parking, President Christos D. Sarbov. Same man, isn't it?

MR. MILLSTONE: Yes, sir.

MR. GOLDSTEIN: And they're raising the rate from 62 to \$75 for parking; and that's just the beginning, the way it looks.

MR. JAMES: I don't know whether we ought to have

a study of all our parking expenses in the city or not, because we certainly are paying a lot of money for it.

MR. MILLSTONE: I think the Budget and Taxation Committee is going to insist on some kind of a policy be established before the -- in fact, I understand they challenged Licensing and Regulation yesterday in a budget hearing, the amount they had in for parking, and they wanted to know on what basis the parking permits were awarded and who approves the parking, et cetera, et cetera, there.

So it would seem that it is going to be necessary to come up with a policy out of the Board when parking will be permitted and when it won't be permitted.

MR. GOLDSTEIN: It started -- it used to be \$30 a month, then it went up to \$35; and it just keeps jumping.

MR. MILLSTONE: We used to get them, 15 - \$20.

MR. GOLDSTEIN: And we bailed out a lot of people.

GOVERNOR HUGHES: Very expensive.

MR. GOLDSTEIN: How about the one you brought us here --

GOVERNOR HUGHES: It's a fringe benefit.

MR. GOLDSTEIN: Sir?

GOVERNOR HUGHES: Yes, sir. It's a fringe benefit of State service.

MR. GOLDSTEIN: No question about it.

GOVERNOR HUGHES: Private employers don't always provide parking. I think we probably should take a look at our whole parking situation.

MR. JAMES: I just wonder if we could maybe make a -- might reach a point where you would say we'll pay a percentage or "X" number of dollars; put the responsibility up to the employee.

MR. MILLSTONE: The employee for the difference.

MR. JAMES: The difference. And it might not be too popular, but it might be an approach.

GOVERNOR HUGHES: It's mostly a problem in the city.

MR. MILLSTONE: Yes, sir. Do you know of any other areas where we rent parking? We do some in Baltimore County?

MR. BOSLEY: Just right here, here in town.

GOVERNOR HUGHES: Here.

MR. BOSLEY: Baltimore County has some right there

by the Investment Building. Downtown Baltimore you have about 1,000 parking spaces.

MR. MILLSTONE: Anything in Montgomery County, Prince George's?

MR. BOSLEY: Nothing I can recall.

MR. MILLSTONE: It's generally Metropolitan Baltimore, that's it, and here.

MR. JAMES: What's that a year, Ray, approximately in dollars and cents?

GOVERNOR HUGHES: It's 50,000 a month.

MR. BOSLEY: I guess you're talking about an average of about 50 to \$55.

GOVERNOR HUGHES: Seven or eight hundred thousand.

MR. BOSLEY: It runs from about 42 to 72 or 75 this last one. The State Highways has 450. The Education has 300. Licensing and Regulation has 100; and the Public Service Commission, another 100.

GOVERNOR HUGHES: Well, if it's 1,000 at \$50, that's \$50,000 a month, isn't it? Twelve months, that's 600,000.

MR. MILLSTONE: Yes, sir.

MR. JAMES: Yes, a lot of money.

GOVERNOR HUGHES: It's going more than \$50.

Are we through with this agenda?

MR. GOLDSTEIN: Yes, I move we approve the agenda.

MR. JAMES: Second.

GOVERNOR HUGHES: It's been moved and seconded that we approve General Services Agenda. All in favor, say "aye."

BOARD MEMBERS: Aye.

GOVERNOR HUGHES: Opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR HUGHES: The ayes have it.

(Whereupon, at 2:13 p.m., the proceedings in the above-entitled matter were adjourned.)