

October 23, 2023

The meeting of the Board of Finance was called to order at 3:02 p.m.

Present: Michael Moiseyev, Director of Finance (*in lieu of Mayor Scott*)
Bill Henry, Comptroller and Member
Arnold Williams, Member
Robert Shelton, Member
Jennell Rogers, Chief, Bureau of Treasury Management and Clerk to the Board of Finance

Absent: Honorable Brandon M. Scott, Mayor and President
Frederick Meier, Member

Also Present: Evelyn Alston, Treasury Management
Joann Levin, Law Dept.
Maureen Gershberg, BCPSS
Kristen Ahearn, Planning
Darnell Ingram, DPW
Deepti Modha, DPW
Rijin Lee, DPW
Kimberly Min, WTP
Micheal Sullivan, Treasury Management (*via Webex*)
Michael Wells, CharmTV (*via Webex*)

MINUTES

Director Moiseyev requested the Board to review the minutes from the meeting of August 28, 2023. The minutes were approved on the motion of Mr. Shelton, seconded by Mr. Williams.

SECURITY TRANSACTIONS

Ms. Rogers briefed the Board on the investment activity for this period noting that total securities purchased since the last Board of Finance meeting were \$79,115,000 and redemptions totaled \$267,340,000. Mr. Williams pointed out that there is a large gap between the totals for securities purchased and those redeemed. Why is the difference so large for this period? Ms. Rogers responded that the difference is due to Treasury holding cash in reserve to cover outgoing purchases for this period.

Security transactions since the meeting August 28, 2023 were approved on the motion of Mr. Williams, seconded by Mr. Shelton. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of September 30, 2023 with a notional amount of \$123,155,000. The fair market value of the swap portfolio decreased slightly from (\$10,189,481) to (\$9,191,648). The ten-year Treasury rate increased from 3.97% to 4.59%. As of the date of this report, there was no collateral posted.

The Board accepted the report. (Appendix II)

BALTIMORE CITY PUBLIC SCHOOLS CAPITAL IMPROVEMENT PROGRAM

Ms. Rogers requested the Board to consider and approve the enclosed Baltimore City Public School (“BCPS”) Capital Improvement Program (“CIP”) for fiscal year 2025 and fiscal years 2026-2030. The program includes \$114,000,000 in City bond funds, and \$1,013,575,000 in State funds for a total of \$1,127,575,000.

The 2025 program request totals \$208,882,000 consisting of \$19,000,000 in City General Obligation bond funds and \$189,882,000 in state funds. BCPSS estimates actual state funding will likely be approximately \$30 million due in part to the state’s commitment to the 21st Century Building Initiative. The 2025 CIP continues to focus on major facilities upgrades and deferred maintenance. There are six projects earmarked as highest priority or major projects, including many funded through the 21st Century Schools and Build to Learn initiatives, estimated costs over \$483.1 million and safety/systemic improvements at 47 schools totaling \$120.3 million (see attached project spreadsheet). The systemic projects are of an urgent nature and cannot be delayed for the 21st Century Initiative.

Maureen Gershberg, BCPS, gave a thorough overview of the Capital Improvement Plan noting that there is an annual deficit of about \$204 million between what the industry standard is for school maintenance and what the City actually receives. The funding level steers which projects are suggested and how they are prioritized to determine which projects will be completed first. Ms. Gershberg responded to several questions from the Board. Some points of discussion/clarification were:

- The CIP program contains other sources to revenues to fund the CIP projects. The Board is being requested to consider today, related only to the \$19 million in City GO bonds, not other funding sources.
- Of the original 75 schools identified, there are only 11 schools remaining that do not have air conditioning. They will be addressed through a variety of funds, not just the CIP program.

The request to endorse the BCPS Capital Improvement Plan for fiscal years 2025-2030 was approved on the motion of Mr. Shelton, seconded by Comptroller Henry.

ORDINANCE TO AMEND THE BOND RESOLUTIONS FOR THE WASTEWATER REVENUE OBLIGATIONS

Ms. Rogers requested the Board to approve the introduction of the enclosed Revenue Obligations – Wastewater Projects Ordinance for the purpose of amending the certain provisions.

The Bureau of Treasury Management plans to introduce legislation to clarify and modernize specific terms in the bond resolution. The first amendment addresses the Water Utility borrowing capacity.

City Charter Article II – General Powers – Section 50 – Revenue Bonds and Obligations mandates that an ordinance of the City Council shall authorize revenue bond obligations. The current authorization (previously approved by this Board in April 2014) established a limit of \$2,363,000,000 following the enactment of Ordinance #14-293. This request and previous increases were required to accommodate new debt issuances in support of the Wastewater Utility capital program. The original borrowing ordinance only accounted for the amount of debt issued and did not consider the retirement of bonds. The amendment would clarify that the authorized debt is measured by what is currently outstanding (considering what has been redeemed) and not only the original debt amount issued. Based on the current approved CIP budget for FY2024-FY2029, the Wastewater Utility Fund will exceed the borrowing limit. This amendment would

add approximately \$382M in borrowing capacity over six years, and the maximum authorization will be sufficient to cover future borrowings. If the amendment is not approved, the City must request an increase of \$696M, establishing a maximum limit of \$3,059,000,000.

The additional amendments are:

- Allows interfund support to Stormwater, as is currently provided for between Water and Wastewater
- Permits bonds to be issued even if there is an existing default (such as debt service coverage violation), which will provide the City with the flexibility to remedy any such default with the issuance of additional obligations or to issue obligations- if needed- for the benefit of the utilities despite current defaults
- Requires that rates and charges be assessed and collected to the extent deemed necessary to operate the facilities and provide payment for the outstanding revenue obligations. This requirement is in line with the existing Stormwater Ordinance provisions, and City Charter Article 24, Section 3-5.
- Modernizes terms and allows the Board of Finance to:
 - a) Determine application of bond premium and other excess bond proceeds
 - b) Determine interest rate
 - c) Prepare and distribute Official Statement

Comptroller Henry asked why this request was not made sooner. Ms. Rogers stated that Treasury knew that funds would not be depleted before the 2024 CIP funding was addressed. Mr. Shelton inquired about the rating of the bonds. Ms. Rogers responded that the bonds are rated AA. Mr. Williams asked for clarification as to whether this request would change the language of the ordinance only and not change the borrowing limit. Ms. Rogers responded that the two are somewhat synonymous. Ms. Rogers advised the Board that revising the ordinance is necessary so that the maximum borrowing limit will not need adjustment.

The request to approve the introduction of the enclosed Revenue Obligations – Wastewater Projects Ordinance for the purpose of amending the certain provisions was approved on the motion of Mr. Shelton, seconded by Mr. Williams. Comptroller Henry abstained.

ORDINANCE TO AMEND THE BOND RESOLUTION FOR THE WATER REVENUE OBLIGATIONS

Ms. Rogers requested the Board to approve the introduction of the enclosed Revenue Obligations – Water Projects Ordinance for the purpose of amending the certain provisions.

City Charter Article II – General Powers – Section 50 – Revenue Bonds and Obligations mandates that an ordinance of the City Council shall authorize revenue bond obligations. The current authorization (previously approved by this Board in April 2014) established a limit of \$2,152,000,000 following the enactment of Ordinance #14-292. This request and previous increases were required to accommodate new debt issuances in support of the Water Utility capital program. The original borrowing ordinance only accounted for debt issued and did not consider the retirement of bonds. The amendment would clarify that the authorized debt is measured by what is currently outstanding (considering what has been redeemed) and not only the original debt amount issued. Based on the current approved CIP budget for FY2024-FY2029, the Water Utility Fund will not exceed the borrowing limit. This amendment would add approximately \$226M in borrowing capacity over six years, and the maximum authorization will be sufficient to cover future borrowings.

The additional amendments are identical to those listed for Wastewater Revenue Obligations above.

The request to approve the introduction of the enclosed Revenue Obligations – Water Projects Ordinance for the purpose of amending the certain provisions was approved on the motion of Mr. Shelton, seconded by Mr. Williams. Comptroller Henry abstained.

ORDINANCE TO AMEND THE BOND RESOLUTION FOR THE STORMWATER REVENUE OBLIGATIONS

Ms. Rogers requested the Board to approve the introduction of the enclosed Revenue Obligations – Stormwater Projects Ordinance for the purpose of increasing the maximum aggregate principal amount of revenue debt obligations from \$202,000,000 to \$320,000,000.

City Charter Article II – General Powers – Section 50 – Revenue Bonds and Obligations mandates that an ordinance of the City Council shall authorize revenue bond obligations. The current authorization established a limit of \$202,000,000 following the enactment of Ordinance #18-174. This request is required to accommodate new debt issuances in support of the Stormwater Utility capital program. Without this increase, the stormwater system will run out of authorization next year. When this occurs, there will be no means to generate the required funding to construct the enclosed projects. The requested increase will permit financing new Capital Improvement Program projects for the Stormwater Utility through FY2029. The enclosed project summary shows that after consideration of the projects and unused authorization capacity, an increase of \$118,000,000 is required, increasing the debt limit from \$202,000,000 to 320,000,000.

Treasury is expected to occasionally submit requests for new authorization as the Stormwater Utility complies with federal standards and maintains existing infrastructure. The authorization shall only fund projects in the CIP and be incorporated into the annual capital budget as approved by the Board of Finance, the Board of Estimates, and the City Council.

The request to approve the introduction of the enclosed Revenue Obligations – Stormwater Projects Ordinance for the purpose of increasing the maximum aggregate principal amount of revenue debt obligations was approved on the motion of Mr. Shelton, seconded by Mr. Williams. Comptroller Henry abstained.

OTHER BUSINESS

There was no other business. The meeting was adjourned at 3:53 p.m.

Jennell Rogers
Clerk to the Board of Finance