

October 25, 2021

The meeting of the Board of Finance was called to order at 2:00 p.m. via Webex.

Present: Honorable Brandon M. Scott, Mayor and President
Bill Henry, Comptroller and Member
Frederick Meier, Member
Arnold Williams, Member
Jennell Rogers, Chief, Bureau of Treasury Management and Clerk to the Board of Finance

Also Present: Benedict Richardson, Treasury Management
Evelyn Alston, Treasury Management
Joann Levin, Law Department
Sara Paraniham, Planning
Kristen Ahearn, Planning
Cynthia Smith, BCPS
Troy Brogden, DPW
William Beckford, Morgan Stanley
Scott Detar, BofA Securities
Jeff Hoyes

MINUTES

Mayor Scott requested the Board to review the minutes from the meeting of August 23, 2021. The minutes were approved on the motion of Comptroller Henry, 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 \$365,000,000 and redemptions totaled \$545,000,000.

Security transactions since the meeting August 23, 2021 were approved on the motion of Mr. Williams, seconded by Comptroller Henry. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of September 30, 2021 with a notional amount of \$141,555,000. The fair market value of the swap portfolio decreased slightly from (\$22,290,781) to (\$21,315,028). The ten-year Treasury rate increased from 1.45% to 1.52%. As of the date of this report all collateral was returned to the City.

The Board accepted the report. (Appendix II)

BALTIMORE CITY PUBLIC SCHOOLS CAPITAL IMPROVEMENT PLAN FY2023-2028

Ms. Rogers requested the Board to consider and endorse the enclosed Baltimore City Public School (BCPS) Capital Improvement Program (CIP) for the fiscal year 2023 and fiscal

years 2024-2028. The program includes \$114,000,000 in City bond funds, and \$750,313,000 in States fund for a total of \$864,313,000.

Rules, regulations, and procedures for the administration of the school capital improvement program require that BCPS submit annually an updated and detailed capital improvement program for the upcoming fiscal year and the ensuing five fiscal years to the State Interagency Committee on School Construction. The BCPS Department of Facilities Planning and School Construction are tasked with meeting this requirement each year as a condition for receiving school construction funds from the State.

Prior to submitting the CIP to the State, City Schools must first obtain the approval of this program by the local governing body. As a condition for gaining City approval, a review and endorsement of the plan by the School Board (October 7, 2021), Planning Commission, Board of Finance, and the Board of Estimates serve as the means by which the Mayor's Office will support and approve the program.

The 2023 program request totals \$72,898,000 consisting of \$19,000,000 in City GO bond funds and \$53,898,000 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 2023 CIP continues to focus on major facilities upgrades and deferred maintenance. Significant projects include Armistead Gardens, Maree G. Farring, Furley Replacement, Northeast Building, Roland Park, Benjamin Franklin, and Edmondson Renovation estimated to be \$278.5 million and safety/systemic improvements at 15 schools totaling \$28.3 million (see attached project spreadsheet). The systemic projects are of an urgent nature and cannot be delayed for the 21st Century Initiative.

Cynthia Smith, BCPS, gave a thorough overview of the Capital Improvement Plan and responded to a couple of process questions from Comptroller Henry to offer clarity. Comptroller Henry asked if there was any stipulation requiring the Board of Finance to look at projects through an equity frame. Ms. Paraniham, Planning, responded that an equity analysis was provided in the Planning Commission staff report.

The request to endorse the BCPS Capital Improvement Plan for fiscal years 2023-2028 was approved on the motion of Mr. Meier, seconded by Comptroller Henry.

UNDERWRITERS FOR THE WATER AND WASTEWATER REVENUE BONDS, SERIES 2021

Ms. Rogers requested the Board to consider and approve the following appointments for the Mayor and City Council of Baltimore Water and Wastewater Project Revenue and Refunding Bonds, Series 2021:

Bond Underwriting Group:

1. Citigroup Global Markets, Inc., Philadelphia, PA, as senior managing underwriter;
2. Loop Capital Markets (MBE), New York, NY, as co-managing underwriter;
3. Siebert William Shank & Co. (MBE), Washington, DC, as co-managing underwriter.

It has been this Board's practice to select co-managers via a competitive solicitation. In accordance with this practice, Treasury Management issued an RFP on September 22, 2021 requesting proposals to serve as underwriter for the Water and Wastewater Revenue and Refunding Bonds, Series 2021. The RFP requested each respondent submit information on the following key evaluation criteria:

- (1) Underwriting experience
- (2) Fee proposal
- (3) Sales Network
- (4) Rate structure

Treasury provided the RFP to twenty-three (23) firms and received ten (10) proposals by the October 6, 2021 deadline. Each proposal was evaluated by Treasury staff and our financial advisor in response to specific questions relating to the evaluation criterion. Our review showed that each firm provided varying degrees of water and wastewater experience as well as a variance in cost. The RFP requested information pertaining to bonds sold in which the firm served as senior managing underwriter for a negotiated sale during the previous three years. The cost evaluation considered the take down for the proposed fixed rate tax-exempt bond issue. Ms. Rogers shared the result of the analyses.

Citigroup Global Markets, Inc. has the best overall proposal with a takedown at 0.931/\$1,000 (new money), and an experienced team of professionals capable of managing an estimated \$90 million new money, and if required, managing the advanced taxable refunding. The Citigroup team has completed 91 senior managed water and wastewater transactions totaling \$13.5 billion in the last three years. BofA Securities and Citigroup were comparatively close in underwriting experience but Citigroup proposed fees were slightly lower, making their proposal more favorable in the final analyses.

To complete the co-managing team, Treasury recommends appointing Loop Capital Markets (MBE) and Siebert William Shank & Co. (MBE). The City has worked with these firms on other bond transactions and was satisfied with the service rendered.

The request to approve the appointments of Citigroup, Loop, and Siebert as co-managing underwriters for the Water and Wastewater Project Revenue and Refunding Bonds, Series 2021 was approved on the motion of Mr. Meier, seconded by Mr. Williams.

WATER PROJECTS REVENUE BONDS, SERIES 2021C (WIFIA)

Ms. Rogers requested the Board to approve and endorse the enclosed resolution that includes the following:

1. Authorize the issuance and delivery of no more that \$193,000,000 of Project Revenue Bonds (Water Projects) Series 2021C, at a rate not to exceed 4.50%.
2. Approve the Water Projects 22nd Supplemental Bond Resolution between the Mayor and City Council of Baltimore and M&T Bank as trustee substantially in the form enclosed.
3. Issue the Bonds through a private placement to the United States Environmental Protection Agency (EPA).
4. Appoint M&T Bank as Trustee, Registrar, and Paying Agent for the Bonds.

The Series 2021 bonds will be funded through the United States Environmental Protection Agency Revolving Loan Fund. This fund is administered through the Water Infrastructure Finance and Innovation Act Program (WIFIA), a division within the Environmental Protection Agency, for the expressed purpose of providing low-interest water, wastewater, and stormwater infrastructure loans to eligible borrowers.

In February 2018, the Board granted the City permission to utilize the WIFIA program as a new funding source for the water, wastewater, and stormwater capital improvement program. This request will be the first borrowing to fund water capital projects, and the City is in the final phase of negotiating the loan terms. Similar to the previous wastewater financing, the EPA will allow the City to execute a “dry” closing to occur in November 2021. The “dry” closing is due to

the requirement that the loan must be rated by two Nationally Recognized Rating Agencies before the disbursement of funds; however, we expect to be able to lock in the interest rate at the time of the “dry” closing. All parties agreed the City will obtain such ratings during the next water/wastewater public offering.

The bonds shall be amortizing loans not to exceed 4.50% with an administrative fee of approximately \$12,000 to \$15,000 annually. Once executed, these loans shall be considered as senior lien debt issued under the 2002 amended and restated Water Bond resolution approved by this Board on April 15, 2002.

The Water Projects Revenue Bonds, Series 2021C were approved on the motion of Mr. Williams, seconded by Mr. Meier.

WASTEWATER PROJECTS REVENUE BONDS, SERIES 2021G (WIFIA)

Ms. Rogers requested the Board to approve and endorse the enclosed resolution that includes the following:

1. Authorize the issuance and delivery of no more than \$161,000,000 of Project Revenue Bonds (Wastewater Projects) Series 2021G, at a rate not to exceed 4.50%.
2. Approve the Wastewater Projects 35th Supplemental Bond Resolution between the Mayor and City Council of Baltimore and M&T Bank as trustee substantially in the form enclosed.
3. Issue the Bonds through a private placement to the United States Environmental Protection Agency (EPA).
4. Appoint M&T Bank as Trustee, Registrar, and Paying Agent for the Bonds.

The Wastewater Projects Revenue Bonds, Series 2021G were approved on the motion of Mr. Williams, seconded by Mr. Meier.

STORMWATER PROJECTS REVENUE BONDS, SERIES 2021B (WIFIA)

Ms. Rogers requested the Board to approve and endorse the enclosed resolution that includes the following:

1. Authorize the issuance and delivery of no more than \$43,000,000 of Project Revenue Bonds (Stormwater Projects) Series 2021B, at a rate not to exceed 4.50%.
2. Approve the Stormwater Projects 4th Supplemental Bond Resolution between the Mayor and City Council of Baltimore and M&T Bank as trustee substantially in the form enclosed.
3. Issue the Bonds through a private placement to the United States Environmental Protection Agency (EPA).
4. Appoint M&T Bank as Trustee, Registrar, and Paying Agent for the Bonds.

The Stormwater Projects Revenue Bonds, Series 2021B were approved on the motion of Mr. Williams, seconded by Mr. Meier.

OTHER BUSINESS

There was no other business. The meeting was adjourned at 2:59 pm.

Jennell Rogers
Clerk to the Board of Finance