

February 28, 2022

The meeting of the Board of Finance was called to order at 3:00 p.m. via Webex.

Present: Chichi Nyagah-nash, Deputy City Administrator (*in lieu of Mayor*)
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

Absent: Honorable Brandon M. Scott, Mayor and President

Also Present: Benedict Richardson, Treasury Management
Evelyn Alston, Treasury Management
Joann Levin, Law Dept.
Max Levee, Municap
Keenan Rice, Municap
Dan Taylor, Baltimore Development Corp.
Alan Cason, McGuire Woods

MINUTES

Ms. Nyagah-nash requested the Board to review the minutes from the meeting of January 24, 2022. The minutes were approved on the motion of Mr. Williams, seconded by Mr. Meier.

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 \$200,600,000 and redemptions totaled \$335,000,000.

Security transactions since the meeting January 24, 2022 were approved on the motion of Mr. Meier, seconded by Mr. Williams. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of January 31, 2022 with a notional amount of \$136,055,000. The fair market value of the swap portfolio decreased slightly from (\$20,856,912) to (\$19,964,170). The ten-year Treasury rate increased from 1.94% to 2.12%. As of the date of this report, there was no collateral posted.

The Board accepted the report. (Appendix II)

OVERVIEW OF THE HARBOR POINT TIF AND PROJECT

Mr. Rice, President of Municap, introduced himself to benefit new Board members and offered some background information about Municap and the Harbor Point TIF. Municap has a specialized practice and has been the City's chief financial advisor for TIFs for over 20 years for all of the tax increment financings that the City has executed. He gave the Board members some background information on the following:

1. What is tax increment financing
2. The City's existing TIF policies
3. The TIF approval process and
4. The Harbor Point TIF
5. Harbor Point Project
6. Next Steps

Mr. Rice stated that TIFs are self-funding mechanisms to provide capital for the redevelopment of properties. The TIF request must come from an entity or department of the City and not the developer. The TIF should be necessary to make the project feasible, meaning the project would not happen without the TIF funds. Mr. Rice added that it is not uncommon for a city to work with a private developer to redevelop the underutilized property to meet the public's needs better and provide additional tax dollars. This increase in taxes pays for bonds issued by the City to finance public infrastructure and parking facilities, but not private development projects. Mr. Rice asserted that the City would start seeing a significant amount of positive tax revenues from Harbor Point going back into the City's general fund. He further advised that the City has set a special tax on the property so that if the development does not produce enough taxes to pay the bonds, the City will collect that special tax. Mr. Rice turned the presentation to Dan Taylor, Baltimore Development Corporation (BDC).

Dan Taylor, BDC, presented the Board with pictures to show the progress of where the project started to where we are now. He noted that there was a large, undeveloped industrial property before there was any private investment. Water or sewer lines could not be placed underground because of environmental contamination. There is now development of public spaces and buildings, including Central Plaza, many roads, and the extension of Central Avenue and the Central Avenue bridge. There are three remaining parcels to be built. Mr. Williams asked about the timeline from a development standpoint. Mr. Taylor responded that this tranche and the development that supports it would coincide, so the T. Rowe Price development and the issuance of these bonds will happen simultaneously. Comptroller Henry asked why the initial request to fund the project was estimated at \$107 million. Why was the issuance amount substantially higher than the public financing? Was the expectation that it would probably end up costing more? Mr. Taylor responded that it is traditional to have a reserve fund in the marketplace and added that that money ultimately comes back to the City when the bonds mature. Included in the financing are capitalized interest and bond issuance costs. These factors account for the difference between the \$107 million and the \$125 million authorized. Comptroller Henry posed a follow-up question about whether documentation is presented to the Board to show how well the developers held to the original plan. Mr. Taylor responded that documentation is submitted. Comptroller Henry stated that it would be helpful to see how the projected costs of these individual projects match what the City paid for in the first two phases and what the anticipated costs are for the next phase. Mr. Rice responded that he would come back to the Board with those numbers. Comptroller Henry requested that the data be circulated to Board members before approval for the final tranche. Mr. Meier asked about the interest rates. Mr. Rice answered that the City's two underwriters have been giving regular feedback on the market and the bonds' pricing expectation. He added that interest rates are rising, so we want to get the bonds to market quickly. Mr. Williams asked if this was the proper time to ensure the previous issuances complied with the terms. Mr. Taylor answered the Board of Estimates approved two Memorandum of Understanding (MOU) at the beginning of this process. One was a local hiring/workforce MOU, and the other was for housing. The developer has satisfied the requirements for both MOUs. Mr. Williams

asked if there was also a minority equity requirement. Mr. Taylor responded that he would review the file and get that answer. Mr. Cason added that he does not recall if the City implemented this requirement.

OTHER BUSINESS

The team discussed the possibility of a special meeting in early April because the finance team may not be able to get all the information relating to this TIF to the Board prior to the next scheduled meeting on March 28, 2022. The meeting was adjourned at 4:07 pm.

Jennell Rogers
Clerk to the Board of Finance