

March 23, 2020

The meeting of the Board of Finance was called to order at 3:05 p.m. via teleconference.

Present: Honorable Bernard “Jack” C. Young, Mayor and President (via teleconference)
Joan M. Pratt, Comptroller and Member (via teleconference)
Frederick Meier, Member (via teleconference)
Dana Moulden, Member (via teleconference)
Stephen Kraus, Deputy Director of Finance and Clerk to the Board of Finance

Absent: Larry Silverstein, Vice President

Also Present: Jennell Rogers, Chief, Bureau of Treasury Management
Benedict Richardson, Deputy Chief, Bureau of Treasury Management (via teleconference)
Evelyn Alston, Treasury Management
Joann Levin, Law Department (via teleconference)
Kristen Ahearn, Planning Department (via teleconference)
Sara Paranilam, Planning Department (via teleconference)
Carolyn Mozell, Mayor’s Office (via teleconference)

MINUTES

Comptroller Pratt requested the Board to review the minutes from the meeting of December 18, 2019. Corrections were requested by Dana Moulden. The minutes were approved, after revision, on the motion of Comptroller Pratt, seconded by Dana Moulden.

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 \$1,035,000,000 and redemptions totaled \$690,500,000. Ms. Rogers noted that several bonds were called. Mr. Kraus added with interest falling on investments we expect more high yielding securities will be called.

Security transactions since the meeting of December 18, 2019 were approved on the motion of Fred Meier, seconded by Ms. Moulden. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of February 29, 2020 with a notional amount of \$149,815,000. The fair market value of the swap portfolio increased from (\$23,907,972) to (\$24,062,103). The ten-year Treasury rate decreased from 1.92% to 1.13%. As of the date of this report there is no collateral posting. Mr. Kraus explained that the interest rate had gone down causing the SWAP portfolio to increase. He further added that market fluctuations occur and that the rate change is reflective of the current market.

The Board accepted the report. (Appendix II)

FY2021-2026 CAPITAL IMPROVEMENT PLAN

Ms. Rogers requested the Board to consider and endorse the FY2021 Capital Budget totaling \$888,393,000 (including \$80,000,000 in General Obligation Bonds) and the six-year Capital Improvement Program (“CIP”) for FY2021-2026 totaling \$3,639,270,000.

As was the case last year, much of the capital activity is associated with the Department of Public Works water, wastewater, and stormwater utilities. These programs (all funding sources combined) total approximately \$2.6 billion over the six-year program period representing 72% of the CIP. The majority of the public works activity occurs in FY2021 through FY2022 and FY2026 totaling \$1.9 Billion. Much of this is associated with upgrades to Back River and Patapsco WWTP, Pump Station rehabilitation, water meter replacement program, permit requirements, water infrastructure rehabilitation, sewer system rehabilitation, drainage repairs/improvements, and environmental restoration.

The FY2021-2026 CIP annual general obligation totals are consistent with the City's debt policy and are not expected to adversely impact the City's credit rating (S&P AA; Moody's Aa2).

Ms. Rogers turned the presentation over to representatives from Planning to respond to questions from the Board. Ms. Moulden asked about \$7.3 million assigned to the Office of Information and Technology on a short term lease. What does this mean? Sara Paraniham responded that a short term lease was used to finance the project because the terms will match the useful life of the asset. The bond terms are much longer terms and may extend beyond the useful life of the project. Mr. Meier asked who is the lessor. Mr. Kraus stated that a lessor will be selected through the City's regular bid (procurement) process. Ms. Moulden asked for clarity regarding \$41M to the Department of Transportation for conduits. Ms. Paraniham responded that this refers to conduit payments, which is an enterprise fund. She further explained that, because this is an enterprise fund, revenue that is generated from conduits must be used to reinvest in the conduit system (e.g., for reconstruction and new construction). Mr. Meier asked for further clarity. Ms. Ahearn explained that there are physical conduits which are the pipes that run throughout the City and hold some of the telecommunication and utility infrastructure. The City leases out space in the physical conduit system and revenues that are generated from that function must go back into financing the conduit. It was suggested and duly noted that the language could be clearer in the Planning report to distinguish conduit revenues from physical conduits. Mr. Meier asked why there are no funds being generated by highway user revenue. Ms. Paraniham answered that her office had been advised by the Department of Finance to plan the FY 2021-2026 budget with no general funds in the capital available. She explained that the City is still getting highway user revenue but it is being used on the operating side. Ms. Moulden asked for more specific information regarding the origin of the \$20M assigned to the Department of Housing and Community Development in State, federal, and other sources. Ms. Paraniham stated that they would send that information to Board members.

The FY2021 Capital Budget and the Capital Improvement Program for FY2021-2026 was approved on the motion of Fred Meier, seconded by Ms. Moulden.

APPOINTMENT OF UNDERWRITERS AND BOND COUNSEL FOR THE WATER, WASTEWATER, AND STORMWATER REVENUE BONDS, SERIES 2020

Ms. Rogers asked the Board to consider and approve the following appointments for the Mayor and City Council of Baltimore Water, Wastewater and Stormwater Project Revenue Bonds, Series 2020:

Bond Underwriting Group:

1. UBS, New York, NY, as senior managing underwriter;
2. Bank of America Merrill Lynch, Philadelphia, PA, as co-managing underwriter;
3. Loop Capital Markets (MBE), New York, NY, as co-managing underwriter;
4. Stern Brothers (WBE), New York, NY, as co-managing underwriter.

Bond Counsel:

McGuireWoods LLP, Baltimore, MD, as bond counsel.

It is the Board's practice to select co-managers and bond counsel via a competitive solicitation. In accordance with this practice, Treasury Management issued a RFP on February 18, 2020 requesting proposals to serve as underwriter for the Water, Wastewater, and Stormwater Revenue Bonds, Series 2020. Treasury provided the RFP to nineteen firms and thirteen submitted proposals by the March 5, 2020 deadline. Each proposal was evaluated by Treasury staff and our financial advisor in response to specific questions relating to the evaluation criterion.

Results indicate that UBS Financial Services has the best overall proposal with a takedown at \$0.50/\$1,000 (new money) and \$1.00/\$1,000 (refunding), and an experienced team of professionals capable of managing an estimated \$125 million new money bond and, if required, managing the advance taxable refunding.

To complete the co-managing team, Treasury recommends adding Bank of America Merrill Lynch, Loop Capital Markets (MBE), and Stern Brothers (WBE). These firms are able to adequately serve in the roles recommended.

In January 2020, the Law Department issued an RFP for bond counsel services for the Series 2020 revenue bonds. Of the five responses received, the City Solicitor is recommending McGuire Woods to serve as bond counsel with the agreed upon fee of \$57,500.

Ms. Moulden asked why Stern Brothers had been selected vs. Ramirez or Siebert. Mr. Kraus replied that the Treasury staff attempts to provide opportunities to varying firms so that Minority/Women are provided opportunities to gain experience. Siebert is also a member of the Port Covington transaction underwriting team. Ms. Moulden asked how much would be refunded. Ms. Rogers asserted that this transaction involves \$125M new money and the refunding amount could be as high as \$250M.

The appointments for the Mayor and City Council of Baltimore Water, Wastewater, and Stormwater Project Revenue Bonds, Series 2020 were approved on the motion of Mr. Meier, seconded by Ms. Moulden.

APPOINTMENT OF BOND COUNSEL FOR THE CONSOLIDATED PUBLIC IMPROVEMENT BONDS, SERIES 2020

Ms. Rogers asked the Board to approve the appointment of bond counsel for the Consolidated Public Improvement Bonds, Series 2020. Treasury expects the bonds to be sold competitively this spring. In January 2020, the Law Department issued an RFP for bond counsel services for the Series 2020 bonds. Of the five responses received, the City Solicitor is recommending McKennon Shelton and Henn LLP (MBE) to serve as bond counsel for the agreed upon fee of \$57,500.

The appointment of McKennon Shelton and Henn LLP (MBE) as bond counsel for the Consolidated Public Improvement Bonds, Series 2020 was approved on the motion of Ms. Moulden, seconded by Mr. Meier.

BANK ACCOUNT FOR THE DEPARTMENT OF RECREATION AND PARKS

Ms. Rogers asked the Board to consider and approve the enclosed resolution authorizing the opening of an account with M&T Bank, and establishing signatories for the account.

The Department of Recreation and Parks requests authorization to establish a subsidiary bank account with M&T Bank. The agency is collecting revenue in multiple forms and from various sources. This account will provide the opportunity to track revenue, process refunds promptly, and provide periodic revenue analysis.

The account shall be a Zero Balance Account with no check writing privileges. At the end of the day, total receipts will be transferred to the main collections bank account. Signatories for this account shall be the Mayor of Baltimore City and the Director of Finance. The Bureau of Accounting and Payroll Services shall be responsible for reconciling the account and notifying the City Auditor of the establishment of the account. Comptroller Pratt asked how the agency would receive funds since there are no check writing privileges. Ms. Rogers stated that collected funds will still flow through Revenue Collections and the agency will follow regular procurement procedures to obtain refunds.

The resolution authorizing the Department of Recreation and Parks to open an account with M&T Bank, and establish signatories for the account was approved on the motion of Mr. Meier and seconded by Ms. Moulden.

BANK ACCOUNT FOR THE MAYOR'S OFFICE OF CHILDREN AND FAMILY SUCCESS (MOCFS)

Ms. Rogers asked the Board to consider and approve the enclosed resolution authorizing the opening of a Mayor's Office of Children and Family Success checking account with M&T Bank, and establish signatories for the account.

The Mayor's Office of Children and Family Success (MOCFS), African American Male Engagement Program requests authorization to establish an account for the Squeegee Alternative Program to provide stipends to program participants. The checking account will be used to accept private and foundation funds and to allow the program to expeditiously pay stipends to the participants. The cash incentive of \$50/day will be provided to participants when they enter the program and complete their daily milestones. The City's normal procurement process would take weeks to produce the checks for distribution; this delay could possibly risk decreased participant engagement.

The account shall be funded with an initial deposit of \$5,000 and replenished through a funding agreement with the Baltimore Civic Foundation. The resolution authorizes the MOCFS to open a Checking Account with M&T Bank in the name of the Mayor and City Council – Mayor's Office of Children and Family Success – Squeegee Alternative Program. The authorized signatories shall be the MOCFS Director and Fiscal Director. The Department also shall be responsible for identifying a qualified non-signatory to reconcile the account on a monthly basis. The Bureau of Treasury Management shall notify the Department of Audits of the establishment of this account.

Mr. Kraus advised the Board that this is a different account in that it does not collect revenue. Funds are private and no general funds are involved. Ms. Moulden asserted that it

would be helpful to have a more detailed explanation of the program. She asked who is running the program and who the program fundraiser will be. Mr. Kraus stated that Treasury could request that MOCFS submit a write-up including more details pertaining to the program operation. Comptroller Pratt asked how participants will be paid. Ms. Rogers stated that participants will be paid, initially, in cash but payments will eventually convert to debit cards. Comptroller Pratt advised that strong internal controls are needed when cash is being disbursed. She also asked about the age group for the program participants. Mr. Kraus replied that the target group is ages 15 – 21.

The resolution authorizing the opening of a Mayor's Office of Children and Family Success checking account with M&T Bank, and establish signatories for the account was approved on the motion of Mr. Meier and seconded by Ms. Moulden.

OTHER BUSINESS

There was no other business; the meeting was adjourned at 3:53 pm.

Stephen M. Kraus
Clerk to the Board of Finance