

August 22, 2022

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

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

Also Present: Evelyn Alston, Treasury Management
Joann Levin, Law Dept.

MINUTES

Mayor Scott requested the Board to review the minutes from the meeting of June 27, 2022. Mr. Shelton noted that the attendance was incorrect in that Mr. Cason was not present at the last meeting. The minutes were approved on the motion of Mr. Meier, 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 \$1,105,000,000 and redemptions totaled \$860,000,000.

Security transactions since the meeting June 27, 2022 were approved on the motion of Mr. Williams, seconded by Mr. Meier. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of July 31, 2022 with a notional amount of \$132,755,000. The fair market value of the swap portfolio decreased slightly from (\$18,428,574) to (15,838,228). The ten-year Treasury rate decreased from 2.85% to 2.67%. Mr. Shelton commented that the City is \$15,000,000 in the hold. Ms. Rogers agreed. Mr. Shelton asked why the City purchases these SWAPs. Ms. Rogers responded that the City has variable rate debt and the purchase of these SWAPs helps to offset the rate on the bonds. Mr. Shelton then inquired about the terms of when collateral has to be posted. Ms. Rogers responded that collateral is posted based on the interest rate. Comptroller Henry asserted that Treasury should routinely explain why the SWAP report is included for the benefit of any individuals of the public that are following the meeting. Mayor Scott agreed. As of the date of this report, there was no collateral posted.

The Board accepted the report. (Appendix II)

APPROVAL OF THE ADVERTISEMENT OF THE 2022 LOAN AUTHORIZATIONS

Ms. Rogers requested the Board to approve the attached Loan Ordinances to be advertised in the Afro-American and Baltimore Sun newspapers and submitted to the legal voters of Baltimore City for their approval or disapproval on the November 8, 2022 ballot. The newspaper advertisement shall be not more than twenty days before or less than ten days prior to the date of election. The ordinances are tentatively scheduled to be advertised on October 25, 2022.

In a previous action of this Board on May 2, 2022 the enclosed loan ordinances were approved as part of the CIP providing for \$80 million of general obligation bonds in FY2024, and \$80 million in FY2025. As required by the State Constitution, the enclosed ordinances were approved by a resolution of the City delegation to the General Assembly, the Board of Estimates and the City Council. Following the approval by the legal voters of the City, the authorizations shall be incorporated into the City's capital budget through the Annual Ordinance of Estimates. Below is a summary list of the bond questions (a detailed description of each is enclosed):

1. Question A – Affordable Housing - \$14,000,000
2. Question B – School Loan - \$38,000,000
3. Question C – Community and Economic Development - \$36,000,000
4. Question D – Public Infrastructure - \$72,000,00

The Charter Amendments are being provided for informational purposes only and will appear in the Afro-American and Baltimore Sun for five (5) consecutive weeks, on dates which shall not be less than ten days prior to November 8, 2022. Question K – L are petitions to change the City Charter initiated by citizens. The Attorney General will determine if they will appear on the ballot.

The advertisement of the 2022 loan authorizations was approved on the motion of Comptroller Henry, seconded by Mr. Shelton.

OTHER BUSINESS

2022 GO BOND SUMMARY

Ms. Rogers gave an overview concerning the 2022 bonds. The 2022 Bonds were sold competitively on July 20, 2022 and closed on August 3, 2022. Citigroup was the winning bidder for the Series 2022A bonds, and Robert W. Baird & Company was the winning bidder for the Series 2022B Bonds. The proceeds of the 2022 Bonds will be used to (i) finance various public improvements to the City, (ii) pay the costs of issuance of the 2022B Bonds, and (iii) to fund debt services, to the extent that there are sufficient proceeds. This report was for informational purposes only; no action was required by the Board.

WASTEWATER SUPPLEMENTAL RESOLUTION

Ms. Rogers requested the Board to approve the enclosed 2nd Supplemental Resolution authorizing the sale and issuance of the Mayor and City Council of Baltimore Wastewater Project and Refunding Revenue Bonds, Series 2022. The resolution authorizes increasing the maximum interest rate for Series 2022A from 4.50% to 4.75%.

The Board approved a resolution on December 20, 2021, authorizing the issuance, sale, and delivery of senior and subordinate refunding revenue bonds. On March 29, 2022, the Board approved a supplemental resolution amending the maximum interest rate and issuance amount.

Subsequently, the municipal and treasury benchmarks continue to rise as investors weigh inflation and recession concerns which have impacted projected TIC. Treasury recommends increasing the proposed rate by 25bps to avoid potential sales disruption and reflect current market conditions. Comptroller Henry asked if there is a formal projection from Treasury as to whether rates will continue to rise. Is Treasury certain that this rate increase will be sufficient? Ms. Rogers responded that this increase will be sufficient because these bonds will be going into market within the week. The request to approve the 2nd supplemental resolution for the Wastewater Project and Refunding Bonds, Series 2022 was approved on the motion of Mr. Shelton, approved by Comptroller Henry.

FUTURE MEETINGS

Comptroller Henry asked if the Board would consider returning to in-person meetings. Treasury will poll Board members before the next meeting on September 26, 2022.

The meeting was adjourned at 3:38 pm.

Jennell Rogers
Clerk to the Board of Finance