

August 24, 2020

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

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

Also Present: Jennell Rogers, Chief, Bureau of Treasury Management  
Benedict Richardson, Deputy Chief, Bureau of Treasury Management  
Evelyn Alston, Treasury Management  
Joann Levin, Law Department (via Webex)

## **MINUTES**

Mayor Young requested the Board to review the minutes from the meeting of July 27, 2020. The minutes were approved on the motion of Ms. Moulden, 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 \$550,000,000 and redemptions totaled \$195,000,000.

Security transactions since the meeting July 27, 2020 were approved on the motion of Ms. Moulden, seconded by Comptroller Pratt. (Appendix I)

## **MARK TO MARKET VALUATION OF SWAP PORTFOLIO**

Ms. Rogers presented the Mark to Market Valuation Report as of July 31, 2020 with a notional amount of \$147,715,000. The fair market value of the swap portfolio decreased slightly from (\$28,767,895) to (\$28,391,769). The ten-year Treasury rate decreased from 0.66% to 0.55%. As of the date of this report there was \$1,340,000 posted in collateral.

The Board accepted the report. (Appendix II)

## **WATER REVENUE BONDS, SERIES 2020**

Ms. Rogers requested the Board to consider and approve the enclosed resolution associated with the sale and issuance of the Mayor and City Council of Baltimore Water Revenue Bonds, Series 2020. The resolution includes the following items:

1. Authorize the issuance, sale and delivery of Water Project Revenue Bonds, Series 2020A, and Refunding Series 2020B in the following amounts and true interest cost:
  - (a) Series 2020A (New Money) – \$136,000,000 – 3.55%
  - (b) Series 2020B (Refunding) – \$311,000,000 - 3.55%

2. Authorize the refunding bonds to refund all or a portion of the outstanding Series 2011A, 2013A and 2013B revenue bonds.
3. Authorize and approve the execution of the Water Projects 20<sup>th</sup> Supplemental Bond Resolution.
4. Authorize and approve the distribution of the Preliminary Official Statement and the final Official Statement for the Series 2020 Bonds.
5. Authorize the Chief of the Bureau of Treasury Management to offer these Bonds by negotiated sale.
6. Approve the Depository Trust Company to act as securities depository for the bonds.
7. Appoint Manufacturers and Traders Trust Company to act as Trustee, Registrar, Escrow and Paying Agent for the Bonds.
8. Authorize the Chief of the Bureau of Treasury Management to negotiate terms of and execute a Bond Purchase Agreement with regard to the Bonds.

The proceeds of the bonds will be used to fund the following: (1) projects appropriated pursuant to the City's Water Capital Improvement Program; (2) the advance refunding of all or a portion of the outstanding Series 2011 and 2013 bonds; (3) the required debt service reserve fund; and, (4) costs of issuance. Security for the Bonds is identified in the resolution as "Pledged Amounts" and includes operating revenues of the water enterprise system.

Mr. Kraus referred the Board to the Sources and Uses chart in the presentation. In particular, he noted that the combined Percentage Value savings for these bonds would be greater than \$83,000,000. Mr. Kraus also noted that Water and Wastewater are going out as two separate bonds but with one issuance. He asserted that interest rates are currently very low, which provides an incredible opportunity to do some refunding.

The Water Revenue Bonds, Series 2020 was approved on the motion of Mr. Meier, seconded by Comptroller Pratt.

### **WASTEWATER REFUNDING REVENUE BONDS, SERIES 2020**

Ms. Rogers requested the Board to consider and approve the enclosed resolution associated with the sale and issuance of the Mayor and City Council of Baltimore Water Revenue Bonds, Series 2020. The resolution includes the following items:

1. Authorize the issuance, sale and delivery of Wastewater Project Refunding Revenue Bonds, Series 2020A in an amount not to exceed \$262,000,000. The true interest cost rate on the Series 2020 bonds shall not exceed 3.55%.
2. Authorize and approve the execution of the Wastewater Projects 33<sup>rd</sup> Supplemental Bond Resolution.
3. Authorize and approve the distribution of the Preliminary Official Statement and the final Official Statement for the Series 2020 Bonds.
4. Authorize the Chief of the Bureau of Treasury Management to offer these Bonds by negotiated sale
5. Approve the Depository Trust Company to act as securities depository for the bonds.
6. Appoint Manufacturers and Traders Trust Company to act as Trustee, Registrar, Escrow and Paying Agent for the Bonds.
7. Authorize the Chief of the Bureau of Treasury Management to negotiate terms of and execute a Bond Purchase Agreement with regard to the Bonds.

The Wastewater Refunding Revenue Bonds, Series 2020 was approved on the motion of Ms. Moulden, seconded by Comptroller Pratt.

## **AMENDMENT TO THE CITY'S INVESTMENT POLICY**

Ms. Rogers requested the Board to consider and approve the following amendments to the City's Investment Policy increasing the percentage of the total portfolio permitted to be invested in Maryland Local Government Investment Pool (MLGIP) from 40% to 70%.

Mr. Kraus advised the Board that this amendment would allow Treasury to take advantage of higher interest rates and would allow the City to get a higher return on its investments. It is expected that the higher limit will only be utilized during periods of extremely low short-term yields. Mr. Meier stated that this amendment contains very broad language. He advised that it needs to be defined what is considered a low interest rate. He further advised that a time frame should be identified for this action. He asserted that this request needs to have a more specific endorsement. Mr. Kraus responded that a specific time table would be very difficult but offered to review the request and come back to the Board with a more structured proposal.

Ms. Moulden asked if this proposal could be compared to the monthly investment summary that Board members receive. She noted that the last two months showed significant drops in interest rates and asked what will be the impact of the lack of taxability. Mr. Kraus stated that \$100M is the current impact on the City's budget. Comptroller Pratt asked what was the rationale for increasing the allowable percentage to 70, as opposed to any other amount.

Due to the number of questions raised by the Board and the level of apprehension that was expressed, Mr. Meier suggested that the vote for this amendment be tabled until the next meeting so that a more specific request can be drafted.

The suggestion to table the approval of an amendment to the City's Investment Policy until the next Board meeting was approved on the motion of Comptroller Pratt, seconded by Ms. Moulden.

## **ADVERTISEMENT OF THE CITY'S 2020 LOAN ORDINANCES AND CHARTER AMENDMENTS**

Ms. Rogers requested the Board to consider and approve the 2020 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 3, 2020 ballot. The newspaper advertisement shall not be 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 20, 2020. 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:

1. Question A – Affordable Housing - \$12,000,000
2. Question B – School Loan - \$38,000,000
3. Question C – Community and Economic Development - \$38,000,000
4. Question D – Recreation, Parks, and Public Facilities - \$72,000,000

The Charter Amendments are being provided for informational purposes only and will appear in the Afro-American and Baltimore Sun newspapers for five (5) consecutive weeks, on dates which shall not be less than ten days prior to November 3, 2020. Below is a summary list of the Charter Questions:

1. Question E – require a Charter Revision Commission be appointed at least once every ten years to review and make recommendations of necessary deletions, addition of revisions to the City Charter.
2. Question F – authorizing the City Council to increase amounts of spending within the general fund or add new amounts for new purposes.
3. Question G – reduce the number of votes by City Council members needed to override a mayoral veto.
4. Question H – increase the amount of time in which the City Council can consider overriding a mayoral veto of legislation.
5. Question I – provide for the removal from office of certain City elected officials.
6. Question J – requires the City Auditor to give copies of agency audits to agencies that were audited. Additionally, allow the City Auditor to issue subpoenas to any municipal officer, municipal employee, or any person receiving City funds.
7. Question K – would establish the position of City Administrator as the Chief Administrative Officer of Baltimore City.

Ms. Moulden asked why the amount for Affordable Housing is so low. Mr. Kraus replied that there are other federal and state sources that augment this amount. Ms. Moulden asked when the process begins so that members of the general public can advocate. Mr. Kraus stated that this process occurs every two years and offered to get Ms. Moulden the name of a contact in the Department of Planning so that she can give input in the future.

The advertisement of the 2020 Loan Ordinances and Charter Amendments was approved at the motion of Comptroller Pratt, seconded by Ms. Moulden.

### **OTHER BUSINESS**

There was no other business. Mayor Young advised the Board that he has invited Council President Brandon Scott to attend the next meeting. The meeting was adjourned at 3:50 pm.

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Stephen M. Kraus  
Clerk to the Board of Finance