

October 28, 2019

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

Present: Honorable Bernard C. "Jack" Young, Mayor and President  
Joan M. Pratt, Comptroller and Member  
Frederick Meier, Member  
Dana Moulden, Member  
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, Treasury Management  
Sherrell Haynie, Treasury Management  
Sandra Bennett, Treasury Management  
Evelyn Alston, Treasury Management  
Joann Levin, Law Department  
Cyndi Smith, BCPS  
Nicole Steward, BCPS  
Kristen Ahearn, Planning  
Sara Paranilam, Planning  
James Knighton, Comptroller's Office

## **MINUTES**

Mayor Young requested the Board to review the minutes from the meeting of August 26, 2019. The minutes were approved on the motion of Mr. Meier, seconded by Comptroller Pratt.

## **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 \$529 million and redemptions totaled \$578 million.

Security transactions since the meeting of August 26, 2019 were approved on the motion of Comptroller Pratt, seconded by Mr. Moulden. (Appendix I)

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

Ms. Rogers presented the Mark to Market Valuation Report as of September 30, 2019 with a notional amount of \$151,975,000. The fair market value of the swap portfolio decreased from (\$26,682,243) to (\$25,616,435). The ten-year Treasury rate increased from 1.50% to 1.68%. As of the date of this report there is no collateral posting.

The Board accepted the report. (Appendix II)

## **CONSIDER AND APPROVE THE BALTIMORE CITY PUBLIC SCHOOLS CAPITAL IMPROVEMENT PROGRAM, FY2021-2026**

Ms. Rogers requested the Board to consider and approve the enclosed Baltimore City Public School ("BCPS") Capital Improvement Program ("CIP") for fiscal year 2021 and fiscal

years 2022-2026. The program includes \$114,000,000 in City bond funds, \$292,270,000 in State funds for a total of \$406,270,000.

The 2021 program request totals \$131,894,000 consisting of \$19,000,000 in City GO bond funds and \$112,894,000 in state funds. BCPSS estimates actual state funding will likely be approximately \$28 million due in part to the state's commitment to the 21<sup>st</sup> Century Building Initiative. The 2021 CIP continues to focus on major facilities upgrades and deferred maintenance. Significant projects include Armistead Gardens, Maree G. Farring and Northeast Building Renovation estimated to be \$60.6 million and safety/systemic improvements at 32 schools totaling \$101 million (see attached project spreadsheet). The systemic projects are of an urgent nature and cannot be delayed for the 21<sup>st</sup> Century Initiative.

Nicole Steward, BCPS, presented some highlights of the capital funding review. She gave an update on projects that have been completed since last year's meeting. There are 26-28 buildings included in the 21<sup>st</sup> Century Building Program. Ms. Steward advised the Board that the actual capital need for repairs is around \$5 billion; this is an increase from the previous estimate of \$3 billion. Mr. Kraus interjected that the 21<sup>st</sup> Century Building Program is a separate program from the CIP. Ms. Steward agreed, adding that CIP funds are spent only on school projects and must be voted on by the School Board. These funds cover emergency needs, rather than major projects like expansions and renovations. Mayor Young asked if the anticipated maintenance costs included repairs to schools that are already slated to be closed. Ms. Steward assured Mayor Young that this budget does not include schools that are closing. Additionally, there will be no HVAC renovations, as the systems are very old.

The Board approved the BCPS Capital Improvement Program, FY 2021-2026 on the motion of Mr. Meier, seconded by Comptroller Pratt.

**CONSIDER AND APPROVE THE PURCHASER OF THE ENVIRONMENTAL IMPACT SUBORDINATE REVENUE NOTE**

Ms. Rogers requested the Board to consider and approve the appointment for the Mayor and City Council of Baltimore Environmental Impact Subordinate Revenue Note 2019 as lender (jointly):

- Spring Point Partners, LLC
- The Kresge Foundation
- Baltimore Community Foundation

Treasury Management distributed a Request for Expression of Interest ("REI") to obtain proposals for a purchaser of its \$6,200,000 Environmental Impact Revenue Note (Stormwater Projects). The Note will be structured as a pay-for-success obligation which pays a total rate of return dependent upon the plant survivability outcomes. The REI was provided to twenty-six (26) firms and five (5) proposals were received by the September 20<sup>th</sup> deadline. Ms. Rogers directed the Board to the Proposal Summary schedule. The results indicate the joint venture team mentioned above had the best overall proposal with an interest of 2.38%. Pending the approval of this Board, the full bond transaction will be presented at the next meeting.

The Board approved the EIB lender on the motion of Mr. Meier, seconded by Ms. Moulden.

**UPDATE ON THE MARYLAND WATER QUALITY FINANCING PROJECT REVENUE BONDS, SERIES 2019**

Ms. Rogers requested the Board to acknowledge the amendments to the issuance and delivery of Wastewater Project Revenue Bonds and Stormwater Project Revenue Bonds, Series 2019.

On December 17, 2018, the Board approved the resolutions authorizing the issuance and delivery of the Series 2019 Bonds to finance various projects through the Maryland Department of Environment Water Quality Financing Revolving Loan Fund. The financing was initially scheduled to close in January 2019; however, due to internal modifications to the capital projects and financing structure, the issuance was delayed. The updates were as follow:

- Inclusion of wastewater project SC921 Gwynns Falls Sewershed Improvement in the amount of \$1,497,613.
- Amend the structure for stormwater project SC910 Herring Run Phase I Sewershed and ER4021 Chinquapin Run Stream Restoration to be issued as subordinate lien with 30-year term.

The amendments do not violate the “not to exceed” limits contained in the previously approved resolutions.

The Board approved the amendments to the Maryland Water Quality Financing Project Revenue Bonds, Series 2019 on the motion of Ms. Moulden, seconded by Comptroller Pratt.

**BRIEFING - THE LIBOR INDEX PHASE OUT/ TRANSITION TO REPLACEMENT INDEX**

Mr. Kraus briefed the Board on the disposition of widely-used LIBOR benchmark that is expected to be discontinued in 2021 and replaced with a new benchmark, expected to be the Secured Overnight Financing Rate (SOFR). Several of the City’s existing LIBOR swaps extend past the December 2021 transition date; these transactions are at risk of being affected by the transition away from LIBOR. Mr. Meier commented there are issues with the proposed replacement index. Mr. Kraus agreed the transition is still developing and informed the Board that we are working closely with our advisor to stay abreast of the changes. We will continue to provide updates on the LIBOR/SOFR conversion.

**OTHER BUSINESS**

There was no other business; the meeting was adjourned at 4:13 pm.

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Stephen M. Kraus  
Clerk to the Board of Finance