

April 26, 2021

The meeting of the Board of Finance was called to order at 3:30 p.m. via Webex.

Present: Honorable Brandon M. Scott, Mayor and President  
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

Also Present: Henry Raymond, Director of Finance  
Benedict Richardson, Treasury Management  
Evelyn Alston, Treasury Management  
Daniel Ramos, Mayor's Office  
Kathleen Kelleher, Comptroller's Office  
Kristen Ahearn, Planning Department  
Sara Paranilam, Planning Department  
Douglas Krinsky, JP Morgan

## **MINUTES**

Mayor Scott requested the Board to review the minutes from the meeting of March 22, 2021. The minutes were approved on the motion of Mr. Meier, seconded by Comptroller Henry.

## **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 \$215,000,000 and redemptions totaled \$275,000,000. Mr. Meier asked why Treasury seems to be relying less on South Street. Ms. Rogers responded that South Street repo rates have been coming in below bond yields.

Security transactions since the meeting March 22, 2021 were approved on the motion of Comptroller Henry, seconded by Mr. Meier. (Appendix I)

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

Ms. Rogers presented the Mark to Market Valuation Report as of March 31, 2021 with a notional amount of \$143,755,000. The fair market value of the swap portfolio decreased slightly from (\$22,822,240) to (22,431,628). The ten-year Treasury rate increased from 1.44% to 1.74%. As of the date of this report no collateral was posted.

The Board accepted the report. (Appendix II)

## **FY2022 CAPITAL BUDGET AND FY2022-2027 CAPITAL IMPROVEMENT PROGRAM**

Ms. Rogers requested the Board to consider and endorse the enclosed FY2022 Capital Budget totaling \$453,722,000 (including \$80,000,000 in General Obligation Bonds) and the six-year Capital Improvement Program ("CIP") for FY2022-2027 totaling \$3,322,449,000. She reviewed the City's approval process with the Board which includes the Board of Finance review and comment on the CIP.

She pointed out consistent with prior years' plans, the majority 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 \$1.6 billion over the six-year program period representing 47% of the CIP. Most 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.

In support of this activity, the plan includes approximately \$1.558 billion in water, wastewater, and stormwater revenue bonds. Debt associated with the water, wastewater, and stormwater activity does not directly affect the general fund and does not constitute a pledge of the City's general credit. The water, wastewater, and stormwater indentures have provisions that require minimum debt service coverage and operating reserve balances to ensure the debt is adequately supported by the respective utilities before it is issued.

Finally, the FY2022-2027 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 introduced Ms. Kristen Ahearn, Planning, who continued presenting the FY 2022-2027 CIP to the Board. Ms. Ahearn noted that the first year of the CIP becomes the basis for the capital component of the Ordinance of Estimates and a new six-year program is developed each year. She explained that a capital improvement is a physical betterment so this budget is generally for the improvement of City infrastructure, typically bricks and mortar. Ms. Ahearn noted that the bulk of the funds come from utility funds and revenue loans. Mr. Meier asked how closely expenditures match the allocated budget amounts. Ms. Ahearn responded that capital funds do not expire and can be spent over time because they are budgeted for projects that have very long design phases. She asserted that it is common for expenditures not to match the allocated funds for that year. She stated that funds remain in an account and must stay on the same project unless a transfer of funds has been approved by the Board of Estimates ("BOE"). Mr. Meier asked if the City issues \$80 million in GO bonds every year. Ms. Rogers responded that the City normally issues bonds on a reimbursement basis. The issuance amount fluctuates and may not always equal \$80 million. Comptroller Henry asked if budgets are revised annually to show that allocated funds were not spent in totality. Ms. Ahearn responded that budgets are not revised. He expressed concern that this gives no opportunity for an ordinary citizen to know that allocated funds were not spent within a fiscal year. Ms. Ahearn cautioned that the capital budget is not a projection of what is anticipated to be spent within that year because they know that projects may take several years. Comptroller Henry asked why funds are allocated in the full amount in advance of a project rather than appropriating funds yearly based on the duration of the project. Director Raymond responded that this process is easier because it allows Finance to establish the full appropriation for a project upfront and requires BOE approval only once. Comptroller Henry asked what happens when agencies receive supplemental funds. Does the agency detail get updated when supplemental funds are given? Director Raymond replied that the detail is not updated, only the agency appropriation.

The FY2022 Capital Budget and the six-year Capital Improvement Program for FY2022-2027 were approved on the motion of Mr. Meier, seconded by Mayor Scott. Comptroller Henry abstained from the vote.

**OTHER BUSINESS**

There was no other business. The meeting was adjourned at 4:08 pm.

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Jennell Rogers  
Clerk to the Board of Finance