

February 26, 2018

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

Present: Honorable Catherine E. Pugh, Mayor and President
Joan M. Pratt, Comptroller and Member
Frederick Meier, Member
Stephen Kraus, (Deputy Director of Finance and Clerk to the Board of Finance)

Absent: Larry Silverstein, Vice President
Dana Moulden, Member

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
Steward Beckham, Comptroller's Office
Rudolph Chow, Director, Department of Public Works
Troy Brogden, Chief, Office of Fiscal Management
Paul Shelton, McKennon, Shelton & Henn
David Gregory, McKennon, Shelton & Henn

MINUTES

Mayor Pugh requested the Board review the minutes from the meeting of November 27, 2017. The minutes were approved on the motion of Comptroller Pratt, 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 \$791 million and redemptions totaled \$849 million. Mr. Meier asked why there is a high number of repo investments concentrated with one particular broker, and that this issue was raised in a prior meeting. Mr. Kraus replied that the staff will review the minutes and confirm the action taken by the Board, and survey other Maryland jurisdictions on their respective policies. Ms. Rogers asserted that the broker selected offered the most favorable rates in response to the City's competitive bidding process. She further advised members that we are currently in a rising interest rate environment resulting in an earnings rate that is temporary behind the 6-month U.S. Treasury benchmark. Ms. Rogers continued that a large portion of the City's portfolio is invested in short-term securities, generally between 1-3 months in order to meet our current obligations. Mr. Kraus added the investment earnings have increased as a result of City's higher investment balance coupled with the rising interest rates as compared to prior years. As our overall strategy, we will continue

to focus on investing to meet the City's daily cash outflow, with strict adherence to the guidelines of the investment policy.

Security transactions since the meeting of November 27, 2017 were approved on the motion of Comptroller Pratt, seconded by Mr. Meier. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of January 31, 2018 with a notional amount of \$176,590,000. The fair market value of the swap portfolio decreased from (\$37,831,034) to (\$33,376,292). The ten year Treasury rate increased from 2.38% to 2.72%. As of the date of this report there is no collateral posting.

The Board accepted the report. (Appendix II)

CONSIDER AND APPROVE BOND COUNSEL FOR WASTEWATER AND STORMWATER REVENUE BONDS

Ms. Rogers requested the Board to approve the following bond counsel appointments:

1. Funk & Bolton, PA (Baltimore, MD) is recommended to serve as bond counsel for the Wastewater Project Revenue Bonds, Series 2018 (Maryland Water Quality Financing Administration) that is expected to close this spring;
2. McKennon, Shelton & Henn (MBE) (Baltimore, MD) is recommended to serve as bond counsel for the Stormwater Utility Revenue Bonds. As counsel, they will prepare the bond authorizing legislation and a resolution/indenture in connection with the issuance of stormwater revenue bonds by the City. This firm may also represent the City with the issuance of "Environmental Impact Bonds".

These appointments were approved on the motion of Comptroller Pratt, seconded by Mr. Meier.

OTHER BUSINESS

Water Infrastructure Financing Innovation Act (WIFIA) and Environmental Impact Bonds

Director Rudolph Chow, briefed the Board on the Department of Public Works Capital Improvement Program for FY 2018-2023 which will include projects in Solid Waste, Stormwater, Environmental Services, Wastewater, and Water. He proposed that funding, in part, for these capital improvement projects come from the Water Infrastructure Financing Innovation Act (WIFIA). WIFIA is a program administered by EPA that provides long-term, low cost credit assistance. Baltimore is 1 of 12 jurisdictions that have been selected to participate in this program and has been approved for financial assistance for up to 49% of eligible project costs. Director Chow further proposed that the WIFIA program would provide funding for wastewater projects; and,

the Environmental Impact Bonds (EIB) would provide financing for green infrastructure projects. (Appendix III)

Approval to proceed with these transactions was granted, on the motion of Comptroller Pratt, seconded by Mr. Meier.

Following approval to proceed, Ms. Levin recommended that the Board approve the law firm of Whiteford Taylor and Preston to represent the City in the WIFIA financing. Approval was granted on the motion of Comptroller Pratt, seconded by Mr. Meier.

Perkins Choice TIF

Mr. Kraus informed the Board that the City is currently working on a TIF application to transform the Perkins, Somerset and Old Town neighborhoods. The project includes a comprehensive plan to redevelop Perkins Homes by constructing 1,756 mixed-income units. Additionally, the non-residential program includes plans for a new school, new parks and recreation spaces, and crime and safety initiatives. (Appendix IV)

There was no other business; the meeting was adjourned at 3:27 pm.

Stephen M. Kraus
Clerk to the Board of Finance