

October 24, 2022

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

Present: Simone Johnson, Deputy Chief Administrative Officer (*in lieu of Mayor*)
Bill Henry, Comptroller and Member
Arnold Williams, Member
Robert Shelton, Member
Jennell Rogers, Chief, Bureau of Treasury Management and Clerk to the Board of Finance

Absent: Mayor Brandon Scott
Frederick Meier, Member

Also Present: Michael Moiseyev, Director of Finance
Evelyn Alston, Treasury Management
Joann Levin, Law Dept.
Paul Shelton, McKennon, Shelton & Henn
Jennifer Caggino, McKennon, Shelton & Henn (*via Webex*)
Maureen Gershberg, BCPS
Cyndi Smith, BCPS (*via Webex*)
Kirsten Ahearn, Planning
Doug Krinsky, JP Morgan
Kathleen Kelleher, Comptroller's Office
Zach Harris, Comptroller's Office

MINUTES

Ms. Johnson requested the Board to review the minutes from the meeting of August 22, 2022. The minutes were approved on the motion of Mr. Williams, 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 \$480,000,000 and redemptions totaled \$685,000,000. Comptroller noted that there appears to be an error with the purchase date. Ms. Rogers stated that the correct date should be 30-Dec-22 instead of 30-Dec-21.

Security transactions since the meeting August 22, 2022, were approved on the motion of Comptroller Henry, seconded by Mr. Williams. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of September 30, 2022, with a notional amount of \$132,755,000. The fair market value of the swap portfolio decreased slightly from (15,838,228) to (\$12,981,922). The ten-year Treasury rate increased from 2.67% to 3.83%. She explained the purpose of the SWAP for the benefit of any non-Board individuals following the meeting. Mr. Shelton asked for the names of the City's financial advisor and counterparty on the Water Series 2002 Revenue Bonds. Ms. Rogers responded that the Phoenix Capital was the City's financial advisor when the SWAP was executed, but it is now Hilltop Securities. She stated that the counterparty is Goldman Sachs. Comptroller Henry asked if the City would eventually cease

executing SWAPs transactions. Ms. Rogers confirmed that the City has subsequently halted using SWAPs bond structuring. She stated that the financial advisors evaluate the SWAPs exposure before each bond issuance to determine if any refunding opportunities will generate enough savings to terminate or unwind them.

She informed the Board the Series 2003D General Obligation bonds matured on 10/15/2022, and the underlining swap agreement expired. There will remain two active swaps in the portfolio, and as of this report, no collateral was posted.

The Board accepted the report. (Appendix II)

APPROVAL OF THE FY2024-2029 BALTIMORE CITY PUBLIC SCHOOLS CAPITAL IMPROVEMENT PLAN

Ms. Rogers requested the Board to approve the Baltimore City Public School ("BCPS") Capital Improvement Plan ("CIP") for the fiscal year 2024 and fiscal years 2025-2029. The program includes \$114,000,000 in City bond funds, and \$928,529,000 in State funds for a total of \$1,042,529,000.

Rules, regulations, and procedures for the school capital improvement program's administration require that BCPS submit an updated and detailed capital improvement program annually for the upcoming fiscal year and the following five fiscal years to the State Interagency Committee on School Construction. The BCPS Department of Facilities Planning and School Construction is tasked with meeting this requirement each year for receiving school construction funds from the State.

Before submitting the CIP to the State, City Schools must obtain approval for this program from the local governing body. As a condition for gaining City approval, a review and endorsement of the plan by the School Board (October 13, 2022), Planning Commission, Board of Finance, and the Board of Estimates serve as how the Mayor's Office will support and approve the program.

The 2024 program request totals \$136,314,000 consisting of \$19,000,000 in City GO bond funds and \$117,314,000 in state funds. BCPSS estimates actual state funding will likely be approximately \$30 million due in part to the State's commitment to the 21st Century Building Initiative. The 2024 CIP continues to focus on major facilities upgrades and deferred maintenance. Eleven projects are earmarked as the highest priority or major projects, including many funded through the 21st Century Schools and Build to Learn initiatives, estimated costs over \$1.0 billion, and safety/systemic improvements at 33 schools totaling \$61.1 million (see attached project spreadsheet). The systemic projects are urgent and cannot be delayed for the 21st Century Initiative.

Ms. Maureen Gershberg, Baltimore City Public Schools (BCPS), gave a thorough overview of the Capital Improvement Plan and responded to questions. Mr. Shelton asked if the \$19M in General Obligation bond funds includes money from the Bond resolutions to be voted on at the November 8th election. Ms. Ahearn responded in the affirmative; \$80M is being voted on in the ballot, including Schools bond authorization. Mr. Shelton asked why the school system's plans seemed inconsistent with the funding. Ms. Gershberg responded that plans are prioritized. Ms. Smith added that City schools are systemically underfunded. She asserted that, without capital infusion into the funding, BCPS would always have a deficit. Ms. Johnson pointed out that seven (7) of the unfunded items are related to safety. Ms. Ahearn replied that the State only sometimes funds prioritized items. Some Board members expressed frustration regarding the lack of funding provided to Baltimore City schools despite the excessive oversight by the State.

The request to endorse the BCPS Capital Improvement Plan for fiscal years 2024-2029 was approved on the motion of Comptroller Henry, seconded by Mr. Williams.

APPROVAL OF THE RESOLUTION TO APPOINTMENT OF A LETTER OF CREDIT PROVIDER AND REMARKETING AGENT FOR THE SERIES 2008 PARKING TAXABLE REFUNDING REVENUE BONDS

Ms. Rogers requested the Board to approve the enclosed supplemental resolution authorizing the appointment of the Letter of Credit Facility Provider and the Remarketing Agent for the Mayor and City Council of Baltimore Taxable Refunding Revenue Bonds (Baltimore City Parking System Facilities), Series 2008. The supplemental resolution includes the following:

1. Approve TD Bank N.A.'s appointment as the credit provider's direct-pay letter.
2. Approve the Reimbursement Agreement, Fee Letter, and Letter of Credit (Direct Pay Letter of Credit) between the City and TD Bank, N.A., substantially in the form enclosed.
3. Approve the appointment of TD Securities (USA) LLC. as remarketing agent for the Bonds and the Remarketing Agreement substantially in the form enclosed.
4. Authorize and approve the distribution of the Supplement to the Official Statement for the Series 2008 Bonds substantially in the form enclosed.
5. Authorize the Chief of the Bureau of Treasury Management or the Director of Finance to execute the above agreements on behalf of the City.

In June 2008, the Board approved the issuance of \$77,500,000 of Series 2008 Parking Revenue Bonds. Ms. Rogers indicated that the bonds were Variable Rate Demand Bonds ("VRDBs") and explained the remarketing agent's overall process and responsibilities and credit facility providers' letter. The Series 2008 bonds include a direct pay letter of credit through Bank of America, N.A., expiring on December 1, 2022.

This Board's practice has been to award financial services via a competitive solicitation. By this practice, Treasury Management directed our financial advisor, PFM, to issue an RFP in September 2022 requesting proposals for a direct pay letter of credit (combines the guarantee of principal and interest on the bonds and the liquidity facility).

Five institutions responded to the RFP and were subsequently evaluated by Treasury staff and our advisor. The review focused primarily on the direct-pay LOC proposals, bank rating, and fee structure. Treasury and PFM believe that the five-year direct-pay LOC from TD Bank provides the best value. As a double A rated institution, TD offered an annual fee of 22 bps, representing the lowest cost of any double A rated proposal. Additionally, if the bonds were to be downgraded, the price would increase by just 5bps; again, the lowest of any responding firm.

Comptroller Henry stated the Summary Report shows the TD Bank base will use the Wall Street Journal Prime rate and inquired about the cost of the index. Mr. Paul Shelton responded the index would be used in the event of a financial market collapse, and the bonds would become bank bonds similar to the events in 2008. He stated the probability of the City being affected by the events is very low.

Ms. Rogers reiterated TD Bank, as the Direct-Pay LOC Provider, will fulfill the role of a stand-by bond purchaser. Additionally, TD Securities will serve as the remarketing agent responsible for facilitating the buying and selling of the bonds on each weekly remarketing period.

The request to approve the supplemental resolution for the Taxable Refunding Revenue Bonds (Baltimore City Parking System Facilities), Series 2008, was approved on the motion of Mr. Williams, approved by Comptroller Henry.

OTHER BUSINESS

Ms. Rogers noted that the Board needs to appoint a Vice President. She encouraged Board members to consider voting on a Vice President at the next meeting. The Comptroller is exempt from filling the position.

The meeting was adjourned at 4:18 pm.

Jennell Rogers
Clerk to the Board of Finance