



Maryland Transportation Authority

FINANCE COMMITTEE

THURSDAY, AUGUST 10, 2023

MARYLAND TRANSPORTATION AUTHORITY
2310 BROENING HWY
BALTIMORE, MD 21224



Maryland
Transportation
Authority

Wes Moore, Governor
Aruna Miller, Lt. Governor
Paul J. Wiedefeld, Chairman

Board Members:
Dontae Carroll Cynthia D. Penny-Ardinger
William H. Cox, Jr. Jeffrey S. Rosen
W. Lee Gaines, Jr. Samuel D. Snead, MCP, MA
Mario J. Gangemi, P.E. John F. von Paris

William Pines, PE., Executive Director

MEMORANDUM

TO: John von Paris, Chair
Dontae Carroll
Cynthia D. Penny-Ardinger
Jeffrey Rosen

FROM: Chantelle Green, Director of Finance

SUBJECT: Finance Committee Meeting

DATE: August 3, 2023

Enclosed are your materials for the Finance Committee Meeting on Thursday, August 10, 2023. The meeting will begin at 9:00 a.m. and will be conducted via Microsoft Teams. In accordance with the Open Meetings Act, the meeting information will be published on the MDTA's website to allow members of the public to observe the meeting. As a reminder, the meeting will be livestreamed.

Below please find the directions to log into the meeting:

- Open the Microsoft Teams app on your MDTA issued iPad
- Once in the app, go to the Microsoft Teams calendar
- The Finance Committee meeting will appear on the calendar for the appropriate date
- Click the button that says "Join"
- Make sure you have your Video On and your Sound on Mute unless speaking
- Your video will remain on the duration of the meeting.

If I can provide additional assistance, please email or call me at the following:

Chantelle Green
Director of Finance
Office: 410-537-5751
Cell: 443-915-7739
Email: cgreen2@mdta.state.md.us

cc: William Pines, Executive Director
Deborah Sharpless, Chief Financial Officer

ATTACHMENTS

Informational Items:

- Rate Covenant
- Financial Report

**FINANCE COMMITTEE MEETING AGENDA
AUGUST 10, 2023 – 9:00 a.m.**

This meeting will be livestreamed on the [MDTA Finance Committee Page](#)

NOTE: This is an Open Meeting being conducted via livestreaming. The public is welcomed to watch the meeting at the link listed above. *If you wish to comment on an agenda item please email your name, affiliation, and agenda item to cdickinson@mdta.state.md.us no later than noon on Wednesday, August 9, 2023. You **MUST** pre-register in order to comment.* Once you have pre-registered you will receive an email with all pertinent information.

AGENDA

OPEN SESSION

Call to Order

- | | | | |
|----|--|---------------------------------|---------|
| 1. | <u>Approval</u> – July 13, 2023 - Open Meeting Minutes | Chairman von Paris | 5 min. |
| 2. | <u>Approval</u> – Contract No. J01P3600040 – Panasonic Toughbook Laptops FZ-55 BWI | Donna Singfield | 5 min. |
| 3. | <u>Approval</u> – Debt Policy – Update to the MDTA’s Debt Policy, which establishes the guidelines for the financing program | Allen Garman
Yaw Berkoh | 5 min. |
| 4. | <u>Approval</u> – Investment Committee Report – Quarterly update on the investment of MDTA’s funds | Allen Garman
Clayton Viehweg | 20 min. |
| 5. | <u>Approval</u> - Investment Policy – Annual Review of the MDTA’s Investment policy which establishes guidelines for the safeguarding and management of the MDTA’s cash and investments | Allen Garman
Clayton Viehweg | 5 min. |

Vote to Adjourn

ITEM

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FINANCE COMMITTEE MONTHLY MEETING
THURSDAY, JULY 13, 2023
OPEN MEETING VIA CONFERENCE CALL

OPEN SESSION

MEMBERS ATTENDING: Cynthia Penny-Ardinger
Dontae Carroll
Jeffrey Rosen
John von Paris

STAFF ATTENDING: Erika Brantley
Jeff Davis
Donna DiCerbo
Chantelle Green
Natalie Henson
Selena McKissick
Kimberly Millender, Esq.
Sushmita Mitra
Ken Montgomery
Mary O'Keeffe
Will Pines
Tim Sheets
Capt. Ariane Warren

At 9:00 a.m., Member John von Paris, Chair of the Finance Committee, called the Finance Committee Meeting to order.

APPROVAL – OPEN MEETING MINUTES FROM JUNE 8, 2023, MEETING

Member John von Paris called for the approval of the meeting minutes from the open meeting held on June 8, 2023. Member Jeffrey Rosen made the motion, and Member Cynthia Penny-Ardinger seconded the motion, which was unanimously approved.

**APPROVAL – CONTRACT NO. K01B3400036 – ELSAG LICENSE RECOGNITION
SYSTEM MAINTENANCE**

Captain Ariane Warren requested a recommendation of approval from the Finance Committee to present Contract No. K01B3400036 – ELSAG License Recognition System Maintenance to the full Maryland Transportation Authority (MDTA) Board at its next scheduled meeting.

The MDTA is seeking to enter into a sole source contract with Selex ES, a Leonardo Company for the provision of an on-call maintenance and service plan for the ELSAG License Plate Recognition (LPR) System. The scope of services includes field service, preventative and corrective maintenance, and maintenance and support services for the LPR system. Other support services include the Leonardo company/ELSAG enterprise Operation Center (EOC) central monitoring software (*e.g.*, bug fixes, software updates); camera hardware and camera firmware/protocols; associated equipment, parts, and technical support; and LPR software and camera troubleshooting, repairs, and replacement. The total amount for this contract is \$2,254,921.76. The contract has a base term of three years and a two-year renewal option.

Member von Paris called for a motion to recommend approval of this item to the full MDTA Board at its next scheduled meeting. Member Carroll made the motion, and Member Rosen seconded the motion, which was unanimously approved.

There being no further business, the meeting of the Finance Committee adjourned at 9:11 a.m., following a motion by Member Penny-Ardinger, and seconded by Member Carroll.

John von Paris, Chairman

ITEM

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Maryland
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Wes Moore, Governor
Aruna Miller, Lt. Governor
Paul J. Wiedefeld, Chairman

Board Members:
Dontae Carroll
William H. Cox, Jr.
W. Lee Gaines, Jr.
Mario J. Gangemi, P.E.
Cynthia D. Penny-Ardinger
Jeffrey S. Rosen
Samuel D. Snead, MCP, MA
John F. von Paris

William Pines, P.E., Executive Director

MEMORANDUM

TO: Finance Committee
FROM: Donna Singfield
DATE: August 10, 2023
SUBJECT: Contract No.: J01P3600040 – Panasonic Toughbook Laptop FZ-55 BWI

PURPOSE OF MEMORANDUM

To seek recommended approval from the Finance Committee to present Contract No. J01P3600040, Panasonic Toughbook Laptops FZ-55 BWI to the full MDTA Board at its next scheduled meeting.

SUMMARY

The MDTA Department of Information Technology is seeking to enter into a Fixed Price Contract for the one-time purchase of 245 Panasonic FZ-55 Laptops, Docking Stations and Warranties for use by Maryland Transportation Authority Police, Maryland Aviation Administration Police and Maryland State Police. The total amount for this contract is \$1,028,244.60.

RECOMMENDATION(S)

To obtain recommended approval by the Finance Committee to present Contract No. J01P3600040, Panasonic Toughbook Laptops FZ-55 BWI to the full MDTA Board at its next scheduled meeting.

ATTACHMENT(S)

- Finance Committee Project Summary



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CAPITAL/FINANCE COMMITTEE PROJECT SUMMARY

CONTRACT NUMBER. J01P3600040 PANASONIC TOUGHBOOK LAPTOPS FZ-55 BWI

PIN NUMBER

CONTRACT NUMBER

J01P3600040

CONTRACT TITLE

Panasonic Toughbook Laptops FZ-55 BWI

PROJECT SUMMARY

The MDTA Department of Information Technology is seeking to enter into a Fixed Price Contract for the one-time purchase of 245 Panasonic FZ-55 Laptops, Docking Stations and Warranties for use by Maryland Transportation Authority Police, Maryland Aviation Administration Police and Maryland State Police. The total amount for this contract is \$1,028,244.60.

SCHEDULE

ADVERTISEMENT DATE

5/5/2023

ANTICIPATED NTP DATE

10/4/2023

DURATION (CALENDER DAYS)

One Time Purchase

MBE PARTICIPATION

OVERALL MBE

0.00%

ADVERTISED GOAL (%)

0.00%

AFRICAN AMERICAN

ASIAN AMERICAN

VSBE

0.00%

0.00%

ENGINEER'S ESTIMATE (EE)

(\$)

\$1,030,245.00

BID RESULTS

BID AMOUNT (\$)

% VARIANCE

TO EE

USC Canterbury Corp.

\$1,028,244.60

-0.19%

Advanced Computer Concepts

\$1,142,950.95

10.94%

BIDDER #3

BIDDER #4

BIDDER #5

BIDDER #6

BIDDER #7

BIDDER #8

BID PROTEST

YES

Check

NO

Check

ITEM

3



Maryland
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Board Members:
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Cynthia D. Penny-Ardinger
Jeffrey S. Rosen
Samuel D. Snead, MCP, MA
John F. von Paris

William Pines, P.E., Executive Director

MEMORANDUM

TO: Finance Committee
FROM: Yaw Berkoh, Debt Administrator
Allen W. Garman, Director of Treasury & Debt
SUBJECT: Debt Policy – Annual Review
DATE: August 10, 2023

PURPOSE OF MEMORANDUM

Complete required annual review of the Debt Policy and request recommendation of the Finance Committee to present to the full Board for approval.

SUMMARY

Following the annual review by internal staff and an external municipal advisory firm, there is one recommended update to the policy incorporating a new reporting requirement from the Budget Committee Narrative of Fiscal 2023. This Budget Committee Narrative requests that any rating agency reports associated with a financing be forwarded to the State Treasurer's Office in advance of the sale or concurrently.

- a. Policy Statement 13.** The MDTA must adhere to the Governor's Executive Order 01.01.1998.07 (Executive Order) which requires annual review and approval of planned State agency debt by the Department of Budget and Management (DBM) and the Governor. The Budget Committee Narrative of fiscal 2023 also requests that any rating agency reports associated with a financing be forwarded to the State Treasurer's Office in advance of the sale or concurrently. For clarification, credit ratings are not required for all financings.
- i. Notice must be given to DBM at least 30 days in advance of any bond issuance of \$25 million or greater.
 - ii. The MDTA will comply with the annual reporting requirements as set forth in the Executive Order and the Budget Committee Narrative for rating reports if applicable/available as part of a financing.

The Debt Policy includes legal requirements within MD State Law and the Trust Agreement, as well as Board directives to ensure financial strength. These guidelines and mandates support credit quality and access to the capital markets at the lowest possible financing rates. The following table highlights key sections.

Key Elements	Section
State Law References	1
Unrestricted Cash Target	5
Debt Limit	9
Debt Service Coverage Target	10
Level Debt Service Goal	15
Capitalization of Interest	17
Variable Rate Debt	18
Credit Ratings Goal	33
Annual Policy Review Required	36

ATTACHMENT

Debt Policy



Policy No.: MDTA 7009
Effective Date: August 16, 2005

Original Date: August 16, 2005
Revised: August 26, 2021

Approved by: _____
Approval Signature

Date: _____

Approved by: _____
Form and Legal Sufficiency Review, Office of Attorney General

Date: _____

Debt Management

Purpose

The purpose of this Policy is to establish guidelines for the process by which the Maryland Transportation Authority (MDTA) issues and manages debt, and provides guidance to the MDTA Board and staff to ensure that a sound debt position and strong credit quality are maintained.

References

- Title 4 of the Transportation Article, Annotated Code of Maryland (Repl. Vol. 2008, as amended)
- §5-7B-02 of the State Finance and Procurement Article, Annotated Code of Maryland (Repl. Vol. 2009, as amended)
- Second Amended and Restated Trust Agreement between the Maryland Transportation Authority and The Bank of New York Mellon, as Trustee, dated as of September 1, 2007, as amended (2007 Trust Agreement)
- Code of Maryland Regulations (COMAR 11.07.09.09, Vehicle Parking Facilities)
- Governor's Executive Order 01.01.1998.07
- [Budget Committee Narrative Fiscal 2023](#)
- Securities and Exchange Commission (SEC)
- Municipal Securities Rulemaking Board (MSRB)
- Federal Tax Code and Regulations
- MDTA Board Policy: Investment Management
- MDTA Board Policy: Preparation of Financial Forecasts

Scope:

This Policy is applicable to MDTA Finance Division staff.

Responsible Party:

Implementation of the procedures is the responsibility of the CFO and MDTA Division of Finance staff. Any deviation from the procedures must be promptly reported to the MDTA Finance Committee and the MDTA Board.

Division of Finance to approve document change.

Debt Management

I. Purpose and Uses of Debt

- a. **Policy Statement 1.** In accordance with Title 4 of the Transportation Article of the Annotated Code of Maryland, MDTA may issue revenue bonds, notes, or other evidences of obligation to finance the cost of:
 - i. Transportation facilities projects as defined in said Article;
 - ii. A vehicle parking facility located in a priority funding area as defined in §5-7B-02 of the State Finance and Procurement Article;
 - iii. Any other project for transportation facilities that the MDTA Board authorizes to be acquired or constructed; and
 - iv. Any additions, improvements, or enlargements to any of these projects, whenever authorized by the MDTA Board.
- b. **Policy Statement 2.** Debt will be used only to finance capital projects (including land) and capital equipment that are reasonably necessary for governmental purposes.
- c. **Policy Statement 3.** The MDTA will finance its projects with a prudent issuance of debt through the sale of revenue bonds, notes, or other evidences of indebtedness within the constraints of the MDTA Financial Forecast Policy.
- d. **Policy Statement 4.** Capital financing proposals received by MDTA that involve a pledge or extension of credit through sale of securities, loans or leases, shall be referred to the Division of Finance for review.
- e. **Policy Statement 5.** The MDTA Consolidated Transportation Program (CTP) will be funded through a combination of cash reserves, revenues and appropriate levels of debt in accordance with affordability guidelines.
 - i. To provide adequate liquidity, MDTA will maintain unrestricted cash balances at the end of each fiscal year of at least \$350 million.
 - ii. Unrestricted cash shall include funds on deposit in the following MDTA trust accounts: Operating (reserve portion), Capital (cash funded), General, and the Maintenance and Operating (M&O) Reserve.
- f. **Policy Statement 6.** The Chief Financial Officer (CFO), under the direction of the Executive Director, has the responsibility to oversee and coordinate the sale and issuance of MDTA debt.
 - i. The CFO shall make recommendations to the Executive Director and MDTA Board regarding necessary actions related thereto.
 - ii. The CFO and Executive Director shall obtain MDTA Board approval thereof as evidenced by authorizing MDTA Board Resolutions.
- g. **Policy Statement 7.** The MDTA shall endeavor to finance a portion of the CTP on a “pay-as-you-go” basis.
- h. **Policy Statement 8.** Debt financings will be limited to capital projects included in the CTP.

II. Limitations on Indebtedness

- a. **Policy Statement 9.** The statutory ceiling on the level of outstanding toll revenue bond debt shall not exceed \$3,000,000,000 on June 30 of any year.
- b. **Policy Statement 10.** The amount of planned MDTA debt will be limited by affordability guidelines relating to debt service coverage, the rate covenant set forth below, and as further determined by the Executive Director and CFO in

consultation with the municipal advisors. The amount of planned toll revenue-backed debt will be shown in the Financial Forecasts that are prepared at least twice per year.

- i. The 2007 Trust Agreement requires that in each Bond Year (July 1 – June 30, as defined in the Trust Agreement) net revenues (revenues less operating expenditures) must cover 120% of debt service requirements and 100% of the amount annually budgeted for deposit to the M&O Reserve Account.
 - ii. The MDTA will maintain a minimum annual debt service coverage level of 200% of debt service for planning purposes.
 - iii. The MDTA will allow at least \$100 million in programmed bonding capacity in reserve for contingencies during Years 3 through 6 of the Financial Forecast planning period.
 - iv. Planned debt issuances will be based on reasonable estimates of future toll adjustments and capital funding requirements.
 - v. The period of planned debt issuances will coincide with the 6-year CTP, and may be done for additional (e.g., 10 years) for longer range strategic planning.
- c. **Policy Statement 11.** Debt service coverage for non-recourse debt (not backed by MDTA toll revenue) will be determined on a case by case basis for projects where MDTA is a non-recourse debt issuer.
- i. Non-recourse financings shall generally have minimum debt service coverage requirements of 120% of debt service.
 - ii. An exception to this minimum for non-recourse financings may occur if there is a debt service “guarantee” from a rated municipality, authority, or entity with investment grade ratings.
 - iii. Non-recourse financings shall not pledge MDTA’s toll revenues.
 - iv. The MDTA has a self-imposed outstanding debt limit on non-recourse financings of \$700 million, excluding GARVEE bonds (hereinafter defined).
- d. **Policy Statement 12.** Pursuant to §4-320 of the Transportation Article, and the statutory limits set forth therein, the aggregate principal amount of debt issued and secured by a pledge of future federal aid known as Grant and Revenue Anticipation (GARVEE) bonds will not exceed \$750 million, and the maturity date for such debt may not be later than 12 years after the date of issuance.
- e. **Policy Statement 13.** The MDTA must adhere to the Governor’s Executive Order 01.01.1998.07 (Executive Order) which requires annual review and approval of planned State agency debt by the Department of Budget and Management (DBM) and the Governor. The Budget Committee Narrative of fiscal 2023 also requests that any rating agency reports associated with a financing be forwarded to the State Treasurer’s Office in advance of the sale or concurrently. For clarification, credit ratings are not required for all financings.
- i. Notice must be given to DBM at least 30 days in advance of any bond issuance of \$25 million or greater.
 - ii. The MDTA will comply with the annual reporting requirements as set forth in the Executive Order and the Budget Committee Narrative for rating reports if applicable/available as part of a financing.

III. Debt Structural Features

- a. **Policy Statement 14.** The weighted average maturity (WAM) of the tax-exempt

- debt issued by MDTA cannot exceed the weighted average life of the improvements for any project.
- i. The MDTA debt must not exceed a term of 40 years per Maryland law, §4-302(b) of the Transportation Article.
- b. **Policy Statement 15.** Debt will generally be structured to achieve the lowest possible net financing costs pursuant to MDTA's policies and objectives.
- i. Whenever feasible, structuring debt with level debt service costs over the life of the issue is preferred.
 - ii. Backloading will be considered in order to match debt service requirements with project revenues during the early years of the project's operation.
 - iii. At the CFO's discretion, certain issuance costs and fees (e.g. underwriter's discount, bond counsel, municipal advisors, rating agencies, feasibility consultants, Trustees, printers, auditors, etc.) may be paid from unrestricted cash instead of bond proceeds.
 - iv. In accordance with the Code of Maryland Regulations 11.07.09.09, MDTA may charge an application fee or other fees reasonably related to the expenses it incurs in processing a financing proposal or issuing debt in connection with a Vehicle Parking Facility.
 - v. As a non-recourse issuer, MDTA may charge the obligor an annual administrative fee to recapture its costs incurred over the life of the bonds.
 1. Examples of such costs include, but are not limited to, arbitrage rebate calculations, trustee fees and auditor expenses.
- c. **Policy Statement 16.** Optional redemption provisions will generally be included in MDTA bond issues upon the recommendation of the Executive Director, CFO and municipal advisors.
- i. Depending upon market conditions, call provisions will be evaluated for each bond issue.
- d. **Policy Statement 17.** Capitalization of interest (borrowing funds to pay interest on a debt obligation) will generally be limited to the interest due on debt during construction of the facilities.
- i. When deemed appropriate by the Executive Director, CFO and municipal advisors, capitalized interest may extend beyond the construction period, but in no event, will it extend beyond one year after project completion in accordance with Maryland law, §4-101(c) of the Transportation Article.
- e. **Policy Statement 18.** MDTA may issue variable rate securities with interest rates tied to an index according to a predetermined formula or based upon the results from a periodic remarketing of securities for toll revenue-backed or non-recourse debt.
- i. The decision to issue variable rate debt must be approved by the MDTA Board upon the recommendation of the Executive Director, CFO and municipal advisors.
 - ii. MDTA has a self-imposed limit that at time of issuance, no more than 15% of its toll revenue-backed debt will be in variable rate mode.
 - iii. Limits on variable rate non-recourse debt will be determined on a case by case basis taking into consideration debt service coverage and obligor cash reserves.
- f. **Policy Statement 19.** Upon the approval of the MDTA Board, MDTA may enter into financing agreements involving interest rate swaps, floating/fixed rate auction

securities, or other forms of debt bearing synthetically determined interest rates.

- i. MDTA will consider the use of such financing agreements on a case by case basis and any use shall be consistent with the Trust Agreement, State policy and financial prudence.
- g. **Policy Statement 20.** When it is determined to be prudent by the Executive Director, CFO and municipal advisors, and subject to approval of the MDTA Board, MDTA may issue bond anticipation notes or other short-term indebtedness, in accordance with applicable statutory law and trust agreements, as a source of interim construction financing.

IV. Method of Sale

- a. **Policy Statement 21.** The MDTA shall sell and issue debt, subject to MDTA Board approval, either through a competitive bidding process or by a negotiated sale (including a direct bank loan). A competitive bond sale is the preferred method unless it is determined by the Executive Director, CFO, the municipal advisors and legal counsel that this method is unlikely to produce the best sale results. Factors to consider in selecting the sale method include, but are not limited to, bond issue size and related issuance costs, repayment terms, market conditions, credit history and the timing of the need for funds.
 - i. Competitive sales will be awarded to qualified bidder(s) based upon the lowest true interest cost method, with additional consideration of the probable call of the premium coupon securities through the lowest call option adjusted True Interest Cost Plus (TIC Plus) methodology.
 - ii. In the event of a negotiated sale, the underwriting team for the negotiated sale will be selected through a competitive solicitation process and approved by the MDTA Board.
 - iii. In the event of a direct bank loan, a competitive solicitation will be conducted and the bonds will be awarded based upon lowest true interest cost or TIC Plus unless the Executive Director and CFO determine that it is in the best interest of the MDTA to accept an alternative bid with more favorable terms and conditions.
- b. **Policy Statement 22.** Documentation of MDTA bond sales and closings will be prepared by bond counsel, municipal advisors, the MDTA Office of the Attorney General, the MDTA Division of Finance, and other applicable parties for approval by the MDTA Board, and in the case of non-recourse debt, the State Board of Public Works or other appropriate officials, as required.

V. Refundings

- a. **Policy Statement 23.** The CFO and municipal advisors will periodically review MDTA outstanding debt to identify refunding opportunities. Refunding will be considered when there is net economic benefit or the refunding is advisable to modernize bond trust covenants essential to operations and management. The CFO, the Executive Director and staff from MDTA's Division of Finance shall consider additional factors that they deem appropriate in determining specific bonds that shall be refunded.
 - i. In general, refunding for economic savings will be considered when net present value (NPV) savings may be achieved. Projected NPV savings shall be discounted at the All-In True Interest Cost. Alternately, NPV

- savings may be calculated using discount factors from the funding yield curve for each individual maturity.
- ii. In concert with NPV savings analysis, Refunding Efficiency shall be calculated for each individual maturity. Refunding Efficiency measures the percentage of the call option value captured through present value cash flow savings. Maturity refundings that are projected to capture more than 85% of the option value may be viewed favorably and worthy of consideration, though a calculated efficiency below 95% suggests that greater savings may be achieved by delaying the financing.
 - iii. A refunding is subject to MDTA Board approval, either for economic reasons or when existing bond trust covenants or other factors impinge on prudent and sound financial management, and such a restructuring is in MDTA's overall best financial interests.

VI. Disclosure/Arbitrage Compliance

- a. **Policy Statement 24.** The MDTA is committed to full and complete financial disclosure, and will abide by the provisions of SEC Rule 15c2-12 concerning primary and secondary market disclosure.
 - i. The MDTA Division of Finance, with the MDTA Office of the Attorney General and bond counsel, will determine the appropriate primary market disclosure that is required in connection with the offer and sale of bonds.
 - ii. The CFO and the MDTA Division of Finance shall establish and maintain written procedures to follow for the collection, review and public dissemination of secondary market disclosure.
 - iii. At a minimum, such disclosure procedures shall address responsibility for:
 1. Maintaining a record of all Continuing Disclosure Agreements and the requirements set forth therein;
 2. Assigning staff to collect information and determine the method of disclosure, i.e. inclusion in the MDTA Financial Statements or by a separate posting to disseminate information, using the Electronic Municipal Market Access System (EMMA), or to such other approved national repository; and
 3. Setting guidelines to determine when a voluntary or significant event has occurred that warrants posting to EMMA, or to such other approved national repository.
- b. **Policy Statement 25.** The MDTA is committed to compliance with Federal arbitrage tax law and regulations which govern the issuance and management of tax exempt debt.
 - i. The MDTA Division of Finance is responsible for the system of record keeping and reporting necessary to meet the arbitrage rebate compliance requirements of the Federal tax code.

VII. Investment of Bond Proceeds

- a. **Policy Statement 26.** Bond proceeds shall be invested in accordance with provisions of the applicable Trust Agreement and MDTA's Investment Management Policy.

VIII. Consultant Selection

- a. **Policy Statement 27.** The MDTA will retain municipal advisors who are registered with the SEC, to be selected for a term of up to six years through a competitive process administered by the MDTA Division of Finance and the Division of Procurement.
- i. The Executive Director and CFO shall determine on a case by case basis, and pursuant to an applicable municipal advisory services contract, when to use the services of the municipal advisors for bond sales or other financial matters and related advice.
 - ii. To ensure independence and to avoid any potential conflicts of interest, when the MDTA engages the services of the municipal advisors for bond sales, it shall be with the understanding that neither the municipal advisors, their firms, or affiliates, will bid on or underwrite any MDTA debt issue, or perform any other services relating to the sale or issuance of such debt, unless specifically disclosed to the MDTA and authorized by the Executive Director and CFO upon approval by the MDTA Board.
 - iii. When the MDTA engages with services of the municipal advisors for general advice and work, including but not limited to, investments, cash modeling, forecasts, rating agency surveillance, legislative and regulatory updates and analyses, it shall be with the understanding that the municipal advisors, their firms or affiliates will provide the MDTA with written confirmation of their compliance with, and disclosure relating to, the fiduciary duties and standards imposed by the Dodd-Frank Act, and specifically the Municipal Advisor Rule (Release No. 34-70462) issued by the SEC and Rule G-42 issued by the MSRB.
- b. **Policy Statement 28.** The MDTA and the Maryland Attorney General will retain qualified bond counsel as required for debt issues. Bond counsel will issue an opinion as to the legality of the debt issuance and the tax-exempt status of any such obligations.
- i. The Principal Counsel of the MDTA Office of the Attorney General (MDTA Principal Counsel) shall act as procurement officer on behalf of the Maryland Office of the Attorney General and procure competitive proposals from outside law firms.
 - ii. If necessary, the MDTA Principal Counsel shall form a review committee to evaluate written proposals and to conduct oral interviews of the proposers.
 - iii. After the review committee completes its evaluation, the MDTA Principal Counsel shall make recommendations to the Maryland Attorney General regarding the selection of one of more firms to serve as bond counsel.
 - iv. The solicitation and selection process for such services will be accomplished according to the legally appropriate procurement process utilized by the Maryland Attorney General. The Maryland Attorney General's Office shall make such selection, and the MDTA Principal Counsel shall notify the MDTA Board of the selection. The contract(s) shall be awarded, subject to available funding for the contract(s).
- c. **Policy Statement 29.** The MDTA Division of Finance shall be responsible for qualifying underwriting firms to provide services for debt issued in a negotiated sale.
- i. Underwriters will be required to demonstrate sufficient capitalization, experience, and competitive pricing in order to qualify to underwrite debt.

- ii. A review committee will be formed to evaluate written proposals and to conduct oral interviews if necessary.
- iii. The formal selection of the qualified underwriting firms for all negotiated bond sales (except direct bank loans) will be presented to the MDTA Board for approval upon recommendation by the review committee.
- d. **Policy Statement 30.** The MDTA Division of Finance, in conjunction with the MDTA Office of the Attorney General, will approve the selection of the underwriter's counsel, in the event of a negotiated bond sale. The cost of the underwriter's counsel will be payable from bond proceeds of each specific issue and allocated to underwriter's costs.
- e. **Policy Statement 31.** The CFO shall have the authority to periodically select other service providers (e.g., trustees, arbitrage consultants, etc.) as necessary to meet legal requirements and to minimize net debt costs.
- f. **Policy Statement 32.** Compensation for bond counsel, underwriter's counsel, municipal advisors, and other financial services will be as low as possible (through the competitive and any legally required procurement process), given desired qualification levels, and consistent with industry standards.

IX. Credit Ratings

- a. **Policy Statement 33.** The MDTA seeks to maintain the highest possible investment grade credit ratings for revenue bonds, notes and other evidences of indebtedness issued under the provisions of Title 4 of the Transportation Article, consistent with this policy and other Department guidelines.
 - i. For issues secured by toll revenues, MDTA will request ratings prior to the sale of securities from at least two of the three major rating agencies for municipal bond issues: Moody's Investors Service, S&P Global, and Fitch Ratings.
 - ii. For non-recourse financing issues, the decision to request underlying credit ratings will be on a case by case basis as determined by the Executive Director, CFO, the municipal advisors, the obligor and the underwriter for the bonds in the case of a negotiated sale.
 - iii. The MDTA may provide written and/or oral presentations to the rating agencies to assist the agency credit analysts.
- b. **Policy Statement 34.** MDTA shall consider the use of credit enhancements such as debt service reserves, bond insurance, letters of credit, and surety bonds when such credit enhancement proves cost-effective.
 - i. The net debt service on the bonds should be reduced by more than the net carrying costs of the enhancement. A credit enhancement should result in lower net financing costs and may result in higher credit ratings.
- c. **Policy Statement 35.** The Executive Director, CFO and the municipal advisors are responsible for maintaining relationships with the rating agencies. This effort includes providing periodic updates on MDTA's general financial condition along with meetings and presentations in conjunction with a new debt issuance.

X. Annual Review

- a. **Policy Statement 36.** This Debt Policy is to be reviewed by the MDTA Finance Committee at least annually.



XI. Definitions

- a. None

XII. Authorized/Supporting Documents

XIII. Policy History

- a. Approved 8.16. 2005
- b. Reviewed 8.10. 2006
- c. Amended 8.9.2007 as of 9.20.2007
- d. Amended 9.11.2008
- e. Amended 8.25.2009
- f. Amended 11.24.2010
- g. Reviewed 9.22.2011
- h. Amended 9.27.2012
- i. Amended 8.22.2013
- j. Amended 8.28.2014
- k. Amended 8.27.2015
- l. Amended 8.25.2016
- m. Amended 9.7.2017
- n. Amended 8.30.2018
- o. Amended 8.29.2019
- p. Amended 8.27.20
- q. Amended 8.26.21

ITEM

4



MEMORANDUM

TO: Finance Committee
FROM: Clayton D. Viehweg, Investment Administrator
Allen W. Garman, Director of Treasury & Debt
SUBJECT: Investment Report
DATE: August 10, 2023

PURPOSE OF MEMORANDUM

Complete required quarterly review of investment report for the three-month period ended June 30, 2023 and request recommendation of the Finance Committee to present to the full Board for approval of a continuation of investment strategy and associated benchmarks.

SUMMARY

On a quarterly basis, MDTA's Investment Committee reports to the Finance Committee on investment related activities. The Investment Committee will review market conditions, portfolio strategies, and total return performance. The Committee will also discuss certain market drivers that may influence portfolio performance in coming months, including the economy, fiscal policy, and Federal Reserve monetary policy.

Key Points

- Diversified investment portfolio remains in compliance with the Investment Policy and Trust Agreement.
- Matched Funded accounts are benefitting from higher prevailing rates for short-term instruments.
- Total Return Investment Strategies
 - Systematic rate rise has impacted all bond market investors in the form of mark-to-market price declines.
 - Long-term reserve account strategies should remain consistent, despite short-term return volatility associated with the rising interest rate environment.
 - Multi-year returns for longer term reserves align with financial forecast and approximate the starting rolling yields, though one-year returns are negative.

Investment Report

Page Two

RECOMMENDATION

The Investment Committee requests the Finance Committee's concurrence and recommendation to move to the full board for approval of the continuation of investment strategy and benchmarks.

ATTACHMENT

Performance Report Finance Committee 6 30 23



Maryland
Transportation
Authority

Investment Portfolio Management & Performance

Period Ended – June 30, 2023

Meeting Date – August 10, 2023

Agenda & Key Points

Agenda

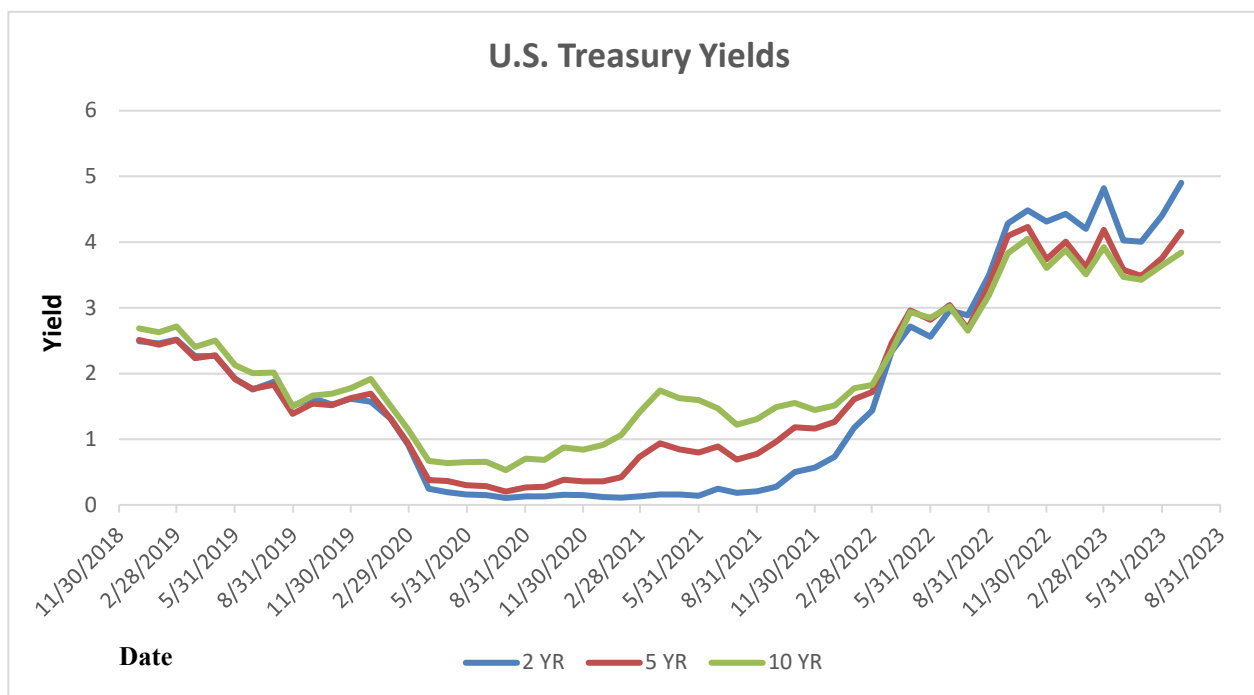
- Market Update
- Portfolio Composition & Compliance
- Strategy
- Total Return Performance
- Strategy & Benchmark Approval

Key Points

- Diversified investment portfolio remains in compliance with the Investment Policy and Trust Agreement.
- Matched Funded accounts are benefitting from higher prevailing rates for short-term instruments.
- Total Return Investment Strategies
 - Systematic rate rise has impacted all bond market investors in the form of mark-to-market price declines.
 - Strategies for long-term reserve accounts should remain consistent, despite short-term return volatility associated with the rising interest rate environment.
 - Multi-year average returns for long term reserves align with financial forecast and approximate the starting rolling yields, though one-year trailing returns are negative.

- **Economy:** Modest growth in spending and production, high inflation, employment strength

	<u>Sep-22</u>	<u>Oct-22</u>	<u>Nov-22</u>	<u>Dec-22</u>	<u>Jan-23</u>	<u>Feb-23</u>	<u>Mar-23</u>	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>
Real GDP (YOY)	1.9%			0.9%			1.6%			2.6%
Unemployment	3.5%	3.7%	3.6%	3.5%	3.4%	3.6%	3.5%	3.4%	3.7%	3.6%
Core PCE Inflation (YOY)	5.2%	5.1%	4.8%	4.6%	4.7%	4.7%	4.6%	4.6%	4.6%	4.1%

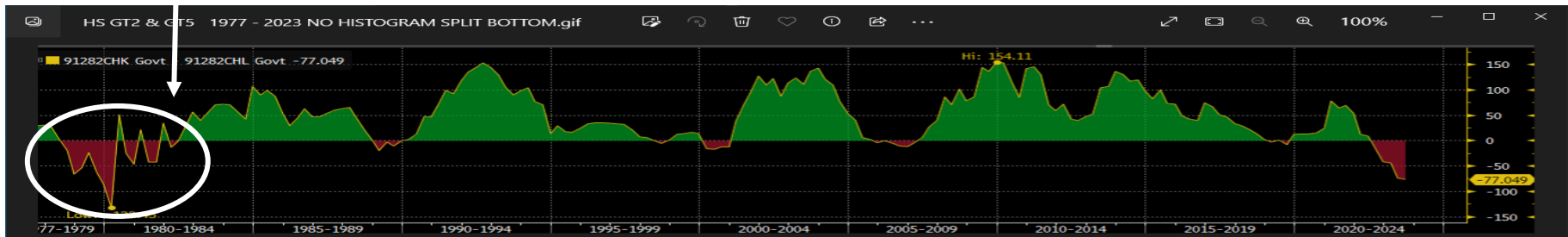
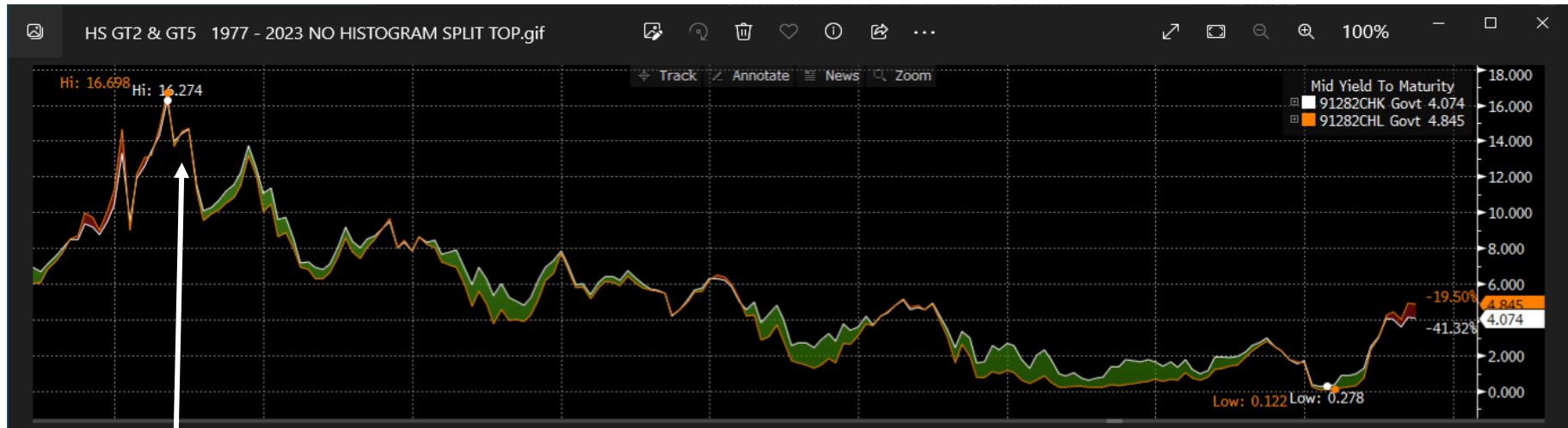


- **Federal Reserve:** Tightening monetary policy to combat inflation in excess of 2% objective.
 - Increased federal funds rate 525 bps since 1/1/22.
 - Balance sheet reductions, \$95 billion monthly.

Market Update – Economy, Federal Reserve & Bond Market

- If 2-year yields are higher than 5- and 10-year yields, why not buy shorter term bonds?
- Yield curve inversions are not normal.
- Inverted curves typically resolve with falling rates, short-term declining more than long-term.
- Longer duration (maturity/cash flow) portfolios outperform as rates decline.

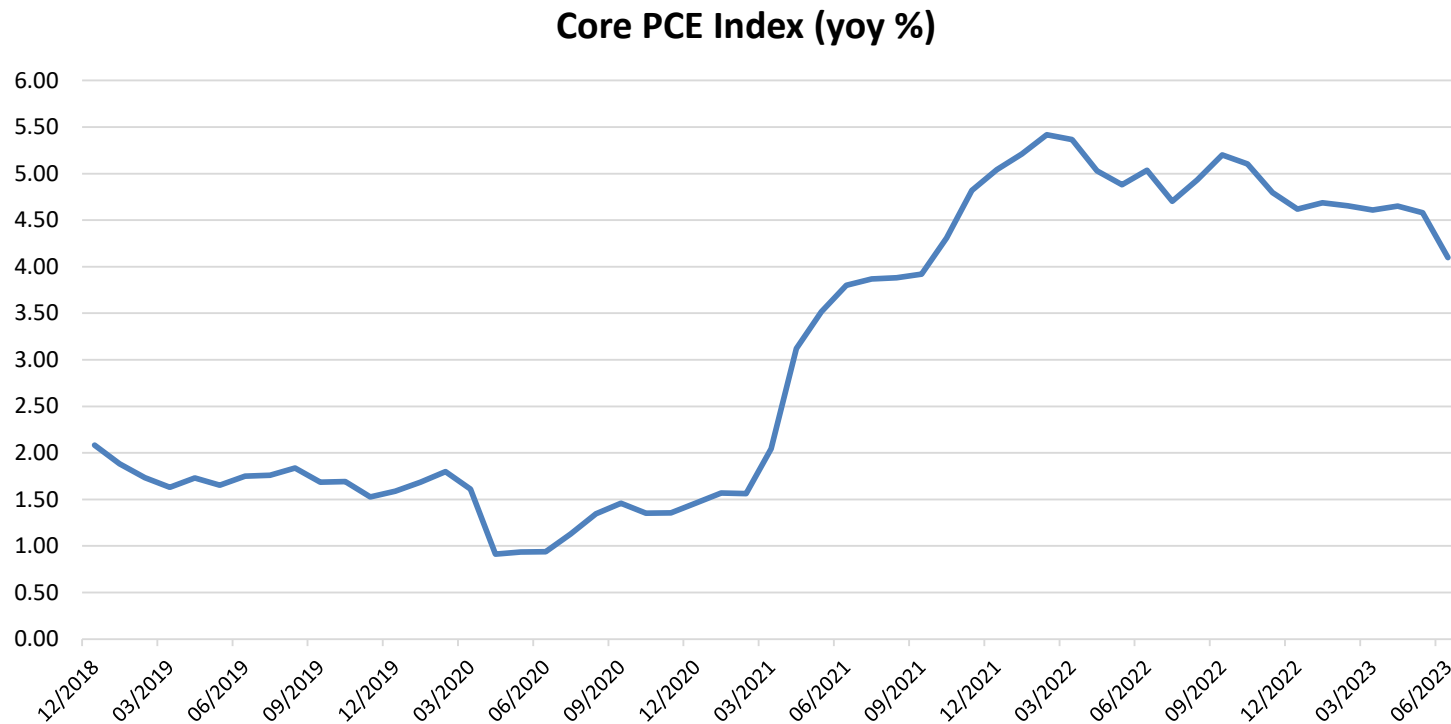
PERFORMANCE PERIOD	INDEX RETURN		DURATION OF INVERSION
	G102 UST 1-3	G202 UST 3-5	
June 30, 1982 - June 30, 1983	18.933%	24.626%	~ 4 Yrs
Dec 31, 1989 - Dec 31, 1990	9.725%	9.872%	~ 1 Yr
Dec 31, 2000 - Dec 31, 2001	8.300%	8.466%	~ 0.75 Yr
June 30, 2007 - June 30, 2008	7.302%	10.644%	~ 1.5 Yrs
Oct 31, 2019 - Oct 31, 2020	3.193%	5.613%	~ 0.75 Yr



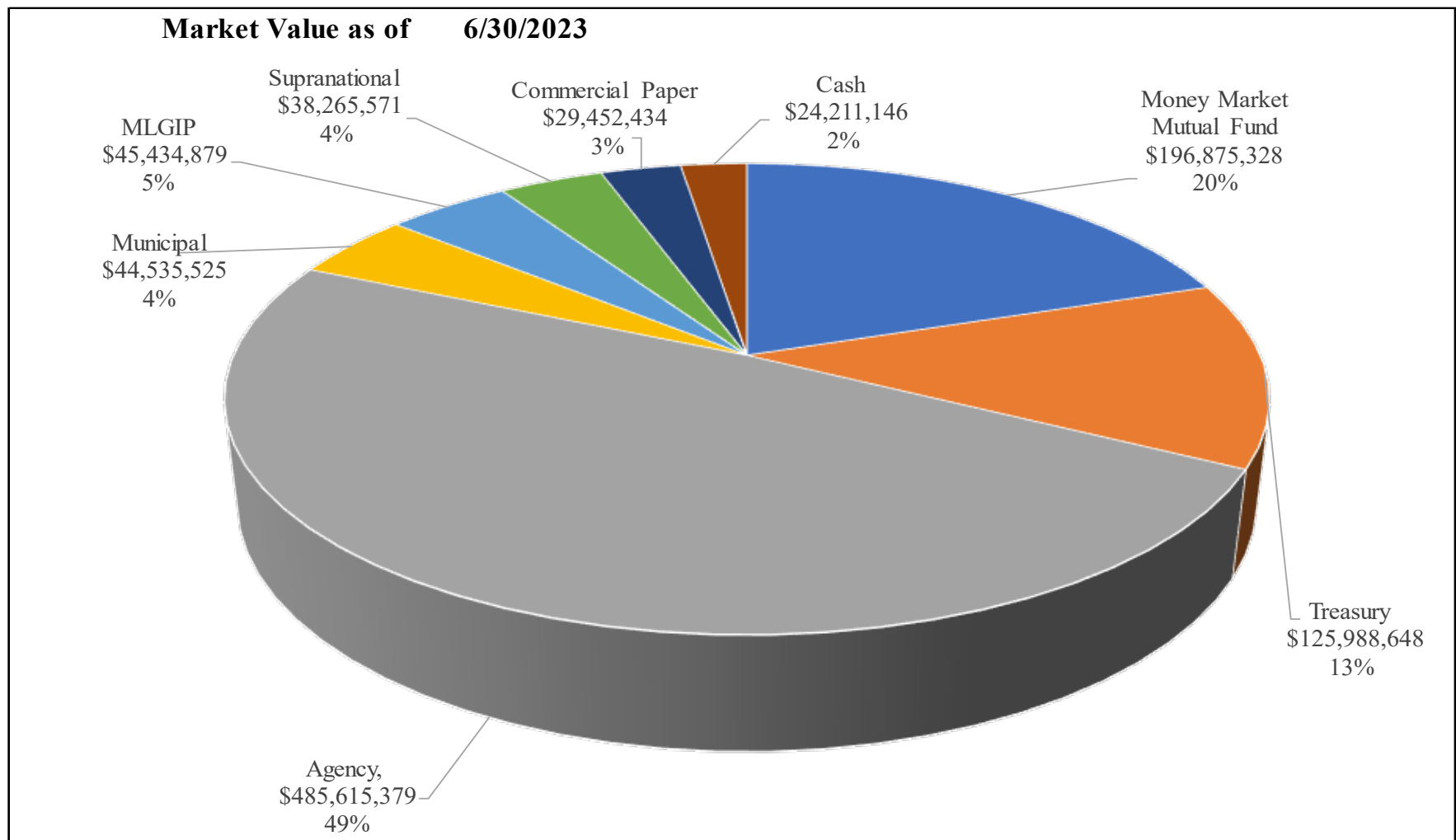
Market Update – Economy, Federal Reserve & Bond Market

- Federal Reserve’s preferred measure of inflation, Core PCE, continues to show inflation moderation.
- Commodity price declines over the past several months demonstrate some degree of post pandemic supply normalization and that the Federal Reserve’s monetary policy tightening is impacting demand. Feedstock price declines should flow through to the PCE index.

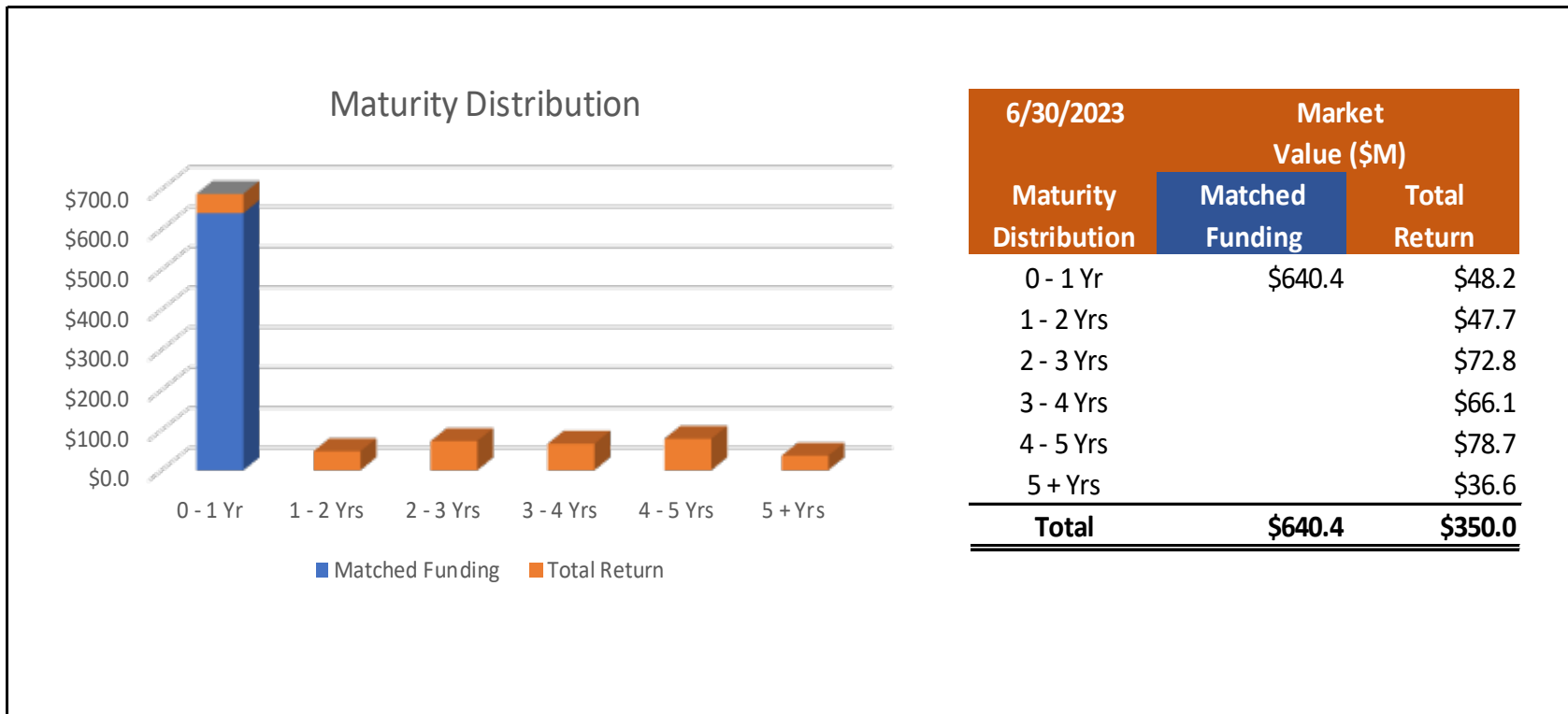
Core Personal Consumption Expenditures Index - measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.



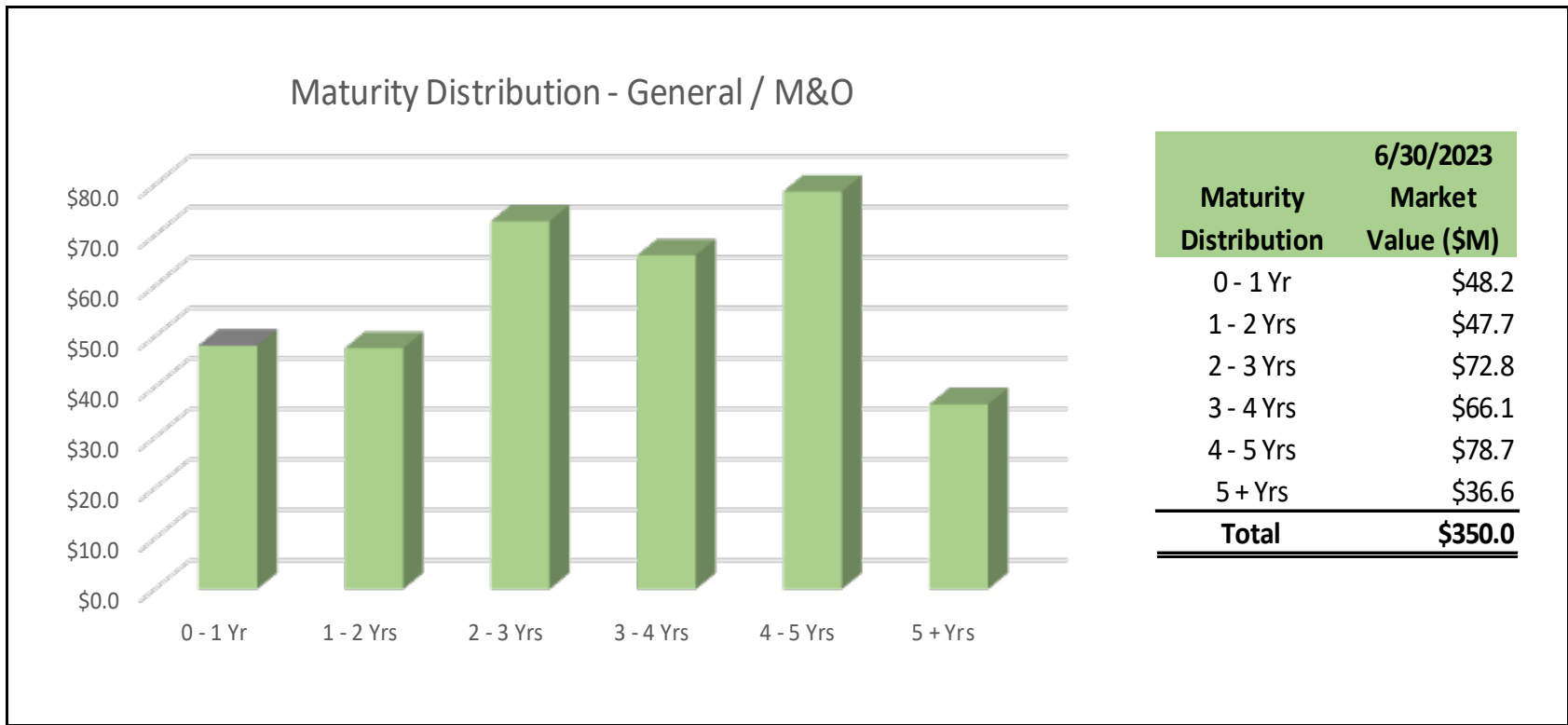
- High quality and diversified portfolio
 - Capitalizing on relative value opportunities
 - Higher yield for similar maturities and credit risk
 - Aligning with cash flow needs
 - Minimizing credit risks associated with ratings downgrades and/or defaults



Portfolio Composition & Compliance – Maturity Distribution (All Accounts) ⁷



- Match Funded accounts necessitate maturities heavily weighted within 1 year.
 - Driven by cashflow schedule for debt service, operating expenses, and capital spending.
 - Debt service: \$106M
 - Operating: \$24M
 - Capital: \$510M



- Total Return reserve accounts align durations with benchmark indices.
 - Dispersion of maturities—reduces yield curve concentration risk and benchmark tracking error.
 - General Account: Staggered maturities, 1-month to 5-years.
 - M&O Account: Staggered maturities, 1-month to 15-years.

Portfolio Composition & Compliance – Compliance Report

- Portfolio complied with all legal and policy limitations throughout the reporting period of 3/31/22 through 6/30/23
 - Investment holdings above minimum credit ratings.
 - Investment concentrations below required limits.
 - Conformed to maturity limitations.

Maturity Limits			Longest Maturity (# of years)	Policy Limit (# of years)	Compliance With Investment Policy	
Account Types						
Bond Service Accounts			0.2	1	Yes	
Unrestricted (General) *			4.9	5	Yes	
Unrestricted (M&O)			14.4	15	Yes	
* Maturity Limits measured on Settlement Date basis.						
			Credit Ratings		Compliance With Investment Policy	
			S&P	Moody's	Market Value (\$)	Market % of Total
			Investment Policy Limit			
Cash					24,211,146	2.4%
Money Market Mutual Funds						
- Goldman Sachs Financial Square Gov't FGTX	AAAm	Aaa-mf			160,308,773	16.2%
- MLGIP	AAAm	NR			45,434,879	4.6%
- Dreyfus Gov't Cash DGCXX	AAAm	Aaa-mf			36,566,555	3.7%
Sub-Total Money Market Mutual Funds					242,310,207	24.5%
U.S. Treasuries	AA+	Aaa			122,609,537	12.4%
Federal Agencies						
- Fannie Mae	AA+	Aaa			55,972,795	5.7%
- Federal Farm Credit Bank	AA+	Aaa			55,748,118	5.6%
- Federal Home Loan Bank	AA+	Aaa			355,751,266	35.9%
- Freddie Mac	AA+	Aaa			18,143,200	1.8%
Sub-Total Federal Agencies					485,615,379	49.0%

Portfolio Composition & Compliance – Compliance Report (continued)

	Credit Ratings		Market Value (\$)	Market % of Total	Investment Policy Limit	Compliance With Investment Policy
	S&P	Moody's				
Municipal Debt						
- Austin, TX Comm Coll	AA+	Aa1	788,330	0.1%	5%	Yes
- Bergen County, NJ	NR	Aaa	2,656,510	0.3%	5%	Yes
- Boston, City of	AAA	Aaa	1,405,956	0.1%	5%	Yes
- Carroll County, MD	AAA	Aaa	1,022,870	0.1%	5%	Yes
- Contra Costa Comm, CA	AA+	Aa1	1,958,260	0.2%	5%	Yes
- Emeryville, CA	AAA	NR	9,057,604	0.9%	5%	Yes
- Hawaii, State	AA+	Aa2	3,069,576	0.3%	5%	Yes
- Idaho Dept of Admin	AA	Aa1	3,379,111	0.3%	5%	Yes
- Marin County, CA	AAA	Aaa	2,125,157	0.2%	5%	Yes
- Multnomah County, OR	AAA	Aaa	1,365,488	0.1%	5%	Yes
- New York, State	AA+	Aa1	8,463,072	0.9%	5%	Yes
- Texas, State	AAA	Aaa	4,939,877	0.5%	5%	Yes
- Tulsa ISD, OK	NR	Aa2	4,804,744	0.5%	5%	Yes
- Westchester County, NY	AA+	Aa1	763,340	0.1%	5%	Yes
- Wisconsin, State	AA+	Aa1	2,114,742	0.2%	5%	Yes
Sub-Total Municipal			47,914,636	4.8%	20%	Yes
Supranationals						
- Asian Development Bank	AAA	Aaa	12,175,563	1.2%	10%	Yes
- International Bank for Reconstruction & Development	NR	Aaa	11,476,208	1.2%	10%	Yes
- Inter-American Development Bank	AAA	Aaa	14,613,800	1.5%	10%	Yes
Sub-Total Supranationals			38,265,571	3.9%	30%	Yes
Commercial Paper						
- Toyota Motor Credit	A-1+	P-1	29,452,434	3.0%	5%	Yes
Sub-Total Commercial Paper			29,452,434	3.0%	20%	Yes
Grand Total			990,378,910	100.0%		

After reviewing the investment activity for the month ended June 30, 2023, we have not identified any instances of material non-compliance with the Investment Policy.

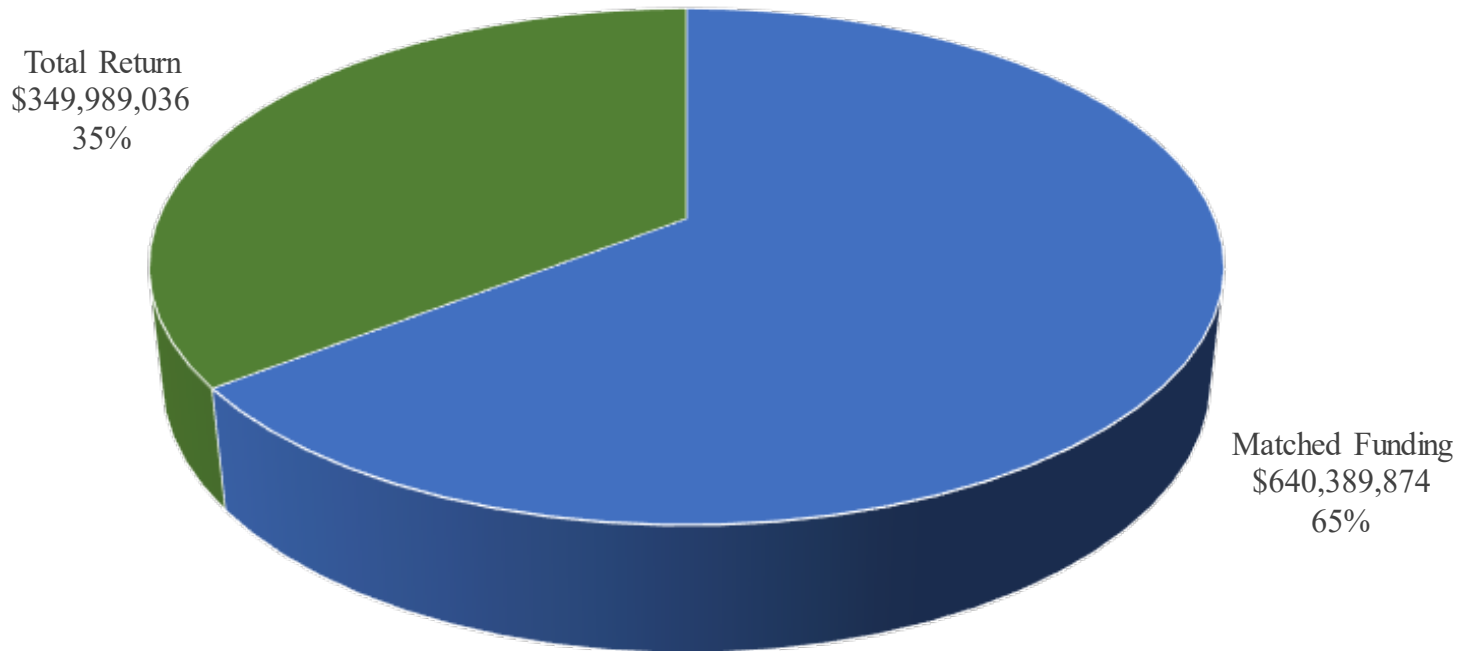
Supplemental Information – Trade Allocation by Dealer

Broker Name	Trade Allocation - Trailing 12 Month Period Ended 6/30/2023							
	% Trades		\$ Purchase	% Purchase	\$ Sale	% Sale	\$ Total	% Total
Wells Fargo Securities	27	23%	\$ 103,357,737.38	13%	\$ 57,878,910.42	47%	\$ 161,236,647.80	17%
FHN Financial	24	21%	\$ 145,280,192.77	18%	\$ 9,595,585.50	8%	\$ 154,875,778.27	17%
Bank of America Securities	12	10%	\$ 80,714,200.10	10%	\$ 9,204,701.82	7%	\$ 89,918,901.92	10%
Cantor Fitzgerald	12	10%	\$ 161,099,425.29	20%	\$ 22,392,697.22	18%	\$ 183,492,122.51	20%
Jefferies & Co	12	10%	\$ 105,394,608.31	13%	\$ 2,726,460.00	2%	\$ 108,121,068.31	12%
Piper Jaffray	10	9%	\$ 36,649,113.18	5%	\$ 637,792.22	1%	\$ 37,286,905.40	4%
Janney Montgomery	7	6%	\$ 17,681,774.72	2%	\$ 16,830,680.36	14%	\$ 34,512,455.08	4%
BNY Mellon	5	4%	\$ 46,780,717.15	6%	\$ 1,535,202.87	1%	\$ 48,315,920.02	5%
Toyota Motor Credit [D]	4	3%	\$ 58,234,879.17	7%	\$ -	0%	\$ 58,234,879.17	6%
Stifel Nicolaus	3	3%	\$ 49,220,080.00	6%	\$ 2,409,946.67	2%	\$ 51,630,026.67	6%
Total	116	100%	\$ 804,412,728.07	100%	\$ 123,211,977.08	100%	\$ 927,624,705.15	100%

*** Broker/Dealers are reviewed annually for competitiveness by the Investment Committee. Dealer suspensions and additions may result from trailing twelve-month performance.

- Matched Funding accounts for Construction, Operations, and Debt Service comprise the majority of the MDTA portfolio.
 - Short-term investments matched to projected spending.
- Total Return reserves represent long-term core funds, with long investment horizons.

Market Value as of 6/30/2023



Strategy – Previous & Current Quarter

Purpose	% of Portfolio	Strategy for Prior Quarter			Strategy for Current Quarter		
		Benchmarks	Duration	% Target	Benchmarks	Duration	% Target
Capital / Operating / Debt Long Term Reserves ⁽¹⁾	65% 35%	Matched Funding	N/A	N/A	Matched Funding	N/A	N/A
General		50% ML 1-3 YR & 50% ML 3-5 YR	~3 Yrs	100%	50% ML 1-3 YR & 50% ML 3-5 YR	~3 Yrs	100%
M&O Reserve		U.S. Treasury Strips 1-13 YR	~7 Yrs	100%	U.S. Treasury Strips 1-13 YR	~7 Yrs	100%

(1) - Unrestricted cash in the combined General & M&O Reserve that exceeds the \$350 million target is transferred to the Capital account to fund capital expenditures.

- **Matched Funding Accounts:** Policy and Trust Agreement Directives/Limitations
 - Capital (Pay-Go & Bond Proceeds), Operating & Debt Service Accounts – Investment maturities precede or coincide with expected spending.

Returns: Investment returns are a function of prevailing interest rates for short-term investments such as Money Market Mutual Funds, MLGIP, Agency/Supranational Discount Notes, and Commercial Paper.

- **Total Return Accounts:** Board Approved Benchmarks
 - M&O Reserve – Staggered maturities, 0-15 years
 - General Account – Staggered maturities, 0-5-years

Returns: Longer duration indices benefit from higher average annual returns over multiyear periods and experience greater return volatility associated with mark-to-market relative to shorter-term duration indices.

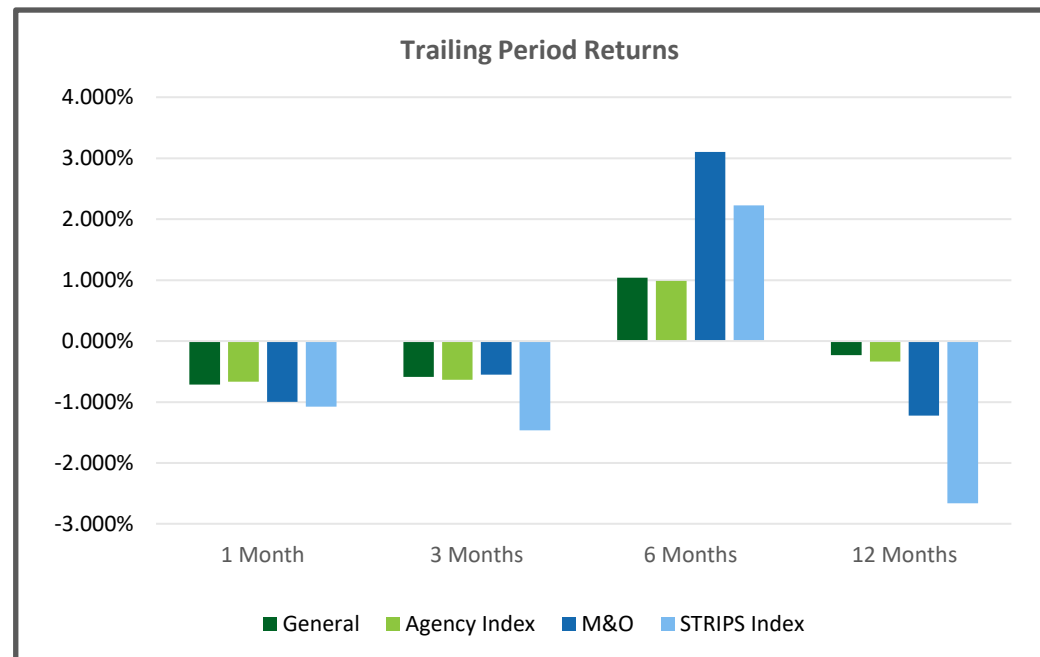
Total Return Performance – Matched Funding & Total Return

Maryland Transportation Authority

Total Return as of Period Ending 6/30/2023

	Trailing Period				Ending Market Value
	1 Month	3 Months	6 Months	12 Months	
<i>Combined Accounts Weighted Average</i>	-0.02%	0.48%	1.81%	1.56%	\$ 968,793,485
MATCHED FUNDING					
Capital	0.41%	1.03%	2.17%	3.25%	\$ 510,885,237
Construction	0.34%	1.04%	1.80%	2.97%	\$ 118
Bond Service	0.42%	1.24%	2.40%	3.89%	\$ 105,958,166
TOTAL RETURN					
Reserves General / M&O	-0.76%	-0.50%	1.43%	-0.28%	\$ 351,949,965
Composite Agency / STRIPS Index	-0.73%	-0.78%	1.18%	-0.71%	

- Shorter term Match Funded accounts for Capital/Construction & Bond Service are benefiting from higher interest rates at the short-end.
- Trailing 6-month period shows positive returns from rate stabilization.
- Total Return Reserves - Sharp rise in interest rates resulted in mark-to-market price declines for 12-month period.



The Investment Committee requests the Finance Committee's Concurrence and Recommendation to move to the full Board for approval of the continuation of investment strategy and benchmarks.

Supplemental Information

Portfolio

6/30/2023
(\$ in millions at market)

Account	Purpose	Balance (millions)	Maturity Limitations*	Investment Policy Limitations	Bond Indenture Limitations	Recommendation
Operating Checking 2335 / 7654 / 85549	Working Capital	\$24.3	Toll revenue generated working capital for operating expenses, excess funds are swept monthly to bond service & General accounts.	1 Year	1 Year - Section 5.02	N/A - Liquid
General Account 241430	Unencumbered Funds	\$300.0	May provide liquidity to capital program. Cash flow needs subject to timing of bond issuances, capital plan spending rate & Capital account balance.	5 Years - Exceptions with prior approval of the CFO.	No Limitation - Section 5.02	Target effective duration of the Composite ⁽¹⁾ Index.
M&O 241427	Operating & Maintenance	\$49.9	Reserve for extraordinary maintenance. No anticipated liquidity needs.	15 Years	15 Years - Section 5.02	Target effective duration of the Composite ⁽²⁾ Index.
Capital Account 241428	Capital Expenditures	\$510.2	Portion of funds to be spent in current year, high liquidity & matched funding.	5 Years - Exceptions with prior approval of the CFO. Matched Funding	No Limitation - Section 5.02	Maturity profile structured to meet anticipated expenditures.
Bond Service Subaccounts 110379 / 241308 / 241859 / 241870 / 241874 / 241877 / 486115 / 761410 / 952837 / 984563	Debt Service	\$106.0	Pays debt service semi-annually.	1 Year	Match Funded - Maturity cannot exceed P&I payment dates.	Maturity profile to meet semi-annual debt service payments. Funded monthly in 1/6 & 1/12 increments.
Total		\$990.4				

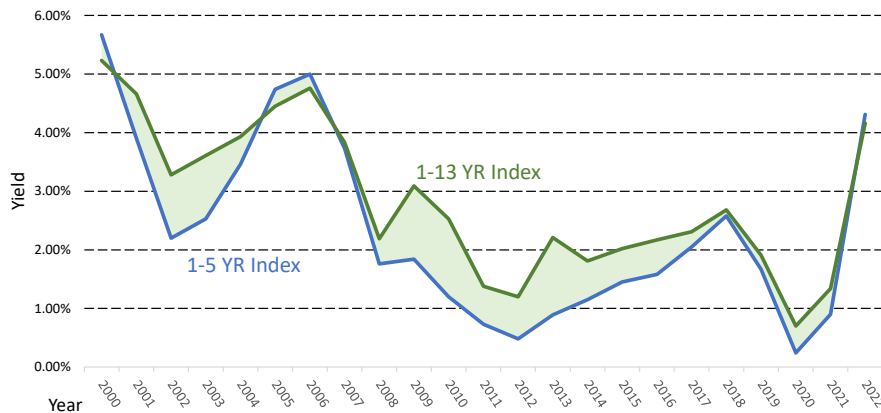
* Maturity limitations dictated by cash flow needs, Investment Policy & Trust Agreement.

(1) Composite Index is a 50/50 blend of the ML 1-3 Yr Bullet Agency & the 3-5 Yr Bullet Agency indices.

(2) Composite Index is comprised of the 1 -13 year U.S. Treasury STRIPS CMI indices.

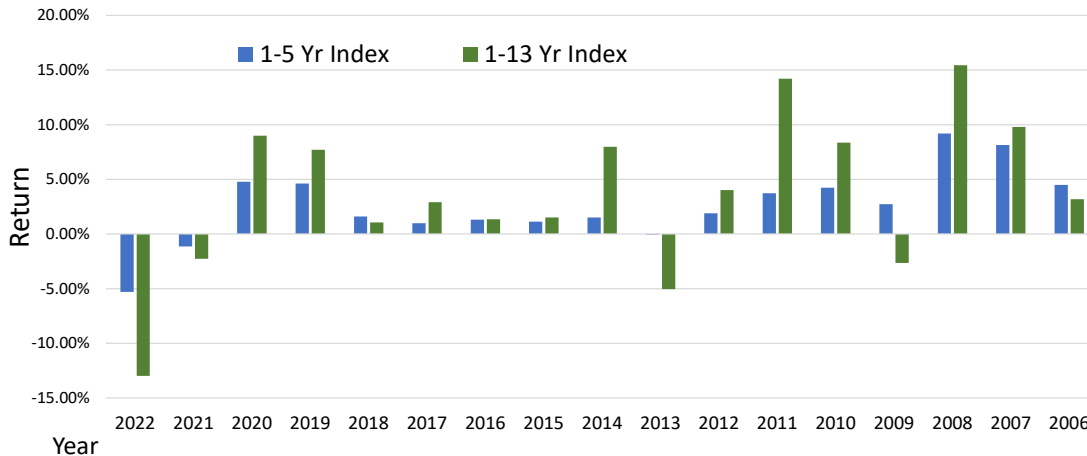
Continued Acceptance of Increased Mark-to-Market Swings in Exchange for Higher Average Annual Returns

Historical Yields & Differential



- \$350M unencumbered/unrestricted cash policy
 - Stable target regardless of bond market conditions
 - Negative return temporarily reduces cash balance
- Benchmarks approved by Board based on risk tolerance to remain within financial policies and achieve reasonable multiyear returns
 - Longer duration and increased volatility accepted for M&O Reserve Account¹
 - 14% of Total Return accounts

Historical Return



Note 1: Composite of 1-13 year Treasury Strip indices approximates the effective duration of a laddered portfolio of 0-15-year coupon bearing securities and aligns with chosen strategy.

Note 2: See Supplemental information for further information on multi-year perspective.

Supplemental Reference – Security Types

Relative Value & Benchmark Implications

The securities contained in the current benchmark indices consist of U.S. Treasury and Government Agency debentures. MDTA's allocation to other sectors such as Supranational, Municipal, and Commercial Paper may help performance over time, but may cause tracking error relative to the indices.

Supranational

- Supranational bonds were added to the Investment Policy in December 2016, with a sector limitation of 30% and a single issuer limitation of 10%.
- At times, Triple-A rated Supranational bonds, such as the World Bank, offer relative value versus comparable maturity agency debentures. Target spreads are approximately 10-15 basis points over comparable maturity agencies.

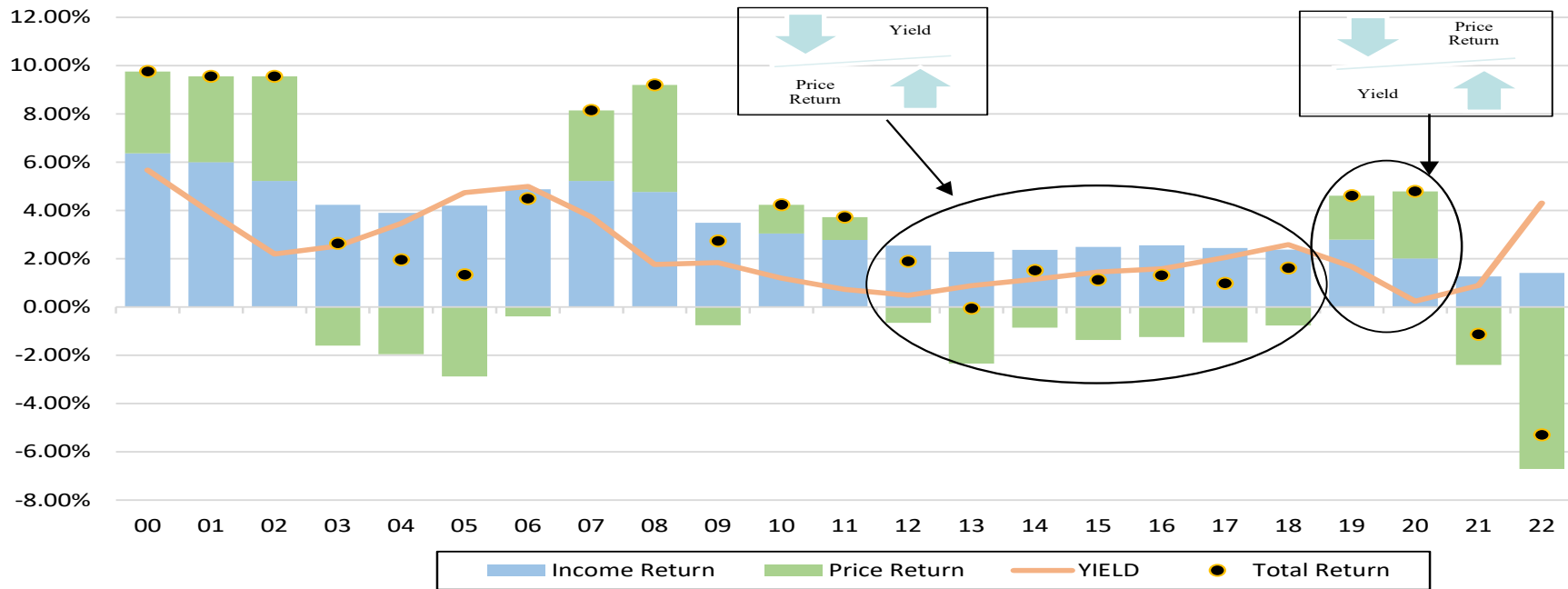
Municipal

- Municipal bonds are limited by policy to 20% of the portfolio, with a single issuer limitation of 5%.
- Triple-A taxable bonds are sought with spreads near 20 basis points relative to comparable maturity agencies.
- Municipals defeased with treasury securities are not subject to the policy limitation, as they are considered government securities. Target spreads are approximately 15 basis points over comparable maturity agencies.

Commercial Paper

- CP is limited by policy to 20% of the portfolio, with a single issuer limitation of 5%.
- Three-month Tier-1 rated CP offered a 21 bp premium to agencies at the end of the quarter.

1-5 YR Benchmark Index - Return Breakdown & Yield



Total return portions require:

- A long-term (multiyear) average annual return perspective to smooth out short-term volatility
 - Over long-term, duration targeted portfolio returns tend to converge back towards the starting rolling yield (multiyear returns \approx beginning period yields at purchase)
- Discipline to remain committed to strategies adopted based on risk tolerance
 - Shifting strategies during downturns results in missed opportunities for subsequent gains
 - Higher relative yields and decades of data demonstrate higher multiyear average returns for longer duration portfolios

Income Return	=	Coupon Income
Price Return	=	Mark-to-market price changes
Yield	=	Prevailing market rates
Total Return (single years)	=	Income Return +/- Price Return

ITEM

5



Maryland
Transportation
Authority

Wes Moore, Governor
Aruna Miller, Lt. Governor
Paul J. Wiedefeld, Chairman

Board Members:
Dontae Carroll Cynthia D. Penny-Ardinger
William H. Cox, Jr. Jeffrey S. Rosen
W. Lee Gaines, Jr. Samuel D. Snead, MCP, MA
Mario J. Gangemi, P.E. John F. von Paris

William Pines, P.E., Executive Director

MEMORANDUM

TO: Finance Committee
FROM: Clayton D. Viehweg, Investment Administrator
Allen W. Garman, Director of Treasury & Debt
SUBJECT: Investment Policy – Annual Review
DATE: August 10, 2023

PURPOSE OF MEMORANDUM

Complete required annual review of the Investment Policy and request recommendation of the Finance Committee to present to the full Board for approval.

SUMMARY

Section 4 of the Investment Policy and Article II(B)(1) of the MDTA Board Operating Policy require an annual review and approval of the Investment Management Policy. Following a recent review by the Investment Committee, no changes to the Investment Policy are currently recommended.

Key Elements	Section
Security Type Limitations	5
Maturity Limitations	6
Diversification Issuer/Sector	8
Reporting Requirements	14
Policy Violations & Downgrades	1

The MDTA has statutory authority to manage its investments separate from the monies of the State of Maryland. The agency’s bond indenture places conservative limitations on investments that are similar to policy limitations of the State Treasurer’s Office as a function of the Annotated Code of Maryland. Investment strategy is driven by cash flow needs, investment policy limitations, and total return considerations. Broad investment strategy is directed by an investment committee consisting of certain members of senior management and external financial advisor. Strategy is implemented by the Director of Treasury & Debt. Strategy, investment policy compliance, and total return performance relative to benchmark indices are reviewed monthly by the Investment/Finance Committees and reported quarterly to the full board.

ATTACHMENT

Investment Policy

Policy No.: MDTA 7010
Effective Date: August 16, 2005

Original Date: ~~August 16, 2005~~
Revised: August 25, 2022
Corrected: May 8, 2023

Approved by: _____
Approval Signature

Date: M/DD/2023

Approved by: _____
Form and Legal Sufficiency Review, Office of Attorney General

Date: M/DD/2023

Investment Management

Purpose

The purpose of this Policy is to establish guidelines for the safeguarding and efficient management of the Maryland Transportation Authority's (MDTA) cash and investments. This policy applies to all accounts, including those established under the Trust Agreement.

Reference(s)

- Title 4 of the Transportation Article, Annotated Code of Maryland (as amended)
- Title 6 of the State Finance and Procurement Article, Annotated Code of Maryland (as amended)
- Second Amended and Restated Trust Agreement between the Maryland Transportation Authority and the Bank of New York Mellon (dated as of September 1, 2007, as amended), Section 5.02 Investment of Monies, and applicable provisions of any governing trust agreements (Trust Agreements).
- Governmental Accounting Standards Board (GASB)
- Internal Revenue Code of 1986, Arbitrage Rebate Regulations (as amended)
- Uniform Commercial Code
- MDTA Board Resolution 2011-02 (Authorized Staff)

Scope:

This Policy is applicable to MDTA Finance Staff

Responsible Party:

The Chief Financial Officer (CFO) and Finance Division staff, including the Director of Treasury and Debt, are charged with ensuring compliance and conducting periodic reviews and revisions to this policy.

Investment Management

I. Prudence

- a. **Policy Statement 1.** All investment balances shall be invested with prudence considering the probable safety of the capital as well as the probable income derived.

- i. Investments and investment practices shall be in compliance with applicable provisions of the Annotated Code of Maryland and to the extent applicable to the MDTA, guidelines established by the State Treasurer and the GASB. Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland does not govern the investment of the MDTA's revenues. This State law applies to political subdivisions, municipal corporations and other specified governmental entities, but not to agencies or units of the government of the State of Maryland. Section 4-311 of the Transportation Article of the Annotated Code of Maryland gives the MDTA statutory authority to enter into a Trust Agreement and to pledge its revenues. Permitted investments are primarily driven by the definition of Investment Obligations contained in the Second Amended and Restated Trust Agreement dated as of September 7, 2007, with some additional consideration of any other obligations that constitute legal investments for State agencies such as the MDTA.
- ii. The CFO or the Director of Treasury and Debt Management shall report to the Finance Committee any material deviations from this policy.
- iii. The CFO or the Director of Treasury and Debt Management shall immediately report to the Finance Committee any security holding credit rating downgrade initiated by at least two Nationally Recognized Statistical Ratings Organization (NRSRO) or one NRSRO for securities with only one credit rating.

II. Ethics

- a. **Policy Statements 2.** Employees involved in the investment process shall refrain from personal business activity that may create conflicts of interest. Furthermore, employees:
 - i. Are prohibited from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the MDTA.
 - ii. Must provide annual financial disclosures in accordance with the requirement of the State Ethics Commission, and as otherwise required by law.

III. Delegation of Authority

- a. **Policy Statement 3.** The MDTA's power to manage investment of public MDTA funds is subject to any applicable State and federal law, including Title 4 of the Transportation Article of the Annotated Code of Maryland and Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland, the MDTA's Master Trust Agreement, Article V, Section 5.02 and applicable provisions of any other MDTA Trust Agreements.
 - i. Responsibility for the operation of the investment program has been delegated by resolution to the CFO and certain Directors of the Finance Division, who shall establish and maintain written administrative procedures and internal controls for the operation of the investment program, consistent with this Investment Policy. Such procedures shall include:
 1. Explicit designation of the person(s) responsible for investment transactions.

- a. No person may engage in an investment transaction except as provided under the terms of this policy and procedures established by the CFO.
2. To the extent not covered by this policy, procedures shall include reference to:
 - a. Safekeeping
 - b. Repurchase Agreements
 - c. Wire Transfer Agreements
 - d. Collateral Depository Agreements
 - e. Banking Service Agreements
 - f. Competitive Bidding Procedures
 - g. Cash Flow Requirements

IV. Finance Committee

- a. **Policy Statement 4.** The MDTA's Finance Committee will serve in an advisory capacity to the CFO in its periodic review of the MDTA's Investment Policy, investment strategy, practices and portfolio performance. The Finance Committee is responsible for:
 - i. Reviewing and updating the Investment Policy at least annually.
 - ii. Monitoring the investment transactions to assure that adequate controls are in place.
 - iii. Assuring that the MDTA is in compliance with the Investment Policy.
 - iv. Meeting periodically to deliberate economic outlook, portfolio diversification and maturity structure, cash flow forecasts, potential risks and the interest rate outlook.

V. Allowable Investments

- a. **Policy Statement 5.** Permitted investments include the following instruments:
 - i. U.S. Treasury Obligations - Securities issued or backed by the full faith and credit of the United States Treasury.
 - ii. Federal Agency Obligation - Securities issued by or backed by the full faith and credit of any United States Government agency or government sponsored enterprise with credit ratings in the highest category assigned to that obligor, but in no event less than the double-A category. Includes, but is not limited to:
 1. Fannie Mae
 2. Freddie Mac
 3. Federal Home Loan Bank
 4. Federal Farm Credit Bank
 5. Federal Intermediate Credit Banks
 6. Federal Land Banks
 7. Federal Bank of Cooperatives
 8. Export-Import Bank of the United States
 9. Federal Financing Bank
 10. Federal Housing Administration
 11. Farmers Home Administration
 - iii. Repurchase Agreements - The MDTA may purchase U.S. Treasury Obligations or Federal Agency Obligations under a repurchase agreement provided that the following conditions are met:

1. The term to maturity of repurchase agreements invested from accounts created by Trust Agreements shall be limited as follows:
 - a. Bond Service Subaccount - 1 year.
 - b. Reserve Subaccount - 1 year.
 - c. Capital Account (bond proceeds) - the expected period of spend out, or five years, whichever is less.
 - d. All Other Funds - 90 days.
2. The contract is fully secured by deliverable U.S. Treasury or Federal Agency obligations as described in 5i and 5ii above (without limit to maturity), having a market value at all times of a least one hundred two percent (102%) of the amount of the contract.
3. A master repurchase agreement or specific written, repurchase agreement governs the transaction.
4. The securities are held by an independent third-party custodian, acting solely as agent for the MDTA and free of any lien, provided such third party is not the seller under the repurchase agreement.
5. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. in such securities as created for the benefit the MDTA.
6. For repurchase agreements with terms to maturity of greater than one (1) day, the MDTA will value the collateral securities weekly and require under collateralization to be corrected within one (1) business day.
 - a. If a collateral deficiency is not corrected within this time fame, the collateral securities will be liquidated.
7. The counterparty must meet the following criteria:
 - a. Be a primary government securities dealer that reports daily to the Federal Reserve Bank of New York, or a bank, savings and loan association or diversified securities broker-dealer having \$5 billion in assets or \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency.
 - b. Have a minimum long-term credit rating of a least single – A and a short-term rating of not less than Tier-1.
 - c. Have been in operation for a least five (5) years.
- iv. Collateralized Certificates of Deposit - The MDTA may purchase Certificates of Deposit issued by, and time deposits in, any bank or savings and loan association organized under the laws of the State, any other state of the United States or of the United States, including the Trustee; provided that such bank or savings and loan association has combined capital, surplus and undivided profits of a least \$100 million; and provided further that such Certificates of Deposit or time deposits are:
 1. Insured by the Federal Deposit Insurance Corporation.
 2. To the extent not so insured, collateralized by U.S. Treasury Obligations or Federal Agency Obligations, having a market value of a least one hundred two percent (102%) of the amount of contract.
 - a. Securities must be held by the Trustee or an independent third party acting solely as custodian on behalf of the

- MDTA, free and clear of any lien.
- b. Maturity for certificates of deposit shall be limited to a maximum maturity of one year.
- v. Banker's Acceptances - The MDTA may purchase Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, if the following conditions are met:
1. The maturity is no greater than two hundred-seventy (270) days.
 2. The short-term paper of the issuing bank is rated no lower than Tier-1 by any two (2) NRSROs.
 3. The issuing bank has combined net capital of a least \$100 million as indicated in the most recent quarterly financial statement.
 4. The amount invested in any single bank will not exceed five percent (5%) of the total funds available for investment (based on book value on the date of acquisition).
- vi. Commercial Paper - Unsecured short-term debt of U.S. corporations may be purchased if the following conditions are met:
1. Maximum maturity of two hundred seventy (270) days.
 2. Maximum allocation to commercial paper is twenty percent (20%) of the total funds available for investment (based on book value on the data of acquisition).
 3. Maximum allocation to a single issuer is five percent (5%) of the total funds available for investment (based on book value on the date of acquisition).
 4. The issuing corporation, or its guarantor, has a net worth of at least \$50 million.
 5. At time of purchase, the issuing corporation, or its guarantor, has short-term debt ratings of not less than Tier-1 from any two (2) NRSROs and long-term debt ratings of not less than single-A.
- vii. Municipal Securities - The MDTA may purchase obligations of state or local government municipal bond issuers meeting one (1) of the following two (2) conditions:
1. Full faith and credit obligations of state or local government municipal bond issuers that are rated at the time of purchase in at least the second highest rating category by at least one (1) NRSRO.
 2. Legally defeased municipal obligations that are secured by an escrow containing either U.S. Government Agency Securities or U.S. Government Securities
- viii. Money Market Mutual Funds - The MDTA may purchase shares in open ended investment funds provided such funds are:
1. Registered under the Investment Company Act of 1940.
 2. Operated in accordance with SEC Rule 2A-7.
Rated in the highest category by at least one (1) NRSRO.
- ix. Maryland Local Government Investment Pool - The MDTA may invest in the Pool with prior permission of the State Treasurer's Office as outlined in Article 95, Section 22G of the Annotated Code of Maryland.
- x. Supranationals - Rated in the highest category by at least one (1) NRSRO and denominated in U.S. dollars, currently limited to:
1. World Bank - International Bank for Reconstruction and

- Development (IBRD)
 2. International Finance Corporation (IFC)
 3. Inter-American Development Bank (IADB)
 4. African Development Bank (AFDB)
 5. Asian Development Bank (ASIA)
- xi. The CFO may at any time determine in writing that the MDTA temporarily, for a period determined by the CFO, shall not purchase any security or class of securities authorized in this Policy Statement.

VI. Maturity Restrictions

- a. **Policy Statement 6.** MDTA's investment objectives include preservation of principal, liquidity, and longer-term total return performance considerations. The market value of securities in the MDTA's portfolio may fluctuate due to changes in market conditions. MDTA shall manage investments to ensure adequate funds are available when needed.
- i. In addition to the limitations and requirements of applicable provisions of the Annotated Code of Maryland and applicable guidelines established by the State Treasurer and GASB:
 1. Funds shall be invested at all times in keeping with the daily and seasonal pattern of the MDTA's cash balances, as well as any other special factors or needs, in order to assure the availability of liquid funds on a timely basis.
 - ii. Cash flow projections will be monitored and updated on an ongoing basis by MDTA personnel and reported regularly to the investment managers(s).
 - iii. On a periodic basis, a determination will be made, based on cash flow projections and total return performance considerations, regarding the appropriate maturity structures of the portfolios. The final maturity of investments held in each portfolio at the time of settlement may not exceed:
 1. Operating Accounts - 1 Year
 2. Bond Service Accounts - 1 Year
 3. Operating Reserve - 5 Years
 4. Capitalized Interest Accounts - Maturities must precede or coincide with coupon payments dates.
 5. Capital Accounts – 5 Years, or longer if the maturity precedes or coincides with the expected need for funds and only with prior approval of the CFO.
 6. General – 15 Years, or longer with prior approval of the CFO.
 7. Maintenance & Operating Reserve - 15 Years
 8. Debt Services Reserves - 15 Years

VII. Prohibited Securities, Transactions and Activities

- a. **Policy Statement 7.** The following securities, transactions and activities are prohibited:
- i. Reverse repurchase agreements.
 - ii. Short sales (selling a specific security before it has been legally purchased).
 - iii. Borrowing funds for the sole purpose of reinvesting the proceeds of such

- borrowing.
- iv. Investing in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices.
 - v. Investing in Mortgage-Backed Securities, Collateralized Mortgage Obligations, Structured Notes, Asset-Backed Obligations, Inverse Floater, and Real Estate Mortgage Conduits (REMICS).
 - 1. As an exception to prohibited asset- and mortgage-backed securities noted in Statement 7.vi, pooled loan securities issued through the Small Business Administration (SBA Pool Securities) and backed by the full faith and credit of the United States are permitted investments.
 - vi. Investing in any security not specifically permitted by this Investment Policy.

VIII. Diversification

- a. **Policy Statement 8.** The MDTA will diversify its holdings by security type and institution to avoid incurring unreasonable risks due to excessive concentration in specific instruments, financial institutions or issuers. Diversification standards are as follows:
 - i. Diversification by instrument as maximum percent of the portfolio:
 - 1. U.S. Treasury Obligations - 100%
 - 2. U.S. Federal Agency Obligations -100%
 - 3. Repurchase Agreements - 50%
 - 4. Bankers Acceptances - 20%
 - 5. Municipal Securities - 20%
 - 6. Money Market Mutual Funds -100%
 - 7. Maryland Local Government Investment Pool – 50%
 - 8. Collateralized Certificates of Deposit – 20%
 - 9. Commercial Paper - 20%
 - 10. SBA Pool Securities (Pool/Issue) – 5%
 - 11. Supranationals – 30%
 - ii. Diversification by individual Institution/Issuer/Poll as maximum percent of the portfolio:
 - 1. Repurchase Agreements – 40%
 - 2. Federal Agencies (Issuer) – 50%
 - 3. Commercial Banks (CD) – 5%
 - 4. Money Market Mutual Funds – 50%
 - 5. Bankers Acceptances (Institution) – 5%
 - 6. Commercial Paper (Issuer) – 5%
 - 7. Municipal Bond (Issuer) – 5%
 - 8. SBA Pool Securities (Pool/Issue) – 0.5%
 - 9. Supranational – (Issuer) – 10%

IX. Safekeeping, Custody and Additional Requirements

- a. **Policy Statement 9.** All security transactions, including collateral for repurchase agreements, entered into by the MDTA shall be conducted on a deliver-versus-payment (DVP) basis.
 - i. Securities will be held by the MDTA or its designated custodian.

1. If held by a custodian, the securities must be in the MDTA's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the MDTA.
 - a. If held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller).
 - i. The third-party requirement does not apply to excess checking account funds invested overnight in a bank "sweep" repurchase agreement or similar vehicle.
- b. **Policy Statement 10.** Collateralization is required for Certificates of Deposit and repurchase agreements.
 1. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least one hundred and two percent (102%) of market value of principal and accrued interest.
 2. Collateral will always be held by an independent third party with whom the Authority has a current custodial agreement.
 3. Acceptable collateral is specified under Section 6-202 of the State Finance and Procurement Article of the Annotated Code of Maryland.
 4. The third party trust custodian has the right to reject otherwise acceptable collateral based on their discretion concerning market conditions.

X. Internal Controls

- a. **Policy Statement 11.** The MDTA shall establish a system of internal controls to reasonably prevent loss of public funds as a result of fraud, employee error and/or imprudent action, or misrepresentation by third parties. This system will include:
 - i. An audit of the investment operation shall be part of the annual financial audit conducted by the MDTA or an outside independent audit company.
 - ii. Separation of transaction authority from accounting and record keeping.
 - iii. Avoidance of physical delivery of securities when possible.
 - iv. Clear delegation of responsibility to subordinate staff members.
 - v. Written records of all telephone transactions for investments and wire transfers.
 - vi. Development of a wire transfer agreement with lead bank or third-party custodian, as appropriate.

XI. Authorized Financial Dealers and Institutions

- a. **Policy Statement 12.** The MDTA shall transact securities purchases and sales only with Qualified Institutions or directly with issuers.
 - i. The MDTA shall maintain a list of financial institutions and broker/dealers that are approved for investments purposes ("Qualified Institutions").
 - ii. Direct purchases of securities from issuers are not subject to the Qualified Institutions restrictions.
 - iii. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:
 1. Primary dealers and regional dealers that qualify under Securities

and Exchanges Commission Rule 15C3-1 (uniform net capital rule).

2. Net capital of no less than \$25 million.
 3. Registered as a dealer under the Securities Exchange Act of 1934.
 4. Member of the Financial Industry Regulatory Authority (FINRA).
 5. Registered to sell securities in Maryland.
 6. Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.
- b. **Policy Statement 13.** Qualified Institutions shall be provided with the MDTA's Investment Policy. The MDTA shall maintain on file current audited financial statements for each Qualified Institution with which the MDTA transacts business.

XII. Competitive Selection of Investment Instruments

- a. **Policy Statement 14.** Whenever practical, securities shall be purchased and sold through a formal competitive process requiring the solicitation and evaluation of a least three (3) bids/offers from Qualified Institutions.
- i. Supporting records of the competitive process must be retained including the name of the financial institutions solicited, rate quoted, description of the security, investment selected, and any special considerations that had an impact on the decision.
 - ii. If the highest yielding security was not selected for purchase or if three bids/offers from Qualified Institutions are not obtained, an explanation describing the rationale will be included in this record.

XIII. Investment of Bond Proceeds

- a. **Policy Statement 15.** The MDTA shall comply with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations (as amended) and bond trust covenants with regard to the investment of bond proceeds. The MDTA will consult with bond counsel to ensure that non-compliance is remediated in accordance with income tax regulations. Accounting records shall be maintained in a form and for a period of time sufficient to document compliance with these regulations and covenants.

XIV. Reporting

- a. **Policy Statement 16.** MDTA staff shall provide the CFO with a monthly statement of transactions and holdings priced at market. At least quarterly, a report must be prepared detailing compliance with policy constraints. The report may include, but is not limited to the following:
- i. Portfolio performance versus benchmarks, analyzed on a total return basis for those funds invested pursuant to a strategy that may result in the sale of securities that are not intended to be held until maturity.
 - ii. Percentage of total portfolio by investment class and comparison to diversification limits in Policy Statement 8.
 - iii. Holding by institution/issuer/pool and comparison to diversification limits in Policy Statement 8.
 - iv. An investment plan for the next quarter-describing the target maturity

structure, duration, and asset allocation.

XV. Definitions

- a. For the purposes of this Policy, the following words have the following meanings:
 - i. NRSRO - Nationally Recognized Statistical Rating Organization or rating agency (e.g., Moody's, S&P, Fitch).

XVI. Authorized/Supporting Documents

- a. None

XVII. Policy History

- a. Approved 8.16.05
- b. Approved 8.10.06
- c. Approved 9.20.07
- d. Approved 12.13.07
- e. Approved 3.26.08
- f. Approved 6.12.08
- g. Approved 9.23.09
- h. Approved 11.24.10
- i. Approved 9.22.11
- j. Approved 3.23.12
- k. Approved 7.26.12
- l. Approved 8.22.13
- m. Approved 11.21.13
- n. Approved 11.20.14
- o. Approved 1.26.16
- p. Approved 8.25.16
- q. Approved 12.22.16
- r. Approved 12.21.17
- s. Approved 12.20.18
- t. Approved 12.19.19
- u. Approved 2.27.20
- v. Approved 12.17.20
- w. Approved 8.26.21
- x. Approved 8.25.22
- y. Correction 5.8.2023

INFORMATIONAL ITEMS

MDTA BOARD INFORMATIONAL ITEM

Rate Covenant Coverage Projections

July 31, 2023

PURPOSE

To review the projected fiscal year 2023 Rate Covenant compliance based on the most recent available toll revenue data, other revenue estimates, and budgeted expenditures.

FORECAST ASSUMPTIONS

Projected fiscal 2023 Rate Covenant coverage is based on forecasted net operating revenue and refinements as a function of realized traffic and revenues during the fiscal year.

FY 2023 PROJECTION OF RATE COVENANT COMPLIANCE

Rate Covenant compliance is estimated at 2.7 times coverage for fiscal 2023 versus the legal mandate of 1.0 times (based on 1.20 times coverage for debt service and 100% of the M&O budgeted deposits). The M&O account began the fiscal year at the reserve level target of \$50 million, therefore no transfers have been budgeted. Fiscal 2023 debt service coverage is estimated at 3.4 times versus the 2.0 times coverage goal. Fiscal 2023 debt service of \$138 million is projected to rise to \$184 million at the end of the six-year CTP period in fiscal 2028.

The attached chart shows that for fiscal 2023 the MDTA can withstand a decline in revenues of \$289 million or conversely an increase in expenditures of that amount, and still meet the legal Rate Covenant requirement. The chart shows the Cushion on row C as the difference between Net Revenues on row A and the Legal Requirement on row B.

ATTACHMENT

Rate Covenant FY 2023 - Projected

Yaw Berkoh, Debt Administrator

Projected Rate Covenant FY 2023 - Based on FYTD Revenues

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 Projected	Notes:
Revenues							<i>Revenues less Hatem Bridge, plus ETL & ICC.</i>
Toll Revenues	\$ 665,320,277	\$ 662,598,307	\$ 563,334,804	\$ 468,604,801	\$ 786,747,125	\$ 735,542,080	<i>Based on YTD annualized.</i>
Concession & Fee Revenues	55,989,979	56,644,104	50,834,856	33,804,958	15,814,972	70,750,631	<i>Estimated.</i>
Operating Investment Income	(101,561)	3,233,849	-	-	-	-	<i>No longer applicable.</i>
Gross Revenues	\$ 721,208,695	\$ 722,476,260	\$ 614,169,660	\$ 502,409,759	\$ 802,562,097	\$ 806,292,711	
Expenses							<i>Expenses exclude Hatem, Port & BWI Police.</i>
Operating	\$ 207,852,391	\$ 221,896,850	\$ 216,481,527	\$ 258,714,219	\$ 291,465,317	\$ 319,206,937	
General & Administrative	55,643,952	57,880,091	51,948,781	58,399,778	29,943,085	32,793,063	
Total Expenses	\$ 263,496,343	\$ 279,776,941	\$ 268,430,308	\$ 317,113,997	\$ 321,408,402	\$ 352,000,000	
A Net Revenues, Rate Covenant Coverage	\$ 457,712,352	\$ 442,699,319	\$ 345,739,352	\$ 185,295,763	\$ 481,153,695	\$ 454,292,711	
Hatem Bridge Net Revenues			10,260,896	16,686,345	16,262,337	7,760,000	
Investment Income			23,640,047	1,184,224	(19,157,000)	6,725,656	
Net Revenues, Debt Service Coverage ¹			\$ 379,640,295	\$ 203,166,332	\$ 478,259,032	\$ 468,778,367	
Debt Service	\$ 129,467,340	\$ 92,530,799	\$ 91,281,948	\$ 61,715,979	\$ 104,918,844	\$ 137,753,132	
120% Annual Debt Service	\$ 155,360,808	\$ 111,036,959	\$ 109,538,338	\$ 74,059,174	\$ 125,902,613	\$ 165,303,759	
Budgeted Deposit Amount ²	-	-	-	-	-	-	
B Legal Requirement	\$ 155,360,808	\$ 111,036,959	\$ 109,538,338	\$ 74,059,174	\$ 125,902,613	\$ 165,303,759	
C Cushion	\$ 302,351,544	\$ 331,662,360	\$ 236,201,014	\$ 111,236,589	\$ 355,251,082	\$ 288,988,952	
Rate Covenant	2.9	4.0	3.2	2.5	3.8	2.7	
Debt Service Coverage	3.5	4.8	4.2	3.3	4.6	3.4	

(1) Net Revenues used for Debt Service Coverage includes Hatem Bridge Net Revenues and Investment Income that are not included in the Rate Covenant calculation.

(2) Annual M&O Budget is based on the M&O portion of the CTP, with the minimum reserve funding level to be maintained at approximately \$50 million.

**MARYLAND TRANSPORTATION AUTHORITY
FINANCIAL REPORT**

June 2023

Operating Budget Status		
Approved FY 2023 Budget	\$	387,152,963
Adjustments	\$	-
Adjusted Budget	\$	387,152,963
Budget Spending Guideline - June		100.0%
FY 23 Expenditures as of 6/30/23	\$	361,792,305
Percent of Budget Spent		93.5%
Approved FY 2022 Budget	\$	360,840,279
FY 22 Final Expenditures	\$	325,129,863
Percent of Budget Spent		90.1%

Toll Revenue Comparison		Preliminary*
Historical Revenue Comparison (Legacy Facilities):		
Twelve Months Ending June 2023	\$	660,027,898
Twelve Months Ending June 2022	\$	678,080,731
% Revenue Change		-2.66%
Projected Revenue Comparison (Legacy):		
Twelve Months Ending June 2023	\$	660,027,898
Forecast through June 2023	\$	614,293,000
% Revenue Change		7.45%
Revenue - ICC		
Twelve Months Ending June 2023	\$	70,150,708
Forecast through June 2023	\$	63,548,000
% Revenue Change		10.39%
Revenue - ETL		
Twelve Months Ending June 2023	\$	13,956,339
Forecast through June 2023	\$	16,136,000
% Revenue Change		-13.51%
* Data is preliminary		

Coverage Ratios		
Debt Service Coverage (2.0 minimum):		
Estimate FYE 6/30/2023		3.4
Actual FYE 6/30/2022		4.6
Rate Covenant Compliance (1.0 minimum):		
Estimate FYE 6/30/2023		2.7
Actual FYE 6/30/2022		3.8

Investment Balances	
6/30/2023	
Transportation Authority	
Unrestricted	
	\$ 24,267,073
	\$ 300,039,624
M&O	\$ 49,949,412
Capital (Cash Funded)	\$ 510,159,344
Total Unrestricted	\$ 884,415,453
Restricted	
Capital/Construction	\$ 95,173
Debt Service & Debt Service Reserves	\$ 105,868,275
Total Restricted	\$ 105,963,448
Total Restricted and Unrestricted	\$ 990,378,901

Non-Recourse	
Capital, Revenue, Debt Service, DSRs	\$ 166,219,049

Outstanding Debt	
6/30/2023	

Toll Revenue Backed Debt	
Municipal Bonds	\$ 2,061,578,000
Statutory Debt Limit FYE 2023	\$ 3,000,000,000
Unused Debt Capacity	\$ 938,422,000
Net - Amort. & Planned Issuance	\$ 144,500,000
Projected Excess Debt Capacity FYE 2023	\$ 793,922,000

Non-Recourse Issues	
BWI Rental Car Facility Series 2002	\$ 64,755,000
BWI PFC Series 2012 A	\$ 28,220,000
BWI PFC Series 2012 B	\$ 29,950,000
BWI Variable Rate PFC Series 2012 C	\$ 43,400,000
BWI PFC Series 2014	\$ 26,290,000
BWI PFC Series 2019	\$ 97,295,000
Calvert Street Parking Refunding Series 2015	\$ 12,352,000

BWI Variable Rate PFC - Interest	
Series C (\$43,400,000) Reset Rate:	
Week 1 - 12/13/12	0.15%
Recent - 6/29/23	4.27%
SIFMA Swap Index	
At Issue 2012 - 12/13/12	0.13%
Recent - 6/28/23	4.01%