



Maryland Transportation Authority

FINANCE AND ADMINISTRATION
COMMITTEE

THURSDAY, AUGUST 8, 2024

MARYLAND TRANSPORTATION
AUTHORITY 2310 BROENING HWY
BALTIMORE, MD 21224

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA
AUGUST 8, 2024 – 9:00 a.m.

This meeting will be livestreamed on the [Finance and Administration Committee Meeting Archive | MDTA \(maryland.gov\)](#)

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 edickinson@mdta.state.md.us no later than noon on Wednesday, August 7, 2024. 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. **Approval** – July 11, 2024 - Open Meeting Minutes Chairman von Paris 5 min.
2. **Approval** – Contract No. J01P4600124 – APC Server David Goldsborough 5 min.
Cooling Hardware
3. **Approval** – FSK Bridge Turnaround – temporary suspension Bruce Gartner 10 min.
of the collection of tolls Chantelle Green
4. **Approval** – Investment Committee Report – Quarterly update Allen Garman 20 min.
on the investment of MDTA’s funds
5. **Approval** - Investment Policy – Annual Review of the Allen Garman 5 min.
MDTA’s Investment policy which establishes
guidelines for the safeguarding and management
of the MDTA’s cash and investments

Vote to Adjourn

ITEM

1

FINANCE AND ADMINISTRATION COMMITTEE MONTHLY MEETING
THURSDAY, JULY 11, 2024
OPEN MEETING HELD VIRTUALLY

OPEN SESSION

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

STAFF ATTENDING: Donna DiCerbo
Cheryl Dickinson
Bruce Gartner
David Goldsborough
Chantelle Green
Natalie Henson
Richard Jaramillo
Moreshwar Kulkarni
Kimberly Millender, Esq.
Ken Montgomery
Ebony Moore
Mary O’Keeffe
Jason Pulliam
Deb Sharpless
Tim Sheets
Jason Stolicny

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

APPROVAL – OPEN MEETING MINUTES FROM JUNE 18, 2024 MEETING

Member John von Paris called for the approval of the meeting minutes from the open meeting held on June 18, 2024. Member Dontae Carroll made the motion, and Member Cynthia Penny-Ardinger seconded the motion, which was unanimously approved.

APPROVAL – MDTA RESOLUTION 24-04, DELEGATED AUTHORITY – CONTINUITY OF OPERATIONS PLAN

Mr. Richard Jaramillo requested a recommendation of approval from the Finance and Administration Committee to present MDTA Resolution 24-04, Delegated Authority – Continuity of Operations Plan to the full MDTA Board at its next scheduled meeting.

The Continuity of Operations Plan (COOP) develops, implements, and maintains a viable continuity of operations capability for MDTA. MDTA COOP components and supporting elements are annually reviewed, evaluated, revised as necessary, and certified annually based on the requirements of Maryland Annotated Code, Public Safety Article, Title 14 Section 116. The purpose of MDTA Resolution 24-04 is to update the various job positions in the resolution by removing the Deputy Executive Director position and adding the Chief Engineer to the resolution.

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

UPDATE – ALTERNATIVE PROJECT DELIVERY AND PROGRESSIVE DESIGN-BUILD

Mr. Jason Stolicny provided the Finance and Administration Committee with an overview of the typical project delivery approaches utilized on Department of Transportation projects. Mr. Stolicny provided information related to the Progressive Design-Build (PDB) methodology and how PDB is being utilized on the Key Bridge Rebuild.

UPDATE – FRANCIS SCOTT KEY BRIDGE TURNAROUND

Ms. Chantelle Green provided the Finance and Administration Committee with an update on the status of tolling at the Francis Scott Key (FSK) Bridge Turnaround. Following the FSK Bridge Collapse, the MDTA temporarily suspended tolling the FSK Bridge Turnaround movement. Since that time, there have been approximately 20,000 turnaround movements.

Ms. Green indicated that staff plans to seek the MDTA Board's approval in August 2024 to temporarily suspend the collection of tolls at the FSK Bridge Turnaround until the new FSK Bridge is completed. The temporary suspension of the collection of tolls is needed to facilitate the safe and efficient movement of traffic and is likely needed until the new FSK Bridge is completed.

Although the MDTA's Trust Agreement with its bondholders prohibits free passage, the Trust Agreement contains a limited exception whereby the temporary suspension of the collection of tolls for the efficient use and management of traffic on other portions of the highway projects in the Transportation Facilities Projects may be used in catastrophic situations like the collapse of the FSK Bridge.

There being no further business, the meeting of the Finance Committee adjourned at 9:43 a.m., following a motion by Member Penny-Ardinger, and seconded by Member Carroll.

John von Paris, Chairman

ITEM

2



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

Bruce Gartner, Executive Director

MEMORANDUM

TO: Finance & Administration Committee
FROM: IT Director/CIO, David Goldsborough
SUBJECT: J01P4600124, APC Server Cooling Hardware
DATE: July 17, 2024

PURPOSE OF MEMORANDUM

To seek approval from the Finance & Administration Committee to present Contract No. J01P4600124, APC Server Cooling Hardware to the full MDTA Board at its next scheduled meeting.

SUMMARY

This Contract is to provide APC Server Cooling Hardware upgrades for the MDTA's Office of Infrastructure Services to replace existing critical in-line cooling and Uninterruptable Power Supply (UPS) systems currently in operation and at the end of their life cycle at both the Intercounty Connector (ICC) and John F. Kennedy Memorial Highway (JFK) Data Centers. The total amount for this contract is \$1,626,989.74. As this contract exceeds the MDTA's delegated authority, the award of this contract would be pending approval at the soonest available BPW meeting.

RECOMMENDATION(S)

To obtain approval by the Finance & Administration Committee to present Contract No. J01P4600124 APC Server Cooling Hardware to the full MDTA Board at its next scheduled meeting.

ATTACHMENT(S)

- Finance & Administration Committee Project Summary



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FINANCE & ADMINISTRATION COMMITTEE PROJECT SUMMARY

J01P4600124 APC Server Cooling Hardware

PIN NUMBER TBD
CONTRACT NUMBER J01P4600124
CONTRACT TITLE APC Server Cooling Hardware

PROJECT SUMMARY This Contract is to provide APC Server Cooling Hardware upgrades for the MDTA's Office of Infrastructure Services to replace existing critical in-line cooling and Uninterruptable Power Supply (UPS) systems currently in operation and at the end of their life cycle at both the Intercounty Connector (ICC) and John F. Kennedy Memorial Highway (JFK) Data Centers.

SCHEDULE		MBE PARTICIPATION	ADVERTISED GOAL (%)	PROPOSED GOAL (%)
ADVERTISEMENT DATE	3/27/2024	OVERALL MBE	0.00%	0.00%
ANTICIPATED NTP DATE	10/2/2024	AFRICAN AMERICAN	0.00%	0.00%
DURATION (CALENDER DAYS)	One-time purchase	ASIAN AMERICAN	0.00%	0.00%
		VSBE	0.00%	0.00%
		BID RESULTS	BID AMOUNT (\$)	% VARIANCE TO EE
ENGINEER'S ESTIMATE (EE)	(\$) \$2,000,000.00	Applied Technology Services	\$1,626,989.74	-18.65%
		Knots Technology Solutions	\$1,630,258.00	-18.49%
		Universal Adaptive Consulting Services, Inc.	\$1,782,241.14	-10.89%
		BID PROTEST	YES	NO
			<input type="checkbox"/> Check	<input checked="" type="checkbox"/> Check

ITEM

3



MEMORANDUM

TO: Finance & Administration Committee
FROM: Executive Director Bruce Gartner
Director of Finance Chantelle Green
SUBJECT: Francis Scott Key Bridge Turnaround
DATE: August 8, 2024

PURPOSE OF MEMORANDUM

The purpose of this memorandum is to request the recommended approval from the Finance & Administration Committee to temporarily suspend the collection of tolls at the Francis Scott (FSK) Bridge Turnaround until the new FSK Bridge is completed.

KEY TAKEAWAYS

- The continued suspension of tolling at the FSK Bridge Turnaround until completion of the new bridge allows for the efficient use and management of traffic on other portions of MDTA facilities.
- The estimated revenue loss associated with the four-year closure of the FSK Bridge Turnaround is \$4.5 million.
- The FSK Bridge Collapse Traffic & Revenue Update prepared by CDM Smith assumes that the MDTA will forgo the collection of tolls at the FSK Turnaround until the new bridge opens. Consequently, the MDTA's financial metrics are not further impacted by the proposed action.

SUMMARY

Following the FSK Bridge Collapse, the MDTA temporarily suspended tolling the FSK Bridge Turnaround movement. The temporary suspension of the collection of tolls is needed to facilitate the safe and efficient movement of traffic and is likely needed until the new FSK Bridge is completed.

ANALYSIS

Prior to the FSK Bridge collapse, trucks on the Inner Loop of Interstate 695 requiring access to Broening Highway used the FSK Bridge Turnaround. In FY 2023, there were approximately 114,000 FSK turnaround movements totaling \$1.0 million. In FY 2024 (prior to the FSK Bridge Collapse), there were approximately 109,000 turnaround movements totaling \$1.0 million. Since the FSK Bridge collapse, there have been approximately 34,000 turnaround movements. No tolls have been collected for the FSK turnaround movement since the bridge collapsed.

Although the MDTA's Trust Agreement with its bondholders prohibits free passage, the Trust Agreement contains a limited exception whereby the temporary suspension of the collection of tolls for the efficient use and management of traffic on other portions of the highway projects in the Transportation Facilities Projects may be used in catastrophic situations like the collapse of the FSK Bridge. The estimated fiscal impact associated with the temporary suspension of tolls until the new bridge is opened is \$4.5 million.

The MDTA plans to put up signs by the end of summer advising motorists of the temporary suspension of tolls. MDTA staff will continue to monitor traffic, and should there be a need to reconsider this action, staff will bring a subsequent agenda item to the MDTA Board for consideration.

RECOMMENDATION

Approve the temporary suspend the collection of tolls at the FSK Bridge Turnaround until the new FSK Bridge is completed.

ITEM

4



MEMORANDUM

TO: Finance and Administration Committee
FROM: Deputy Director Finance Allen W. Garman
SUBJECT: Investment Report
DATE: August 8, 2024

PURPOSE OF MEMORANDUM

Complete required quarterly review of investment report for the three-month period ended June 30, 2024. Request recommendation of the Finance Committee to present to the full Board for approval for the 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 (Duration Targeted) Investment Strategies
 - Long-term reserve account strategies should remain consistent despite periods of short-term return volatility associated with rising interest rate environments.
 - Despite the current yield curve inversion, longer duration strategies outperform over multiyear periods.
 - Multiyear returns for longer term reserves align with the financial forecast and approximate the starting rolling yields.

Investment Report
Page Two

RECOMMENDATION

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

ATTACHMENT

Performance Report Finance Committee 6 30 24



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Investment Portfolio Management & Performance

Period Ended – June 30, 2024

Meeting Date – August 8, 2024

Agenda & Key Points

Agenda

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

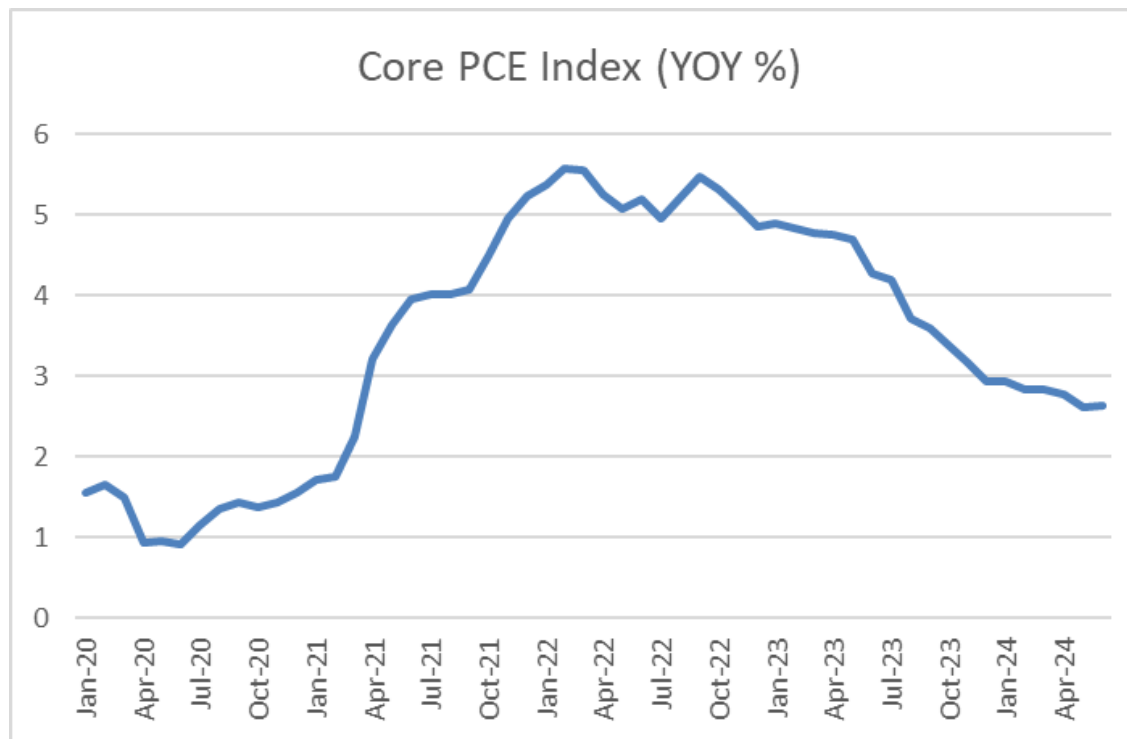
Key Points

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- Matched Funded accounts are benefitting from higher prevailing rates for short-term instruments.
- Total Return (Duration Targeted) Investment Strategies
 - Long-term reserve account strategies should remain consistent, despite periods of short-term return volatility associated with rising interest rate environments.
 - Recognizing the current yield curve inversion, longer duration strategies outperform over multiyear periods.
 - Multiyear average returns for long term reserves align with financial forecast and approximate the starting rolling yields.

Market Update – Economy, Federal Reserve & Bond Market

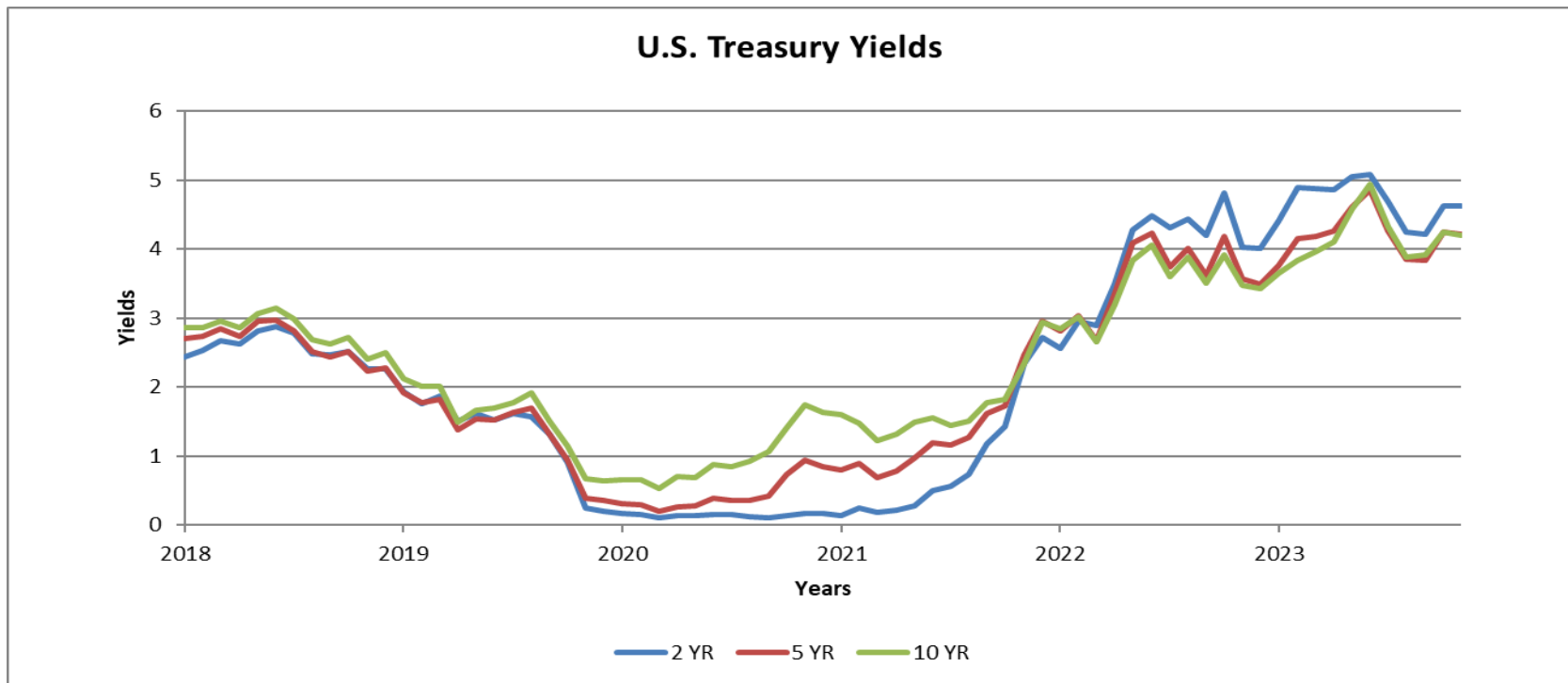
- Federal Reserve's preferred measure of inflation, Core PCE, continues to show inflation moderation over the past year but remains above the 2% target.
- Fed does not expect to reduce the 5.25%-5.50% federal funds target range until it has gained greater confidence that inflation is moving sustainably toward 2%.

Core Personal Consumption Expenditures Index - measures the prices paid by consumers for goods and services, excluding volatile food and energy prices.



- **Economy:** Solid economic expansion, moderated job gains, low unemployment, easing inflation remains elevated.

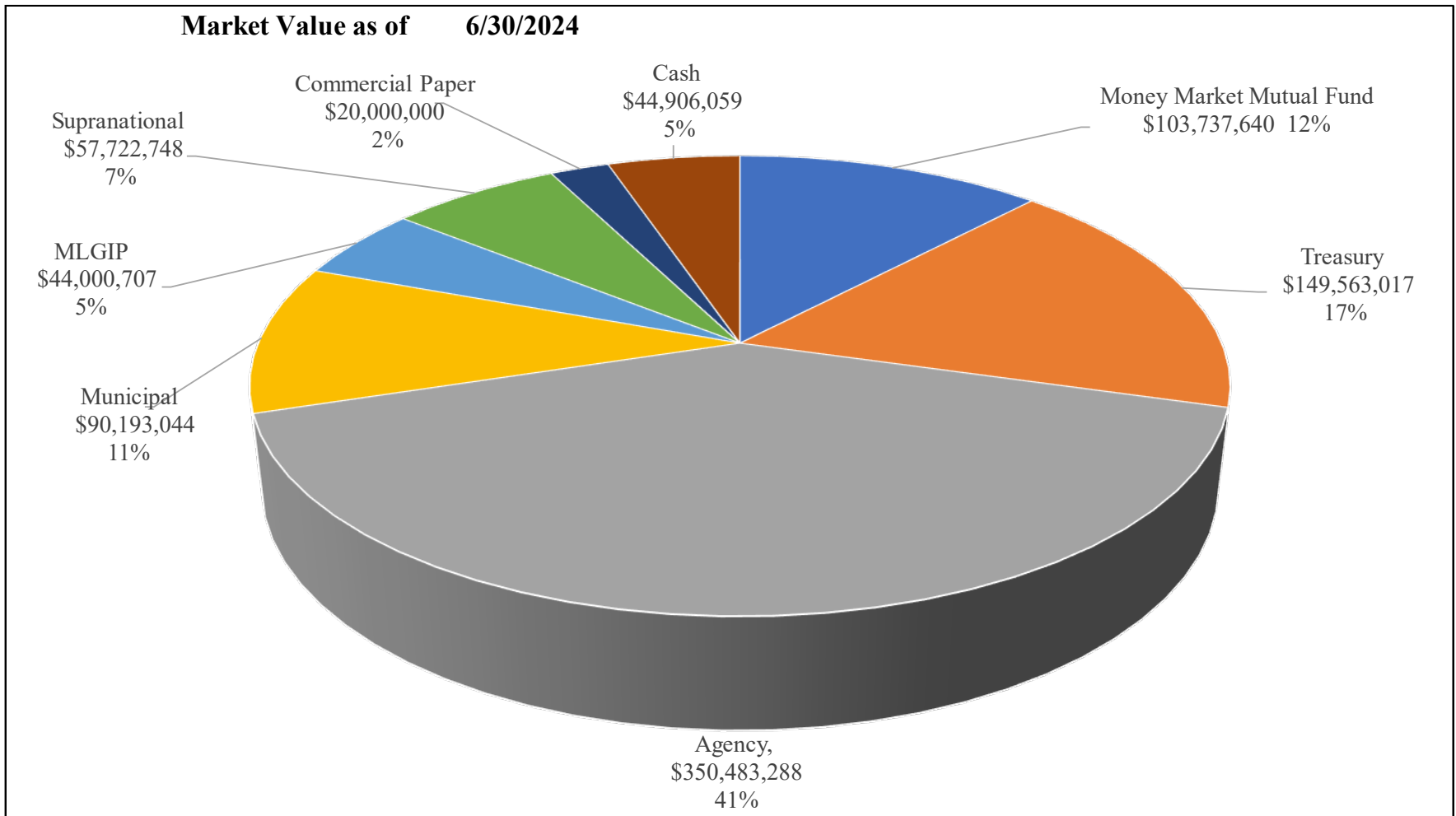
	<u>Q2 2024</u>	<u>Q1 2024</u>	<u>Q4 2023</u>	<u>Q3 2023</u>	<u>Q2 2023</u>	<u>Q1 2023</u>	<u>Q4 2022</u>	<u>Q3 2022</u>	<u>Q2 2022</u>
Real GDP (YOY)	2.80%	1.40%	3.40%	4.90%	2.10%	2.20%	2.60%	2.70%	-0.60%
Core PCE Inflation (YOY)	2.63%	2.80%	2.94%	3.59%	4.28%	4.78%	4.87%	5.47%	5.19%
Unemployment	4.10%	3.80%	3.70%	3.80%	3.60%	3.50%	3.50%	3.50%	3.60%



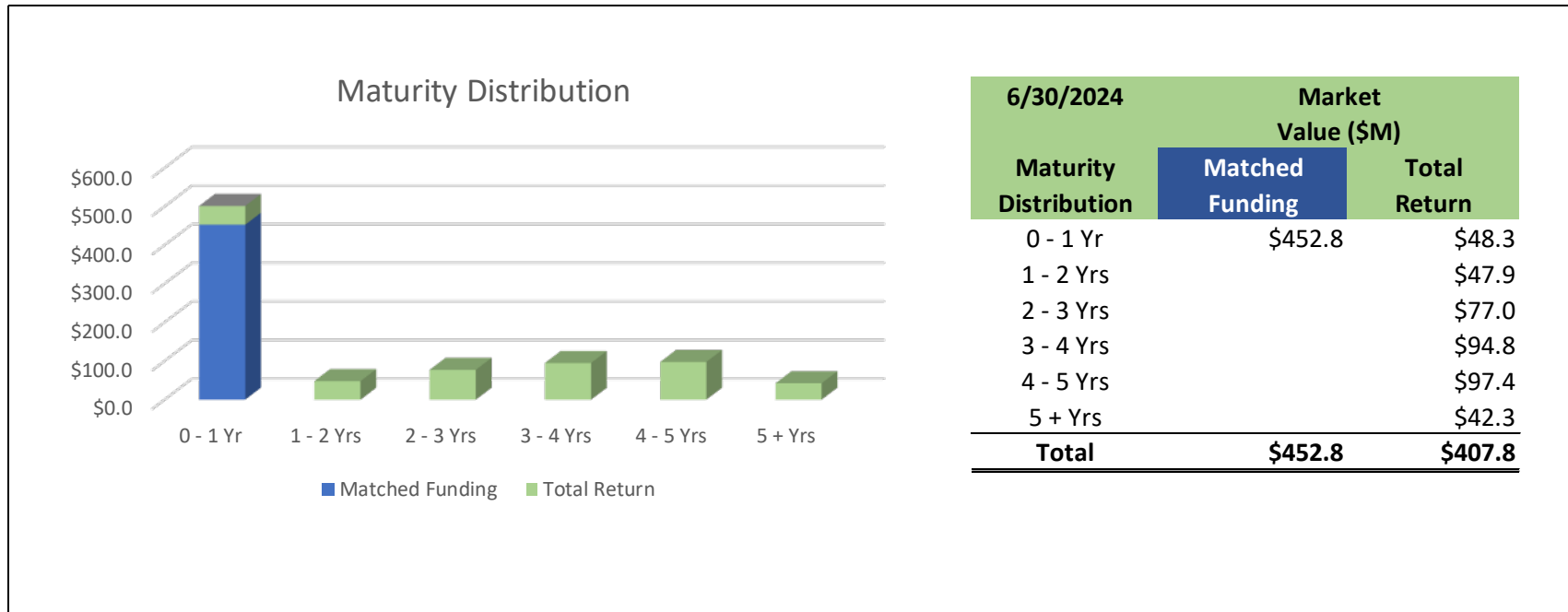
- **Federal Reserve:** Tightening monetary policy to combat inflation in excess of 2% objective.
 - Increased federal funds rate 525 basis points in the March 2022 to July 2023 period.
 - Fed balance sheet reductions continuing, \$95 billion monthly.

Portfolio Composition & Compliance – Security Composition

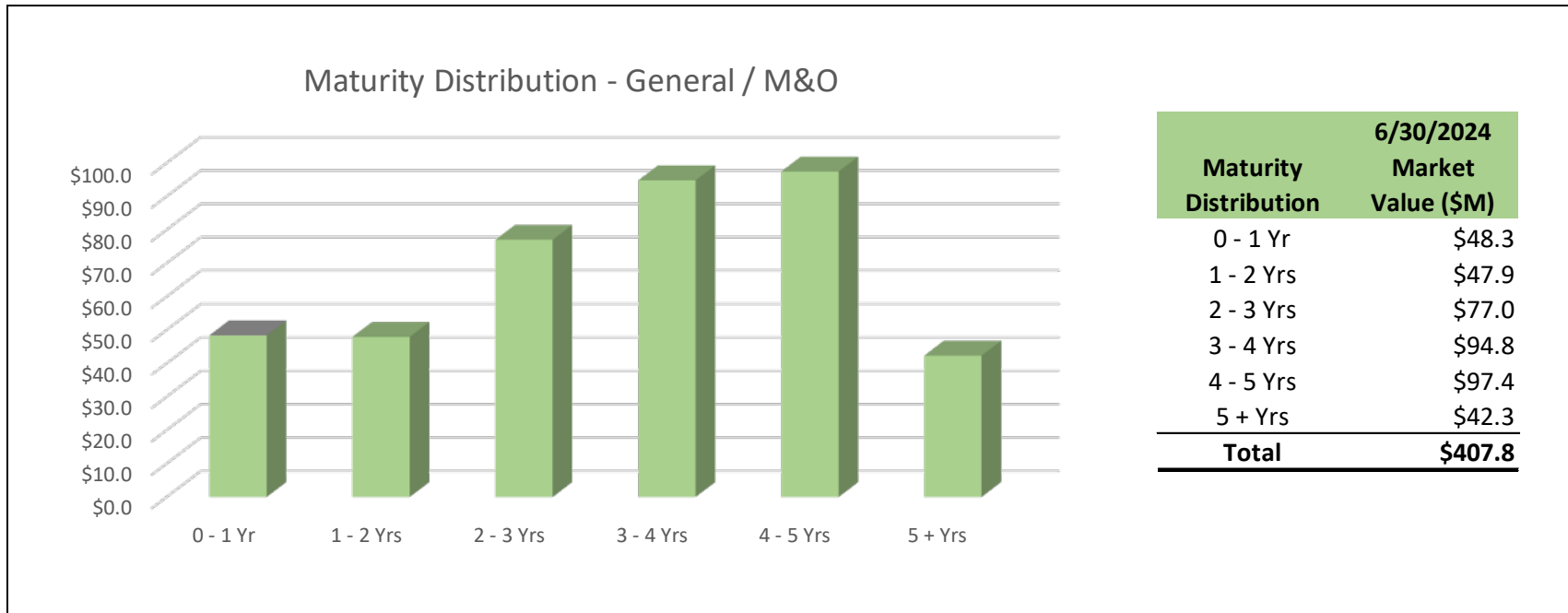
- High quality and diversified portfolio
 - Security type allocations based on:
 - Cash Flow Needs
 - Relative Value Opportunities - higher yield for similar maturities and credit risk
 - Large allocation to Treasuries at quarter end associated with refunding.
 - Minimizing credit risks associated with ratings downgrades and/or defaults



Portfolio Composition & Compliance – Maturity Distribution (All Accounts) ⁶



- Match Funded accounts necessitate maturities heavily weighted within 1 year.
 - Driven by cash flow schedules for debt service, operating expenses, and capital spending.
 - Debt service: \$76.5M
 - Operating: \$50.3M
 - Capital: \$325.8M



- Total Return reserve accounts align durations with benchmark indices.
 - Dispersion of maturities reduces yield curve concentration risk & 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 03/31/24 through 06/30/24
 - 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			0.0	1	Yes			
Unrestricted (General) *			5.0	5	Yes			
Unrestricted (M&O)			13.4	15	Yes			
* Investment Policy permits maturities to 15 years, longer if approved by CFO. Maturity Limits measured on Settlement Date basis.								
			Credit Ratings		Market	Investment	Compliance	
			S&P	Moody's	Market Value (\$)	% of Total	Policy Limit	With Investment Policy
Cash					44,906,059	5.2%		
Money Market Mutual Funds								
- Goldman Sachs Financial Square Gov't FGTX	AAA		Aaa-mf		56,058,730	6.5%	50%	Yes
- MLGIP	AAA		NR		44,000,707	5.1%	50%	Yes
- Dreyfus Gov't Cash DGCXX	AAA		Aaa-mf		47,678,910	5.5%	50%	Yes
Sub-Total Money Market Mutual Funds					147,738,347	17.2%	100%	Yes
U.S. Treasuries*			AA+	Aaa	151,199,011.75	17.6%	100%	Yes
*Includes defeased municipals with government securities escrows.								
Federal Agencies								
- Fannie Mae	AA+		Aaa		22,612,996	2.6%	50%	Yes
- Federal Farm Credit Bank	AA+		Aaa		116,714,330	13.6%	50%	Yes
- Federal Home Loan Bank	AA+		Aaa		189,950,811	22.1%	50%	Yes
- Freddie Mac	AA+		Aaa		19,569,156	2.3%	50%	Yes
Sub-Total Federal Agencies					348,847,293	40.5%	100%	Yes

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	801,990	0.1%	5%	Yes
- Bergen County, NJ	NR	Aaa	2,640,876	0.3%	5%	Yes
- Boston, City of	AAA	Aaa	1,450,121	0.2%	5%	Yes
- Contra Costa Comm, CA	AA+	Aa1	1,968,700	0.2%	5%	Yes
- Emeryville, CA	AAA	NR	8,881,862	1.0%	5%	Yes
- Hawaii, State of	AA+	Aa2	6,263,577	0.7%	5%	Yes
- Marin County, CA	AAA	Aaa	1,580,957	0.2%	5%	Yes
- Martinsville Independent School	AAA	NR	1,007,490	0.1%	5%	Yes
- Massachusetts, Commonwealth of	AA+	Aa1	6,201,120	0.7%	5%	Yes
- Multnomah County, OR	AAA	Aaa	18,356,932	2.1%	5%	Yes
- New York, State of	AA+	Aa1	8,745,984	1.0%	5%	Yes
- New York City	AA	Aa2	1,198,692	0.1%	5%	Yes
- Ohlone Comm College	AA+	Aa1	936,179	0.1%	5%	Yes
- Oregon Local Govts	NR	Aa2	1,442,376	0.2%	5%	Yes
- Oregon School Board	AA	Aa2	10,592,904	1.2%	5%	Yes
- Oregon, State of	AA+	Aa1	5,589,093	0.6%	5%	Yes
- Santa Clara County	AAA	NR	719,880	0.1%	5%	Yes
- Solano County Community	AA	Aa2	911,449	0.1%	5%	Yes
- Texas, State of	AAA	Aaa	1,007,300	0.1%	5%	Yes
- Travis County Health, Texas	NR	Aa2	2,116,275	0.2%	5%	Yes
- Tulsa ISD, OK	NR	Aa2	4,832,527	0.6%	5%	Yes
- Westchester County, NY	AA+	Aa1	787,110	0.1%	5%	Yes
- Wisconsin, State of	AA+	Aa1	2,159,651	0.3%	5%	Yes
Sub-Total Municipal			90,193,044	10.5%	20%	Yes
Supranationals						
- African Development Bank	AAA	Aaa	9,241,700	1.1%	10%	Yes
- Asian Development Bank	AAA	Aaa	12,452,524	1.4%	10%	Yes
- International Bank for Reconstruction & Development	NR	Aaa	21,451,124	2.5%	10%	Yes
- Inter-American Development Bank	AAA	Aaa	14,577,400	1.7%	10%	Yes
Sub-Total Supranationals			57,722,748	6.7%	30%	Yes
Commercial Paper						
- Toyota Motor Credit	A-1+	P-1	20,000,000	2.3%	5%	Yes
Sub-Total Commercial Paper			20,000,000	2.3%	20%	Yes
Grand Total			860,606,503	100.0%		

After reviewing the investment activity for the month ended June 30, 2024, we have not identified any instances of material non-compliance with the Investment Policy.

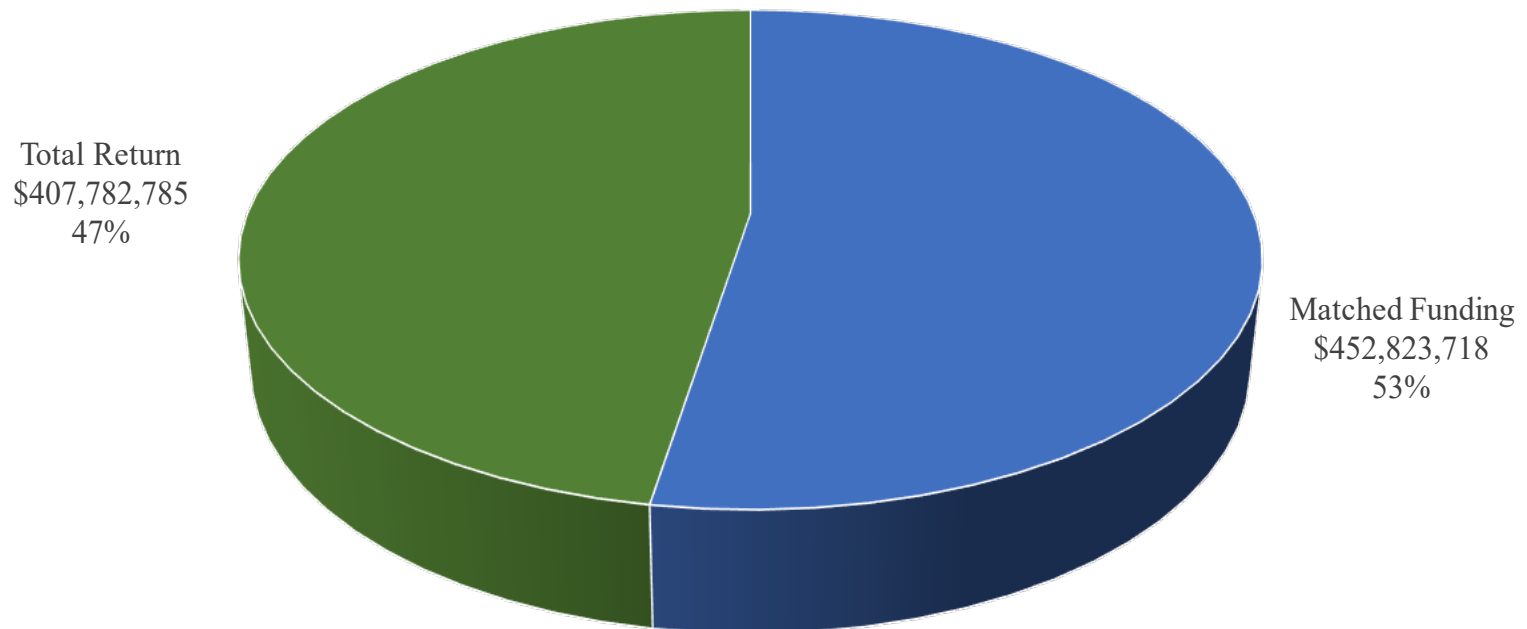
Trade Allocation by Dealer

Trade Allocation - Trailing 12 Month Period Ended 6/30/2024								
Broker Name		% Trades	\$ Purchase	% Purchase	\$ Sale	% Sale	\$ Total	% Total
Piper Jaffray	19	19%	\$ 127,193,524.55	23%	\$ 21,262,227.94	21%	\$ 148,455,752.49	23%
FHN Financial	18	18%	\$ 150,952,104.38	27%	\$ 14,072,700.45	14%	\$ 165,024,804.83	25%
Wells Fargo Securities	14	14%	\$ 63,897,506.20	11%	\$ 30,194,432.59	30%	\$ 94,091,938.79	14%
Janney Montgomery	14	14%	\$ 57,455,549.47	10%	\$ 17,678,695.05	18%	\$ 75,134,244.52	11%
Toyota Motor Credit [D]	12	12%	\$ 43,136,769.09	8%	\$ -	0%	\$ 43,136,769.09	7%
BNY Mellon	11	11%	\$ 61,810,374.56	11%	\$ 7,702,309.77	8%	\$ 69,512,684.33	11%
Jefferies & Co	6	6%	\$ 12,117,714.00	2%	\$ -	0%	\$ 12,117,714.00	2%
Bank of America Securities	5	5%	\$ 35,651,170.56	6%	\$ 7,425,191.11	7%	\$ 43,076,361.67	7%
Cantor Fitzgerald	2	2%	\$ 6,459,986.42	1%	\$ 1,158,775.82	1%	\$ 7,618,762.24	1%
Total	101	100%	\$ 558,674,699.23	100%	\$ 99,494,332.73	100%	\$ 658,169,031.96	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 6/30/2024



Strategy – Previous & Current Quarter

Purpose	Strategy for Prior Quarter			Strategy for Current Quarter		
	Benchmarks	Duration	% Target	Benchmarks	Duration	% Target
Capital / Operating / Debt Long Term Reserves ⁽¹⁾	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 \$400 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

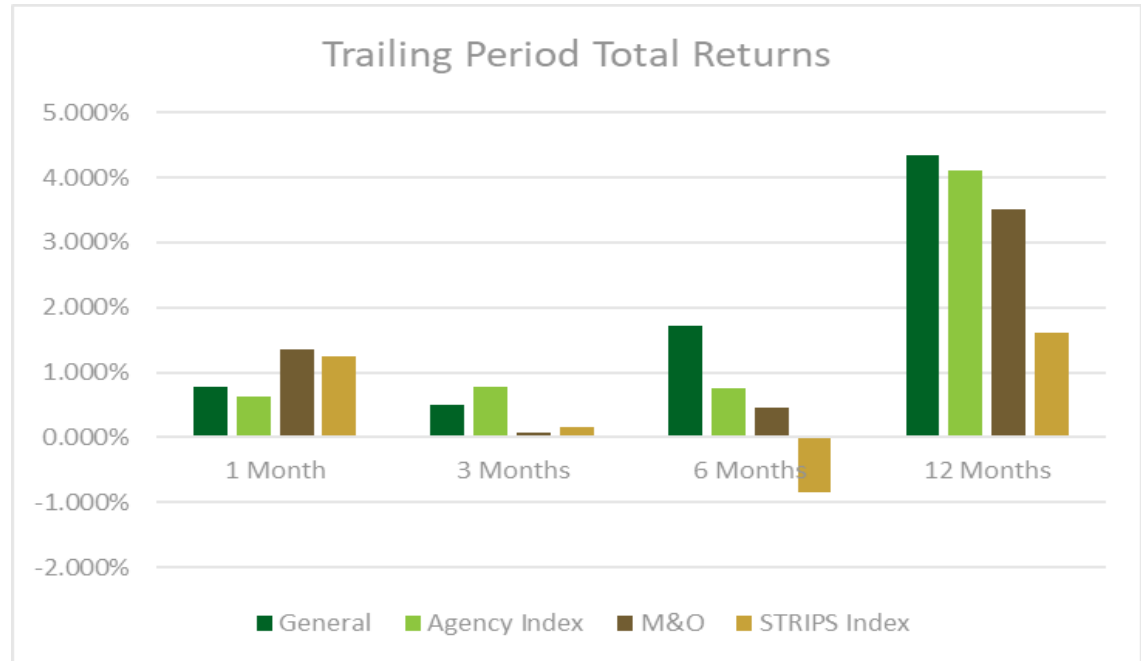
Returns: Longer duration indices benefit from higher average annual returns over multiyear periods and experience greater return volatility associated with mark-to-market relative to shorter-term duration indices.

Total Return Performance – Matched Funding & Total Return

Total Return as of Period Ended **6/30/2024**

	Trailing Period				Ending Market Value
	1 Month	3 Months	6 Months	12 Months	
<i>Combined Accounts Weighted Average</i>	0.68%	1.07%	1.80%	4.77%	\$ 814,325,201
MATCHED FUNDING					
Capital	0.52%	1.37%	2.62%	5.21%	\$ 327,007,923
Bond Service	0.43%	1.40%	2.70%	5.55%	\$ 76,942,069
TOTAL RETURN					
Reserves General / M&O	0.84%	0.70%	0.82%	4.24%	\$ 410,375,209
Composite Agency / STRIPS Index	0.71%	0.70%	0.56%	3.77%	

- Shorter Term Matched Funded accounts for Capital/Construction & Bond Service continue to benefit from higher short term interest rates.
- Longer Duration Reserves – Higher accruals offset market value declines resulting in positive total returns for the trailing 12-month period.
- Note: Table provides weighted returns for the combined M&O / General accounts & the respective indices. Graph shows individual portfolio total returns.



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

Supplemental Information

Supplemental Information – Investment Considerations

Portfolio

6/30/2024

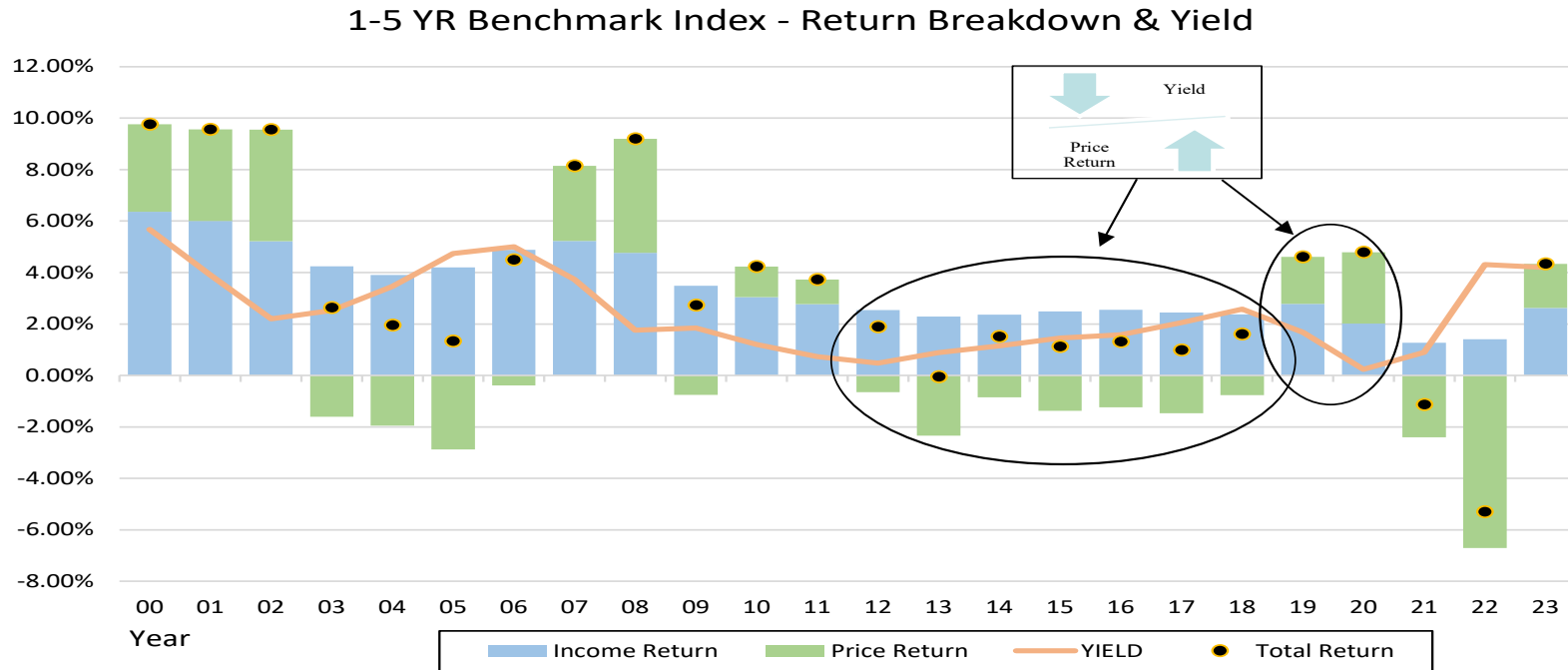
(\$ in millions at market)

Account	Purpose	Balance (millions)	Maturity Limitations*	Investment Policy Limitations	Bond Indenture Limitations	Recommendation
Operating Checking 2335 / 7654 / 85549	Working Capital	\$50.3	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	\$356.1	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	\$51.7	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	\$325.8	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 110378 / 241308 / 241859 / 241870 / 241874 / 241877 / 463864 / 486115 / 952837 / 984563 / 000292	Debt Service	\$76.7	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		\$860.6				

* 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.

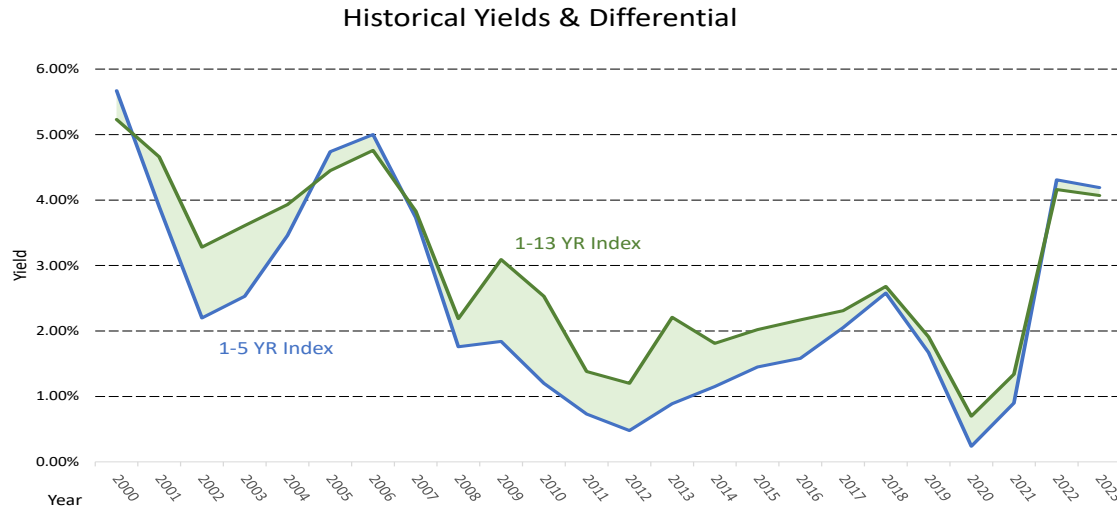


Total Return portfolios require:

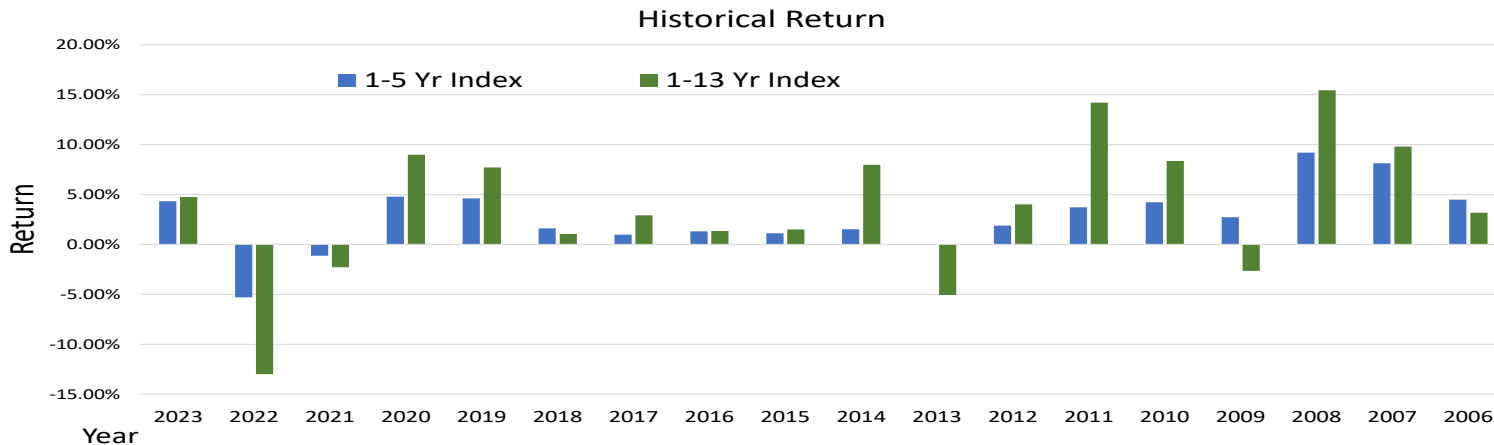
- A long-term (multiyear) average annual return perspective to smooth out short-term volatility
 - Over long-term, duration targeted portfolio returns tend to converge back towards the starting rolling yield (multiyear returns \approx beginning period yields at purchase)
- Discipline to remain committed 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

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



- \$400M 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
 - 12.5% of Total Return accounts



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%.
- Tier-1 rated CP typically offers a yield premium to similar maturity agencies and treasuries.

ITEM

5



MEMORANDUM

TO: Finance and Administration Committee
FROM: Deputy Director Finance Allen W. Garman
SUBJECT: Investment Policy Annual Review
DATE: August 8, 2024

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.

KEY POINTS

- 1. Investment Policy must be reviewed annually by the MTDA Board.
2. No investment policy revisions are currently recommended.
3. Conservative Investment Policy is a function of Trust Agreement legal limitations pertaining to risks.
a. Security Types
b. Credit Quality
c. Maturity
d. Concentration

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.

Table with 2 columns: Key Elements, Section. Rows include 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 Trust Agreement places conservative limitations on investments that aligned with historical 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 advisors. Strategy is implemented by Finance Division staff including the Deputy Director of Finance, Director of Treasury & Debt, and Investment Administrator.

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.

RECOMMENDATION

The Investment Committee requests the Finance and Administration Committee's concurrence and recommendation to move to the full board for approval of the annual Investment Policy review.

ATTACHMENT

Investment Policy



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

Original Date: August 16, 2005
Revised: August 31, 2023

Approved by:
Approval Signature

Date: 9/26/2023

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

Date: 9/25/2023

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

- 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 extend 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
- z. Approved 8.31.23