

June 23, 2010

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STATE OF MARYLAND
BOARD OF PUBLIC WORKS
GOVERNOR'S RECEPTION ROOM
SECOND FLOOR, STATE HOUSE
ANNAPOLIS, MARYLAND

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P R E S E N T

GOVERNOR MARTIN O'MALLEY, Presiding;

HONORABLE PETER FRANCHOT, Comptroller;

HONORABLE NANCY KOPP, Treasurer;

SHEILA C. MCDONALD, Secretary, Board of
Public Works;

ALVIN C. COLLINS, Secretary, Department
of General Services;

T. ELOISE FOSTER, Secretary, Department
of Budget and Management;

BEVERLEY SWAIM-STALEY, Secretary,
Department of Transportation;

MEREDITH LATHBURY, Land Acquisition and
Planning, Department of Natural Resources;

JOHN A. PETTY, Assistant Secretary, MBE
Compliance, Governor's Office of Minority
Affairs;

MARY JO CHILDS, Procurement Advisor, Board
of Public Works; and,

MARION BOSCHERT, Recording Secretary,
Board of Public Works.

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P R O C E E D I N G S

GOVERNOR O'MALLEY: Hello everyone, and welcome. This is June 23, 2010, the Board of Public Works. Madam Comptroller -- I mean, Mr. Comptroller, Madam Treasurer, has either of you anything you would like to share?

TREASURER KOPP: We like to talk about what we did last summer, or in this case last week. I just want to mention that I had the opportunity to go out on the water with Don Boesch, who is the head of the University of Maryland Environmental Studies program on the good ship *Rachel Carson*, which this Board approved last year and was christened, I think, by the First Lady last year. They were going out on a scientific, actually going out on a short trip to test the scientific instruments that they would be using later. And it was, it was fascinating. And the boat is a terrific addition to the State, I think. And already other scientific organizations up and down the coast are trying to get time on our boat.

And it gave us a chance to see some of the problems. The absolute absence of oxygen in some

areas of the water, and insufficiency in others.

Also, to see some evidence of the fantastic revival of the blue crab after the constraints that you and the Governor of Virginia placed on the blue crab fishing two years ago. It has gone back 50 percent last year and up another 60 percent this year. And I was told by the scientific people that that is very significant.

And then at the end of the cruise we got the word that Don Boesch, in fact, has been appointed by the President to be one of seven people on this national commission to look at the oil spill, and within the next six months determine both the impact and how to prevent something like that. And I hope he will be looking particularly at how to prevent it impacting the Chesapeake Bay, et cetera.

So that was a very interesting time and one that, again, I have been highlighting at the last few meetings, the growth in stature of the University of Maryland. Ever since my experience in Southern California, which you will recall. And another

example of how we have a premiere system and premiere campuses in the State.

There are a couple of items that I think both the Comptroller and I wanted to bring to people's attention. And I can do it now, or --

GOVERNOR O'MALLEY: Go for it, sure.

TREASURER KOPP: One is in the Board of Public Works' Secretary's Agenda, number fourteen, the reappointment of Brian Topping to the State Retirement Agency's Investment Committee, a public member on the Investment Committee. The Board of Trustees and its Investment Committee bring this nomination unanimously to the Board. Mr. Topping is a man with fantastic experience in the private sector, now in the public, in investment over many years and decades. And we are very fortunate to have him. And we will be proposing his renomination.

And we also, both the Comptroller and I, sit on the Board of the Maryland College Savings Plan, College Savings Plans of Maryland. Our partner is T. Rowe Price. T. Rowe Price has requested, and we have agreed to allow them, to reduce their fees to the --

(Laughter)

TREASURER KOPP: -- to the participants.

And so in the DBM Agenda, number nineteen, is the request put before this Board to allow T. Rowe Price to reduce the fees to people who participate in the Maryland College Savings program. And I look forward to having an opportunity to vote on that.

And finally, there will be a bond sale next month. And when we get to Item 15 on the Secretary's Agenda I would like to do my bit just to describe it, and prepare the Board so we can take the first step towards that, per the advice of Bond Counsel.

GOVERNOR O'MALLEY: Okay. Mr. Comptroller?

COMPTROLLER FRANCHOT: Thank you, Governor.

And thank you, Madam Treasurer for those comments.

And this is a big day for the Board because we are live on the web, both audio and visual. Of course, my question for people watching us right now is why aren't you watching the U.S. soccer team? Because if we win -- we're playing as we speak. If we win we go on to the next round. If we lose, we come back home. I think there are probably a billion people as I am

speaking huddled around T.V. sets around the world watching our team and I wish them, obviously, the best of luck. But for those few intrepid souls who are tuned into us, actually, Governor, if I could get the game on that screen --

(Laughter)

COMPTROLLER FRANCHOT: -- I would be really very quiet for the whole meeting --

(Laughter)

TREASURER KOPP: Surely that could be arranged.

(Laughter)

COMPTROLLER FRANCHOT: But anyway, I was in Carroll County yesterday with a number of businesspeople. And it's very clear that although some local officials know what this Board does that there's a lot of lack of information about the Board of Public Works around the State. Obviously department heads and people that work for the State understand that the decisions made here help communities all across the State. But a lot of ordinary citizens don't, and I really applaud the

Governor for making this transparent by putting this up on the web. I think it's a great improvement, step forward. I think it will help in the desire of taxpayers to hold all of us accountable. A lot of people are feeling kind of disconnected from their government out there, and to the extent this can bring people back together I think it's a very timely effort. And Governor, I applaud you for moving forward on this.

I said I think that more people will be tuning in as more people hear about this. And I'd like to work with you, Governor, and the Treasurer, and promote this initiative. Because as I say, I think the public expects transparency and expects accountability. I would just like to say on a personal note, I called a good friend of mine yesterday, Delegate Page Elmore, a former House colleague. He's hospitalized. He announced recently he's not going to be seeking reelection. He's someone that represented the Eastern Shore with great dignity and honor and expertise for the last eight years. We come from different political parties, and I don't

always agree with him, but I really value Page as a friend and respected him as a successful business leader and a successful philanthropist. And I think he's going to be missed here, his quiet sense of decency is going to be missed. And I just ask everyone to join me, keeping him in our prayers, and also his wife Carolyn, over the next few days. Thank you, Governor.

GOVERNOR O'MALLEY: Thank you. And we all shall. He's a very decent person. I mean, and our prayers are with him, and all of our encouragement as he faces this challenge.

I wanted to make just a few quick announcements. There are three long time, long serving, I should say, State employees of DHMH who are retiring with a combined 106 years of experience and service to all of us. And I wanted to recognize them. They are Brenda Rose, who will have completed thirty-two years, and retires as Deputy Director of the Acute Care Administration. Where is she? Brenda, are you here? Why don't you stand up as we announce each of you?

(Applause)

GOVERNOR O'MALLEY: Actually, Brenda, if you wouldn't mind coming around? And we'll do -- come on. We'll have other people, too.

And completing forty-three years of service and retiring as the Chief Information Officer, Art Thacher. Where is Art? Art, come on down.

(Applause)

GOVERNOR O'MALLEY: And completing thirty-one years of service and retiring as Chief Operating Officer of Clifton T. Perkins Hospital is Steve Mason. Steve, come on down.

(Applause)

GOVERNOR O'MALLEY: We're going to do a quick picture, here. Colmers, how are you going to continue to function?

Anything you all want to say?

I asked if there was anything they wanted to say and one said, "Good-bye."

(Laughter)

GOVERNOR O'MALLEY: One said, "Good luck."

(Laughter)

GOVERNOR O'MALLEY: A third said, "Have fun."
(Laughter)

GOVERNOR O'MALLEY: So thank you all for your service, and I mean that sincerely. A lot of us assume that our government is able to run and operate in these tough times all by itself or by some sort of momentum from the past. But I know that all three of you went to work everyday with pride in what you do, and with a love for the people that you serve. And I really thank you for your committed service to all of us, in some cases some of the most vulnerable among us. And you've served our people very well and we're very, very grateful to you.

Okay, let's go to the Secretary's Agenda.

SECRETARY MCDONALD: Do you want to do the BRAC presentation first? Ms. Asuntha Chiang-Smith is here from the --

GOVERNOR O'MALLEY: Okay. Asuntha, we had asked for, if you would go up to the podium, we had asked for an update on BRAC. There was a headline in the *Baltimore Sun* today that talked about the BRAC jobs boom finally arriving this summer. And Asuntha,

if as quickly as you can, if you could update us on where we are on BRAC?

TREASURER KOPP: Governor?

GOVERNOR O'MALLEY: Sure.

TREASURER KOPP: Could I just for a moment say, I asked for this two weeks ago because you had been so good as to set up a great tour, a part of BRAC, for our office, for Bernadette Benik and Patti Konrad, so that we know how to brief the rating agencies when they come down and ask about BRAC. And as you know, we're going back for the second part on Friday. And I just want to thank you and the people that you work with for accommodating us.

MS. CHIANG-SMITH: Oh, you are more than welcome. Thank you very much. And actually, speaking of that, we have some of the brightest and best folks in State government who are making sure that BRAC is on track. I wanted to introduce a couple of them to you very quickly. We have from the Governor's Subcabinet, we have Melva George here. She's an executive assistant. We have our Deputy Director, Jeanette Ortiz, who is also the BRAC Stat

extraordinaire. And we have Andy Scott from our Department of Transportation, who is our BRAC manager, as well, here, too, today. Looks like, okay.

As quickly as possible, I'm going to just go through what BRAC means, some of the challenges, and what we're doing to address them. Next slide?

As you all may have heard, we're talking about 60,000 jobs that are coming, about 28,000 new households. And that comes from direct people from the federal government coming, the contractors, and induced jobs, which means anything you need for a livable sustainable community. Daycare providers, auto mechanics, and the like. The key to our success, and part of our subcabinet mission, is to work in partnership with local federal government, and all these entities. And you'll see in the next moment why this is so important.

Central Maryland, as you can see from this map, is where BRAC is going to impact our State the most. And they have very different issues. That's why our local partnership is important. We have Aberdeen Proving Ground in Harford County, we have

Fort Meade in Anne Arundel County, Fort Detrick in Frederick County, National Naval Medical Center in Montgomery County, and Joint Base Andrews in Prince George's County.

Just to talk briefly about what some of these jobs are, next slide? In Aberdeen, these are just the direct number of jobs that are coming. Again, these are the federal positions. Aberdeen, we're talking about anything that a soldier wears, carries, or rides in. Anything from designing that equipment, to bringing it out to the field, to bringing it back to see where we can improve it. So that all is going to be done. Everything from, you've seen these unmanned aerial vehicles. They're going to make them the size of mosquitoes, they say. They're going to, you know, fly them around and check on the bad guys. If any of you all are sci-fi fans like me you might have seen Iron Man 2 with the very light weight suit that they have. They've developing that kind of nanotechnology. And a lot of that R and D up there in that area.

Fort Meade, we're looking at 5,800 new positions. We're talking about communications backbone for the military. Satellite, internet, any of the next generation communications. Also at Fort Meade we have the stand up of the Cyber Command there, which will bring additional jobs and innovation.

GOVERNOR O'MALLEY: But that's not part of the BRAC, right?

MS. CHIANG-SMITH: That is not part of the BRAC. That was --

GOVERNOR O'MALLEY: That's 21,000 jobs on top of the 60,000 for BRAC?

MS. CHIANG-SMITH: Yes, Governor. Absolutely, absolutely. Some of the industry folks there are already clamoring to move to the Fort Meade area for cybersecurity, and saying that it's going to eclipse what BRAC is doing for Fort Meade over time. And that's exactly right.

Fort Detrick, you have 1,400 jobs, a lot of that with the biological and bioscience industry. That fits very well into that 270 corridor.

Andrews Air Force Base is going to be a lot of procurement, legal, and contracting. Which when people think of Andrews they think of, you know, an airport, the President's airport. But a lot of the back office work is coming there as well. And those are 3,000 jobs.

National Naval Medical Center is going to be your traditional hospital, and Walter Reed when it closes down is going to be added up over there.

You can see some of the average salaries. Over at Fort Meade, Defense Information Systems is \$90,000-plus. And again, that's the average. Aberdeen, the average salary is \$87,000. I don't have, I just got this yesterday, \$82,000 for Andrews Air Force Base. So these are significant jobs. But they're not just the technical jobs, it's everything that comes to support it. You're going to need clerical help as well. So even if you're not technically inclined there are other opportunities as well.

Next slide, please? This slide very quickly talks about specifically BRAC construction funding.

We're looking at about \$2 billion just in construction. This is just on bases. This does not include the private sector development that's going on off bases, but that just gives --

GOVERNOR O'MALLEY: To put that in perspective, over a four-year period of time we do, what, about \$1.3 billion in school construction statewide. So this is \$2 billion that's going to be happening, when, over the course of --

MS. CHIANG-SMITH: Since 2007, till 2011. So a lot of these are going to be finishing up right in about the same time frame for what we do for school construction.

Next slide, please? Over here, just to give you some sense of what, you know, some of these mammoth projects are, this is \$500 million for a campus that's being built at Aberdeen Proving Ground. And to give you a sense of how the folks are moving in, there's already about --

GOVERNOR O'MALLEY: And I'm sorry to interrupt again.

MS. CHIANG-SMITH: Mm-hmm?

GOVERNOR O'MALLEY: I just wanted to make clear, lest something would be drawn from that comparison before, none of these, virtually none of these are State dollars, right?

MS. CHIANG-SMITH: Not a single penny is State dollars.

GOVERNOR O'MALLEY: Right.

MS. CHIANG-SMITH: This is all military construction appropriation that's been, and they've been moving on this very, very rapidly.

The first wave of movers into this campus are going to be this August. They're going to be have about 1,500 folks coming in. We talk of, the Lieutenant Governor is in regular contact with the commanders of these military missions moving in. General Strong indicates that his command office is moving in October of this year, and he's going to bring roughly about 2,000 of his folks down from Fort Monmouth, New Jersey to this new center over here.

One thing that we are getting initial cost estimates for, we estimated about 19,000 construction jobs just from the BRAC construction in Maryland.

Aberdeen Proving Ground, and we're getting numbers from other bases as well, estimates that about 62 percent of this BRAC construction went to Maryland companies. So so far for them that's about \$616 million, so far. And we're getting numbers for additional bases as well.

Next? You see Andrews Air Force Base, they're building the Air Force District of Washington Headquarters there. If you drive along Andrews Air Force Base, they call it the Little Pentagon because of the shape of it.

Next slide please? National Naval Medical Center, you have the addition to the Walter Reed Military Center. They also are going to be developing the Center of Excellence for Traumatic Brain Injury, as you know, in this theater of operation, which is a significant issue for a lot of the troops who are returning home. They are also going to be in a nonprofit way going to building a Fisher House for the families of soldiers and Marines who are wounded so that they can stay there as well.

Next slide? Over at Fort Meade we have four large missions that are moving to that area. First is the Defense Information Systems Agency. And again, about \$440 million. If you see the first picture there to the left, that is what used to be their two eighteen-hole golf courses. And that was in the center, there, of Fort Meade. It is now going to be all office space. So that right now you can see the Defense Information Systems Agency building. And those folks are going to be moving starting in January of 2011. And the command there tells us that they are going to be moving in waves of about 200 people per week from January to September of 2011, which is the end of the BRAC moves.

Next slide?

TREASURER KOPP: Can I ask you a question? Because this makes it, the visual makes it very dramatic. It obviously was to a large extent open space before, and now is going to be a large number of buildings. What are we doing in terms of making sure that we have as much pervious surface as possible, that we do the least environmental damage?

MS. CHIANG-SMITH: Well right now what I understand is that they have parking. But what we are doing is we are also, we've developed a transportation demand management plan. In fact, on June 2nd the Lieutenant Governor convened the military missions, the garrison commanders, the local government, the counties there to talk about what we can do with mass transit. We announced the Guaranteed Ride Home program. We're extending it to the Baltimore region as well, to help folks who want to use mass transit to be able to get home. Previously it was just in the Washington suburban area. There were other talks about how we're going to work together to have a charter bus service, so that we can bring folks from where they live now to the base, as well as --

TREASURER KOPP: So is that part of the plan? Is to try to be as environmentally benign as they can? Is that part of the --

MS. CHIANG-SMITH: The State is, yes. I mean, the State is going to work on that and I think the biggest piece with that is transportation, to see

if we can get, you know, as many cars as possible off the road and get people into mass transit.

GOVERNOR O'MALLEY: I think the question is more about the stormwater retention, and all of that -
-

TREASURER KOPP: That sort of --

GOVERNOR O'MALLEY: -- and the runoff.
Which, I mean, you look at NASA, God bless them for their good work. They have a parking lot that was built sometime in the seventies or eighties that is no doubt a giant, concrete, dead zone, stream killer.

MS. CHIANG-SMITH: Oh, okay. I know the Army Corps of Engineers is working with the Maryland Department of the Environment --

TREASURER KOPP: Okay.

MS. CHIANG-SMITH: -- to make sure that they are permitted properly. And if you want, I can talk to them about getting more information. MDE is on our subcabinet.

TREASURER KOPP: I would be very curious about, to the extent to which we are trying to make

this a green project, even though it's not a State building and therefore we can't mandate anything.

MS. CHIANG-SMITH: Right. I know that a lot of these projects on base are LEED Silver certified.

TREASURER KOPP: Oh, that would be good to know.

MS. CHIANG-SMITH: Yes, a lot of them are. And so I can get you that follow up information.

GOVERNOR O'MALLEY: Good.

TREASURER KOPP: Yeah, thank you.

MS. CHIANG-SMITH: Sure, absolutely. Next slide, please?

A couple more activities that are moving there is Defense Adjudications, all the four branches of the military have their adjudications offices that are going to co-locate. That's the picture of what the adjudications headquarters looks like, and then Defense Media Activities, \$56 million, they are going to be taking up another portion of that golf course.

Next slide, please? Okay, so that gives you a snapshot of what's going on there. But we also need to understand and prepare for the challenges. When we

had our meetings, our initial meetings and our follow up meetings with the counties, with the military installations, two emerging issues, large issues, were there. It's workforce creation, to make sure we have enough folks to fill these jobs, and the second would be infrastructure, to be able to support folks moving to this area.

Next slide, please? Okay, so some of the highlights of things we have done. One of our big successful programs has been for the State the BRAC Higher Education Fund. We've been able to train 2,100 people so far to help get them into the BRAC jobs. We have a third and final round for this BRAC Higher Education Fund, the RFP is out for it right now and the deadline is October. We have about \$865,000 for that coming up.

Next? There were some concerns about higher education needs in the Aberdeen Proving Ground area. The Lieutenant Governor convened a summit with all of the Maryland institutes of higher education in that area. We've come up with a long term and short term solution. Short term, we have higher education

serving as the conduit with the military installations and the Maryland institutes of higher education. Long term, we're going to see about building, or building out a regional higher education center.

We have a BRAC Internship Clearinghouse that is up right now, but we are populating that site. So we're going to have a full launch of this at the end of July, early August, so that they'll be ready for the fall internships. The military folks and the contractors said this is extremely important because you have people who may have the technical degree but they do not have a security clearance. So this will allow folks to come in as interns, and for a company or the military, to sponsor them for their security clearance so that as a junior or senior so that when they graduate, not only will they have their technical degree, but they'll also have their security clearance and they'll be ready to work. Another thing we did is we established security clearance education, and along with the Governor's STEM Task Force we are moving ahead on expanding science, technology, engineering, and math curriculum throughout the State.

One other area we wanted to make sure we did not want to miss is that we wanted to engage small and minority businesses in BRAC opportunities. And so we made sure that the Governor's Office of Minority Affairs was involved in a lot of the BRAC planning. Some things we did is we created a specific website for small and minority businesses. That's up there. We actually have a small and minority business advisory board, to link up opportunities, small companies to prime contractors. We actually have matchmaking events to do the same work. So far we have tracked, we have been able to link up about \$200 million in BRAC related contract awards to small and minority businesses in the State of Maryland. And we're moving forward with that as well.

Some other highlights on what we're doing with infrastructure, water issues are really big to be able to build not only on base but off base, the capacity we need. So for the first time we were able to get a memorandum of understanding signed in the Aberdeen region with the local players there to have a cooperative water sharing agreement. And that is

moving forward as development is moving as well. We have about \$343 million, I don't think people realize that, in water and sewer projects, again to make sure we have the proper capacity for the folks moving to the area.

For housing we have programs to assist in preserving rental housing units for some of the folks maybe who have a little bit more of a moderate income. And we're keying up the House Keys and Smart Keys program as people are looking more seriously to move to the area.

Next slide, please? One area is transportation, where you hear a lot of, because of the recession we've had to in a sense triage a lot of the projects around each military installation, prioritize. On the slide there it shows about a \$94.5 million programmed for short term improvements. In addition to that we have an additional \$20 million in federal earmarks, for a total of \$115 million for the intersection improvement programs. We are doing everything possible, working with our congressional delegation, and with the DOD, and Department of

Transportation, the Defense Access Road program, we've moving ahead with that to get additional funding for these projects as well as, again, I'd talked about transportation demand management around some of these installations that is going to help ease the congestion on some of the roads.

TREASURER KOPP: Could you provide me offline a little more information about what you're doing in the Bethesda Naval --

MS. CHIANG-SMITH: Yes. We last fall, actually, did an announcement. We have a prioritization of the projects that we're going to move forward, and most of them are funded. So we can definitely share that with you. Definitely.

Next slide, please? Another very popular program that was created in legislation is the BRAC Zones program. And what it does is it provides certain tax rebates to local government for infrastructure improvement. You can see some of the jurisdictions that have some of these BRAC zones. And last session, \$250,000 was put in the budget, and we

anticipate more funding for that as a number of the projects come online.

Next slide, please? Finally, I wanted to let folks know in the O'Malley-Brown fashion, we are making sure everything is on track through BRAC Stats. We do BRAC Stats every quarter, we track everything from the incoming jobs to the area to make sure that our transportation and environmental projects are on budget and on schedule. Our next meeting is July 21st in the StateStat room from 9:30 to 11:00 and everyone is welcome.

And with that I'd be happy to take any questions.

GOVERNOR O'MALLEY: One of the things that it would be helpful to have in this presentation, and which I hope we'll also put on the website, is the increase procurement throughput of each of these little, I shouldn't say little, each of these economies. You know, Aberdeen, it's my understanding, will go from an annual procurement throughput of \$7.5 billion annually, which I believe is our entire capital budget annually as a State, and they will go

to \$14 billion annually. So beyond the construction, which is important because construction trades have been hard hit in this recession in our State, are the opportunities for businesses large and small that engage in IT and other things that are, that many of these missions are very intensive in utilizing, or utilize very intensely.

So anyway, if you could add, try to get a handle. I know some of it is difficult because they are national security things, and I doubt NSA is going to be forthcoming about how much throughput they are doing. But when you have a Joint Cyber Command, which I know isn't part of BRAC, but is going to be a huge thing, but at these other places, we, that's really the opportunity. I mean, it's not even the initial building. There's great opportunities there, we want as much of it to be done locally as possible. But the ongoing throughput that these places are going to have, and the tremendous waves of opportunity that that will send through Maryland's economy and job creation is important for all of us to understand.

MS. CHIANG-SMITH: Okay, we will do that.

TREASURER KOPP: When you have a BayStat meeting, I mean you have a BayStat meeting like a StateStat meeting?

GOVERNOR O'MALLEY: BRAC Stat?

TREASURER KOPP: BRAC Stat, I mean, the CityStat meeting, do groups like TEDCO attend?

GOVERNOR O'MALLEY: They could. Why don't you describe what your BRAC Stat, who's running the table at BRAC Stat?

MS. CHIANG-SMITH: It would be the ten subcabinet agencies that are on the BRAC subcabinet. And they report out, specifically in 2007 we have a BRAC Action Plan. And so we first of all go off that plan to make sure that everything we said we were going to do we are doing, and to make sure it's on schedule. And the second thing we're doing is we're tracking, like I said, jobs moving to the area, people moving, housing sales as well, things that people want to know as well as small and minority business contracting. But it's primarily those folks, and some of the county folks show up as well. But again, it's a public meeting --

GOVERNOR O'MALLEY: But I think what the Treasurer is getting at is perhaps it's time for a larger circle so the people at TEDCO and other stakeholders --

TREASURER KOPP: I was thinking of TEDCO and others who, we have been emphasizing bringing them in, making sure everything is prepared, maximizing their impact. The next step, which is to take the fact that they are here and producing things, and take an active interest in translating to the extent we can the research and work that is going on these bases into the economy.

MS. CHIANG-SMITH: Yeah, they --

TREASURER KOPP: And we do have some organizations like TEDCO that are meant to do that.

MS. CHIANG-SMITH: TEDCO is very actively engaged. DBED is also part of our subcabinet. They don't necessarily participate in the BRAC Stats but they are engaged in other ways as we are talking to the commands.

TREASURER KOPP: Well, if we're going to measure its impact on Maryland I would just have you think about --

MS. CHIANG-SMITH: Okay.

TREASURER KOPP: -- that.

GOVERNOR O'MALLEY: Anything else? Ms. Chiang-Smith, thanks very, very much.

Can we move on to the Secretary's Agenda?

SECRETARY MCDONALD: Yes, good morning, Governor, Madam Treasurer, Mr. Comptroller. We have twenty-two items on the Secretary's Agenda this morning. There are four reports of emergency procurement. We'll be happy to answer any of your questions. I know the Treasurer would like to mention Item 15, which is the preliminary resolution for the bond sale that will be held on July 28th.

TREASURER KOPP: Before we get to Item 15, could I just thank the Governor's Office of Minority Affairs for Item 4. It's very good to see. Is that the one with the prime contractor being in the, yeah.

SECRETARY MCDONALD: Yeah.

TREASURER KOPP: That's great. That's good.
Thank you.

SECRETARY MCDONALD: And actually, Mr. Greg
Bedward and your office was working on that very hard.

TREASURER KOPP: Thank you. I mean, this is
something I think that a lot of --

GOVERNOR O'MALLEY: Why don't you describe
it for our viewing, the people watching at home?

TREASURER KOPP: It just makes it clear that
prime contractor, prime MBE minority contractors are
to be solicited, are to be considered, and to be
included in our analyses of contracting as well as
subcontractors. Because there's been a concern, at
least on my part, that we emphasize subcontractors.
You keep MBEs small and when they get to be prime
contractors, or when there is only a prime contractor
for a particular procurement, people don't focus on
the fact that that also is an MBE, is a minority, and
ought to be considered and supported. We'd like all
the little ones to become big ones. It increases
competition across the Board.

MR. PETTY: Madam Treasurer, you are exactly correct. This emphasizes the need for State agencies to look at prime contracts, minority contractors. Because it's always been looked at as a subcontracting program. And hopefully we'll have a major impact on -

TREASURER KOPP: Yeah. And we are so often told there is no minority participation because there's no opportunity for subcontracting. But there may be some very fine firms out there to be the primary contractors. Thank you. I congratulate you. But that's not the one you were talking about.

GOVERNOR O'MALLEY: Anything else?

TREASURER KOPP: Fifteen.

GOVERNOR O'MALLEY: Item 15.

TREASURER KOPP: Just very briefly, Comptroller, Mr. Governor. This is the bond sale that I referred to earlier. It will take place July 28th. It will be up to \$600 million general obligation bonds to be divided into series, including another retail sale aimed at individual Maryland taxpayers. We're going to get the word out that we want individual Maryland families to have the opportunity to invest in

Maryland through procuring these general obligation bonds. Then there will be a competitive series for institutions. There will a competitive Build America Bond issuance, where the federal government pays 35 percent of the interest, which is very nice. Another competitive school construction issue, again with federal subsidy. And if the numbers are right we are looking to refund up to \$100 million to obtain a lower interest rate. But all of that, of course, depends on the market at the time. And we will be bringing back specific issues for you to vote on when we get closer to the date, to July 28th. But right now we have to vote on this preliminary authorization. Did I say it right? Thank you.

GOVERNOR O'MALLEY: Okay, the Comptroller moves approval, seconded by the Governor. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay."

(No response.)

GOVERNOR O'MALLEY: The ayes have it. That was Item 15.

TREASURER KOPP: That was Item 15.

GOVERNOR O'MALLEY: Any other ones that needed to be done separately? How about the balance of the Secretary's Agenda? The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay."

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We move on now to Program Open Space.

MS. LATHBURY: Good morning, Governor --

GOVERNOR O'MALLEY: Good morning.

MS. LATHBURY: -- Madam Treasurer, and Mr. Comptroller. Meredith Lathbury for the Maryland Department of Natural Resources. And we have four items on the Program Open Space Agenda this morning, two timber sales and two Rural Legacy easements. And I'd be happy to answer any questions you might have.

TREASURER KOPP: Colonel Freedlander points out you did quite well in your timber sale.

MS. LATHBURY: Yeah, the economy is good for timber sales. I think especially the harsh winter is causing an uptick in what we're seeing for timber sales right now.

GOVERNOR O'MALLEY: The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.
Department of Budget and Management Agenda items.

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, good morning. We have twenty-eight items on the Department of Budget and Management's Agenda for today, and I'll be happy to answer any questions you may have.

COMPTROLLER FRANCHOT: Okay, on Item --

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Item 24, I'll preface it by saying I understand the score at halftime is zero-zero.

(Laughter)

COMPTROLLER FRANCHOT: This is how bad it is. My wife texted me the score. Annie is wonderful, but she hasn't read a sports page in twenty years, so God bless her. Madam Secretary, this is a request for an extension. I believe this is a request for a temporary extension of a contract?

MS. FOSTER: This is, Item 24 is a request to extend five contracts for inmate health services by six months in order that the Department can complete the procurement and award the new contract. Philip Pie, who is the Deputy Secretary for Programs and Services at the Health Department, is here.

COMPTROLLER FRANCHOT: Okay. And for those that are listening, this is a request for almost \$78 million for a six-month extension of is it medical care for --

MR. PIE: Yes.

COMPTROLLER FRANCHOT: -- prisoners. And my question is, why are we, why are we, why are you asking us to delay this process?

MR. PIE: Well, we have the RFP out for the new contracts. But because this time we allowed vendors to submit alternative proposals to ask them if, we put out an RFP and then later amended it to allow alternative proposals so that if any vendor could come up with an idea that we hadn't thought of that would save the State money, and it has proven to be a little more complicated to review those proposals. So while we're still on track to get the new proposals in, we feel that an extension so that we don't --

COMPTROLLER FRANCHOT: Well Madam Secretary, if I could just come back to you, generally when we get these requests for extension you give us a letter explaining in detail what the reason for the delay is. And often there are reasons. But I guess there was no letter sent. Or if I, if you did send it, I didn't get it. And I'd like to make sure in the future that we get that because obviously with this contract, this is going to end up being over \$150 million, I take it, or somewhere in that range?

MR. PIE: Yes.

COMPTROLLER FRANCHOT: One would think that we had a process set up that would allow us to on an orderly basis bid these, and not ask for these six-month extensions.

MS. FOSTER: If there was no letter it was certainly an oversight. But we will follow up and make sure that a letter is sent so we will have it for the files.

COMPTROLLER FRANCHOT: Thank you. Thank you, Governor.

GOVERNOR O'MALLEY: Thank you. Anything else on Department of Budget and Management? The Treasurer moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay."

(No response.)

GOVERNOR O'MALLEY: And the ayes have it. University System of Maryland?

MR. EVANS: Good morning. Joe Evans, representing the University System of Maryland. We

have sixteen items on the Agenda today. Item 3-C was revised. We're here to answer any questions.

GOVERNOR O'MALLEY: Questions on University System of Maryland? Mr. Comptroller?

COMPTROLLER FRANCHOT: I don't recall what numbers they are, but there are a couple of Whiting-Turner contract modifications in these documents. And they were for significant sums of money. And I'm wondering what the reason for these contract modifications are?

MR. EVANS: One of them is 5-C-MOD, which is a GMP. We bring the GMPs back to the Board for approval. That's, 5-C-MOD is for the Performing Arts and Humanities Facility at UMBC. So the mod itself is to bring a GMP for the approval of the Board.

SECRETARY MCDONALD: And Mr. Evans, the other one was 8-C-MOD, which I think also was a GMP. That's the University of Baltimore Law School.

MR. EVANS: Right. So those are the purpose of the mods.

COMPTROLLER FRANCHOT: So do they ever come back for lower prices, or is it always going up?

MR. EVANS: Come back with lower prices?

COMPTROLLER FRANCHOT: So it's, what you're saying, these are guaranteed maximum prices that you're receiving?

MR. EVANS: Right.

COMPTROLLER FRANCHOT: And therefore, you're adjusting the --

MR. EVANS: We're adjusting the original pre-construction cost for the, for the --

COMPTROLLER FRANCHOT: Okay. I --

MR. EVANS: -- construction manager. So we bring each one of the GMPs back to the Board for approval.

COMPTROLLER FRANCHOT: Okay, thank you. I have no further questions, Governor. Move approval.

TREASURER KOPP: Second.

GOVERNOR O'MALLEY: Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: And the ayes have it.

MR. EVANS: Thank you.

GOVERNOR O'MALLEY: We now go to the
Department of Information Technology.

MR. SCHLANGER: Good morning, Governor,
Madam Treasurer, Mr. Comptroller. Elliot Schlanger,
Department of Information Technology. This morning we
have eight items on the Agenda. I would like to point
out Item 8-IT, which we hand carried over on Friday.
This is for the balance of 438 VLTs for the Cecil
County Facility. That task order represents a
purchase amount of \$15,867,000. And I'd also like to
point out that in this particular task order we have
met the MBE goal of 25 percent. At this point I'd be
happy to take any questions on Item 8-IT, or any other
items on the Agenda.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes, and thank you
for bringing Item 8 to the attention of the Board.
And I feel compelled to revisit some of the issues
that were raised at the last meeting. And I want to
say for the sake of the taxpayers that are watching

this right now that may be following the meeting, I think we need to have a little more clarity on how much the State is paying for slot machines and how the costs are broken down. And I'm going to discuss several cost figures from the last meeting. I apologize in advance if it's hard to follow.

But at the last meeting we approved a master contract with six slot manufacturers to provide 1,062 machines at the Cecil County location at a cost of \$49.4 million. And that was broken down as \$46,542 per terminal. Included in the master contract was \$9.9 million to Spielo for 290 machines. That was an average of \$34,000, approximately, per machine. We had \$20.3 million we voted on to International Game Technology for 341 machines. It broke down to an average of \$59,000 per machine. Finally, we had \$700,000 that we voted on going to Shufflemaster for six machines, and that apparently had the bargain price of \$116,000 per machine.

I bring this up because there were some "independent" reports that surfaced last week from a group in Baltimore, Stifel Nicolaus, and a group

called Union Gaming Research out of Las Vegas. And they rebutted the cost figures that I just mentioned. Apparently they had read them in the press at the last meeting. And I just wanted to emphasize that at that meeting all we did was divide the number of machines into the contract. It wasn't rocket science. And, but anyway Stifel Nicholas went ahead in their report and said, "We believe the State only paid \$20,000 to \$25,000 per gaming device." And they presented a big chart which broke down exactly what was paid in each of the instances.

And I guess I'd like to know where these independent groups got their information? Because there were no breakdowns, no, by purchase and maintenance cost, provided to this Board at the, you know, the fact that we got this right at the end. And was this data provided by you? Or by the Lottery Commission? Or by the vendors? And are these cost breakdowns memorialized in the contracts that you've looked at?

MR. SCHLANGER: If I may, I will call on Mr. Martino of the Lottery to assist with that response.

MR. MARTINO: Governor, Madam Treasurer, Mr. Comptroller. To, I think, specifically get to your question, and I don't know if we're able to bring it up or not. But there is a breakdown. And where the two independent gaming analysts got their information, hopefully we can bring this up for everyone to see. Actually, I have, if it's appropriate, a copy to hand out to each of the members, so maybe you can look at it, which would also include the purchase here today.

The breakdown of the cost of the slot machines, and certainly why the Lottery takes issue with the \$46,500 amount, is that we believe it is inaccurate and an oversimplification of the numbers, and both confusing and misleading. And that is because it does not only represent the purchase price of the slot machines, but it also represents in the case of the machines that are being purchased five years of maintenance that the State has engaged in for the ongoing care of those machines over the five-year life of the contract.

Now, to specifically answer your question regarding how the two independent gaming research

analysts, Union Gaming out of Las Vegas and Stifel Nicolaus out of Baltimore received it, is that this document was issued as a press release out of our office a week ago Monday precisely as it is presented here, with the exception of the addition of the slot procurement --

COMPTROLLER FRANCHOT: After the meeting of the Board of Public Works.

MR. MARTINO: That is correct, after the meeting of the Board of Public Works in an effort to clarify this issue, realizing that maybe we --

COMPTROLLER FRANCHOT: Okay. So they, they are using information that you provided, that we didn't have at the time we were voting on this. But are these breakdowns actually memorialized in the contracts that you are signing with these companies?

MR. MARTINO: Yes, they are.

COMPTROLLER FRANCHOT: Could we, whenever it's appropriate, could you, I get a copy of those, please, in my office? And let me just --

MR. MARTINO: And let me just say, they've already been provided to your office, is my understanding.

SECRETARY MCDONALD: I don't think the Board record contains the actual --

MR. MARTINO: I think there was some dialogue, and I could be mistaken --

COMPTROLLER FRANCHOT: Yeah, no, I asked for --

MR. MARTINO: -- but there's been some dialogue between your office and ours.

COMPTROLLER FRANCHOT: Right, and --

MR. MARTINO: And I think we've provided everything that we've been asked, and if not we will certainly get that information to you.

COMPTROLLER FRANCHOT: Okay, great. Terrific. Well, assuming that these figures that I guess these companies at their own expense went ahead and did the reports for are correct, actually I have more questions than I had before.

MR. MARTINO: I have an iPhone. Do you think maybe I could get the game on for you --

(Laughter)

COMPTROLLER FRANCHOT: Frankly, what concerns me is that the vast majority of expenditures within this contract now apparently are going not for purchase but for maintenance costs. And the last contract, we had the IGT contract last time, of \$20.3 million, assumes an overall cost of \$59,000 per machine that I noted. Assuming the independent studies are right, the actual machines cost less than \$25,000 to buy. That means the remaining \$35,000 is buried in the maintenance costs. And that strikes me as a rather extraordinary figure. If I went and bought a new car, for example, for \$25,000, and I was told up front that I'm going to have to pay \$35,000 over the next five years to the maintenance department of the dealership, I'd be pretty shocked. Shufflemaster machines apparently only cost \$20,000 according to these documents. That would mean that the maintenance costs are projected at \$97,000 per machine. What, pray tell, are the players of these machines expected to do? Are they going to attack them with baseball bats? Or get angry at them?

MR. MARTINO: Well, we would certainly hope not. The --

COMPTROLLER FRANCHOT: So you have a \$20,000 machine with a \$97,000 maintenance contract associated with it.

MR. MARTINO: If I might, to clarify the issue of maintenance, included in the maintenance expense is requirements under either the law or our regulations that the machines be approved and tested to Maryland technical specifications, which is an industry standard. There is a mandated ninety-minute response time to repair disabled slot machines. A technician has to be onsite to repair that. Probably most notably contained in there is the requirement that liquidated damages be paid to the State for any lost revenue for a machine that is not operating. Also included is a game theme change for all the slot machines in the first year if the slot machine is not achieving 85 percent of the average for revenue. And also included in that would be standard preventative maintenance and cleaning of the machines, including

servicing of the bill validators, the TITO, the ticket in, ticket out technology.

COMPTROLLER FRANCHOT: Okay. So even, everything you say makes sense, why, it brings up the question, why are we buying these machines rather than leasing them? Even the independent study showed that overall leasing was cheaper than purchasing.

MR. MARTINO: I don't recall that from the independent studies, but I can certainly address the issue of why some machines are being bought and why others are being leased. First, in some cases there is no option but to lease certain machines. The very best, latest cutting edge technology, the most profitable machines are not sold by the manufacturers. IGT's Wheel of Fortune Progressive, the Monopoly game, they do not offer for sale. They only offer for profit participation, a cut of the win per day. On the balance of the machines that were put to us, where there was an option either to buy or to lease, the Lottery Agency requested two numbers from the manufacturers: a number to purchase and a number to lease. We then calculated over the life of the

contract, the five-year life of the contract, and assuming the gross gaming revenue per slot machine at the Cecil County Facility based on the report from Legislative Services of \$210 per day, what would be in the best financial interest of the State? What would be the best deal for the State in procuring those machines? And in the, obviously, in the majority of the machines the analysis concluded that it was better in the interest of the State to purchase the machines and maintain them rather than to pay a lease, either a flat lease or more likely a win per day profit participation for the machines, over the five-year life of the contract. So we understand that, you know, there may be some disagreement. Quite frankly, it puts us in a bit of a catch-22. Because if we had simply come here and proposed everything for lease then the math would have been done the other way and people would have been asking, "Why are you paying four times more for a slot machine?" Which in some cases was the case --

COMPTROLLER FRANCHOT: Oh, I'm not --

MR. MARTINO: -- over the life of the contract.

COMPTROLLER FRANCHOT: Yeah, let me interrupt for a minute. I'm not much of a slots player, but my understanding is that these machines go in and out of style very quickly. So by locking ourselves into purchasing them, rather than leasing them, A, we are assuming the purchase price, and B, we're for five years, I guess, committing ourselves to that machine. And, you know, it just strikes me that other states like Delaware, apparently, that have public ownership, do a lot more leasing. And you know, it's not very reassuring for me to hear that you go out and get a bid from a company, one for the sale and one for the lease, and that's all you can react to. Did you negotiate at all with them?

MR. MARTINO: Of course we did. And that's why in every case the sale price of the machine came in lower than the master contract that this Board approved in April. So there was extensive negotiation. I would also point out that I've had an opportunity to visit with the lottery directors of

Delaware and New York, two states that exclusively lease. And you're right, both of those states do lease. I found it interesting when I asked that neither of those states have engaged in a cost study to find out if it was more economically efficient for the State to purchase the machines or to lease them. And I hope I'm not speaking too much out of school, but the New York Lottery Director conceded that he was almost certain that it would be a better long term position for the State to take to buy the machines rather than to lease them based on --

COMPTROLLER FRANCHOT: Well, I don't have the figures in front of me. But it strikes me that we're going to be at a big disadvantage with Delaware. They're going to have the freshest machines. They're going to have the machines that are, you know, quickly rotated in. They also, apparently, now have blackjack, roulette, craps, baccarat, and other table games. And aren't we going to be at a real competitive disadvantage?

MR. MARTINO: Well again, that's why I would highlight that under the existing maintenance costs

that are approved as a part of this contract there is a free game theme change already included in there. So if the machine is not producing at 85 percent of the floor average, we will at no cost to the State require that the theme be changed. I would also point out, too --

COMPTROLLER FRANCHOT: But you keep the same machine, I take it?

MR. MARTINO: The machines are fairly standard. I'm not a slot player myself, I'm not a gambler. But I basically know that, you know, machines come in a set number of varieties. It is the computer components in it, whether it is a, you know, IGT, you know, Monopoly, or Wheel of Fortune that displays on the video terminals that really drive the play. But there is a variety of games.

I would also point out, too, that one of the reasons why it is very difficult to compare states and what is the best deal is because so much of this is driven on what the projected gaming revenue is. And Maryland has some of the highest projected gaming revenue locations on the East Coast. So if we were to

engage in leases that were based on win per day, that would artificially, or not artificially, but it would inflate the cost of the machines rather purchasing at a static price. So if you're paying win per day at a facility in New York, in rural New York that's \$150 per machine per day, versus a casino in Baltimore City or in Anne Arundel County that has projected \$350 per day per machine, you're providing really a windfall to the slot manufacturers and not to the State.

COMPTROLLER FRANCHOT: How did you bid the current contract that we're being asked to vote on today? Did it go to all the available vendors? Or did it just go to, is it just one that we're receiving a bid from?

MR. MARTINO: You're receiving one today for Spielo, which is subcontracting with WMS, a Chicago area based slot manufacturer. It is coming to you today because the agreement, the subcontracting agreement between Spielo and WMS was delayed and could not be presented at the last meeting. The reason, you know, the slot mix is largely determined by the operator with our review. So Penn National Gaming has

a very large involvement in determining the actual mix of machines because they bring the specific gaming expertise to the table. Then we sit down with them, ask them to justify it, make sure it's reasonable. And then we engage in a negotiating process with the individual manufacturers. And I can tell you that we worked very diligently up until, well, early afternoon. I believe, I believe this item was submitted to the Board shortly after noon on Friday, to make sure that we got the best price. And those negotiations resulted in over \$1,000 per unit reduction in what they had originally submitted.

COMPTROLLER FRANCHOT: Mm-hmm. And on the financing, I understand the Treasurer's Office is going to prepare a request for financing proposals in the fall, after these machines, I think, are going to be in place in Perryville. How do you intend to pay for the machines? Is it entirely through financing? Or are you going to be able to cover some of the cost through the actual licensing fee and operating revenues from the Perryville Facility?

MR. MARTINO: On issues of financing, I would simply defer those to the Treasurer's Office and let them speak to it. As you are probably aware, 2 percent of the gaming revenues from the facilities go to the Lottery. So it would be our plan that those revenues would go towards the expenses that we incur for the maintenance, which is over a five-year line. Also the salaries that we have to pay for additional staff, but that would be grouped together and so there would be some ongoing revenue to pay for those costs. But as far as the financing for the machine purchases, that's an issue that I would simply defer to the Treasurer's Office.

COMPTROLLER FRANCHOT: So it's your contention that the other states that do not purchase machines, but have lease arrangements where the, and I take it these states do not have this, these machines, even where they are publicly owned like in Delaware, I take it they are not added to the debt of Delaware? Like we are possibly going to do with this? I'm not sure what the Treasurer is anticipating. But I assume that if we are going to finance them these are going

to be added to the debt of the State of Maryland, these contracts?

MR. MARTINO: I can't speak to how they are financed in the other states. I would like to however point out that there are four other states that we are aware of that have some private, or I'm sorry, some public ownership leasing, ownership of the machines. Rhode Island, Delaware, New York. We have also been in contact with the State of Oregon. Oregon is transitioning its machines from a lease to an ownership. They are buying their machines, which are placed in restaurants and taverns, precisely for the same analysis and reason that we are. Which is that over the life of their contracts they determined it was a better deal for the state to own the machines rather than to lease them.

COMPTROLLER FRANCHOT: Well I take it that's a much different situation. I hope we're not planning to move our machines into Maryland restaurants and, et cetera.

MR. MARTINO: I didn't mean to suggest that. I'm just saying where they're at in Oregon.

COMPTROLLER FRANCHOT: But your basic contention is that the leasing is more expensive than the purchase? Is that your justification for coming forward --

MR. MARTINO: In the cases of the machines where we have asked for permission to, or approval to purchase, we do believe that they are more, they would have been more expensive over the five-year life of the contract to lease than they would have been to purchase, calculating both the purchase price and the ongoing cost of maintenance.

COMPTROLLER FRANCHOT: And that strikes me as just, you know, almost unbelievable. Because the cost that you are, I guess what you are saying is that the leases have some kind of special profit sharing provision in them that I hadn't heard of before. But this strikes me still as, even though you are trying to distinguish maintenance from purchase, that the State is paying, particularly because it is going to be added to our debt, unlike Delaware and other states that have public ownership, that this is still a significant financial burden for the State. And I

don't think people anticipated these kinds of costs. You strike, you say that yours is less of a windfall than leasing them. It sounds to me like both of them are windfalls the way the industry has this process set up.

MR. MARTINO: Well I --

COMPTROLLER FRANCHOT: Windfalls for the manufacturers and for the industry. I mean, the idea that we as the taxpayers are going to vote apparently today, and down the road, for up to \$800 million to be added to our debt load to finance these machines strikes me as a continuing, you know, bad deal for the State.

MR. MARTINO: Mr. Comptroller, I would just like to point out that the Lottery Agency is implementing the law as was passed in 2007 by the General Assembly. And that is what we are doing, sir.

COMPTROLLER FRANCHOT: Well, I still have concerns about the Lottery Agency, which has a lot of expertise in the Lottery, being asked to negotiate these contracts with, you know, sophisticated gambling companies in areas that you don't have a lot of

expertise in. But I guess we have a difference of opinion. And you know, I'm going to vote no, Governor, when you call for the vote. And I think this is something that the average person that supports slots finds incredible. Yesterday in Carroll County where most people do support this one businessman put his hand up and said, "How can this possibly be that we, as a State, are paying and owning these machines? Why don't the gambling companies do this? What's the reason?" I said, "Well, I don't, other than the fact that it's in legislation, I don't understand it."

But you know, we're just going to move on. I think it's, you know, whether you're pro-slots or anti-slots, this is just, this does not look good to the public.

GOVERNOR O'MALLEY: Mr. Martino, the, if I heard you correctly you said that you had the ability to lease some of these and to buy others? Is that true?

MR. MARTINO: That's correct.

GOVERNOR O'MALLEY: And I also heard you say that you've done an analysis as to whether leasing any particular machine, or the buying of a particular machine, you know, which one of those options is in the best interest in terms of saving taxpayers' money, correct?

MR. MARTINO: That's correct, sir.

GOVERNOR O'MALLEY: I mean, and so in cases where it's to our advantage as a State we lease, in cases where it's to our advantage we buy? Is that what you're doing?

MR. MARTINO: That is exactly right. And the chart that was up, and may be before you, is why in the case of Bally it was a, it was not cost effective for the State to buy those machines and we're leasing all of them. In certain cases, I believe IGT, we're leasing some, we're buying others. In other cases it was more cost effective over the five-year life of the contract, it was a better deal for the taxpayers of the State of Maryland to purchase those machines.

GOVERNOR O'MALLEY: All right. And some of your colleagues in other states do not have the flexibility that you have in order to get the best deal?

MR. MARTINO: I believe that's correct.

GOVERNOR O'MALLEY: Okay, I have no other questions.

COMPTROLLER FRANCHOT: Okay, let me just finish. I think you should go back to the Legislature and tell them we're getting taken to the cleaners on this. That we should have the industry buy their own machines. They are the experts. They know what works and what doesn't work. And why the taxpayers of Maryland should be going on the, you know, putting this stuff on their credit card, I find to be just extraordinary and irregular. And if you say it's because it's in the law well go, since we aren't going to have a lot of these machines up and operating because of the various legal and other difficulties that are out there, go back and get the law changed. Because we shouldn't be doing Las Vegas' work. Let them buy the machines, it's their business. They are

going to make money off it. And so I think this whole thing is unfortunate and irregular.

GOVERNOR O'MALLEY: Mr. Martino, do you believe that there is a flaw in the law?

MR. MARTINO: I'm sorry?

GOVERNOR O'MALLEY: Do you believe there is a flaw in the law that somehow is getting in your way of securing the best deal, whether it's lease or buy, for the taxpayer?

MR. MARTINO: Certainly with an arrangement that would have State ownership in some form I believe the law as currently written gives us all the flexibility we need to negotiate the best prices with the slot manufacturers.

GOVERNOR O'MALLEY: So it wasn't your testimony that there's something wrong with the law?

MR. MARTINO: I don't recall having said that.

GOVERNOR O'MALLEY: All right, I didn't recall you having said that, either. Okay.

TREASURER KOPP: Governor, could I just, I don't want to get involved in an issue we have

rehashed any number of times. But just to make a couple of things clear. First of all, when you are talking about the lease financing of the machines themselves, I want to make it clear we don't lease, we are not paying through lease or through State capital for maintenance, for ongoing operating costs. That's coming out of the expenses and profits of the slots themselves. And we obviously, as I said last meeting and perhaps the meeting before that, we are going out, the Treasurer's Office is going out in the fall with an RFI to try to examine all the possible ways of financing these leases and then subsequently going out with a competitive, normal competitive process to find the lease expensive way.

I would also point out, now that you've broken it out, and I think it's really too bad we didn't have this two weeks ago, that obviously whether the State, no matter who owns the machines they have to be maintained. And we require the same security and will have the same strict oversight no matter whether they are leased, owned, or owned by the casino managers themselves. And so that maintenance cost

will be the same in the end, although I believe that you have gotten as good a deal on maintenance as we can from everything that I've seen.

I think it's really unfortunate that it hit the press the way it did in a way that while the numbers might have been correct were very misleading. And I honestly believe that had these sorts of numbers been before us two weeks ago it would have been a lot easier for everyone to understand.

MR. MARTINO: I completely agree, and that's why we have that information here today.

TREASURER KOPP: And let me just say, I was not a member of the Legislature, obviously, but I do think the Legislature debated this for a number of years. And that one of the compromises was that the State own and have strict oversight over these machines. And of course, we do not have table games. That wasn't allowed in the law or the constitutional issue.

MR. MARTINO: You are certainly right, Madam Treasurer. And obviously, the debate on that preceded my coming to the State and taking this position. But

my understanding in talking to a good number of people is that there was a very strong belief out of the Legislature when it was passed that the program have transparency and integrity, and the way they sought to achieve that was through the State ownership or leasing of the machines.

TREASURER KOPP: Thank you.

GOVERNOR O'MALLEY: Mr. Martino, if you could get, I mean, there's always going to be questions about this, all the time, whenever it comes before this Board. So please, get as much information as you can up front on these things, and as far in advance as you can on these things.

MR. MARTINO: Absolutely.

GOVERNOR O'MALLEY: I mean, it's the only way to demystify this. There's, you know, this was an issue about which even the voters who approved it in every county in the State, you know, had a tremendous amount of ambivalence, a lot of weighing of the pros and cons. So as much of this sort of information as you can get to us up front, you know, it's just so much more helpful --

MR. MARTINO: Yes, sir.

GOVERNOR O'MALLEY: -- as we try to move ahead with this in the worst economy our country has seen since the Great Depression. But I do appreciate your efforts and I'm, and I'm appreciative of the fact that the Cecil County location is going to open this fall, and that therefore there will be actually, I think, more dollars, Secretary Foster, coming in from this operation in fiscal year 2011 than we had anticipated originally. And Lord knows, I don't want to interject the Lord's name here, goodness knows, we all know, every dollar is critically needed in these tough times. So I'll move approval.

TREASURER KOPP: Second.

GOVERNOR O'MALLEY: Seconded by the Treasurer. This is item what?

SECRETARY MCDONALD: Eight.

GOVERNOR O'MALLEY: On Item 8. Moved and seconded. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

COMPTROLLER FRANCHOT: No.

GOVERNOR O'MALLEY: The Comptroller votes no. And that Item 8 passes. Thank you. We go now to the balance of the Department of Budget and -- no, I'm sorry. I'm sorry, Information Technology's Agenda.

SECRETARY MCDONALD: No, Information Technology. Secretary Schlanger is here, so Item 1 through Item 7 on Secretary Schlanger's Agenda.

GOVERNOR O'MALLEY: Item 1 through Item 7. Are there any questions on Item 1 through Item 7? None?

COMPTROLLER FRANCHOT: None for me, move approval.

GOVERNOR O'MALLEY: The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

MR. SCHLANGER: Thank you.

GOVERNOR O'MALLEY: We now move on to the Department of Transportation.

TREASURER KOPP: Ha ha, timely entrance.

GOVERNOR O'MALLEY: Okay. Questions on the Department of Transportation Agenda items?

SECRETARY MCDONALD: I just wonder how many items --

TREASURER KOPP: Governor, I don't have a question on the Agenda but I wonder if you, if the Secretary, or whomever, could give us a little update on what happened with the MARC trains and Amtrak.

GOVERNOR O'MALLEY: Great question. Come on up to the, why don't you come up to the podium here? I appreciate it's absolutely outrageous. I mean, breakdowns happen but the breakdown in service shouldn't happen. I received on behalf of Amtrak a call yesterday from Mr. Boardman profusely apologizing for Amtrak's failure to fulfill the terms of their contract, which as I understand it not only maintenance but some relief and these sorts of things to get our passengers off those tracks. Absolutely outrageous, and what are we doing to correct it? And what can you, can you answer the Treasurer's

questions? I didn't mean to cut you off, Madam Treasurer.

TREASURER KOPP: No, I appreciate it.

MS. SWAIM-STALEY: It is inexcusable. We were, many of us were in conversations yesterday with Joe Boardman regarding what occurred and trying to figure out what occurred.

TREASURER KOPP: And Mr. Boardman is?

MS. SWAIM-STALEY: Is the Chairman of Amtrak.

TREASURER KOPP: The Chairman of Amtrak?

MS. SWAIM-STALEY: Yes. So again, he apologized. There are no excuses for what occurred. Protocols obviously were not followed. The, and the long term --

GOVERNOR O'MALLEY: And what occurred, for those of you that were not familiar with this, is that our passengers were stranded for two hours when a train broke down --

MS. SWAIM-STALEY: Right near Cheverly.

GOVERNOR O'MALLEY: -- in sweltering temperatures. And it took two hours before somebody could get to them to offload them.

MS. SWAIM-STALEY: That's correct. There were, and again, Ralign can talk about specific temps. Amtrak did send a second locomotive, unfortunately that locomotive also had problems. They then sent a third train, but it was not large enough to offload all the passengers. And unfortunately during this time, they certainly did not do the things that could have been done with regard to providing some relief to those passengers during this time. And that obviously is a major concern.

For a couple of things in the long run, FRA, Amtrak, and the MTA have agreed to sit down and look at what the procedures should have been, what the protocols were, what were and were not followed. Obviously in the short run, making sure that this does not occur again. We did have, Ralign and his staff was at Union Station last night. We did have people on all of the trains that were leaving Union Station last night. We did encounter some problems due to the

storm, and trees falling on the tracks. So that actually proved to be helpful and we did actually have to do bus bridging last night as well to get folks home.

GOVERNOR O'MALLEY: But that was not a mechanical failure? That was the storm --

MS. SWAIM-STALEY: That was not a mechanical, that was the storm knocking, as it turns out. We believe there may be catenary issues, however, on the Amtrak line --

GOVERNOR O'MALLEY: What's a catenary issue?

MS. SWAIM-STALEY: The catenary is the wire, the electric wire on which the trains run. So that's an Amtrak issue, obviously. We need them to get that resolved. They have had problems on their Amtrak line as well the past couple of days so it has not only affected MARC.

With regard to what we can do, we are going to continue to have our staff on each and every one of those trains that are leaving in the evening from Penn Station so that should these problems continue we will be able to have someone that we can talk to to get,

and be able to know where they are located, to get resources down to them. We are also to the degree that equipment is available, and again that's a significant if because we are using virtually all the equipment, to have some redundancy, two locomotives on the longest trains. So those are some of the things that we're doing.

Mr. Wells was down there last night. He did ride the 538 train to personally talk to the passengers, and I can talk, ask Ralign to talk about the response there.

MR. WELLS: Thank you, Madam Secretary, I appreciate it.

MS. SWAIM-STALEY: So those are the things we are doing immediately while we work with Amtrak to address the longer term issues.

MR. WELLS: Yeah, I would like to echo some of the things that the Secretary just mentioned about the incident. Let me just summarize, or recap, what happened on the incident. The train left Union Station a little after 6:00. For whatever reason, the train became disabled south of New Carrollton Station.

The crew and the engineer did what they were supposed to do, started out right, which was to troubleshoot the car set, troubleshoot see why the train stopped, they did that. Then they ordered a diesel locomotive, a rescue locomotive, to come from Union Station to couple up to it and just bring it back to Union Station. That's typical. No one at that time thought anything else of it.

The train coupled up. For whatever reason, the train was unable to attain what they call a brake release. So they got it coupled mechanically, but they couldn't move the car sets.

Here's where they went wrong, because they went from Plan A, to troubleshoot, Plan B, to pull it in. And Plan C they didn't have down very well. They had a tech drop off at the location to try to troubleshoot to find out why they couldn't get a brake release. Crews did not notify passengers as to what was going on. They originally said we were going to have a diesel come out and try to bring you back, but that's all they heard. So they started focusing on repairing the problem, and troubleshooting.

And my assessment is that they troubleshooted the thing to death. They should have cut their losses at some point and decided, "How can we offload passengers from this train to another train?" They probably should have made a different decision as to sending in service trains down. They could have sent a not in service train down empty, let the people who were in Union Station just be delayed, but grab those people and continue on and then, there were a lot of things that they did wrong that I have some very sincere, serious frustrations.

GOVERNOR O'MALLEY: Where are these decisions made? Are they simply made in the field? Or is there not some sort of central command --

MR. WELLS: Right, there's a central, there's a central supervision, just kind of like we have an operation control center. That control center is out of Philadelphia, I believe.

GOVERNOR O'MALLEY: Out of where? Philadelphia?

MR. WELLS: Philadelphia.

GOVERNOR O'MALLEY: And it's run by Amtrak?

MR. WELLS: Amtrak, this is Amtrak's line.

GOVERNOR O'MALLEY: Was anybody working in it yesterday?

MR. WELLS: Yeah, yeah. But again, you have controllers that are making decisions, they are working with the engineer. And they make bad, they made a bad, to me they made a bad call.

TREASURER KOPP: It sounds like they were focused on trying to fiddle with the equipment --

MR. WELLS: That's right.

TREASURER KOPP: -- and forgot that they are a service industry, and that they had passengers. It's like the horrible --

MS. SWAIM-STALEY: That is exactly correct.

MR. WELLS: This is correct.

TREASURER KOPP: -- instances where people have to sit in airplanes --

MS. SWAIM-STALEY: That is exactly correct.

MR. WELLS: Exactly.

TREASURER KOPP: -- hour after hour after hour after hour of --

MR. WELLS: That's like of like that. Yes, you're right. So one of the things that I identified, right off the top of my head, and this, I heard from the riders that they were surprised, I was surprised at how understanding the riders were and how pleased they were that we came out yesterday. First of all, one of the things that they all said was that if they had told them anything after their initial, they initially said, "We're going to try to troubleshoot and connect up." Then they heard nothing else. They said if they would have at least told them periodically what was going on, what the plan was, they would have been a little bit more comfortable. But they didn't hear anything.

Secondly, they didn't see people moving around as authority figures. So they didn't know who was in charge, there was nobody there.

Thirdly, they said that the crew got off to relieve themselves of the heat but did not help the passengers get off. And that, and the other thing that they said that was most interesting is that they provide they failed to provide any type of comfort.

So they didn't crack the windows or open the windows or anything like that for them.

Now, I did find out that had they opened the windows the train would have become disabled because by FRA rules you cannot move the train once the windows. So again, they think they're going to fix the train. They say, "No, don't open the windows because if you open the windows, then you fixed it, now and it's dead because you opened the window." So they were making decisions --

GOVERNOR O'MALLEY: Well with some communication they might have opened the windows, and then closed them when it was time to try to move the train.

MS. SWAIM-STALEY: That's correct.

MR. WELLS: Well, it's a seal that they would have had to break so I think it's harder to put the window back in.

GOVERNOR O'MALLEY: Ah, I see. It's not like a bus window.

MR. WELLS: But the point is, they still should have knew that okay, after a certain time, cut

our losses. Whether we get the train moving or not we need another train down. So that's the key. And I did speak with the Chairman, and also the COO, and I was very pleased with the commitment that they gave us to partner with us to work with the problem. They actually wrote an apology letter and put seat drops on that train. They took full responsibility. As well, we went out and we had a letter apologizing. And I actually distributed some of them and have also boarded the train. So I --

GOVERNOR O'MALLEY: How about the issues with regard to the crew? Who does the crew report to? Are they our employees, or are they Amtrak?

MS. SWAIM-STALEY: They are Amtrak.

MR. WELLS: They are all Amtrak employees. They work for us. I mean I, now let me say this, I still take responsibility because we have management of them. They are our contract provider, but we still have managers that should be managing the situation. So we are still undergoing an investigation as to what we could have done differently to kind of mitigate some of the things that they did wrong. So Amtrak is

doing an internal investigation. MTA is doing an internal investigation. And we're doing, as the Secretary said --

GOVERNOR O'MALLEY: But the lack of communication. Who is the supervisor that says to the crew, "This lack of communication is utterly unacceptable?"

MR. WELLS: Well there's --

GOVERNOR O'MALLEY: Is that Amtrak that does that?

MR. WELLS: Amtrak, yes, Amtrak supervises.

MS. SWAIM-STALEY: There are train masters and there is supposed to be a mechanism for this communication. Obviously, that mechanism broke down.

MR. WELLS: Right.

GOVERNOR O'MALLEY: Where did the crew go? I mean, did they all go to one car or something?

MR. WELLS: Well they said they were just, well remember there's about 900 people, and there's only three. There's one conductor, and two assistant conductors, and then you have the engineer, the train engineer. So they probably got lost in the crowd

somewhere. They just didn't take control of the situation for whatever reason. But, again, I'm hopeful that Amtrak -- I'm sorry, go ahead.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: What are you planning to do for the 900 people?

MR. WELLS: Well, one thing we did do is we generated the apology. We shot out an e-alert explaining what happened, generated an apology. We also gave out VIP passes at the Union Station yesterday. Certainly we are still looking at whether there is anything else we can do for those people that were stranded. But that's what we're doing so far. And --

COMPTROLLER FRANCHOT: What's a VIP pass?

MR. WELLS: Oh, that's a pass where a person can use that pass or they can give it to someone to ride the service.

MS. SWAIM-STALEY: For free.

MR. WELLS: For free.

COMPTROLLER FRANCHOT: Excellent.

MR. WELLS: And you know, I was really surprised at the fact that they were really pleased by the fact that we came out yesterday. And they talked to us and they said, "Just if you guys had told us we would have been fine. Just let us know."

TREASURER KOPP: Well, it's like a backup --

COMPTROLLER FRANCHOT: I'm surprised you survived.

MR. WELLS: Yes, I am too, to be honest with you. But I mean, I actually sat down beside some of them and we talked for a minute. So it was pretty good. They were very pleased.

GOVERNOR O'MALLEY: Are these mechanical failures more frequent in the summer?

MR. WELLS: Yes. You know me and weather, right? The extreme cold and extreme heat doesn't do well with transit systems. I mean, whether it's our Metro systems where we have faults, whether it's because of a track issue because of heat kinks, so yes, extreme conditions do create problems for the system. Now, electrical components particularly have more problems in the heat.

GOVERNOR O'MALLEY: Well shouldn't they deploy, I mean, shouldn't there be, shouldn't there be, be deployed their own mechanics and staffing --

MR. WELLS: Well that's what they --

GOVERNOR O'MALLEY: -- in anticipation of that?

MS. SWAIM-STALEY: Yes.

MR. WELLS: Yeah, that's what they say they have. They have the technicians on board. The technicians do move around and they are on board the service. But what we're trying to do is try to reduce the need for the electric locomotives, especially where we have this problem where we're not sure whether it was a locomotive failure, or whether it was a power issue with the catenary, as the Secretary mentioned. But we're still not sure. So what we're going to do is just double up diesels. And we have some of the newer diesels out there running on that now, the ones that we just got.

GOVERNOR O'MALLEY: Right.

TREASURER KOPP: You don't have any of the old choo-choo train --

MR. WELLS: I'm sorry?

TREASURER KOPP: You're too young. Real trains.

GOVERNOR O'MALLEY: So we have new, the new diesels have been tested and are out there?

MR. WELLS: Yes --

MS. SWAIM-STALEY: I believe eight of the new diesels are out and we're getting two a month until we have the full complement.

MR. WELLS: Right. So we have twelve on hand, and the Secretary is right. We have eight out. And what we're going to do, this will require six if we do as the Secretary said, mentioned, put double diesels on the longest trains. Because we have two eight-car car sets and then one nine. So that will help deal with that.

But the only thing that I want to caution everyone, and I told the media this, is that that doesn't guarantee another problem won't occur. I mean, we could have a problem that's not car related. There may be a track related issue. There may be an Amtrak train that's broke down. We had an experience

where the Amtrak train broke down in front of us. So the passengers are sitting, they are still sitting. So there are so many collateral issues that can occur on a train system. But the biggest problem, and you know the funny thing is all the passengers understand that. What they don't understand is why communication breaks down. And that's the least expensive thing that we can do, but we've just got to get that right.

GOVERNOR O'MALLEY: Well we'd also like to have, I think, over the last four years we've been able to make some improvements there.

MS. SWAIM-STALEY: Yes.

GOVERNOR O'MALLEY: Of course, incidents like this eclipse whatever improvements we've been able to make. But letting people, communicating to people that we actually have purchased locomotives, that we have purchased new cars, when they're coming on and letting us, let us --

TREASURER KOPP: Right.

GOVERNOR O'MALLEY: I'd like to see that on one page, too. I mean, I know that we've been doing a number of things. But --

MS. SWAIM-STALEY: We have, we have that for you, Governor.

GOVERNOR O'MALLEY: -- for this to happen seasonably all the time, and Amtrak not to be able to redeploy forces. I mean, the fact that it happens in the summer is not an excuse for allowing this sort of thing to happen. If you know it happens more frequently in the summer, all the more reason you should extra staff deployed during those months.

MS. SWAIM-STALEY: You've increased the investment, just as one example, for 2007 \$100 million to by 2009 \$195 million. So making major investments in this system in both locomotives as well as in trains. Ridership continues to go up. In April we had, I believe, our highest ridership ever. MARC continues to be a very popular service. Breakdowns like this, they do occur. We frequently in the summer, we're entering the hot weather. We typically have a lot of problems due to track buckling as we get into the July season. We already had, we did have a problem on the catenary last night at Union Station not related to the storm. We had problems this

morning in Rockville. So there are a variety of issues on the Amtrak system. But communication is something that we should always be able to get right.

GOVERNOR O'MALLEY: What's the increase in ridership over four years, do you know?

MS. SWAIM-STALEY: I don't have the total. I have the --

MR. WELLS: Is it 35,000? About 35,000 --

MS. SWAIM-STALEY: Yeah, in April we had boardings of almost 35,000. That was a 4 percent increase over the prior year.

MR. WELLS: Right.

TREASURER KOPP: And as BRAC proceeds we're going to have --

MS. SWAIM-STALEY: That's right. And we, we're counting --

TREASURER KOPP: -- greater and greater need.

MS. SWAIM-STALEY: -- on MARC to help us address some of the BRAC issues.

MR. WELLS: Correct, that's correct.

GOVERNOR O'MALLEY: Let me know what the increased ridership is over four years sometime today, would you?

MS. SWAIM-STALEY: We'll have a report out to you. It's probably at least a 4 percent a year --

TREASURER KOPP: Can I ask, do you look at your peers for things like communications procedures?

MR. WELLS: Yes. Yes. Actually, what we do is internal peer reviews as well as we're going to be reaching out to APTA to also look at some of the other commuter rail services to see how they do it. That's a good point you raise. It's interesting because that's one of the problems that all transit properties face. They're having their employees making announcements. A lot of times they're starting to move to automated announcement systems. So if a train system sits at least the system will automatically after a certain period of time make an announcement.

TREASURER KOPP: And in a voice that people can understand.

MR. WELLS: Can understand. So that's why they're moving to that. Unfortunately, it's just one of those things we deal with personal --

TREASURER KOPP: I think you are right. It is communications. I was going to say, it's like a backup at the Bridge. At least if there's a sign --

MS. SWAIM-STALEY: Yeah.

MR. WELLS: Right.

TREASURER KOPP: -- that tells you what the problem is, you can deal with it.

MR. WELLS: Right.

TREASURER KOPP: But everybody keeps you in suspense.

MS. SWAIM-STALEY: So we will continue to have staff there every evening. Ralign and I will be at Union Station this evening again.

MR. WELLS: Tonight, mm-hmm.

MS. SWAIM-STALEY: We'll put a staff person on each of those trains that are going out until we have some level of comfort that things are improving.

TREASURER KOPP: You don't want to be compared to WMATA. No.

MR. WELLS: No.

COMPTROLLER FRANCHOT: Well I also, Madam
Treasurer --

TREASURER KOPP: I shouldn't have said that.

COMPTROLLER FRANCHOT: -- I think that
ultimately we're the ones, the State gets blamed for
this --

MS. SWAIM-STALEY: We do.

MR. WELLS: That's right.

COMPTROLLER FRANCHOT: -- whether Amtrak's
employees are responsible or not. And I think it's a
black eye. And, you know, people getting off that
train saying that if they had had one of their pets in
that condition they would have been arrested for
animal abuse. And that's wrong. I hope that some
supervisor or someone is reprimanded and we have some
accountability here. Because it's not good enough
just to say we apologize and we feel bad about it.
It's terrible what happened, and the Governor is
right. It embarrasses everyone. And frankly,
someone's head should roll because, you know, it's not
very hard to have Plan C --

MR. WELLS: Exactly.

COMPTROLLER FRANCHOT: -- in place. And if in fact we are managing Amtrak's employees, it's us. And so, anyway I was in a good mood but someone just told me the U.S. scored a goal. So I'll let you go on to other things. I move approval.

(Laughter)

MR. WELLS: All right, thank you.

MS. SWAIM-STALEY: We are.

TREASURER KOPP: Can I just suggest --

MS. SWAIM-STALEY: But thank you for the opportunity to talk about it. And we certainly will -
-

TREASURER KOPP: -- as well as going back and apologizing, and from what I can read in the newspaper and heard from a couple of former constituents, it did make a difference. The hands on with the individual riders. But to help inform the public at large that we know what the problem is, here's how we dealt with it, and here's how we are trying to be proactive, I think goes a long way.

GOVERNOR O'MALLEY: I'd like to know from Mr. Boardman whether in fact they do redeploy in the summer months. If we know the plague with these all the time.

MS. SWAIM-STALEY: The extra.

GOVERNOR O'MALLEY: I mean, I, from prior experience sometimes people say, "Well that's just the way, that's just what happens in the winter." Well, if that's what happens in the winter then you do more preventive maintenance --

MS. SWAIM-STALEY: Extraordinary things.

GOVERNOR O'MALLEY: -- in the winter. And start earlier.

MS. SWAIM-STALEY: Well we concerned, as I said, about the catenary. We did have problems last night.

MR. WELLS: Yeah, a tree fell on the catenary last night.

MS. SWAIM-STALEY: Well, but we had problems out of Union before that.

MR. WELLS: And Union Station, when I got there.

MS. SWAIM-STALEY: But we are very concerned about whether there are catenary issues for this evening.

MR. WELLS: Yes.

MS. SWAIM-STALEY: So we'll, that's why we're all going to be at Union Station this evening again. And --

GOVERNOR O'MALLEY: I have a personal monitor on the MARC line.

MR. WELLS: You do?

GOVERNOR O'MALLEY: I do.

MR. WELLS: Okay.

GOVERNOR O'MALLEY: He's my younger brother.

MR. WELLS: Oh, I know him, too. Okay.

GOVERNOR O'MALLEY: He writes to me regularly.

MR. WELLS: All right. Okay. We'll make sure, what train does he ride? All right.

COMPTROLLER FRANCHOT: Sweet nothings?

GOVERNOR O'MALLEY: Oh --

MS. SWAIM-STALEY: Not so sweet?

GOVERNOR O'MALLEY: They weren't sweet and they weren't nothing.

MR. WELLS: Oh, I'm sure.

GOVERNOR O'MALLEY: Okay, thank you.

MR. WELLS: All right, thanks a lot.

GOVERNOR O'MALLEY: The Comptroller moves approval of the Department of Transportation items, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We move on now to the Department of General Services.

MR. COLLINS: Good morning, Governor, Madam Treasurer, Mr. Comptroller. The Department of General Services has seventeen items on our Agenda including one supplemental. I would be glad to answer any questions you have on these items.

GOVERNOR O'MALLEY: Are there any questions?

COMPTROLLER FRANCHOT: Not for me.

GOVERNOR O'MALLEY: I see the McIntosh Run Watershed, eighty acres. And preserved within that eighty acres is an active bald eagle nest.

MR. COLLINS: Yes, sir.

GOVERNOR O'MALLEY: That's a good item for the bald eagle. All right, the Treasurer moves approval, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Thank you, that concludes our meeting.

(Whereupon, at 11:58 a.m., the meeting was concluded.)