December 18, 2023

The meeting of the Board of Finance was called to order at 3:05 p.m.

Present:	Michael Moiseyev, Director of Finance *(in lieu of Mayor)* Arnold Williams, Vice President Bill Henry, Comptroller and Member Frederick Meier, Member Jennell Rogers, Chief, Bureau of Treasury Management and Clerk to the Board of Finance
Absent:	Honorable Brandon C. Scott, Mayor and President Robert Shelton, Member
Also Present:	Evelyn Alston, Treasury Management Sara Paranilam, Planning Joann Levin, Law Dept. Christian Lund, Public Resources Advisory Group (PRAG) Jessica Donnelly, PRAG Micheal Sullivan, Treasury Management *(via Webex)* Randy Willison, MOCC *(via Webex)*

MINUTES

Mr. Williams requested the Board to review the minutes from the meeting of November 27, 2023. The minutes were approved on the motion of Mr. Meier, seconded by Comptroller Henry.

SECURITY TRANSACTIONS

Ms. Rogers briefed the Board on the investment activity for this period noting that total securities purchased since the last Board of Finance meeting were $215,000,000 and redemptions totaled $242,200,000.

Security transactions since the meeting November 27, 2023 were approved on the motion of Mr. Meier, seconded by Comptroller Henry. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of November 30, 2023 with a notional amount of $123,155,000. The fair market value of the swap portfolio increased from ($8,866,942) to ($9,753,915). The ten-year Treasury rate decreased from 4.88% to 4.37%. As of the date of this report, there was no collateral posted.

The Board accepted the report. (Appendix II)

PRAG DEBT STUDY RESULTS AND RECOMMENDATIONS

Ms. Rogers requested the Board to endorse the City's revised debt policy that increases the not to exceed amount of annually budgeted General Obligation (GO) bonds from $80 million to $125 million and other recommendations.

The City charter requires that the Board of Finance provide recommendations to the Board of Estimates on the Mayor and City Council of Baltimore Loan Authorization Program. The Department of Planning administers this program and has recommended an authorization of $125 million of general obligation bonds in FY2026 and $125 million in FY2027 for a total of $250 million. Once the proper approvals have been obtained, this program shall be placed on the November 2024 general election ballot for voter approval and be incorporated into the City's capital budget.

The enclosed study incorporates conservative growth assumptions for the metrics and benchmarks used to evaluate the City's debt burden. Moreover, the study also includes a Peer Group comparison of the City's financial performance with similar characteristics. This type of comparison is beneficial in assessing the City's financial condition relative to its peers within the rating category. Maintaining the City "Aa" rating is paramount, ensuring borrowing costs remain at acceptable levels.

In connection with the 2023 Debt Study, PRAG developed a financial model to establish the policy guidelines in consideration of the City's financial position, updated rating agency criteria and local and national peer analysis. The 2023 Debt Study includes recommendations to: (1) adjust the City's debt management ratios to reflect more conservative target ranges, (2) begin tracking the City's comprehensive liability profile (including self-supporting debt, pensions and OPEBs) to prepare for future debt management constraints that reflect a broader liability assessment, (3) increase the City's annual debt issuance gradually over time to address the City's aging infrastructure and deferred maintained needs prudently, (4) maintain historical practices of planned pay-go spending and strong budgetary reserves, and (5) establish a policy to test debt management ratios at least annually due to the increased issuance assumptions.

Jessica Donnelly and Christian Lund, PRAG, gave a summation of the findings and recommendations of their team's debt study regarding the increase of the annually budgeted GO bonds from $80 million to $125 million. It was noted that they considered a host of factors when making this recommendation including peer analysis, rating analysis, and industry trends. It was also recommended that the City should reassess the ratios on a yearly basis, as opposed to the current practice of every five years. Comptroller Henry asked about the terms for yearly assessment. Ms. Donnelly responded that the terms for yearly assessment are to review and adjust; she added that this should be a formalized internal process. Comptroller Henry asked if this is within the borrowing cap. Ms. Donnelly stated that it is. Mr. Lund advised the Board that an increased issuance would decrease the GO bond payout ratio. He pointed out that in a couple of scenarios, the payout ratio dropped slightly below the recommended GO bond payout ratio but asserted that this is nothing of major concern because it will start to recover as you move out further beyond those payout issuances. Comptroller Henry asked why the recommendation for the 10-year general obligation bond payout ratio was 60% as opposed to 55%. Mr. Lund answered that 60% is the best practice and was in the City's debt policy. Dir. Moiseyev added that the financial scenarios that were tested were built to be safe. That is why the 10-year payout ratio decreases slightly below the recommended 60%. Mr. Meier asked if the models were back-tested. Mr. Lund replied that they were. Mr. Meier asked what our peer cities are doing. Ms. Donnelly stated that our peer cities all have debt policies and are encouraged to update them regularly. Mr. Meier asked if there should be a formal process for reviewing the debt as opposed to the current internal process. Ms. Rogers responded that Treasury is considering a new process where a formal report is brought to the Board. Comptroller Henry asked if this report could be brought to the Board of Finance in the fall so that the report could be reviewed, and Board members could have an idea of what the expected borrowing level is by the time the fiscal budget is presented in January. Ms. Paranilam advised that Planning begins the budgeting process in September, and they would need to have an idea of a budget amount at the beginning of their process. Comptroller Henry suggested that the debt policy be amended to formalize the review process to have Treasury Management review the data in July/August so that it can be presented to the Board in September. This amendment was approved on the motion of Comptroller Henry, seconded by Mr. Meier.

The Board approved the City's revised debt policy that increases the not to exceed amount of annually budgeted GO bonds from $80 million to $125 million and other recommendations, as amended, on the motion of Comptroller Henry, seconded by Mr. Meier.

2024 LOAN AUTHORIZATION PROGRAM

Ms. Rogers requested the Board endorse the enclosed 2024 Loan Authorization Program totaling $250 million in general obligation bonds.

The City charter requires that the Board of Finance provide recommendations to the Board of Estimates on the Mayor and City Council of Baltimore Loan Authorization Program. The Department of Planning administers this program and has recommended an authorization of $125 million of general obligation bonds in FY2026 and $125 million in FY2027 for a total of $250 million. Once the proper approvals have been obtained, this program shall be placed on the November 2024 general election ballot for voter approval and be incorporated into the City's capital budget.

These authorizations shall be general obligations of the City for the payment of which the City's full faith and credit and taxing power are irrevocably pledged. Under the current debt policy, the annual budgeted amount of general obligation bonds authorized is $80 million. This amount is incorporated in the current FY2024-2029 Capital Improvement Program (CIP). However, the CIP for FY2025-2030 will reflect the recommendations of the 10-Year Financial Plan, including up to $125 in general obligation bonds. The Bureau of Treasury Management engaged Public Resources Advisory Group (PRAG) to review the City's debt policy including studying the impact of increasing the borrowing capacity above the current authorization. As discussed above, the Debt Study supports increasing borrowing capacity to $125M.

The funding categories are as follows:

• Public Infrastructure	$125 million
• Community and Economic Development	$ 50 million
• Schools	$ 55 million
• Affordable Housing	$ 20 million
Total (CIP – FY26 and FY27)	**$250 million**

The enclosed Department of Planning package includes the Planning Commission Staff Report.

The 2024 Loan Authorization Program totaling $250 million in general obligation bonds was approved on the motion of Comptroller Henry, seconded by Mr. Meier.

OTHER BUSINESS

There was no other business. The meeting was adjourned at 3:51 pm.

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Jennell Rogers
Clerk to the Board of Finance