

THE STATE TRANSPARENCY AND ACCOUNTABILITY REFORM (STAR) COMMISSION

State Transparency and Accountability Reform (STAR) Commission Meeting

April 19, 2021

11:00 AM

Held via Zoom and Live Streamed on www.governor.maryland.gov/star-commission

Minutes

Chairman of the STAR Commission, Andy Serafini, begins the meeting at 11:00 AM

Chairman Serafini goes over the agenda for the meeting - each agency will present and the commission will briefly review new relevant legislation

- He asks the commission to pay attention to any patterns of things that are not occurring that should be or anything that the commission has not paid attention to that it needs to

Chairman Serafini takes roll

- Secretary David Brinkley (Dept. of Budget and Management) is not currently present but arrives shortly
- Rhonda Ray (Managing Director, Dept. of Commerce) is present
- Michael Harrison (Policy Director, Dept. of Labor) is present
- Secretary Jeannie Haddaway-Riccio (Dept. of Natural Resources) is present
- Bobbie James (Senior Advisor, Maryland Dept. of the Environment) is present
- Commissioner Kathleen Birrane (Insurance Commissioner, Maryland Insurance Administration) is present
- Delegate Marc Korman (Speaker of the House) is present
- Senator Brian Feldman (President of the Senate) is present
- Delegate Kathy Szeliga (Minority Whip, House Republican Caucus) is present
- Senator Addie Eckardt (Senate Republican Caucus) is present
- John Williams (CEO, Jamison Door; Univ. of Maryland Medical System, Conflict of Interest Subcommittee Chair, Member of Audit and Compliance Committee, Ethics) is present
- Karen Syrylo (Maryland CPA Legislative Committee Member, Financial) is present
- Dr. Linda L. Singh (PMP, PCC, Major General (retired), Public) is present

Chairman Serafini entertains a motion to approve last meeting's minutes - the motion is made by Sen. Eckardt and seconded by Dr. Singh. The minutes are approved.

Dr. Charles Glass from Maryland Environmental Service (MES) presents:

- MES was originally formed as a unit inside of the Department of National Resources and funded -to assist with the preservation, improvement, and management of the quality of air, land, water, and natural resources and the welfare of the citizens of the state
- MES is guided by the Code of Maryland Regulations (COMAR)
- MES Mission - to provide operational and technical services to protect and enhance the environment for Marylanders
- Recent transparency actions during Dr. Glass's tenure
 - Established an Internal Audit Office
 - Executed a Financial Compliance Audit of FY2020 with the External Auditor
 - Established an Internal Workgroup to review all agency policies, determine needs and management protocols
 - Performed a review of MES Compensation versus traditional state agencies
- MES Reform Act of 2021
 - Signed by Governor Hogan on April 14, 2021 and effective July 1, 2021
 - Makes structural changes to MES Board
 - Requires MES Executive leadership training on topics such as ethics, diversity, harassments, transparency, etc.

Del. Korman outlines House Bill 2/Senate Bill 2 The Maryland Environmental Service Reform Act - he emphasizes that these changes may not fit every agency and other agencies may not be as willing to incorporate changes as MES was

- General
 - Director of MES renamed Executive Director
 - Clarifies language for collective bargaining
 - Executive and deputy directors receive annual ethics, harassment, and diversity training
- Board
 - Executive Director designated as a non-voting member
 - MES deputy director, secretary, and treasurer removed
 - Chair selected from among agency members
- Procurement
 - Board approves all non-emergency contracts over \$200,000
 - Board notified of any expenditures over \$25,000
- Transparency/Accountability
 - Submit full and detailed budget to DBM, include details about expenditures and revenues
 - Establish a conflict of interest policy
 - Review of board to determine effectiveness conducted by an independent consultant every 5 years

- Annual audits
- Live web-streaming of meetings

Andrew Cassilly notes that bad actors can emerge at any level and he hopes that we will be able to develop a way of confidential reporting to put together a framework for agency employees to let us know when intervention may be necessary.

Dr. Singh follows up and states that you need to address bad actors but need to create the policies to guide them

Commissioner Birrane notes that with MES, the overall objective is finding the best practices. As you have gone through this detailed process with the legislature, it would be helpful to have your thoughts as you move towards implementation. Your lessons learned as you have operationalized.

Del. Korman states that the Office of Legislative Audits (OLA) audits didn't capture the issues before they emerged.

Sec. Riccio mentions that the legislation is great example of the branches working together

Chairman Serafini asks about diversity training.

- Dr. Glass explains that he just created the job position description. Previously had an internal position that would present a few sessions. Hope to help with recruitment, retention, and set policies.

Del. Szeliga asks about mission creep - when the agencies are formed, found, established, new directors come in and change. Does the landfill management and selling of compost done by MES seem to be mission creep?

- Dr. Glass responds stating that the Environmental Protection Agency regulates everything and it goes through MDE. When within DNR, MES was created to address failing systems. MES operationalizes directives from MDE. MES did direct research on compost.

Del. Szeliga follows up - when MES takes over a failing wastewater plant, is the goal to return control to the locals?

- Dr. Glass responds stating that the goal is based on the needs of the community.

Chairman Serafini asks Dr. Glass to report back to the commission in 3 to 4 months.

MES' portion of the agenda concludes, and the commission hears next from the Maryland

Industrial Development and Financing Authority. (MIDFA)

Chairman Serafini explains that MIDFA is a different animal, not an agency, quasi-public agency, but within a department.

Timothy Doyle from the Maryland Industrial Development and Financing Authority (MIDFA) presents:

- Mr. Doyle explains his role within the Department of Commerce and how he runs MIDFA, and administers MEDAAF and the Sunny Day program
- Mr. Doyle introduces Ms. Louna Primm, vice-chair of the authority, 52-years in banking with a career in lending.
- MIDFA is a financing program run by the Maryland Department of Commerce
- Provides loan guarantees and conduit bond issuance availability to lending institutions to increase access to capital for small and mid-sized businesses
- The Authority's members are appointed by the governor with advice and consent of the Senate, and serve 5-year terms.
- The program has no direct employees - all Dept. of Commerce employees
- MIDFA deals with 2-5 transactions annually
- Authority meetings are scheduled on an as needed basis
- Transactions are underwritten, closed, and accounted for by OFP staff, the Executive Director, and the Senior Director
- Over the years, a number of other incentive programs and tax credits have been developed
- To date, the program has participated in 898 loans and bonds
- Chairman Serafini asks if it makes sense for MIDFA to function as a quasi-state agency
 - Mr. Doyle says that the current status is appropriate - the agency needs strict controls which are necessary and have been maintained
 - All programs subject to outside OLA audits, outside independent audit every year, subject to all policies and procedures that a state agency has
- Mr. Williams asks what niche the agency fills (i.e. bank financing, loans, etc.)
 - Doyle cites a recent example of an engineering company that needed additional financing - the bank called MIDFA to use its program to structure the loan as a guarantee under MIDFA - which also creates many new Maryland jobs for the project
- Sen. Eckardt asks if MIDFA does revolving loans of a combination of loans
 - Mr. Doyle explains that MIDFA is a tool, guaranteed program with revolving credit, letters of credit insured under MIDFA.
 - MIDFA evaluates what will work for specific projects and determines if the MIDFA program is the best option for the customer
- Ms. James asks why Mr. Doyle thinks the Governor put MIDFA on the executive order

- Doyle explains that MIDFA is an independent decision making organization with a wide range of individuals on the authority
- Del. Korman asks if two ex-officio members are eligible to chair the board
 - Mr. Doyle will get back to Del. Korman to answer with confidence
- Chairman Serafini asks what happens if a deal goes bad - is insurance purchased?
 - Mr. Doyle explains that it does not come back on the state - if the loan is liquidated then MIDFA negotiates it with the bank
 - MIDFA has a Special Assets Unit for this purpose

MIDFA's presentation concludes, and the commission hears next from the Maryland Technology Economic Development Corporation (TEDCO)

Troy LeMaile-Stovall, Executive Director from Technology Economic Development Company (TEDCO) presents:

- Mr. LeMaile-Stovall introduces TEDCO staff that is on the call - Terry Rauh, Arti Santhanam, Stephen Auvil, Ira Schwartz, Dr. Dan Gincel, Jody Sprinkle
- Mr. LeMaile-Stovall states that he appreciates the STAR Commission's review because it has allowed us to ask ourselves if we're doing the best job we can with the resources the state is giving us. Look forward to using the analysis to make TEDCO better
- TEDCO is a 23 year old entity for funding and investment ecosystem support
- Mission statement - enhance economic development by fostering an inclusive and entrepreneurial innovation ecosystem
- Five core values
 - Accountability
 - Collaboration
 - Integrity
 - Respect
 - Stewardship
- CEO of TEDCO is accountable to the Board of Directors
- Legislation recently passed will expand board to include appointments from the Speaker of the House of Delegates and the Senate President
- Board of Directors - all currently appointed by Governor - 15 member board
- Maryland Venture Fund Authority created to increase accountability and stewardship
- TEDCO accesses talent pool from the venture capital community
- TEDCO leads various programs in order to support entrepreneurs in order to become investable and attract venture capital to Maryland
- Initial rationale for quasi-public structure
 - Modeled on MEDCO
 - Designed to be responsive and flexible to meet market conditions
 - Allows for flexibility and adaptability

- Need for independence is met
 - All agendas and minutes online
 - Subject to legislative audit every 3-4 years
 - All senior leadership staff and boards subject to Maryland Ethics Law
 - New definition of Maryland Qualified Business
 - Regulations drafted on each investment program
 - Maryland Venture Authority reconstituted
 - Investment Committee of the board was codified to have oversight over investments
 - New quarterly reporting to the Governor and Legislature
- Sen. Feldman notes that recently passed legislation changes his title from executive director to CEO and asks what value does the title of CEO add to LeMaile-Stovall's ability to do his job
 - LeMaile-Stovall notes that TEDCO must be seen as a true partner to other venture capital firms - the title brings a legitimacy to TEDCO in order to attract investors
- Ms. Syrylo states that she likes the idea of quarterly reports asks how TEDCO is managing those quarterly reports
 - LeMaile-Stovall says that streamlining and automating has allowed the process to be not so burdensome - the use a platform called "Salesforce" to capture data and so some of these reports may be completely automated in the near future
- Syrylo then ask what LeMaile-Stovall learned about past TEDCO audits and issues and why he thinks these issues emerged
 - LeMaile-Stovall says that TEDCO was making investments that were not in Maryland and, therefore, were not creating Maryland jobs
 - Established a process where the first question is "where is this entity and where are the jobs" and then verified by OAG.
 - TEDCO also was not being consistent with quarterly reporting - this is something that they are still working on
 - Mr. Steven Auvil (TEDCO) also notes that the focus shifted to return on investment and they lost sight of the mission of having a positive impact on Maryland as the pendulum of focus swung towards private investor
 - Ms. Santhanam says that the audit issue was surrounding only one program, others haven't had issues - issue was with Maryland Venture Fund
- Del. Szeliga asks where the Maryland Venture Fund was previously located and why it was transferred to TEDCO?
 - Mr. LeMaile-Stovall describes that it was initially part of previous Department of Commerce before being moved to TEDCO in order to consolidate a number of organizations under the same umbrella. The move was the a result of Augustine Commission and idea of moving all financing programs to TEDCO.
- Chairman Serafini notes that Mr. LeMaile-Stovall's predecessors were subject to

crosswind - he reminds LeMaile-Stovall that dealing with venture-capital people means that they are used to losing 80% of the time - TEDCO needs to pay attention to this and remember that the government cannot take engage in the same type of risk-taking and needs to be responsible for accountability

- Sen. Feldman states that TEDCO was creature of the Maryland General Assembly. There is always a degree of tension with Dept. of Commerce because they have to demonstrate why they don't belong in a state agency.
 - Mr. LeMaile-Stovall responds stating that the Commerce secretary sits on board. TEDCO does extensive work with Commerce but also recognize the need to be separate
- Ms. Syrylo asks if there is a technical aspect with the SEC role about why TEDCO needs to be outside Commerce?
 - Mr. LeMaile-Stovall states that that is exactly correct.

TEDCO's presentation concludes, and the commission hears next from the Maryland Economic Development Corporation (MEDCO).

Mr. Robert Brennan from Maryland Economic Development Corporation presents:

- Mr. Brennan introduces Scott Dorsey, who serves as the board's chair.
- Mr. Brennan starts by stating that he announced to the MEDCO board desire to retire at the end of July. Succession planning is very important. Statute requires the board to go through a search for a successor and ultimately appointed by the governor.
- MEDCO was created by the legislature in 1984 to hold real and personal property for economic development projects, issue revenue bonds, and assist other governmental entities.
- Existence occurred because of Fair Childs Industries - they wanted to donate land and buildings to the state.
- In the late 1990s, MEDCO was given power to assist other governmental entities. 3 core competencies - financing, real estate, consulting. Issues tax-exempt bonds for use by non-profits and others can take advantage of tax exempt bonds. Assist UMD with student housing.
- Core competencies:
 - Real estate development
 - Financing
 - Consulting
- Secretary Brinkley asks what MEDCO's experience during COVID-19 pandemic has been as students were sent home from college campuses
 - Mr. Brennan explains how universities depopulated campuses - first request was for MEDCO to issue refunds, so they did so because projects accumulate reserves (all excess cash flow goes back to universities)

- Towson University and University of Maryland, College Park - MEDCO ran into significant issues with demands for funding assistance
- Mr. Brennan mentions the Cambridge Hyatt issues surrounding forbearance. Transient business has been doing well, but not great. Investors standing by us.
- Sec. Brinkley states that he brought up this issue because pandemic was a risk and never thought we would have to manage this risk but had to deal with it.
- Del. Korman asks if MEDCO meetings have been streamed online
 - Mr. Brennan notes that meeting have not been provided to the public - they typically take motions to go into closed session
 - Meeting schedules are posted on website
- Del. Szeliga asks if taking over the UMD campus housing projects were a failed public private partnerships that MEDCO stepped into
 - Mr. Brennan explains that they were originally non-profit projects, but the non-profit status fell under investigation and this gave rise to MEDCO's jurisdiction before the non-profit was cleared
- Del. Szeliga follows up and asks if the plan to put housing back with the universities?
 - Mr. Brennan responds that after debt is dealt with, yes, that is the goal.

Chairman Serafini asks if there are any questions and confirms that the commission will meet again in May.

Chairman Serafini adjourns the meeting at 1:04 PM.

Commission Members

Andrew Serafini, Commission Chair, Former State Senator; President, Serafini Financial Services, Public

David Brinkley, Secretary, DBM

Rhonda Ray, Managing Director, Commerce

Michael Harrison, Policy Director, Labor

Jeannie Haddaway-Riccio, Secretary, DNR

Bobbie James, Senior Advisor, MDE

Kathleen Birrane, Insurance Commissioner, MIA

Marc Korman, Delegate, Speaker of the House

Brian Feldman, Senator, President of the Senate

Kathy Szeliga, Delegate, Minority Whip, House Republican Caucus

Addie Eckardt, Senator, Senate Republican Caucus

John Williams, CEO, Jamison Door; UMMS, Conflict of Interest Subcommittee Chair, Member of Audit and Compliance Committee, Ethics

Karen Syrylo, MD CPA Legislative Committee Member, Financial

Dr. Linda L. Singh, PMP, PCC, Major General (retired), Public

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