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Maryland Port Administration

Maryland Department of Transportation

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
Special Fund	$42,157	$47,870	$48,982	$1,112	2.3%
Contingent & Back of Bill Reductions	0	0	-205	-205	
Adjusted Special Fund	**$42,157**	**$47,870**	**$48,777**	**$907**	**1.9%**
Adjusted Grand Total	**$42,157**	**$47,870**	**$48,777**	**$907**	**1.9%**

- After adjusting for contingent and across-the-board reductions, the fiscal 2015 allowance increases $0.9 million, or 1.9%, compared to the fiscal 2014 working appropriation.

- Personnel-related expenditures increase by approximately $0.2 million when adjusting for the contingent reduction to pension contributions and the across-the-board health insurance reduction.

- The major increases in the allowance are for environmental-related inspections to comply with State and federal stormwater requirements ($0.5 million) and increased contract security costs with the Maryland Transportation Authority police ($0.2 million).

PAYGO Capital Budget Data

($ in Thousands)

	Fiscal 2013	Fiscal 2014		Fiscal 2015
	Actual	Legislative	Working	Allowance
Special	$79,493	$113,139	$95,529	$147,428
Federal	$6,724	$449	$520	$5,750
Total	**$86,217**	**$113,588**	**$96,049**	**$153,178**

Note: Numbers may not sum to total due to rounding.

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- The fiscal 2014 working appropriation is $17.5 million less than the legislative appropriation. The decrease in funding is largely due to revised project schedules that pushed spending into later fiscal years.

- The fiscal 2015 legislative appropriation increases by $56.9 million compared to the fiscal 2014 working appropriation. The reason for this increase is that several large projects, such as a port expansion project, reach the construction phase in fiscal 2015, and the cash flow needs for several ongoing dredge projects increases.

Operating and PAYGO Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Operating Budget Positions	186.00	186.00	186.00	0.00
Regular PAYGO Budget Positions	39.00	39.00	39.00	0.00
Total Regular Positions	**225.00**	**225.00**	**225.00**	**0.00**
Operating Budget FTEs	0.70	0.70	0.70	0.00
PAYGO Budget FTEs	0.50	0.50	0.50	0.00
Total FTEs	**1.20**	**1.20**	**1.20**	**0.00**
Total Personnel	**226.20**	**226.20**	**226.20**	**0.00**
Vacancy Data: Regular Positions				
Turnover and Necessary Vacancies, Excluding New Positions		8.96	3.98%	
Positions and Percentage Vacant as of 12/31/13		18.00	8.00%	

- The fiscal 2015 personnel complement has not changed compared to the fiscal 2014 working appropriation.

- The fiscal 2015 budgeted turnover rate is 3.98%, requiring approximately 9 vacant positions. As of December 31, 2013, the agency had 18 positions vacant for a vacancy rate of 8.0%. Of the 18 vacant positions, none has been vacant longer than 12 months.

Analysis in Brief

Major Trends

Foreign Cargo Volumes at the Port of Baltimore Decrease: Foreign waterborne commerce at all United States port facilities fell 3.8% in 2012 after increases in 2010 and 2011. The decline was due to bulk commodities decreasing by 5.4%. At properties owned by the Maryland Port Administration (MPA) and private terminals, foreign handled cargo decreased by 2.5%. Despite the decrease in cargo handled, the value of the cargo handled increased to $53.9 billion. This is due to general cargo (*e.g.*, autos) having a greater value than bulk cargo (*e.g.*, coal). In calendar 2012, the Helen Delich Bentley Port of Baltimore (Port) ranked eleventh among all United States port districts for total foreign cargo handled (up from thirteenth in 2010) and ninth among all United States port districts in terms of the total dollar value of that cargo.

General Cargo Tonnage Continues to Grow: Nearly all general cargo that moves through the Port is handled at the terminals owned by MPA. General cargo includes containers, autos, forest products, and roll on/roll off (Ro/Ro). Total general cargo handled in fiscal 2013 increased to 9.6 million tons and exceeded pre-recession peak levels of 9.1 million tons in fiscal 2008. Other than Ro/Ro, all general commodities at MPA-owned facilities increased. The decline in Ro/Ro is from the economic recession in Europe, which has affected orders. Slower growth in the volume of tonnage handled is projected in the coming years, which may be in part due to other ports offering below market rates and financial incentives to attract business. **The Department of Legislative Services (DLS) recommends that MPA discuss what actions can be taken to forestall the loss of business to other ports.**

Cruises in Maryland: In calendar 2012, the Port had 100 homeport cruises and over 480,000 passengers. Beginning in 2015, the number of homeport cruises is set to decline because Carnival Cruise lines is leaving the Port. At this time, MPA has not identified another cruise line to fill the void created by Carnival's departure but is actively trying to identify a replacement. **DLS recommends that MPA discuss its efforts to attract another cruise line and the outlook for cruises at the Port.**

Net Income Is Positive but Declining: Since 2010, the Port has had a positive net operating income, except when accounting for capital expenditures. In fiscal 2015, the Port will not have a positive net operating income, as a result of operating revenues declining from the departure of Carnival Cruise Lines.

Issues

Plans for Intermodal Facility Appear to Have Stalled: In 2012, an agreement was reached between the State and CSX to construct an intermodal facility in Baltimore City at a CSX property called Mount Clare Yard. At the time of the agreement, the project cost was to be $89.4 million, with the State contributing $30.0 million and permitting to be completed by September 2013. Permitting has not been completed, and the State has moved funding for construction into later fiscal years. As a result, it does not appear that construction will be completed by the date originally envisioned. This could impact the Port's business because the intermodal facility was considered an important project to the State in its efforts to move freight and to capitalize on the Port's ability to receive large ships after the expansion of the Panama Canal. **DLS recommends that the Maryland Department of Transportation and MPA provide an update to the budget committees about the status of the project, what the impact is on the business of the Port if the intermodal is not constructed, and if other alternatives are being pursued.**

Dredged Placement Developments: One of the major long-term issues confronting the Port is a lack of dredged placement capacity. MPA has focused on purchasing Coke Point, but there have been issues negotiating with the seller. Other options could include expanding the Cox Creek facilities. A more creative option being explored by MPA is innovative reuse strategies for the dredged material. **DLS recommends that MPA discuss the status of its negotiations with the owners of Coke Point, what is being done regarding the Cox Creek facilities, and provide more information on the potential of innovative dredged material reuse.**

Labor Dispute Affects Port Business: The International Longshoreman's Association Local 333 is in negotiations with the employers at the Port over wages and other benefits. Local 333 is the largest union at the Port and works on cargo related to automobiles, forest products, and other bulk cargo. Due to uncertainty with the labor contract, it appears that shipping lines have started to divert cargo to other ports. **DLS recommends that the agency discuss the current state of negotiations and the impact of labor uncertainty on the Port.**

Operating Budget Recommended Actions

		Funds
1.	Reduce funding for in-state travel.	$ 33,900
2.	Reduce funding for advertising.	27,837
	Total Reductions	**$ 61,737**

PAYGO Budget Recommended Actions

1. Adopt committee narrative requesting status reports on the Baltimore Rail Intermodal Facility.

Maryland Port Administration
Maryland Department of Transportation

Budget Analysis

Program Description

The Maryland Port Administration (MPA) functions under Title 6 of the Transportation Article of the Annotated Code of Maryland. Through its efforts to increase waterborne commerce, MPA promotes the economic well-being of the State of Maryland and manages the State-owned facilities at the Helen Delich Bentley Port of Baltimore (Port). Activities include the developing, marketing, maintaining, and stewarding of the State's port facilities; improving access channels and dredging berths; developing and promoting international and domestic waterborne trade by promoting cargoes and economic expansion in the State; and providing services to the maritime community, such as developing dredged material placement sites.

To pursue its mission of stimulating the flow of waterborne commerce through the ports of the State of Maryland in a manner that provides economic benefit to the citizens of the State, MPA has identified the following key goals:

- maximize cargo throughput, terminal efficiency, and the economic benefit generated by the Port;
- operate MPA to ensure revenue enhancements and to optimize operating expenses;
- preserve and enhance the Port's infrastructure to maintain cargo capacities, while ensuring adequate security and environmental stewardship; and
- maintain and improve the shipping channels for safe, unimpeded access to the Port.

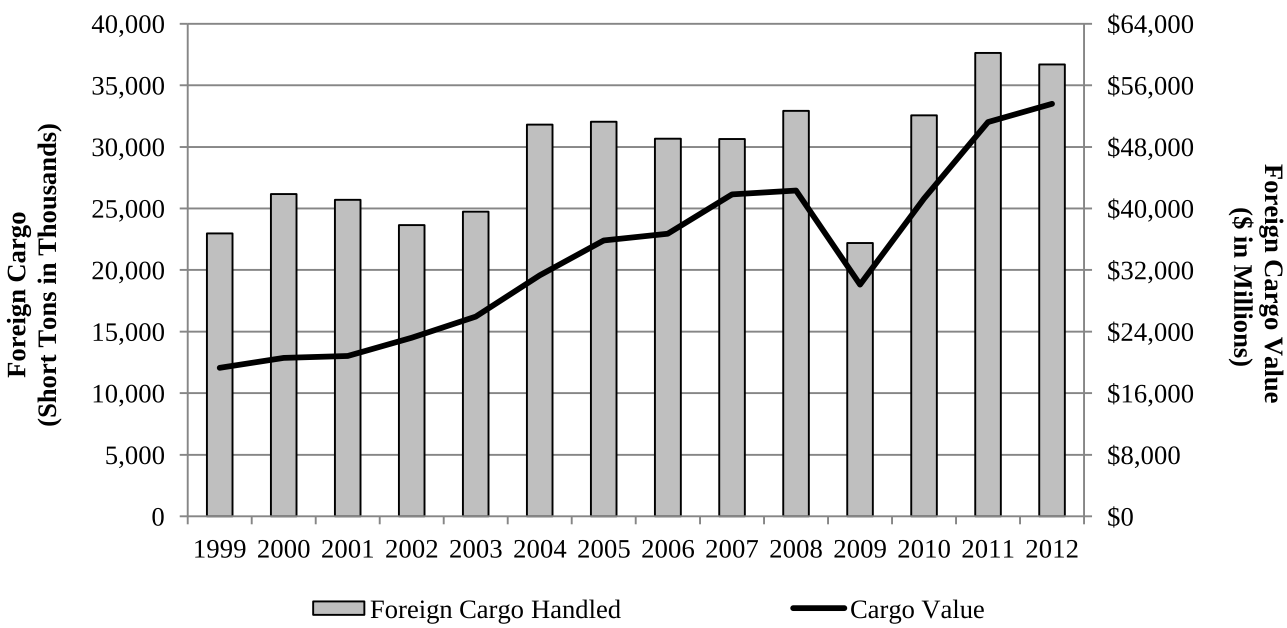
Performance Analysis: Managing for Results

1. Foreign Cargo Volumes at the Port of Baltimore Decrease

The Port is a vast industrial complex that encompasses 45 miles of shoreline and 3,403 waterfront acres. It includes 7 public terminals owned by MPA, as well as 23 private terminals. Unlike many State entities, the Port operates in a highly competitive market, with direct competition not only from the private industry but also from other ports up and down the east coast, as well as some Canadian ports. In the United States, foreign waterborne commerce fell 3.8% in 2012 after increases in 2010 and 2011. While general cargo increased by 6.0%, the decline was due to bulk commodities decreasing by 5.4%. Bulk cargo tends to have more tonnage than general cargo, thus the decrease in overall cargo.

Similar to national trends, the Port experienced a decline in tonnage in calendar 2012 totaling 2.5%; however, the decline was not as steep as the national decline. The decline in tonnage occurred entirely with import cargo tonnage declining. **Exhibit 1** shows that the Port handled 36.7 million tons of cargo at its private and public terminals. Since the low point of the economic downturn in calendar 2009, the volume of cargo through the Port has increased 65.2%. While overall tonnage declined in calendar 2012, exports increased.

Exhibit 1
Total Foreign Cargo Handled and Cargo Value
Helen Delich Bentley Port of Baltimore
Calendar 1999-2012



Note: Includes both public and private terminals.

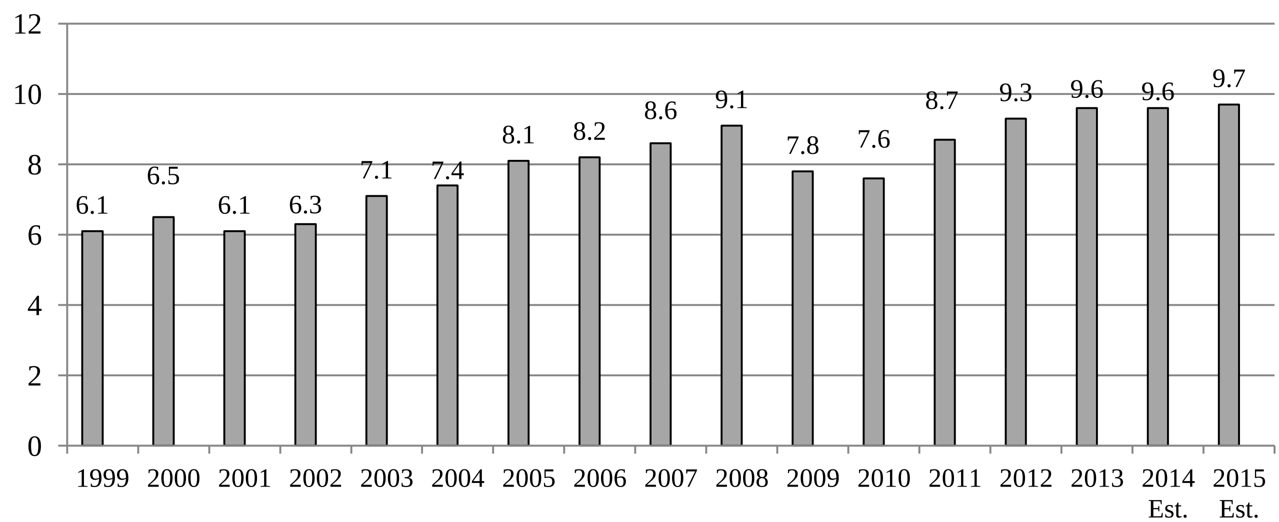
Source: Maryland Port Administration, *Foreign Commerce Statistical Report*, 2012

The value of the cargo handled actually increased in calendar 2012, despite volumes declining. The value of foreign commerce increased to $53.9 billion, up from $51.2 billion in calendar 2011. Despite overall tonnage being down, general cargo (*e.g.*, autos and containers) have a greater value than bulk cargo (*e.g.*, coal). In calendar 2012, the Port ranked eleventh among all United States port districts for total foreign cargo handled (up from thirteenth in 2010) and ninth among all United States port districts in terms of the total dollar value of that cargo.

2. General Cargo Tonnage Continues to Grow

Nearly all general cargo that moves through the Port is handled at the terminals owned by MPA. General cargo is defined as containers, autos, forest products, and roll on/roll off (Ro/Ro). Ro/Ro includes construction and farm equipment, as well as other cargo that is driven on or off a ship, excluding autos. Following a substantial decline in general cargo volumes in fiscal 2009 and a smaller decline in fiscal 2010, general cargo tonnage rebounded in fiscal 2011 and 2012, as shown in **Exhibit 2**. Total general cargo handled in fiscal 2013 increased to 9.6 million tons and exceeded the pre-recession peak levels of 9.1 million tons in fiscal 2008. More moderate growth is expected in the coming years.

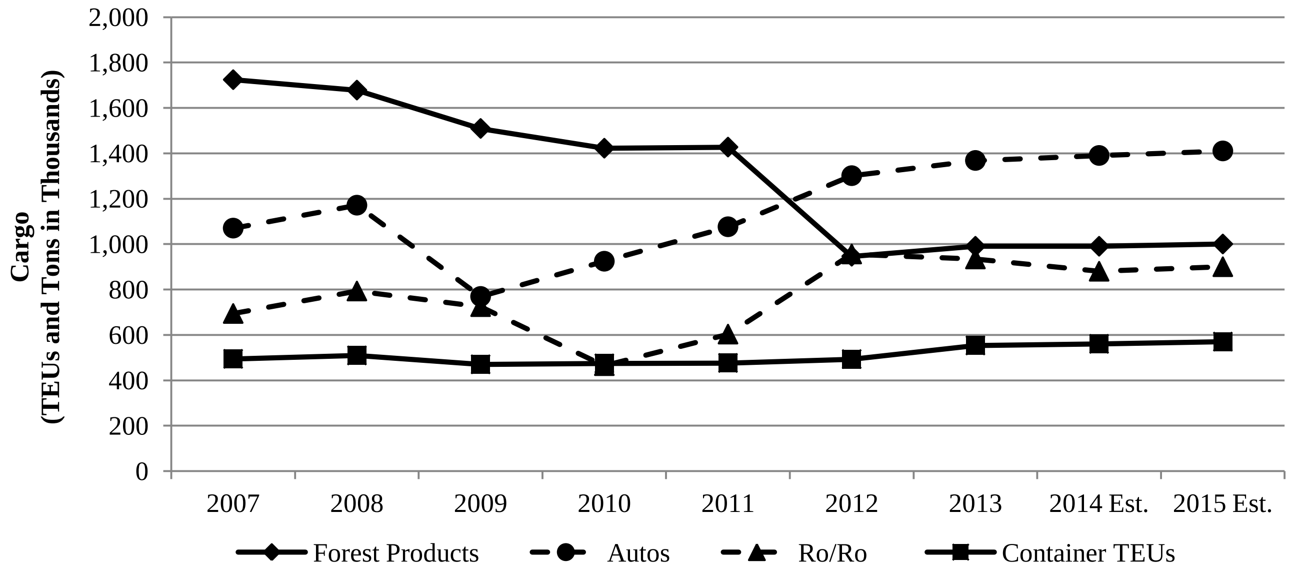
Exhibit 2
Total General Cargo Tonnage at State-owned Facilities
Fiscal 1999-2015
(in Millions)



Source: Maryland Port Administration

Exhibit 3 provides data on selected general cargo commodities handled at the Port. Other than RoRo, all commodities showed increases in fiscal 2013. General cargo commodities, other than forest products, handled at the Port are at or above fiscal 2008 levels, indicating that the Port has largely recovered from the recession. Ro/Ro declined in fiscal 2013 and is estimated to continue to decline in 2014 before growing again in fiscal 2015. The main trading partners for Ro/Ro are in Europe, which was in the midst of another recession that affected demand. Despite the decline in Ro/Ros, MPA ranked number one for East Coast ports for Ro/Ro. Autos, forest products, and containers are expected to continue to grow in the coming years.

Exhibit 3
Cargo Volume by Type
Fiscal 2007-2015 Est.



Ro/Ro: roll on/roll off
TEUs: twenty-foot equivalent unit (an industry standard for measuring containers)

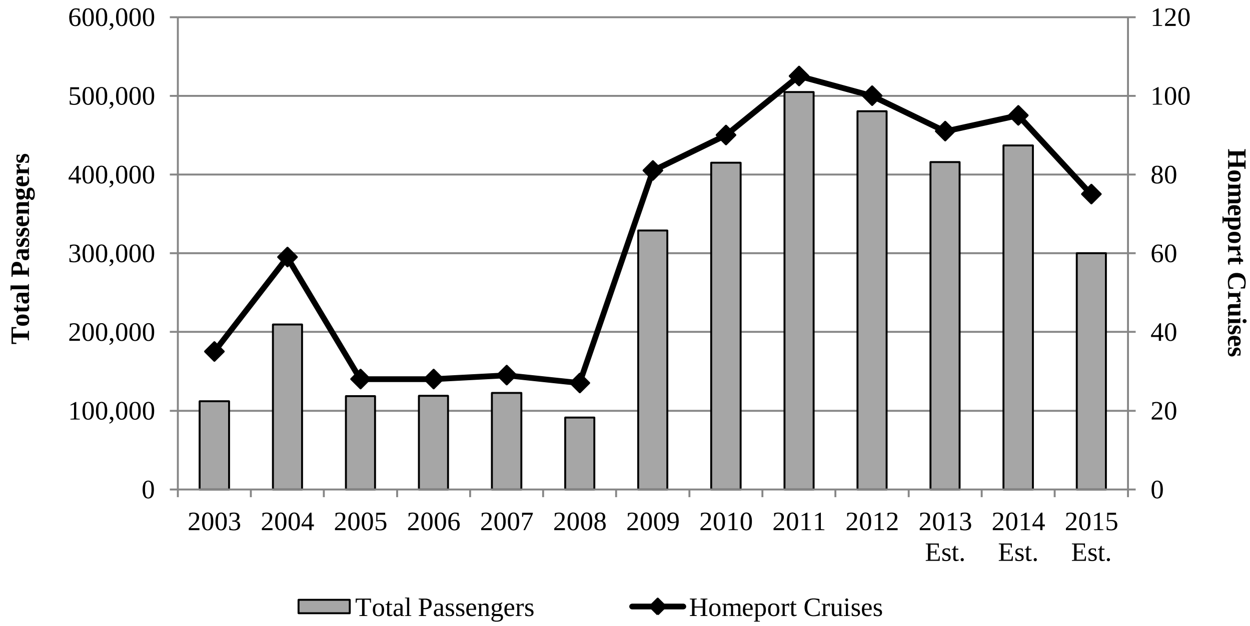
Source: Maryland Port Administration

One factor that may impact future cargo volume is competition from other ports. MPA indicates that the State of Pennsylvania is offering large incentives and below market rents as a way to attract more business. The Port has seen business lost to Philadelphia as evidenced by M-Real moving there. **The Department of Legislative Services (DLS) recommends that MPA discuss what actions can be taken to forestall the loss of business to other ports.**

3. Cruises in Maryland

Besides handling cargo, another activity at the Port is the cruise ship business. **Exhibit 4** shows the total number of homeport cruises and passengers that utilized the Port's cruise terminal that opened in 2006.

Exhibit 4
Cruise Ship Operations
Calendar 2003-2015 Est.



Source: Maryland Port Administration

In calendar 2012, the Port of Baltimore had 100 homeport cruises and 480,731 passengers. In the coming years, it is estimated that the number of passengers and homeport cruises will decline. There is a sizable decline in calendar 2015 of cruise passengers and international cruises due to Carnival cruises leaving the Port. Carnival has indicated that it is leaving due to uncertainty in how it will comply with pending air quality regulations. At this time, MPA has not identified another cruise line to fill the void created by Carnival's departure but is actively trying to identify a replacement. Despite the decline, net income from operating the cruise ship site is expected to be $4.5 million in fiscal 2015. **DLS recommends that MPA discuss its efforts to attract another cruise line and the outlook for cruises at the Port.**

4. Net Income Is Positive but Declining

Unlike most other State agencies that rely solely on the State for all support, MPA receives revenues that help to offset its expenditures. Its profitability determines how much the Transportation Trust Fund must provide as a subsidy. In fiscal 2010, MPA posted its first positive net operating income in more than a decade. As shown in **Exhibit 5**, MPA also achieved a positive net operating

Exhibit 5
Special Fund Revenues and Expenses
Fiscal 2012-2015
($ in Thousands)

	2012	2013	Working Approp. 2014	Allowance 2015	$ Change 2014-2015	% Change 2014-2015
Operating Revenue	**$55,892**	**$48,448**	**$47,643**	**$43,709**	**-$3,934**	**-8.3%**
Total Operating Expenses[1]	44,094	44,476	50,394	51,301	907	1.8%
Total Exclusions[2]	-4,220	-4,423	-4,564	-4,621	-57	1.2%
Net Operating Expenses	**$39,874**	**$40,053**	**$45,830**	**$46,680**	**$850**	**1.9%**
Net Operating Income	**$16,018**	**$8,395**	**$1,813**	**-$2,971**	**-$4,784**	**-263.9%**
Capital Expenditures[3]	55,996	79,937	96,140	147,866	51,726	53.8%
Net Income/Loss	**-$39,978**	**-$71,542**	**-$94,327**	**-$150,837**	**-$56,510**	**59.9%**

[1] Includes the following expenses paid by the Maryland Department of Transportation: $1.4 million per year for Baltimore City Fire Suppression and payments in lieu of taxes in the amount of $1.0 million in 2011 and $1.1 million from fiscal 2012 to 2014. Fiscal 2015 is adjusted for across-the-board and contingent reductions.
[2] Excluded expenditures include payments to the Maryland Transportation Authority for Masonville, certificates of participation debt service payments, and certain capital equipment.
[3] Includes special fund capital allowance as well as the capital expense exclusions that were removed from the operating budget above.

Source: Department of Legislative Services

income in fiscal 2012 and 2013 and is projected to do so in fiscal 2014. In fiscal 2015 operating revenues decline by $3.9 million, which results in a negative net income. For the most part, the reason for the decline in revenue is that the number of cruise line ships that leave the Port is expected to decline with the departure of Carnival.

It is important to note that in looking at MPA capital expenditures in a business manner, consideration should be given to the fact that capital expenditures are often paid for in a single year, or over multiple years, but depreciation over the life of the asset does not take place, meaning that revenues and capital expenditures would not match in a year-to-year comparison.

Proposed Budget

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management – Personnel and the State Retirement Agency.

As shown in **Exhibit 6**, personnel expenditures increase by approximately $173,000 when accounting for the contingent and across-the-board reductions. The largest increase is for the annualization of the fiscal 2014 salary actions. Other increases in the allowance include $500,000 for environmental-related inspections to comply with State and federal stormwater requirements, $216,000 for increased security costs through the Maryland Transportation Authority Police due to a new labor contract, and replacement of heating, ventilation, and air conditioning equipment costing $81,000.

Exhibit 6
Proposed Budget
MDOT – Maryland Port Administration
($ in Thousands)

How Much It Grows:	**Special Fund**	**Total**
2014 Working Appropriation	$47,870	$47,870
2015 Allowance	48,777	48,777
Amount Change	$907	$907
Percent Change	1.9%	1.9%

Where It Goes:	
Personnel Expenses	
Annualized Salary Increase	$494
Workers' compensation premium assessment	71
Retirement contribution	71
Increment and other compensation	-18
Turnover adjustments	-18
Employee and retiree health insurance	-426
Other Changes	
Environmental related inspections to comply with stormwater requirements	500
Maryland Transportation Authority Police contract for new labor contract	216
Replace HVAC-related equipment	81
Insurance paid to the State Treasurer's Office	63

Where It Goes:	
Other	5
Applications software acquisition	-65
Fewer needs for additional equipment	-66
Total	**$907**

HVAC: heating, ventilation, and air conditioning

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

PAYGO Capital Program

Program Description

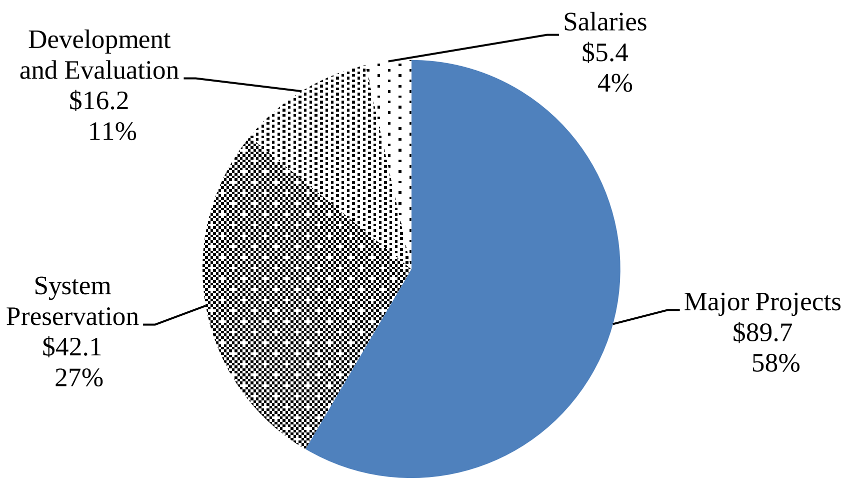
MPA's pay-as-you-go capital program identifies and manages projects and funding for Port facilities that provide increased capacity for existing cargo and promote the shipment of new cargo. Current projects focus on improving and modernizing existing State capital facilities, developing new facilities, and supporting the improvement of shipping channels through dredging activities conducted in cooperation with the United States Army Corps of Engineers.

Fiscal 2014 to 2019 *Consolidated Transportation Program*

The MPA capital program totals $984.9 million from fiscal 2014 to 2019, providing an increase of $159.5 million over the fiscal 2013 to 2018 *Consolidated Transportation Program* (CTP). The six-year increase is from additional funding for the development of Coke Point and other dredged material placement facilities totaling $155.7 million and funding for a Port expansion project totaling $29.2 million. The increased funding is offset by the cash flow changes of various projects and a decrease of $6.4 million in funding for studies to identify potential dredged material placement sites.

Exhibit 7 shows that of the $153.4 million in the fiscal 2015 allowance, $89.7 million is for major projects.

Exhibit 7
Capital Expenditures by Category
Fiscal 2014
($ in Millions)

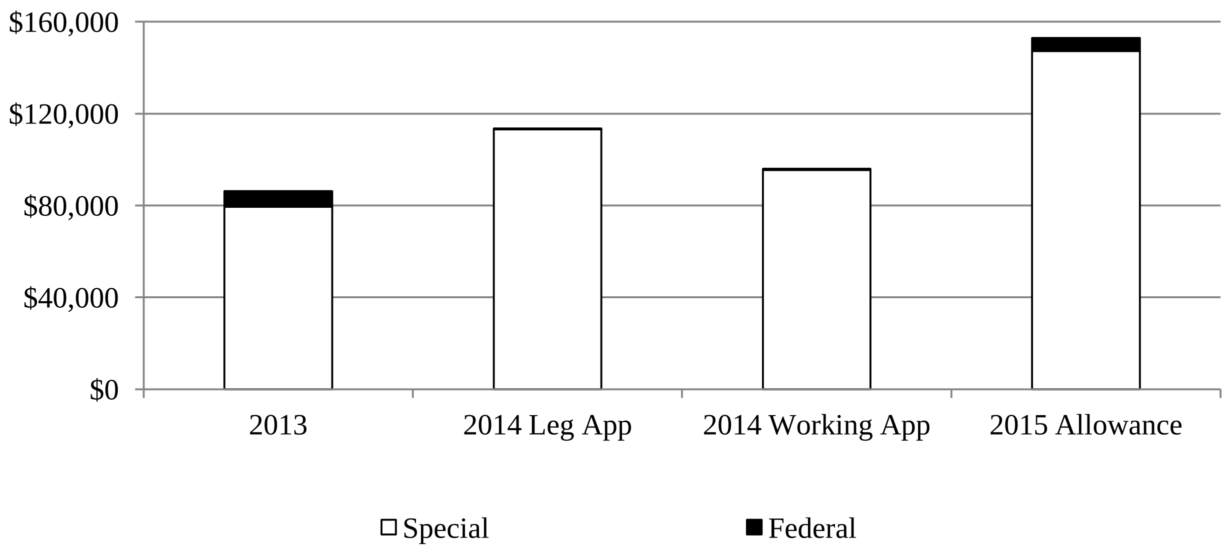


Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

Fiscal 2014 and 2015 Cash Flow Analysis

As shown in **Exhibit 8,** the fiscal 2014 working appropriation is $17.5 million less than the legislative appropriation. The change in spending is due to project schedule changes that have delayed spending into later fiscal years. Examples of project delays include $7.0 million for the Sparrow's Point Dredge Placement Facility and Feasibility Study due to property acquisition delays and $5.0 million for the Masonville Dredge Placement Facility.

Exhibit 8
Cash Flow Changes
Fiscal 2013-2015



Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

The fiscal 2015 allowance increases by $56.9 million compared to the fiscal 2014 working appropriation. The increase in funding is due to a number of larger projects entering the construction phase and several ongoing projects experiencing a ramp up in spending. Some of the major project increases include:

- $21.5 million for projects related to a federal grant to promote economic activity at the Port (discussed later);
- $8.0 million for planning at Sparrows Point Dredge Placement Facility; and
- $7.0 million for the resumption of funding for the Masonville Dredge Placement Facility.

Exhibit 9 provides a summary of the major projects funded in the fiscal 2015 allowance. These five projects account for 90.3% of fiscal 2015 funding for major projects in the construction program. As is the norm, the dredged material placement and monitoring program accounts for most of the funding in the construction program.

Exhibit 9
Major Construction Projects
Funded in Fiscal 2015
($ in Thousands)

Project	Fiscal 2015	Total $	Completion of Fiscal Cash Flow
Hart-Miller Island – this dredged material placement site ceased receiving new material on December 31, 2009, but maintenance and monitoring of water quality will continue.	$5,851	$103,249	Ongoing
Dredged Material Placement and Monitoring – involves the construction, monitoring, and operation of dredged material containment sites.	36,914	852,372	Ongoing
Reconstruction Berths 1-6 at Dundalk Marine Terminal, Phase II – berths will be designed to allow dredging to an eventual depth of 50 feet. Current reconstruction funds activity at Berth 4.	13,321	53,652	2016
Chrome Ore Processing Residue Remediation – includes studies and work plans to implement the remediation of chromium at the Dundalk Marine Terminal and the development and evaluation of remediation options.	3,433	72,590	Ongoing
Port of Baltimore Expansion Project – federal grant project has three portions: rail access to Fairfield Marine Terminal; widening and straightening channel to Seagirt Marine Terminal; and fill in Fairfield Basin for cargo storage.	21,517	29,153	2016
Total	**$81,036**	**$1,111,016**	

Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

Projects Added to the Construction Program

One project was added to the MPA capital program. The project is called the Port of Baltimore Export Expansion Project. The State had applied for a grant through the federal Transportation Investment Generating Economic Recovery program. This program is a federal grant program to fund creative projects that will promote economic recovery. The Port of Baltimore project has three components. First, the project will widen and straighten the navigation channel to the Seagirt Marine Terminal to make it easier for the new, larger ships to access the Seagirt Marine Terminal. Second, the dredged material from the channel widening and straightening will be used to fill in land at the Fairfield Marine Terminal for cargo storage. Finally, the project will provide rail access to Fairfield to allow for more efficient cargo movement. The project cost is $29.2 million with federal funding accounting for $10.0 million.

Issues

1. Plans for Intermodal Facility Appear to Have Stalled

Background

In 2009, the State created a statewide freight plan which outlined policies and projects to promote the efficient movement of goods. Over $30 billion in public and private projects were identified to meet the projected 75% growth in freight movement and economic growth by 2030. One project identified was the relocation and construction of a new CSX Intermodal Facility to facilitate and support intermodal freight (truck and rail) transportation. For a facility to be effective, it needs to be located near existing rail, port, airport, and highway infrastructure in the Baltimore/Washington metropolitan region.

While the State is looking at a new intermodal facility, simultaneously, CSX is working on a broader capital improvement program called the National Gateway to increase capacity on its rail lines through double stacking. To accomplish this, CSX is looking at upgrading tracks, equipment, and facilities; and providing clearance to allow double-stack intermodal trains. CSX has worked with other state governments to advance this project, and it has also received federal stimulus funding for the program.

Maryland Context

In May 2009, MDOT and CSX entered into a memorandum of understanding, agreeing that the State and CSX would work to construct a new intermodal facility by November 3, 2014. To help expand its market capacity and to utilize double stacking, CSX is working with MDOT to move to a site south of the Howard Street tunnel so that it can access its emerging national double-stack network. The Howard Street tunnel does not have the height necessary to accommodate double stacking, and reconstructing the Howard Street tunnel is cost prohibitive. MDOT and CSX originally identified certain characteristics that are needed for the intermodal facility, which include 70 contiguous acres, south of the Howard Street Tunnel, on the CSX mainline, close to a highway, and of the right shape and configuration. In the 2009 agreement with CSX, the project cost was estimated to be $150 million, and it was agreed that the State would contribute 50% of the funding, not to exceed $75 million.

New Location and Lower Cost

In spring 2012, the mayor of Baltimore indicated that Baltimore City was prepared to serve as the site for the intermodal facility. CSX explored possible locations, and with the concurrence of MDOT, selected the CSX-owned Mount Clare Yard in southwest Baltimore City as the location for the new facility. While the lift capacity at the Mount Clare Yard site would be substantially lower than at sites previously considered (85,000 vs. 200,000 annual lifts), the estimated project cost is also lower ($90 million to $95 million), and the project was estimated to be completed by spring 2015.

In September 2012, MDOT sought and was granted budget committee approval to provide CSX with a $2.5 million grant for preliminary planning for the intermodal facility and subsequently executed an interim project agreement outlining the roles and responsibilities of each party. The State's financial commitment is $32.5 million plus the costs of any environmental remediation on land contributed to the project by the State and by Baltimore City. Baltimore City will not contribute to the overall funding. MDOT is obligated by its agreement to work with CSX to maximize tax abatements and credits, Brownfield incentives, and utility discount opportunities.

CSX was to identify priority projects in Maryland that total in excess of $15 million, for which MDOT has agreed to make a good faith effort to secure federal funding by December 31, 2013. Should the State not be able to secure federal funding for these projects, CSX may void the agreement and cancel the intermodal project. Additionally, the parties each have the option of exiting the agreement if certain milestones are not achieved or if cost estimates revised during the process are not to their liking.

Current Status

On August 26, 2013, MDOT submitted a report to the budget committees providing an update on the project. At that time, the project cost was estimated to be $89.4 million. In July 2013, MDOT indicated that it supported moving the project into permitting phase. The report stated that "construction may begin once the permits are secured, both parties agree again to move forward with the project, and a construction agreement is executed." To date it does not appear that the permits have been secured. The original timeline for the agreement indicated that permitting was to be completed by September 2013 with construction to begin thereafter.

The apparent delay in the project is further reflected in the CTP where there is now no construction funding for the project in fiscal 2014, with funding increased to $20 million in fiscal 2015 and $10 million in fiscal 2016. In addition to the delay in the project schedule, there has been no agreement on what projects will be funded with federal funds or a guarantee of federal funds for this purpose by the date specified. At this point in the process, CSX could withdraw from the agreement.

Another complicating factor as it relates to the project is that there is significant local opposition to the project. In response to opposition from residents living near the proposed facility, several members of the Baltimore City Council have indicated their opposition to the project.

As was discussed earlier, the improved movement of freight is an important goal for the State and CSX. This is particularly true for the Port as the expansion of the Panama Canal comes to an end. The State is well positioned to take advantage of this expansion since it is one of only two ports on the East Coast with a 50-foot channel, which is necessary for the new ships that will be traveling through the Panama Canal. **DLS recommends that MDOT and MPA provide an update to the budget committees about the status of the intermodal project, what the impact is on the business of the Port if the intermodal facility is not constructed, and if other alternatives are being pursued.**

2. Dredged Placement Developments

One of the major long-term issues confronting the Port is the need for more dredged placement capacity. Currently, only maintenance dredging of harbor channels can be accommodated by the available placement sites. There is no capacity to enhance or expand channels to meet business demands. MPA indicates that a third placement site is needed for new harbor dredged material and that it is looking at the Coke Point property at Sparrows Point. The CTP has almost $300 million for the purchase and development of Coke Point; however, the agency is still trying to negotiate with the owner of the facility. Negotiations have been continuing for several months with what appears to be minimal progress.

In addition to the Coke Point property, MPA indicates that it is investigating the possibility of expanding the Cox Creek facility. One option would be to expand the existing Cox Creek facility to adjoining MPA property. Another option would be to purchase land owned by the Crystal USA company next to the Cox Creek facility.

More recently, MPA issued a request for information (RFI) to find ideas and best practices for converting dredged material into concrete aggregate. Specifically, MPA solicited private companies for additional information on turning dredged material from the Cox Creek facility into aggregate used in masonry blocks, concrete, hot mix asphalt, and geotechnical fill. The idea would be for the private sector to be responsible for the financial investments to get the project started and to sell the aggregate that is produced. MPA would be supplier of dredged material for the aggregate and would have to pay the private vendor a processing/tipping fee to handle material. While it is unlikely that this approach would completely resolve MPA's need for an additional dredged placement site, it could help to extend the useful life of the existing facilities. Responses to the RFI were due January 24, 2014, with a final decision regarding next steps expected in late winter 2014. **DLS recommends that MPA discuss the status of its negotiations with the owners of Coke Point, what is being done regarding the Cox Creek facilities, and provide more information on the potential of innovative dredged material reuse.**

3. Labor Dispute Affects Port Business

The International Longshoreman's Association (ILA) Local 333 is currently in negotiation with the shipping lines at the Port over wages and other benefits. The Local 333 is the largest union at the Port and works on the loading and unloading of ships handling all cargo related to automobiles, Ro/Ros, containers, and other bulk cargo. MPA does not hire labor and, therefore, is not involved in the negotiations between the unions and management; however, it does have an interest in maintaining operations at the Port.

In October 2013, the ILA Local 333 went on strike, with other local unions honoring that strike for several days. Eventually, a federal arbitrator ordered the union back to work because the master contract for all ports included a no-strike provision. The federal arbitrator also ordered a 90-day "cooling off" period that went through January 17, 2014. At this time, it is not clear if or when a resolution will be reached. Due to uncertainty with the labor contract, it appears that shipping lines have started to divert cargo to other Ports. **DLS recommends that the agency discuss the current state of negotiations and the impact of labor uncertainty on the Port.**

Operating Budget Recommended Actions

		Amount Reduction	
1.	Reduce funding for in-state travel. This reduction would provide for an increase of $33,899, or approximately 31%, compared to fiscal 2013 actual spending.	$ 33,900	SF
2.	Reduce funding for advertising. This reduction reduces funds for advertising but still provides for a $27,837 increase, or 7.5%, over fiscal 2013 actual spending.	27,837	SF
	Total Special Fund Reductions	**$ 61,737**	

PAYGO Budget Recommended Actions

1. Adopt the following narrative:

   Baltimore Rail Intermodal Facility Status Reports: The committees request that the Maryland Department of Transportation (MDOT) submit a status report once permitting for the intermodal project has been completed, or November 1, 2014, whichever comes first, summarizing the status of the project, any changes in cost projections, and when construction will be completed.

   If MDOT or CSX decide not to move forward with the project as currently envisioned, MDOT shall submit a report detailing the impact to the State and specifically the Port of Baltimore from not having completed the project and what alternatives may be pursued for double stacking in the State. The report shall be due 45 days after either CSX or MDOT decides to end the project.

Information Request	**Author**	**Due Date**
Status report once permitting is completed or report on next steps if project does not move forward	MDOT	Once permitting is completed or November 1, 2014, whichever comes first; or 45 days after project is ended

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Maryland Port Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$0	$46,530	$0	$0	$46,530
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	135	0	0	135
Reversions and Cancellations	0	-4,508	0	0	-4,508
Actual Expenditures	**$0**	**$42,157**	**$0**	**$0**	**$42,157**
Fiscal 2014					
Legislative Appropriation	$0	$47,598	$0	$0	$47,598
Budget Amendments	0	272	0	0	272
Working Appropriation	**$0**	**$47,870**	**$0**	**$0**	**$47,870**

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

Fiscal 2013 spending for MPA totals $42.2 million, a decrease of $4.4 million from the legislative appropriation. There was an increase of $0.1 million to fund the fiscal 2013 cost-of-living adjustment (COLA). Cancellations total $4.5 million for the following purposes:

- $1.6 million for legal contingencies;
- $1.5 million for security contracts; and
- $1.4 million for various personnel and operating expenditures.

Fiscal 2014

Fiscal 2014 budget amendments include:

- $0.2 million to fund the fiscal 2014 COLA for State employees; and
- $0.1 million to fund the increment provided to State employees in fiscal 2014.

Appendix 2

Budget Amendments for Fiscal 2014

Maryland Department of Transportation
Maryland Port Administration – Operating

Status	Amendment	Fund	Justification
Approved	$211,071	Special	Cost-of-living adjustment
Approved	60,276	Special	Increments
Total	**$271,347**		

Source: Maryland Department of Transportation

Appendix 3

Budget Amendments for Fiscal 2014

Maryland Department of Transportation
Maryland Port Administration – Capital

Status	Amendment	Fund	Justification
Approved	$54,484	Special	Cost-of-living adjustment
Approved	13,389	Special	Increments
Pending	-$17,677,900	Special	Amends the capital program to reflect the fiscal 2014 to 2019 *Consolidated Transportation Program*
	71,000	Federal	
	-$17,606,900	Total	
Total	**-$17,539,027**		

Object/Fund Difference Report
MDOT – Maryland Port Administration

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	186.00	186.00	186.00	0.00	0%
02 Contractual	0.70	0.70	0.70	0.00	0%
Total Positions	**186.70**	**186.70**	**186.70**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 16,891,303	$ 18,144,386	$ 18,537,244	$ 392,858	2.2%
02 Technical and Spec. Fees	-1,397,471	264,585	253,507	-11,078	-4.2%
03 Communication	336,417	291,243	296,205	4,962	1.7%
04 Travel	294,080	315,940	315,940	0	0%
06 Fuel and Utilities	4,647,087	4,785,677	4,784,636	-1,041	0%
07 Motor Vehicles	1,031,246	1,243,413	1,250,490	7,077	0.6%
08 Contractual Services	12,785,255	15,425,937	15,956,893	530,956	3.4%
09 Supplies and Materials	1,081,167	1,085,646	1,071,646	-14,000	-1.3%
10 Equipment – Replacement	374,440	225,910	346,390	120,480	53.3%
11 Equipment – Additional	52,250	158,590	98,110	-60,480	-38.1%
12 Grants, Subsidies, and Contributions	25,000	25,000	25,000	0	0%
13 Fixed Charges	5,098,110	5,213,908	5,238,820	24,912	0.5%
14 Land and Structures	937,760	690,000	807,300	117,300	17.0%
Total Objects	**$ 42,156,644**	**$ 47,870,235**	**$ 48,982,181**	**$ 1,111,946**	**2.3%**
Funds					
03 Special Fund	$ 42,156,644	$ 47,870,235	$ 48,982,181	$ 1,111,946	2.3%
Total Funds	**$ 42,156,644**	**$ 47,870,235**	**$ 48,982,181**	**$ 1,111,946**	**2.3%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
MDOT – Maryland Port Administration

Program/Unit	FY 13 Actual	FY 14 Wrk Approp	FY 15 Allowance	Change	FY 14 - FY 15 % Change
01 Port Operations	$ 42,156,644	$ 47,870,235	$ 48,982,181	$ 1,111,946	2.3%
02 Port Facilities and Capital Equipment	86,216,831	96,048,655	153,177,754	57,129,099	59.5%
Total Expenditures	**$ 128,373,475**	**$ 143,918,890**	**$ 202,159,935**	**$ 58,241,045**	**40.5%**
Special Fund	$ 121,649,879	$ 143,398,890	$ 196,409,935	$ 53,011,045	37.0%
Federal Fund	6,723,596	520,000	5,750,000	5,230,000	1005.8%
Total Appropriations	**$ 128,373,475**	**$ 143,918,890**	**$ 202,159,935**	**$ 58,241,045**	**40.5%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Appendix 5