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Maryland Port Administration
Maryland Department of Transportation

Executive Summary

The Maryland Port Administration (MPA) promotes efforts to increase waterborne commerce in the State of Maryland and manages the State-owned facilities at the Helen Delich Bentley Port of Baltimore (Port).

Operating Budget Data

(\$ in Thousands)

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$45,783	\$49,999	\$50,782	\$784	1.6%
Adjustments	0	94	339	245	
Adjusted Special Fund	\$45,783	\$50,093	\$51,121	\$1,029	2.1%
Federal Fund	73	263	0	-263	-100.0%
Adjustments	0	0	0	0	
Adjusted Federal Fund	\$73	\$263	\$0	-\$263	-100.0%
Adjusted Grand Total	\$45,857	\$50,355	\$51,121	\$766	1.5%

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

- The fiscal 2020 allowance increases by approximately \$0.8 million compared to the fiscal 2019 working appropriation. This increase is primarily due to rising personnel costs associated with general salary increases and hiring above base salary.

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

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PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2018	Fiscal 2019		Fiscal 2020
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$84,436	\$124,750	\$114,473	\$129,444
Federal	\$9,765	\$2,143	\$3,080	\$7,913
Other	\$0	\$0	\$0	\$16,000
Total	\$94,201	\$126,893	\$117,553	\$153,357

- The fiscal 2019 to 2024 *Consolidated Transportation Program* (CTP) for MPA totals \$842.5 million, an increase of \$41.8 million from the prior year's six-year program total. The CTP programs \$153.4 million for fiscal 2020. The majority of the funds are programmed for dredging and system preservation and minor projects.
- The largest single increase between the fiscal 2020 and 2019 programs is for berth improvements as part of Phase I of the Seagirt Marine Terminal Modernization. Phase I will add an additional 50-foot deep berth at Seagirt Marine Terminal.

Operating and PAYGO Personnel Data

	<u>FY 18 Actual</u>	<u>FY 19 Working</u>	<u>FY 20 Allowance</u>	<u>FY 19-20 Change</u>
Regular Operating Budget Positions	174.00	173.00	174.00	1.00
Regular PAYGO Budget Positions	36.00	36.00	36.00	0.00
Total Regular Positions	210.00	209.00	210.00	1.00
Operating Budget FTEs	0.20	0.70	0.70	0.00
PAYGO Budget FTEs	0.50	0.50	0.50	0.00
Total FTEs	0.70	1.20	1.20	0.00
Total Personnel	210.70	210.20	211.20	1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	14.57	6.97%
Positions and Percentage Vacant as of 1/1/19	14.00	6.7%

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- Regular operating positions at MPA increase by 1.00 in fiscal 2020, due to the transfer of a position to MPA from the Secretary’s Office.
- The actual vacancy rate for MPA, as of January 1, 2019, is 6.7%, or 0.27 percentage points under budgeted turnover.

Key Observations

- Overall, the Port experienced growth in cargo processed through its public and private terminals in both calendar and fiscal 2018. MPA projects that it will continue to generate an operating profit through fiscal 2020.
- CSX recommitted to the Howard Street Tunnel (HST) and Bayview South Clearance (BSC) project in December 2018. This project involves modifying HST and several clearances north of the tunnel – collectively, BSC – to allow for high-cube, double-stack rail capacity at the Port. While uncertainty surrounds the financing of this project, negotiations are ongoing.

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor’s allowance.

Updates

- ***Pride of Baltimore II State Funding Support:*** Chapter 854 of 2018 created a mandated appropriation from fiscal 2020 through 2023 of \$500,000 per year from the Transportation Trust Fund for the operation of the *Pride of Baltimore II*, a reproduction Baltimore clipper ship. These funds are now included in the Maryland Department of Transportation Secretary’s Office budget.

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Budget Analysis

Program Description

The Maryland Port Administration (MPA) functions under Title 6 of the Transportation Article of the Annotated Code of Maryland. MPA's main responsibilities are (1) the promotion of waterborne commerce in the State of Maryland for the economic benefit of Maryland's citizens and (2) the management of State-owned facilities at the Helen Delich Bentley Port of Baltimore (Port). A map of the Port, identifying public and private terminal facilities, is provided as **Appendix 2** to this analysis.

MPA identifies the following key goals in furtherance of its main responsibilities:

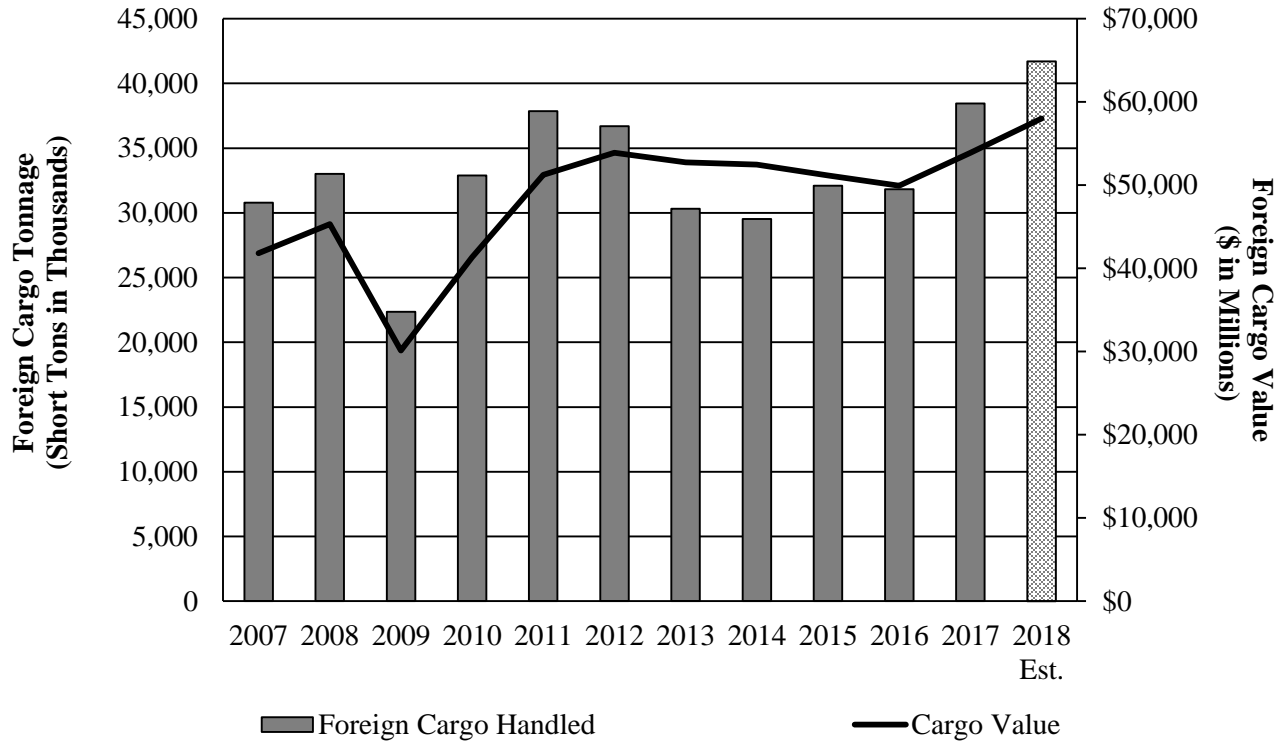
- maximization of cargo throughput, terminal efficiency, and the economic benefit generated by the Port;
- operation of MPA to ensure revenue enhancements and optimization of operating expenses;
- preservation and enhancement of the Port's infrastructure to maintain cargo capacities, while ensuring adequate security and environmental stewardship; and
- maintenance and improvement of the shipping channels in the Port and in the Maryland waters of the Chesapeake Bay for safe, unimpeded access to the Port.

Performance Analysis: Managing for Results

1. Total Foreign Cargo Volumes at the Port Increase

The Port is a vast industrial complex that encompasses approximately 45 miles of shoreline and 3,403 waterfront acres. Unlike many State entities, the Port operates in a highly competitive market with direct competition not only from private industry but also from other ports up and down the East Coast as well as some Canadian ports. As shown in **Exhibit 1**, foreign cargo tonnage at the Port increased in calendar 2018 by an estimated 8.5% to 41.7 million short tons when compared with the prior year. This increase is primarily due to increases in bulk cargo shipments – coal exports are expected to exceed 20 million short tons for the year, and the liquid natural gas export facility in Lusby, Maryland began regular exports in March 2018.

**Exhibit 1
Total Foreign Cargo Handled and Cargo Value
Calendar 2007-2018 Est.**

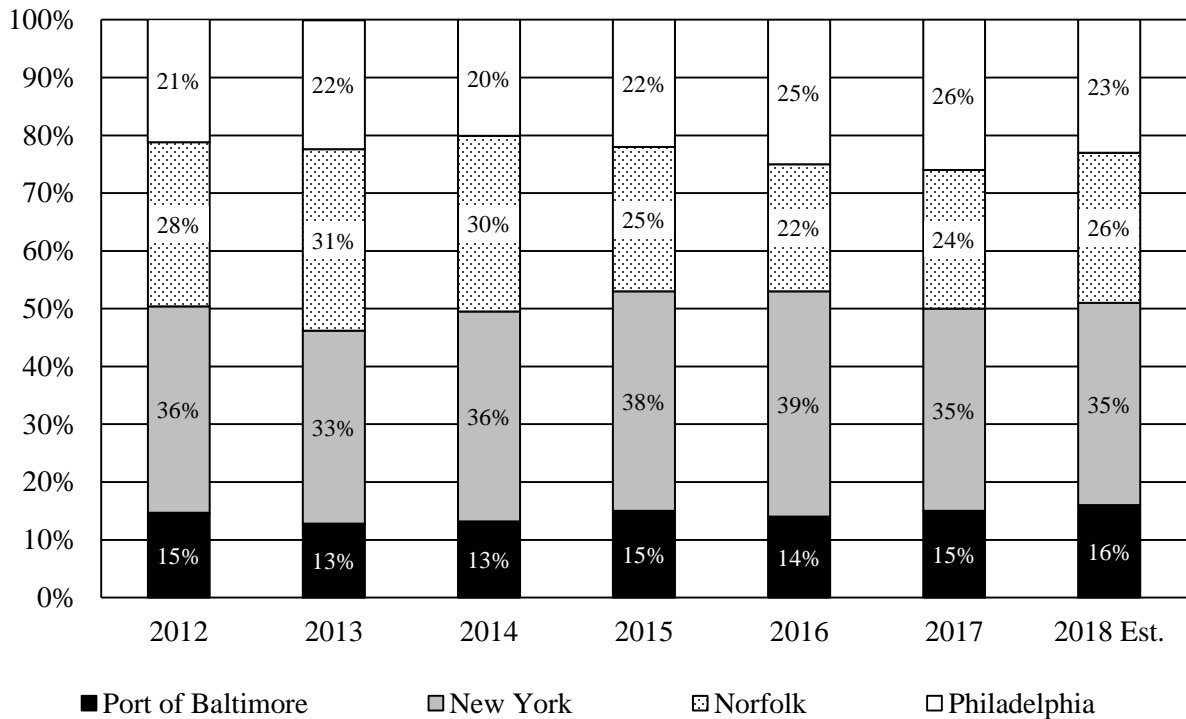


Note: Includes both public and private terminals.

Source: Maryland Port Administration

The Port competes with other East Coast ports, especially ports in Norfolk, Philadelphia, and New York. As shown in **Exhibit 2**, when comparing the four ports listed, the Port captured an estimated 16% of the total market in calendar 2018, up 1 percentage point from calendar 2017.

Exhibit 2
Market Share, Select Northeastern United States Ports
Calendar 2012-2018 Est.



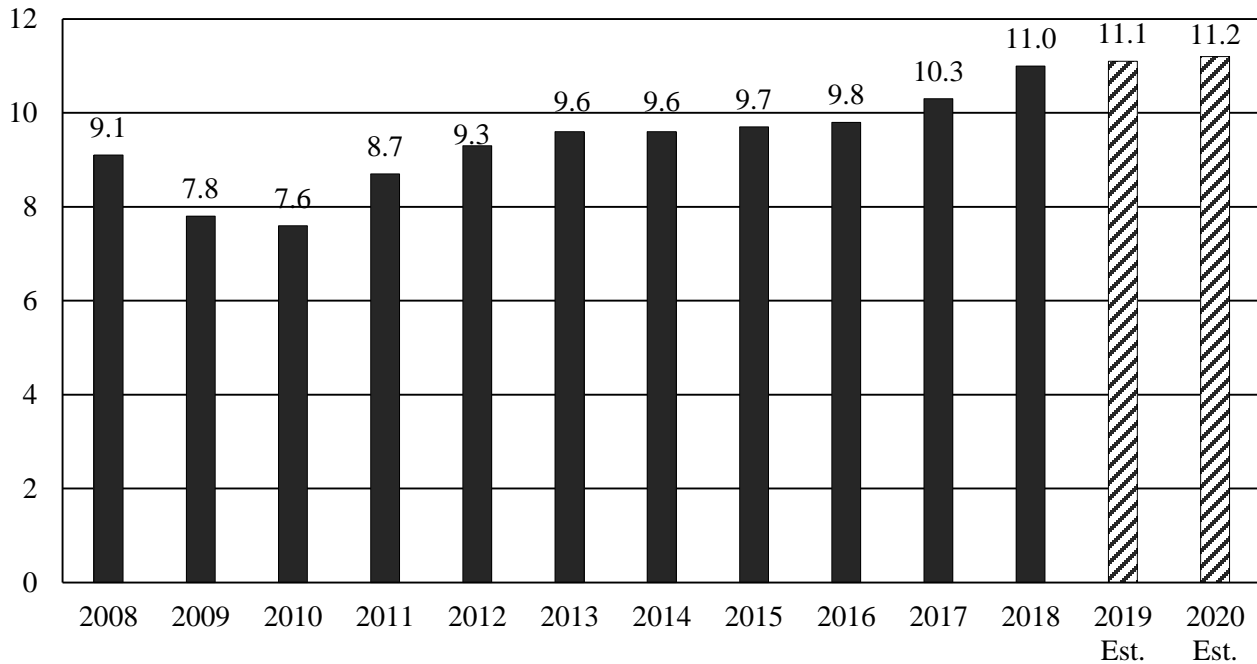
Note: Numbers may not sum due to rounding.

Source: Maryland Port Administration

2. General Cargo Tonnage Continues to Grow

General cargo is defined as automobiles, break bulk, containerized products, 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 automobiles. 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 3**. General cargo tonnage grew to approximately 11.0 million tons in fiscal 2018.

Exhibit 3
Total General Cargo Tonnage at State-owned Facilities
Fiscal 2008-2020 Est.
(Tons in Millions)

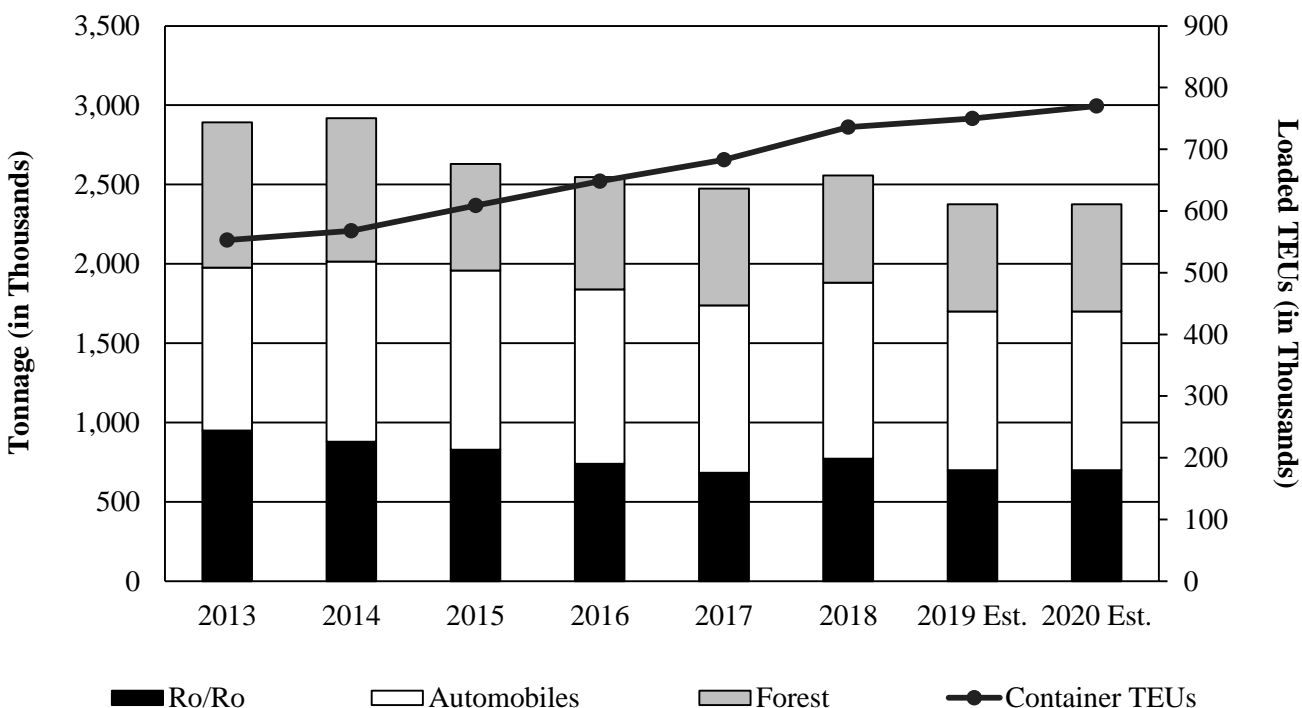


Source: Maryland Port Administration

Exhibit 4 provides data on selected general cargo commodities handled at the Port. Forest product tonnage declined by 8.2% in fiscal 2018, as an account for imported wood pulp was moved from a publically owned facility to a private terminal at the Port. This represents the first year of decline for this segment since the Port lost a major wood pulp account to the Port of Philadelphia in fiscal 2015.

The remaining general cargo segments under review saw growth in fiscal 2018. Ro/Ro cargo tonnage increased for the first time since fiscal 2012 with 772,000 tons shipped, a 12.9% increase over fiscal 2017, driven primarily by an increase in construction equipment imports due to the strong economy during the fiscal year. The Port also continues to see steady growth in containers handled with approximately 736,000 loaded 20-foot equivalent units (TEU) in fiscal 2018, a 7.8% increase over fiscal 2017, and the first time the Port broke 700,000 loaded TEUs. This increase was driven by the establishment of Ocean Alliance, an international shipping alliance that brought three new shipping lines to the Port, providing shippers more options leading into Baltimore than in the past. Finally, auto shipments increased by 5.3% in fiscal 2018 to approximately 1.1 million tons, primarily due to a surge in the export of used cars to key markets such as Africa and the Middle East. These markets have economies tied to oil prices, and each saw improved economic prospects in late fiscal 2017 and into 2018.

Exhibit 4
Cargo Volume by Type at State-owned Facilities
Fiscal 2013-2020 Est.
(in Thousands)



Ro/Ro: roll on/roll off

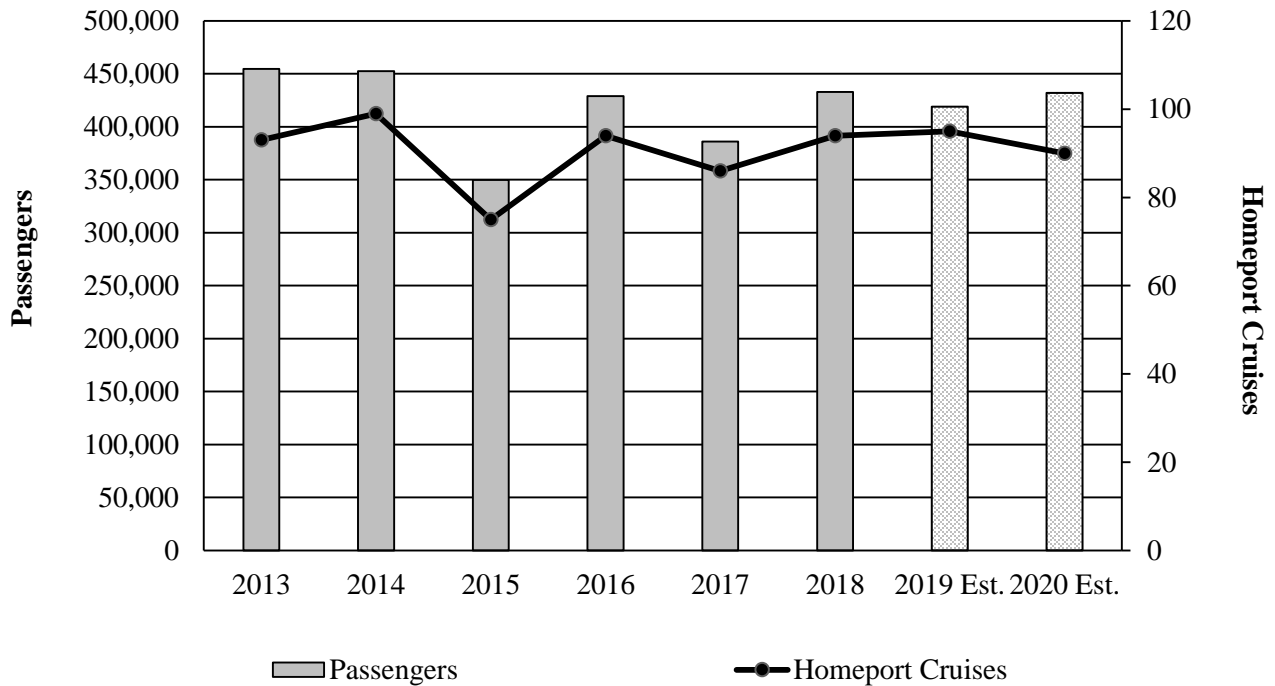
TEU: 20-foot equivalent unit (an industry standard for measuring containers)

Source: Maryland Port Administration

3. Cruises in Maryland

In addition to handling cargo, the Port plays a vital role in Maryland’s cruise industry. **Exhibit 5** shows the total number of homeport cruises and passengers that utilized the Port’s cruise terminal. In fiscal 2018, the Port had 94 homeport cruises with 433,000 passengers embarking and debarking from the Port’s cruise terminal. These represent increases of 9.3% and 12.2%, respectively, from fiscal 2017. Homeport cruises and passenger levels have returned approximately to the levels that the Port experienced in fiscal 2016, prior to the reposition of the Carnival Pride in 2017, which deprived Baltimore of eight cruises.

**Exhibit 5
Cruise Ship Operations
Fiscal 2013-2020 Est.**



Source: Maryland Port Administration

Fiscal 2019 Actions

0.5% Cost-of-living Adjustment and \$500 Bonus for State Employees

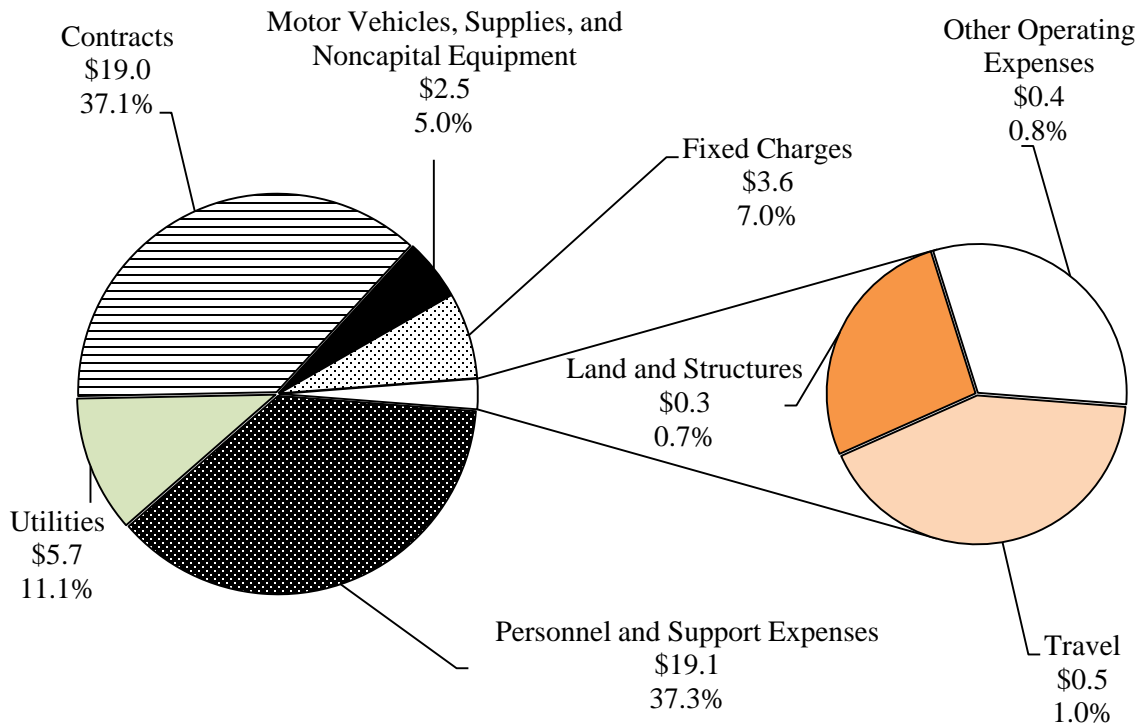
The Governor Lawrence J. Hogan, Jr. Administration negotiated a cost-of-living adjustment with the major State employee unions for fiscal 2019. The terms of this agreement included (1) a 2% general salary increase, effective January 1, 2019, and (2) an additional 0.5% increase and one-time bonus effective April 1, 2019. The terms of the agreement made the additional 0.5% increase and one-time bonus contingent on fiscal 2018 general fund revenues exceeding the December 2017 estimate by \$75 million. This contingency was met, and the agency’s share of the general salary increase is \$22,803 in special funds. The agency’s share of the funds available for the one-time bonus is \$71,383 in special funds.

Fiscal 2020 Allowance

Overview of Agency Spending

The MPA fiscal 2020 operating budget totals approximately \$51.1 million. Funding in the fiscal 2020 allowance consists entirely of special funds from the Transportation Trust Fund (TTF). **Exhibit 6** provides a breakdown of the fiscal 2020 allowance by category of spending for MPA’s operations.

**Exhibit 6
Spending Plan
Fiscal 2020 Allowance
(\$ in Millions)**



Total Spending: \$51.1

Note: Other operating expenses includes communications costs, as well as a grant to the Baltimore Maritime Exchange to provide statistics on the Port. Personnel and support expenses include projected costs for both regular positions and contractual full-time equivalents.

Source: Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 7**, the fiscal 2020 allowance increases by approximately \$0.8 million, primarily due to personnel expenditures for State employee general salary increases.

Exhibit 7
Proposed Budget
MDOT – Maryland Port Administration
(\$ in Thousands)

How Much It Grows:	Special <u>Fund</u>	Federal <u>Fund</u>	<u>Total</u>
Fiscal 2018 Actual	\$45,783	\$73	\$45,857
Fiscal 2019 Working Appropriation	50,093	263	50,355
Fiscal 2020 Allowance	<u>51,121</u>	<u>0</u>	<u>51,121</u>
Fiscal 2019-2020 Amount Change	\$1,029	-\$263	\$766
Fiscal 2019-2020 Percent Change	2.1%	-100.0%	1.5%

Where It Goes:

Personnel Expenses

Annualization of fiscal 2019 2.5% COLA and regular position hiring activities	\$301
3% COLA for State employees.....	293
New positions ¹	44
Employee retirement system.....	94
Retiree health insurance premiums	19
Turnover adjustments.....	-22
Removal of costs associated with fiscal 2019 one-time \$500 bonus	-71
Other salary adjustments	10

Other Changes

Contractual service expenses primarily associated with CCTV and video systems ^{2, 3}	139
Increased utility costs, primarily to align water and sewage funds with historic spending ²	176
Recategorization and consolidation of employee reimbursements and non-Object 01 personnel benefits ²	103
Maryland Transportation Authority police cost reimbursement ²	100
Applications software maintenance ²	56
Increased COP payment for South Locust Point Terminal paper storage shed ²	49
Advertising, book binding, and printing ²	48

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Where It Goes:

Miscellaneous communications expenses ²	35
Garage rent and nonautomobile fuel and insurance expenses ²	30
Insurance – non-STO fixed cost expenses ²	27
Apparel ²	10
In-state travel for routine operations	-63
Reallocation of fiscal 2019 land and structures funding to align with fiscal 2020 proposed spending.....	-574
Other miscellaneous changes	-38
Total	\$766

CCTV: closed-circuit television

COLA: cost-of-living adjustment

COP: certificate of participation

MDOT: Maryland Department of Transportation

STO: State Treasurer’s Office

¹ One new operating position to the Maryland Port Administration (MPA) from the MDOT Secretary’s Office, following successful completion of the MDOT Procurement Academy training.

² The fiscal 2020 MPA allowance proposes to realign approximately \$0.6 million for certain land and structure operating costs to fund increases in the identified subobjects. Certain increases represent a dollar-for-dollar reallocation of funds, while in other instances, the realignment only partially offsets the expected increase in fiscal 2020 spending.

³ Total increase is \$401,727 in special funds that is offset by a decrease of \$262,560 in federal funds due to the end of MPA’s Port Security Grant funding in fiscal 2019. Currently, three contracts are underway using grant funds, which are expected to conclude in fiscal 2019. MPA will apply for a new Port Security Grant during the spring with awards to be made in the first quarter of fiscal 2020. Approximately \$210,000 will be used to continue the in-house maintenance of the terminal CCTV camera system, while \$111,000 will be used for contracting costs associated with the World Trade Center.

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

General Salary Increases

The fiscal 2020 allowance includes funds for a 3% general salary increase for State employees, effective July 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. MPA’s share of the general salary increase is \$292,673 in special funds. In addition, the employees will receive another 1% increase, effective January 1, 2020, if actual fiscal 2019 general fund revenues exceed the December 2018 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

Annualization of the fiscal 2019 general salary increases and hiring activity in fiscal 2019, including filling positions above base salary, accounts for approximately \$0.3 million in regular earnings expenses for MPA in fiscal 2020.

Net Operating Income

Unlike most other agencies that rely solely on the State for all financial support, MPA receives revenues that help to offset its expenditures. Its profitability determines how much the TTF must provide as a subsidy. As shown in **Exhibit 8**, net operating income in fiscal 2020 is expected to be approximately \$1.5 million, a 206.6% increase over the projected fiscal 2019 working appropriation, due primarily to the effects of increased rental revenue, a reduction in funds budgeted for payments in lieu of taxes to Baltimore City, and a reduction in funds budgeted for the Port of Baltimore Incentive Pilot Program.

Exhibit 8
Special Fund Revenues and Expenses
Fiscal 2018-2020
(\$ in Thousands)

	<u>2018</u>	<u>Work. Approp. 2019</u>	<u>Allowance 2020</u>	<u>Change - Allowance vs. Work. Approp.</u>	<u>% Change 2018-19</u>
Operating Revenue	\$51,783	\$53,799	\$54,886	\$1,087	2.0%
Total Operating Expenses¹	48,628	56,156	56,313	157	0.3%
Total Exclusions²	-2,503	-2,831	-2,880	-49	1.7%
Net Operating Expenses	46,125	53,325	53,433	108	0.2%
Net Operating Income	5,658	474	1,453	979	206.6%
Capital Expenditures	84,436	114,473	129,444	14,971	13.1%
Net Income/Loss	-\$78,778	-\$113,999	-\$127,991	-\$13,992	12.3%

¹ Includes the following expenses paid by the Maryland Department of Transportation: (1) Baltimore City Marine Fire Suppression; (2) payments in lieu of taxes to Anne Arundel County and Baltimore City; (3) payments for the Port of Baltimore Incentive Pilot Program; and (4) funds to support the operation of the *Pride of Baltimore II*.

² Excluded expenditures include payments to certificates of participation debt service and certain capital equipment.

Source: Maryland Port Administration

It is important to note that in looking at MPA's capital expenditures in a business manner, consideration should be given to the fact that capital expenditures are often paid 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 on a year-to-year comparison.

Pay-as-you-go Capital Program

Program Description

The MPA 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 U.S. Army Corps of Engineers.

Fiscal 2019 to 2024 Consolidated Transportation Program

The fiscal 2019 to 2024 *Consolidated Transportation Program* (CTP) for MPA totals \$842.5 million, an increase of \$41.8 million from the prior year's six-year program total. Funding for projects in the fiscal 2019 to 2024 CTP is largely devoted to dredging projects and programs as well as system preservation and minor projects. **Exhibit 9** shows the programmed funding in fiscal 2020 by project and capital program as well as the total estimated costs and six-year funding included for each program.

Exhibit 9
Maryland Port Administration Pay-as-you-go Capital Allowance
Fiscal 2020
(\$ in Thousands)

<u>Jurisdiction</u>	<u>Project Description</u>	<u>2020</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
Major Projects				
Baltimore County	Hart-Miller Island-related Projects	\$6,417	\$108,086	\$23,666
Statewide	Dredge Material Placement and Monitoring Program ¹	27,294	648,260	235,967
Baltimore City	Reconstruction of Berths 1-6 at Dundalk Marine Terminal ²	6,000	51,540	31,211
Baltimore City	Seagirt Marine Terminal Modernization – Berth Improvements ³	23,093	33,807	33,807
Baltimore City	South Locust Point Cruise Terminal	476	8,296	1,862
Baltimore City	Marine Terminal Property Acquisition	5,000	89,928	5,000
Baltimore City	Chrome Ore Processing Residue Remediation	4,666	69,792	27,138
Baltimore City	Cox Creek DMCF Expansion and Related Projects	31,216	266,038	202,771
Baltimore City	Port of Baltimore Export Expansion Project	2,000	48,890	6,475
Cecil County	Pearce Creek Waterline Project	0	14,011	984
Baltimore City	Seagirt Marine Terminal Modernization – Channel Improvements ⁴	100	400	400
Subtotal		\$106,262	\$1,339,048	\$569,281
D&E, System Preservation and Minor Projects, and Salaries				
Statewide	Dredge Material Management Program ⁵	\$12,242	\$103,845	\$47,234
Statewide	System Preservation and Minor Projects	29,800	n/a	195,300
Statewide	Capital Salaries	5,100	n/a	30,600
Subtotal – Programs		\$47,142	\$103,845	\$273,134
Total – Projects and Programs		\$153,404	\$1,442,893	\$842,415

D&E: development and evaluation
DMCF: Dredged Material Containment Facility

¹ The Dredge Material Placement and Monitoring is the program for the construction and management of DMCFs and the responsible and innovative re-use of dredged material.

² Progressing into Phase III, with the expected start date in fiscal 2020.

³ Project added to the Construction Program.

⁴ Project added to the Design and Evaluation Program.

⁵ The Dredge Material Management Program is the program for evaluating sites as potential DMCFs.

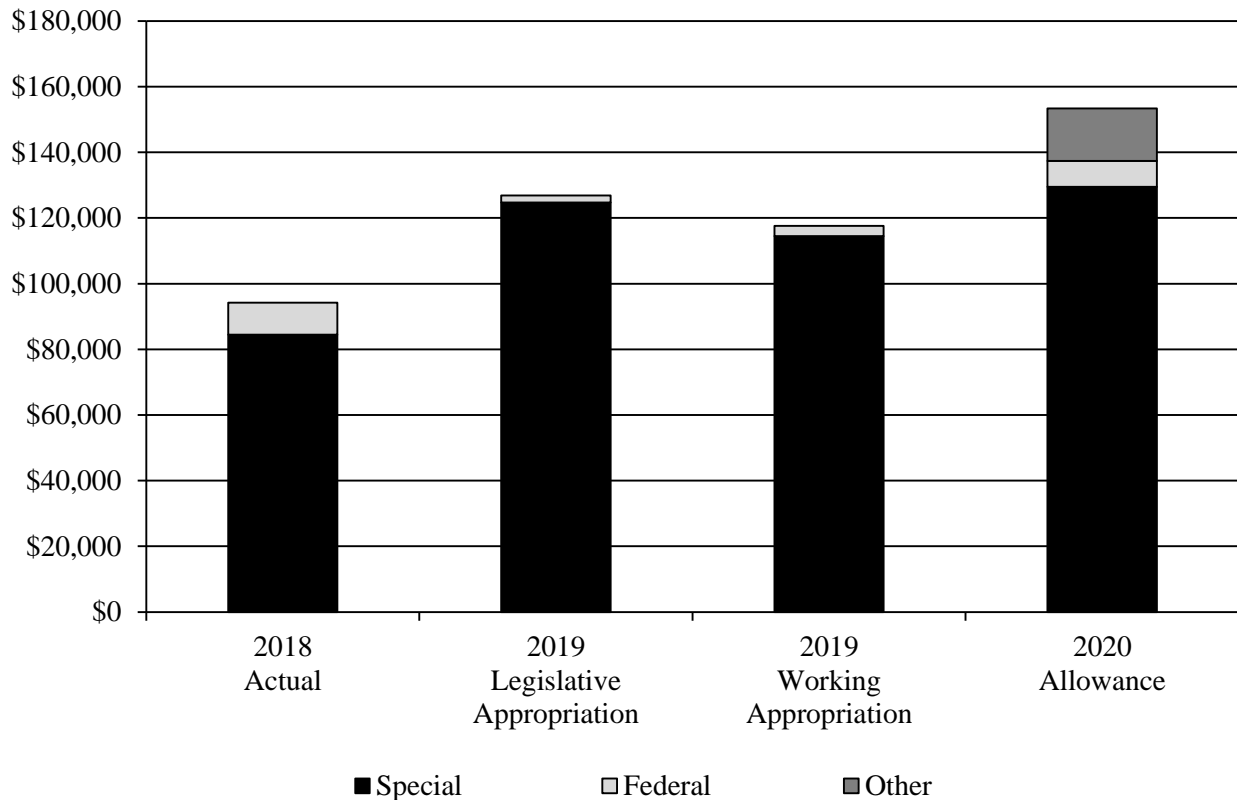
Note: Numbers may not sum to the fiscal 2019 to 2024 *Consolidated Transportation Program* due to rounding.

Source: Maryland Department of Transportation, Fiscal 2019 to 2024 *Consolidated Transportation Program*

Fiscal 2019 and 2020 Cash Flow Analysis

Exhibit 10 shows the change in MPA capital spending for the fiscal 2018 through 2020 allowance. Fiscal 2019 capital spending programmed in the fiscal 2019 to 2024 CTP (*i.e.*, the fiscal 2019 working appropriation) is approximately \$9.4 million less than the funding programmed in the fiscal 2018 to 2023 CTP, primarily due to decreases in programmed spending for dredged material projects and programs in fiscal 2019. Additionally, MPA pushed costs for the reconstruction of Berths 1 through 6 at the Dundalk Marine Terminal into future years, resulting in a \$3.4 million decrease to the overall fiscal 2019 capital spending program as reported in the fiscal 2019 to 2024 CTP. Phase III of this project, which will fund improvements to Berth 3, is slated to begin in fiscal 2020. In fiscal 2020, \$6.0 million is programmed for this purpose, as well as construction efforts currently underway on Berths 1 through 4 to address urgent repairs.

Exhibit 10
Cash Flow Changes
Fiscal 2018-2020
(\$ in Thousands)



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	<u>2019 Leg. Approp.</u>	<u>2019 Work. Approp.</u>	<u>Change Work. vs. Leg.</u>
Major Projects			
Hart-Miller Island-related Projects	\$4,817	\$4,518	-\$299
Dredge Material Placement and Monitoring	27,489	23,167	-4,322
Reconstruction of Berths 1 through 6 at Dundalk Marine Terminal	3,435	0	-3,435
Seagirt Marine Terminal Modernization – Berth Improvements ¹	0	361	361
South Locust Point Cruise Terminal	1,455	1,386	-69
Chrome Ore Processing Residue Remediation	4,686	4,812	126
Cox Creek DMCF Expansion and Related Projects	35,120	33,242	-1,878
Port of Baltimore Export Expansion Project	4,000	4,475	475
Pearce Creek Waterline Project	1,094	584	-510
Seagirt Marine Terminal Modernization – Channel Improvements ²	0	300	300
D&E, System Preservation and Minor Projects, and Salaries			
Dredge Material Management Program	10,026	8,604	-1,422
System Preservation and Minor Projects	29,800	31,100	1,300
Capital Salaries	5,000	5,000	0
Total	\$126,922	\$117,549	-\$9,373

	<u>2019 Work. Approp.</u>	<u>2020 Allowance</u>	<u>Change Allowance vs. Work. Approp.</u>
Major Projects			
Hart-Miller Island-related Projects	\$4,518	\$6,417	\$1,899
Dredge Material Placement and Monitoring Program	23,167	27,294	4,127
Reconstruction of Berths 1 through 6 at Dundalk Marine Terminal	0	6,000	6,000
Seagirt Marine Terminal Modernization – Berth Improvements ³	361	23,093	22,732
South Locust Point Cruise Terminal	1,386	476	-910
Marine Terminal Property Acquisition	0	5,000	5,000
Chrome Ore Processing Residue Remediation	4,812	4,666	-146
Cox Creek DMCF Expansion and Related Projects	33,242	31,216	-2,026
Port of Baltimore Export Expansion Project	4,475	2,000	-2,475
Pearce Creek Waterline Project	584	0	-584
Seagirt Marine Terminal Modernization – Channel Improvements	300	100	-200
D&E, System Preservation and Minor Projects, and Salaries			
Dredge Material Management Program	8,604	12,242	3,638
System Preservation and Minor Projects	31,100	29,800	-1,300
Capital Salaries	5,000	5,100	100
Total	\$117,549	\$153,404	\$35,855

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D&E: development and evaluation

DMCF: Dredged Material Containment Facility

¹ Project added to the Construction Program in the fiscal 2019 to 2024 *Consolidated Transportation Program* (CTP).

² Project added to the D&E Program in the fiscal 2019 to 2024 CTP.

³ Ports America Chesapeake, the concessionaire in the public-private partnership to provide on-dock container service and infrastructure improvements at Seagirt Marine Terminal, will provide \$18.4 million for this project. In fiscal 2020, \$16.0 million is programmed.

Note: Numbers may not sum to the respective CTP summary value for a given fiscal year due to rounding.

Source: Maryland Department of Transportation, Fiscal 2018-2023 and Fiscal 2019-2024 *Consolidated Transportation Program*

Programmed funding for fiscal 2020 is approximately \$35.9 million more than the adjusted funding programmed in fiscal 2019, according to the fiscal 2019 to 2024 CTP. Major increases between the two program years include the \$6.0 million for reconstruction of the berths at the Dundalk Marine Terminal mentioned previously and the inclusion of \$5.0 million for Marine Terminal Property Acquisition. MPA entered into a purchase and sale agreement to acquire the Lyondell/St. Helena site on Broening Highway during fiscal 2020. The current owners will be required to fund site remediation efforts as outlined in the Environmental Protection Agency’s corrective measures and recommended remediation plan, which was anticipated in late calendar 2018 but was delayed due to the federal government shutdown. Estimates for total redevelopment costs for MPA are between \$11 million and \$15 million. These costs will support asphalt capping, shoreline protection, fill efforts to raise the site above the floodplain, stormwater management systems, utilities, and security measures. When completed, MPA expects to use the site for expanded auto cargo operations, as well as the possibility of using a portion of the site for long-term storage of MPA equipment.

The largest single increase between the fiscal 2020 and 2019 programs is for berth improvements as part of the Seagirt Marine Terminal Modernization. Phase I of this project was added to the Construction Program in the fiscal 2019 to 2024 CTP, and approximately \$23.1 million is programmed for engineering and construction costs anticipated in fiscal 2020. At the end of Phase I, Seagirt Marine Terminal will include an additional 50-foot deep berth capable of handling ultra large container vessels. The total estimated cost of this project is approximately \$33.8 million, supported in part by a federal Better Utilizing Investments to Leverage Development grant (approximately \$6.6 million) and funds from Ports America Chesapeake (\$18.4 million).

Issues

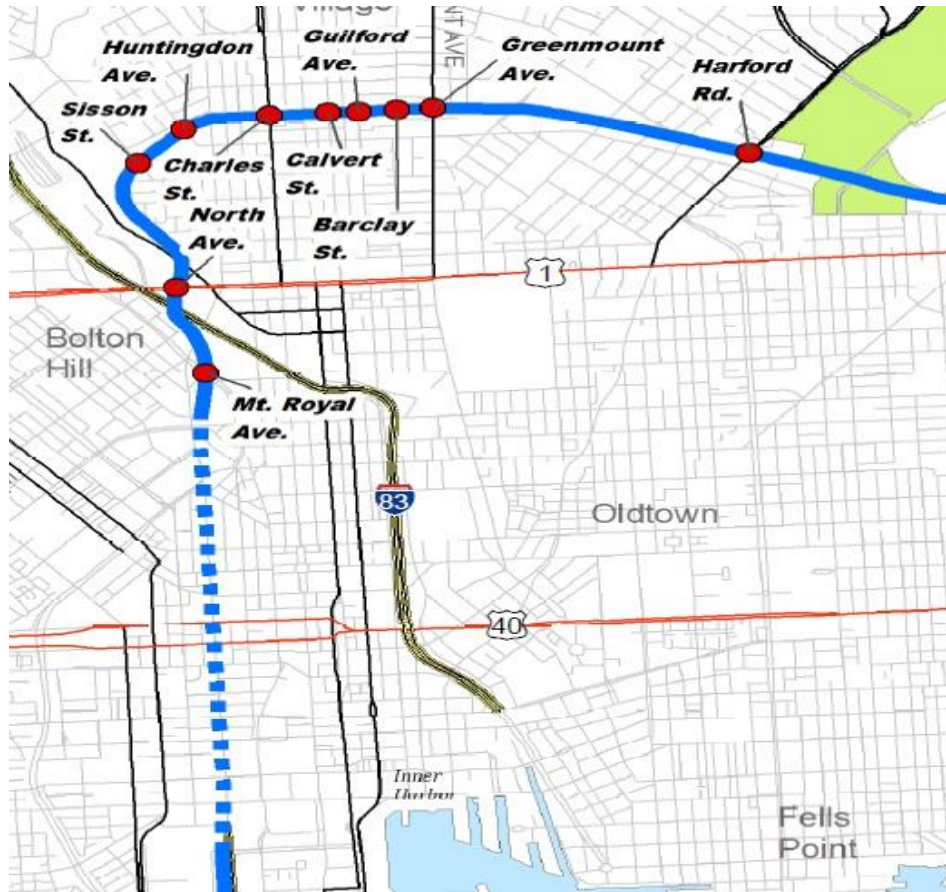
1. CSX Recommits to Howard Street Tunnel and Bayview South Clearance Project

High-cube double-stack railroad traffic through the Howard Street Tunnel (HST) has been a long-standing issue for MPA, which identifies height restrictions within the tunnel and several related structures as a limitation to expanding discretionary containerized cargo service at the Port. After withdrawing from a previous plan to develop this capacity in calendar 2017, CSX recommitted to the project in December 2018.

Background

HST is the primary freight rail route connecting the Port to markets in the Midwest. However, the height of the tunnel as well as other clearances to the north of HST prevent high-cube, double-stack containers and tri-level autorack cars from being transported to or from the Port. **Exhibit 11** shows the locations of HST and the several related structures, hereinafter identified as the Bayview South Clearance (BSC), which need improvements.

Exhibit 11 Howard Street Tunnel and Bayview South Clearance



Note: The Baltimore and Ohio Railroad Company built the Howard Street Tunnel, a major rail thoroughfare under Howard Street that runs through much of downtown Baltimore City in 1895. It is now owned and operated by CSX.

Source: Maryland Port Administration

Previous federal studies placed the replacement or renovation costs for this project at more than \$1 billion; however, improved engineering techniques resulted in a modified estimate of \$445 million. The plan to fund this project relied on roughly equal investments from CSX, the State, and the federal government. Following a highly rated yet ultimately unsuccessful attempt to secure federal funding through a predecessor program, MPA submitted an application for grant funding under the Infrastructure for Rebuilding America (INFRA) grant program in 2017. However, in October 2017, CSX informed the Maryland Department of Transportation (MDOT) and MPA that it would not be proceeding with the project. Without CSX support for the project, the State withdrew its 2017 INFRA grant application.

Actions Since the CSX Withdrawal

Following CSX's initial withdrawal, CSX began to meet with members of the Maryland congressional delegation as well as representatives of the State and Baltimore at various times throughout the year. The goal of these meetings, generally, was to reassess the value of rehabilitating HST and BSC, with representatives from Maryland stressing the importance of this project to the State. In addition, MPA responded to a request from the budget committees for a report on alternatives to modifying HST and BSC. While MPA identified four alternatives, MPA took the position that costs and negative impacts on supply chains and the community made each alternative unviable. This report did provide an update on the current state of MPA-CSX discussions; however, the state of CSX involvement with any modifications to HST and BSC remained uncertain. Finally, in December 2018, members of the Maryland congressional delegation announced that CSX had recommitted to the project.

Current State of Plans to Modify HST and BSC

With CSX's recommitment to HST and BSC project, several of the project elements changed. While the plan formerly was that CSX and the State would each contribute \$145 million to the project, CSX recommitted at \$91 million in funding. It is understood that this is inclusive of \$20 million for the Camden Street stormwater project; CSX continued its involvement with this project after withdrawing from the larger HST and BSC project in calendar 2017. CSX also stated that the project scope and cost would increase by \$21 million for clearances to Delaware and Pennsylvania; however, MDOT's position is that these costs should not be included, as the clearances that need to be addressed are outside the State. Finally, MPA mentioned in its report on the alternatives to HST that new engineering methods could shorten construction time by half – from five years to roughly two and one-half years. However, the estimated project cost did not change due to increased material costs and the need to install a new tunnel liner.

Funding the Unfunded Gap in the HST and BSC Project

As mentioned previously, CSX has proposed \$91 million for the HST and BSC project. **Exhibit 12** provides an overview of the project splits between the State, CSX, and the unfunded gap, which is proposed to be covered by an INFRA grant under the federal Fixing America's Surface Transportation (FAST) Act, both prior to CSX's withdrawal and after CSX's recommitment to the project. Four assumptions are made: (1) that the total estimated project cost remains the same at \$445 million; (2) that the additional \$21 million in costs associated with clearances outside of Maryland will not be included in the project; (3) that CSX's proposed share neither increases or decreases; and (4) that the State plans to match CSX's contribution, dollar for dollar, at the new amount identified by CSX, as was the case prior to the CSX withdrawal. These values are subject to change as negotiations for funding the project continue between CSX and the State.

Exhibit 12
Changes to the Proposed Project Funding for the HST and BSC Project
 (\$ in Millions)

Contributions as of November 2017			Contributions as of December 2018		
	<u>Amount</u>	<u>Percent of Total</u>		<u>Amount</u>	<u>Percent of Total</u>
State	\$145	32.6%	State	\$91	20.4%
CSX	145	32.6%	CSX	91	20.4%
Unfunded Gap	155	34.8%	Unfunded Gap	263	59.1%
Total	\$445		Total	\$445	

BSC: Bayview South Clearance
 HST: Howard Street Tunnel

Note: Incorporates information available to the Department of Legislative Services on the current state of the HST and BSC project, as well as several assumptions identified above. Funding proposed by CSX and the State is subject to change based on the outcome of continued negotiations between the parties.

Source: Maryland Port Administration

Previously, the State proposed funding the unfunded gap using an INFRA grant award. The federal government issued a Notice of Funding Opportunity (NOFO) for a new round of INFRA grants for federal fiscal year 2019 on December 21, 2018. Applications are due March 4, 2019. **MPA should confirm whether it intends to submit an INFRA grant application for this project as well as the total value to be requested in its application.**

MPA has not identified a source other than an INFRA grant award to cover the unfunded gap. This presents several issues. First, under the FAST Act, only \$500 million of the total available funds is set aside for grants to freight rail, water (including ports), or other freight intermodal projects that make significant improvements to freight movement on the National Highway Freight Network. Approximately \$300 million of this cap has been awarded in prior rounds. However, it should be noted that a project can contain a mix of elements, some of which can only be funded using the funds described above, and others which may be funded using the remaining available funds set aside for (1) rail-highway grade crossings or grade separations; (2) a highway freight project carried out on the National Highway Freight Network; or (3) a highway or bridge project carried out on the National Highway System. MPA has previously identified that some elements of the HST and BSC project may not be subject to the cap on intermodal freight projects. **MPA should identify those portions of the project that would be subject to the restrictions of 23 U.S.C. 117(d)(2)(A) – which applies the \$500 million award cap to certain projects – as well as the percent of the total value to be requested that these projects represent.**

Second, federal INFRA grants, by statute, can fund a maximum of 60% of a project. While the total unfunded gap is only 59.1% of the total estimated project cost, the law establishing the INFRA

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grant program allows the U.S. Department of Transportation to consider the utilization of nonfederal contributions and nontraditional financing in making a grant award. The current NOFO identifies leveraging of federal funds as a key program objective for this round of INFRA grants, with priority consideration given to projects that use all available nonfederal resources for development, construction, operations, and maintenance. Based on currently available data, should MPA rely solely on an INFRA grant award – which is uncertain to be obtained – to fund the unfunded gap, the application may fail due to limited leveraging of grant funds. **MPA should identify other funding sources proposed to meet the unfunded gap in the HST and BSC project, as well as the likelihood of obtaining funding through these sources.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. *Pride of Baltimore II State Funding through Fiscal 2023*

On May 29, 2018, Pride of Baltimore, Inc. (Pride, Inc.), the nonprofit organization that owns, maintains, and operates the reproduction Baltimore clipper ship *Pride of Baltimore II* (*Pride II*), announced that the *Pride II* would not sail for the 2018 sailing season – the first time this has occurred in the 30-year history of the ship. Despite this, MDOT provided Pride, Inc. with the first installment of a \$500,000 operating grant-in-aid pursuant to a grant agreement signed October 17, 2018, for fiscal 2019. While *Pride II* did not sail in 2018, Pride, Inc. incurred costs in furtherance of the Vessel’s Mission, as outlined in the original bill of sale for *Pride II*, effective June 9, 2010.

In addition to the funding identified for fiscal 2019, Chapter 854 of 2018 creates a mandated appropriation for fiscal 2020 through 2023 of \$500,000 per year from the TTF for the operation of *Pride II*. Chapter 854 also requires Pride, Inc. to submit an annual report to MDOT and the budget committees, which includes (1) an accounting of how the funds were expended with supporting data; (2) an itinerary and other information that demonstrates that the *Pride II* was operated in a manner as outlined in the legislation; and (3) a strategic business plan that includes a goal to decrease or eliminate the need for State funds. Funds for this purpose are budgeted in the appropriation for the Secretary’s Office.

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Appendix 1
Current and Prior Year Budgets
MDOT – Maryland Port Administration
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2018					
Legislative Appropriation	\$0	\$51,453	\$119	\$0	\$51,572
Deficiency/Withdrawn Appropriation	0	-260	0	0	-260
Cost Containment	0	0	0	0	0
Budget Amendments	0	-656	0	0	-656
Reversions and Cancellations	0	-4,753	-46	0	-4,799
Actual Expenditures	\$0	\$45,783	\$73	\$0	\$45,857
Fiscal 2019					
Legislative Appropriation	\$0	\$50,262	\$263	\$0	\$50,524
Budget Amendments	0	-263	0	0	-263
Working Appropriation	\$0	\$49,999	\$263	\$0	\$50,261

MDOT: Maryland Department of Transportation

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

Fiscal 2018

The Maryland Port Administration (MPA) spent approximately \$45.9 million in total funds during fiscal 2018, approximately \$5.7 million less than the legislative appropriation for the year.

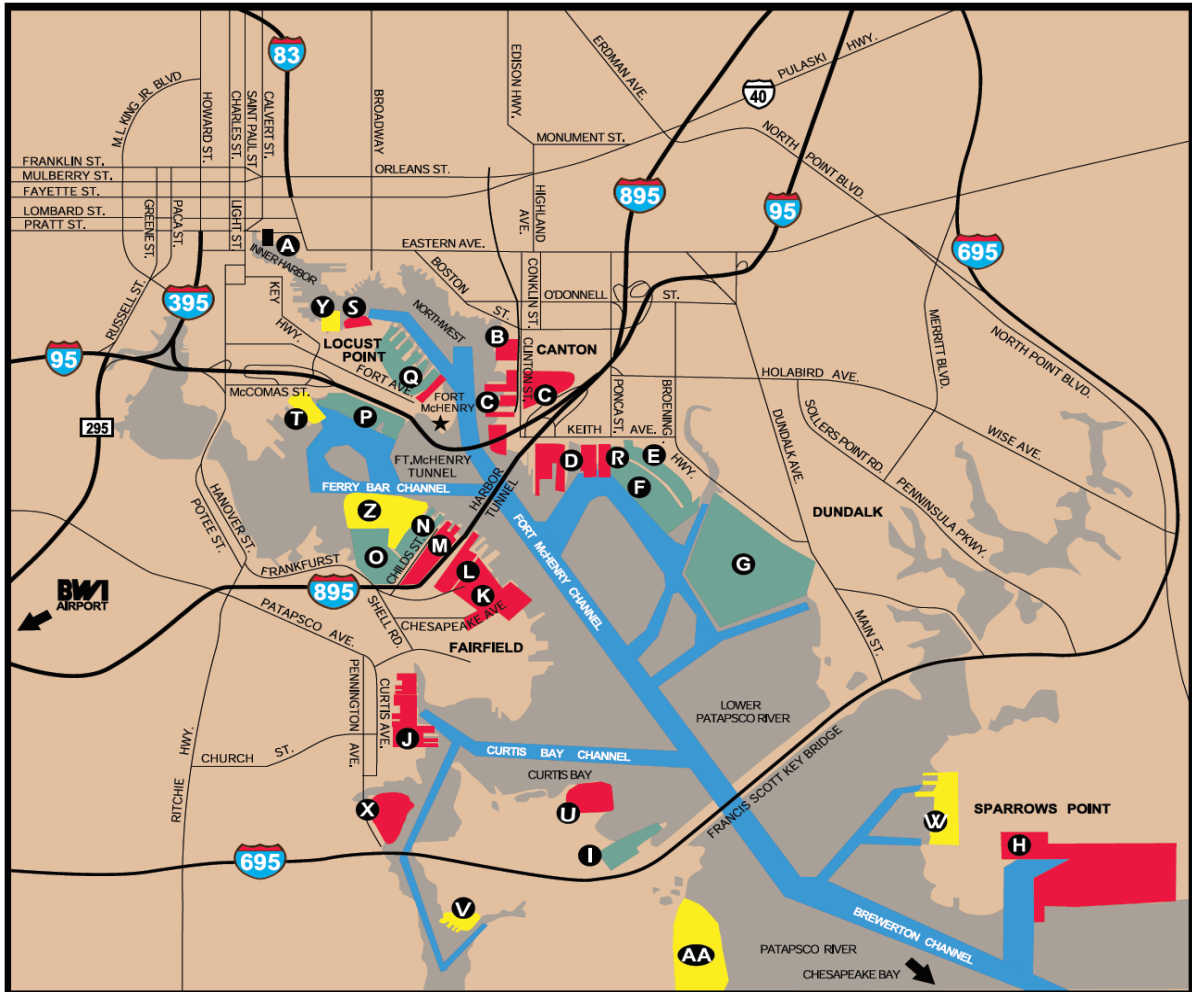
While MPA canceled federal funds totaling approximately \$46,000, the majority of the difference between the legislative appropriation and the fiscal 2018 actual expenses is due to changes in the MPA special fund appropriation. In total, special funds decreased by approximately \$5.7 million. Section 19 of the fiscal 2019 Budget Bill (Chapter 570 of 2018) included an across-the-board reduction for employee and retiree health insurance expenses in fiscal 2018 to reflect a surplus balance in the fund – the MPA share of this reduction was approximately \$0.3 million in special funds. Two budget amendments transferred funds between MPA and the Secretary’s Office (TSO) (J00A01) for expenses associated with the consolidation of the MPA human resources office within TSO. The net effect of these amendments is an approximate \$0.7 million reduction in special fund expenditures. Finally, MPA canceled approximately \$4.8 million in special funds for the following reasons:

- \$0.6 million in salary and fringe benefits due to lower than expected health care payments and overtime expenses;
- \$0.3 million due to reductions in the use of contractual full-time equivalents and outside legal support and counsel fees;
- \$0.6 million in utility fees and motor vehicle operations, as costs for these items were lower than expected;
- \$0.4 million due to delays in implementing maintenance under the Energy Performance Contract;
- \$1.4 million in debt payments for Phase I of the Masonville Auto Terminal due to advanced repayment of the debt balance in fiscal 2017;
- \$0.5 million in equipment and supply charges;
- \$0.3 million in grant payments to Pride of Baltimore, Inc., as funds appropriated for the grant exceeded funds payable under the grant agreement; and
- \$0.8 million in building exterior and structure improvements, which were delayed to align improvements with the MPA capital program projects.

Fiscal 2019

The fiscal 2019 working appropriation decreased by approximately \$0.3 million in special funds due to the combined effect of several budget amendments. A budget amendment transferred certain funds for human resources expenses back to MPA and transferred funds budgeted in MPA for a grant to Pride, Inc. for the operation of the *Pride of Baltimore II* to TSO, which will make payments to Pride, Inc. as required by Chapter 854 of 2018. The effect of this amendment was a net decrease of approximately \$0.4 million in special funds. This is offset by the effect of a budget amendment, which added approximately \$0.1 million to fund the 2% cost-of-living adjustment as authorized in the fiscal 2019 Budget Bill.

Appendix 2 Map of the Helen Delich Bentley Port of Baltimore



- | | | | |
|---|---|----|---|
| A | World Trade Center Baltimore (MPA Headquarters) | O | Masonville Auto Terminal (Public) |
| B | Petroleum Fuel and Terminal (Private) | P | South Locust Point Marine Terminal (Public) |
| C | Rukert Terminals Corporation (Private) | P | Cruise Maryland Terminal (Public) |
| D | CNX Marine Terminal (Private) | Q | North Locust Point Marine Terminal (Public) |
| E | Intermodal Container Transfer Facility (Public) | Q | Westway Terminal Co. (Private) |
| F | Seagirt Marine Terminal (Public) | R | National Gypsum (Private) |
| G | Dundalk Marine Terminal (Public) | S | Domino Sugar (Private) |
| H | Tradepoint Atlantic (Private) | T | Tyco (Other) |
| I | Hawkins Point Terminal (Public) | U | United States Gypsum (Private) |
| J | CSX Transportation Chesapeake Bay Piers (Private) | V | Coast Guard Yard (Other) |
| K | Chesapeake Auto Terminal, Vane Brothers (Private) | W | Bwi Sparrows Point LLC (Other) |
| L | NuStar Energy, L.P. (Private) | X | Hess Corp. and Bitumar USA Inc. (Private) |
| L | Liquid Transfer (Private) | Y | General Ship Repair (Other) |
| M | Atlantic Auto Terminal (Private) | Z | Masonville DMCF (Other) |
| N | Fairfield Auto Terminal (Public) | AA | Cox Creek DMCF (Other) |

DMCF: Dredged Material Containment Facility

MPA: Maryland Port Authority

Source: Maryland Port Authority

Appendix 3
Object/Fund Difference Report
MDOT – Maryland Port Administration

<u>Object/Fund</u>	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u> <u>Appropriation</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19 - FY 20</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	174.00	173.00	174.00	1.00	0.6%
02 Contractual	0.20	0.70	0.70	0.00	0%
Total Positions	174.20	173.70	174.70	1.00	0.6%
Objects					
01 Salaries and Wages	\$ 17,108,001	\$ 17,755,938	\$ 18,177,226	\$ 421,288	2.4%
02 Technical and Special Fees	150,269	469,408	572,568	103,160	22.0%
03 Communication	348,237	332,507	366,892	34,385	10.3%
04 Travel	387,983	593,497	530,737	-62,760	-10.6%
06 Fuel and Utilities	5,259,941	5,514,264	5,681,461	167,197	3.0%
07 Motor Vehicles	690,052	983,494	1,013,753	30,259	3.1%
08 Contractual Services	16,992,703	18,681,513	18,963,883	282,370	1.5%
09 Supplies and Materials	686,001	914,115	927,615	13,500	1.5%
10 Equipment – Replacement	190,960	381,725	381,725	0	0%
11 Equipment – Additional	100,856	213,125	213,125	0	0%
12 Grants, Subsidies, and Contributions	275,000	25,000	25,000	0	0%
13 Fixed Charges	3,392,722	3,495,331	3,590,403	95,072	2.7%
14 Land and Structures	273,887	901,315	337,862	-563,453	-62.5%
Total Objects	\$ 45,856,612	\$ 50,261,232	\$ 50,782,250	\$ 521,018	1.0%
Funds					
03 Special Fund	\$ 45,783,459	\$ 49,998,672	\$ 50,782,250	\$ 783,578	1.6%
05 Federal Fund	73,153	262,560	0	-262,560	-100.0%
Total Funds	\$ 45,856,612	\$ 50,261,232	\$ 50,782,250	\$ 521,018	1.0%

MDOT: Maryland Department of Transportation

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

**Appendix 4
Fiscal Summary
MDOT – Maryland Port Administration**

<u>Program/Unit</u>	<u>FY 18 Actual</u>	<u>FY 19 Wrk Approp</u>	<u>FY 20 Allowance</u>	<u>Change</u>	<u>FY 19 - FY 20 % Change</u>
2010 Port Operations	\$ 45,856,612	\$ 50,261,232	\$ 50,782,250	\$ 521,018	1.0%
2020 Port Facilities and Capital Equipment	94,201,134	117,553,000	137,357,000	19,804,000	16.8%
Total Expenditures	\$ 140,057,746	\$ 167,814,232	\$ 188,139,250	\$ 20,325,018	12.1%
Special Fund	\$ 130,219,593	\$ 164,471,672	\$ 180,226,250	\$ 15,754,578	9.6%
Federal Fund	9,838,153	3,342,560	7,913,000	4,570,440	136.7%
Total Appropriations	\$ 140,057,746	\$ 167,814,232	\$ 188,139,250	\$ 20,325,018	12.1%

MDOT: Maryland Department of Transportation

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

Appendix 5
Budget Amendments for Fiscal 2019
Maryland Department of Transportation
Maryland Port Administration – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Active	-\$401,457	Special	Decrease in special funds due to the transfer of the Pride of Baltimore grant to The Secretary’s Office (TSO) from the Maryland Port Authority (MPA) (\$500,000) and the transfer and realignment of the consolidated human resource services back to MPA from TSO (\$98,543).
Active	138,476	Special	Increase for the cost-of-living adjustment (COLA) as authorized in the fiscal 2019 Budget Bill.
Projected	121,676	Special	To fund the 0.5% COLA increase and a \$500 bonus effective April 1, 2019.
Total	-\$141,305		

Source: Maryland Department of Transportation

Appendix 6
Budget Amendments for Fiscal 2019
Maryland Department of Transportation
Maryland Port Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Active	\$34,016	Special	Increase for the cost-of-living adjustment (COLA) as authorized in the fiscal 2019 Budget Bill.
Pending	-\$10,311,099	Special	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the Maryland Department of Transportation fiscal 2019 to 2024 final <i>Consolidated Transportation Program</i> .
	937,000	Federal	
Subtotal	-\$9,374,099		
Projected	\$25,713	Special	To fund the 0.5% COLA increase and a \$500 bonus effective April 1, 2019.
Total	-\$9,314,370		

Source: Maryland Department of Transportation