

**J00J00**  
**Maryland Transportation Authority**  
Maryland Department of Transportation

***Executive Summary***

---

The Maryland Transportation Authority (MDTA) has exclusive authority relating to the supervision, financing, construction, operation, maintenance, and repair of Maryland’s toll facilities as well as for financing new revenue producing transportation projects authorized under law.

***Operating Budget Data***

---

(\$ in Thousands)

|                                  | <b><u>FY 18</u></b>  | <b><u>FY 19</u></b>   | <b><u>FY 20</u></b>     | <b><u>FY 19-20</u></b> | <b><u>% Change</u></b>   |
|----------------------------------|----------------------|-----------------------|-------------------------|------------------------|--------------------------|
|                                  | <b><u>Actual</u></b> | <b><u>Working</u></b> | <b><u>Allowance</u></b> | <b><u>Change</u></b>   | <b><u>Prior Year</u></b> |
| Nonbudgeted Fund                 | \$423,763            | \$418,552             | \$423,668               | \$5,116                | 1.2%                     |
| Adjustments                      | 0                    | 0                     | 0                       | 0                      |                          |
| <b>Adjusted Nonbudgeted Fund</b> | <b>\$423,763</b>     | <b>\$418,552</b>      | <b>\$423,668</b>        | <b>\$5,116</b>         | <b>1.2%</b>              |
| <b>Adjusted Grand Total</b>      | <b>\$423,763</b>     | <b>\$418,552</b>      | <b>\$423,668</b>        | <b>\$5,116</b>         | <b>1.2%</b>              |

- The fiscal 2020 allowance totals approximately \$423.7 million. When compared to the fiscal 2019 working appropriation, the fiscal 2020 allowance increases by approximately \$5.1 million, or 1.2%. The majority of the increase in the fiscal 2020 allowance is required to manage the rising nonpersonnel costs of MDTA. E-ZPass expenses increase by approximately \$2.6 million, including (1) \$1.8 million for increased E-ZPass service center fees, due to the anticipated increase in account volume expected as a result of the free transponder program; and (2) \$0.8 million for E-ZPass credit card and reciprocity fees, based on MDTA actual expenditures.
- Costs related to contractual payroll expenses increase by approximately \$0.7 million as MDTA continues to hire contractual toll collectors for cash toll collections versus filling regular positions. This decision is based on the movement away from cash toll collections and toward all-electronic tolling.

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

For further information contact: Matthew J. Mickler

Phone: (410) 946-5530

## ***PAYGO Capital Budget Data***

(\$ in Thousands)

|              | Fiscal 2018      | Fiscal 2019        |                  | Fiscal 2020      |
|--------------|------------------|--------------------|------------------|------------------|
|              | <u>Actual</u>    | <u>Legislative</u> | <u>Working</u>   | <u>Allowance</u> |
| Nonbudgeted  | \$307,877        | \$424,245          | \$375,206        | \$382,511        |
| <b>Total</b> | <b>\$307,877</b> | <b>\$424,245</b>   | <b>\$375,206</b> | <b>\$382,511</b> |

- The pay-as-you-go capital program for MDTA totals approximately \$382.5 million in fiscal 2020. When divided into spending by facility, the Baltimore Harbor Tunnel receives 27% of programmed funds in fiscal 2020, due to funding programmed for the I-895 Bridge Replacement project (formerly identified as the Canton Viaduct project).
- When comparing six-year total costs by project in the MDTA capital program, two large projects stand out: (1) the extension of the northbound I-95 Express Toll Lanes (ETL) to Maryland Route 24 and (2) the replacement of the Governor Harry W. Nice/Senator Thomas “Mac” Middleton Bridge. When combined, these projects represent 47.4% of the total six-year capital program costs for MDTA, or approximately \$1.5 billion.

## ***Operating and PAYGO Personnel Data***

|                                    | <u>FY 18<br/>Actual</u> | <u>FY 19<br/>Working</u> | <u>FY 20<br/>Allowance</u> | <u>FY 19-20<br/>Change</u> |
|------------------------------------|-------------------------|--------------------------|----------------------------|----------------------------|
| Regular Operating Budget Positions | 1,748.00                | 1,748.00                 | 1,748.00                   | 0.00                       |
| Regular PAYGO Budget Positions     | <u>0.00</u>             | <u>0.00</u>              | <u>0.00</u>                | <u>0.00</u>                |
| <b>Total Regular Positions</b>     | <b>1,748.00</b>         | <b>1,748.00</b>          | <b>1,748.00</b>            | <b>0.00</b>                |
| Operating Budget FTEs              | 0.00                    | 0.00                     | 0.00                       | 0.00                       |
| PAYGO Budget FTEs                  | <u>0.00</u>             | <u>0.00</u>              | <u>0.00</u>                | <u>0.00</u>                |
| <b>Total FTEs</b>                  | <b>0.00</b>             | <b>0.00</b>              | <b>0.00</b>                | <b>0.00</b>                |
| <b>Total Personnel</b>             | <b>1,748.00</b>         | <b>1,748.00</b>          | <b>1,748.00</b>            | <b>0.00</b>                |

### **Vacancy Data: Regular Positions**

|   |       |       |
|---|-------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 45.5  | 2.6%  |
| Positions and Percentage Vacant as of 01/01/2019          | 163.0 | 9.32% |

- Total regular positions in fiscal 2020 remain level with the fiscal 2019 working appropriation. The actual vacancy rate is approximately 6.7 percentage points over budgeted turnover. MDTA is holding 18 toll collector and shift supervisor positions vacant as MDTA intends to move to all-electronic tolling. Currently, MDTA is utilizing contractual workers to backfill new vacancies for these positions. In addition, long recruitment times and high turnover result in a number of vacant MDTA police positions. Finally, MDTA is experiencing difficulty recruiting labor and skilled trade positions due to salary limitations and lack of interest.

## ***Key Observations***

---

- MDTA projects continued growth in both the volume of traffic using its facilities and, by the nature of this, continued growth in toll revenues. E-ZPass usage by MDTA customers continues to grow as well, with 78.8% of tolls collected using E-ZPass in fiscal 2018.
- The January 2019 MDTA forecast projects that MDTA will meet all its coverage ratios for debt throughout the forecast period while taking on its first new issuances of Authority debt (Transportation Facilities Projects Revenue Bonds and Transportation Infrastructure Finance and Information Act draws) since 2015. However, the January 2019 MDTA forecast does not account for known general salary increases due to the timing of its development. The Department of Legislative Services (DLS) notes that MDTA will likely fall below its required level of unencumbered cash in fiscal 2020.
- MDTA plans to make three loans to the Maryland Department of Transportation for the benefit of the Maryland Aviation Administration and the State Highway Administration as well as take on an extension of the northbound I-95 ETLs. Several questions surround the issuance of the loans and whether this represents sound fiscal policy for MDTA. Further, DLS notes that given the current projections, the I-95 ETLs project appears to be unaffordable.

## **Operating Budget Recommended Actions**

1. Report on the financial plan for the expansion of the northbound I-95 Express Toll Lanes to MD 24.

## **PAYGO Budget Recommended Actions**

1. Nonbudgeted.

**J00J00**  
**Maryland Transportation Authority**  
**Maryland Department of Transportation**

## ***Budget Analysis***

---

### **Program Description**

The Maryland Transportation Authority (MDTA) has exclusive authority relating to the supervision, financing, construction, operation, maintenance, and repair of Maryland's toll facilities as well as for financing new revenue producing transportation projects authorized under law. MDTA divides its facilities into three regions and has jurisdiction over the following facilities:

- ***Northern Region:*** includes the Thomas J. Hatem Memorial Bridge (US 40), the John F. Kennedy Memorial Highway (I-95), and the Express Toll Lanes (ETL) on I-95;
- ***Central Region:*** includes the Baltimore Harbor (I-895) and Fort McHenry (I-95) tunnels and thruways, the Francis Scott Key Bridge (I-695), and I-395 leading to Baltimore City; and
- ***Southern Region:*** includes the Governor Harry W. Nice/Senator Thomas "Mac" Middleton Bridge (Nice/Middleton Bridge) (US 301), the William Preston Lane, Jr. Memorial Bridge (US 50/301), and the Intercounty Connector (ICC) (MD 200).

Membership of the MDTA board is comprised of eight members appointed by the Governor with the advice and consent of the Senate. The Secretary of Transportation serves as the chairman of MDTA. MDTA's revenues are held separately from the Transportation Trust Fund (TTF), and the agency operates off budget.

MDTA's police force is responsible for security and law enforcement services at all of MDTA's toll facilities except the northern region of I-95, which is patrolled by the Department of State Police. MDTA is also under contract with the Maryland Aviation Administration (MAA) to provide law enforcement services at the Baltimore-Washington International Thurgood Marshall Airport (BWI Marshall Airport) and with the Maryland Port Administration (MPA) to provide law enforcement services at MPA-owned facilities at the Port of Baltimore.

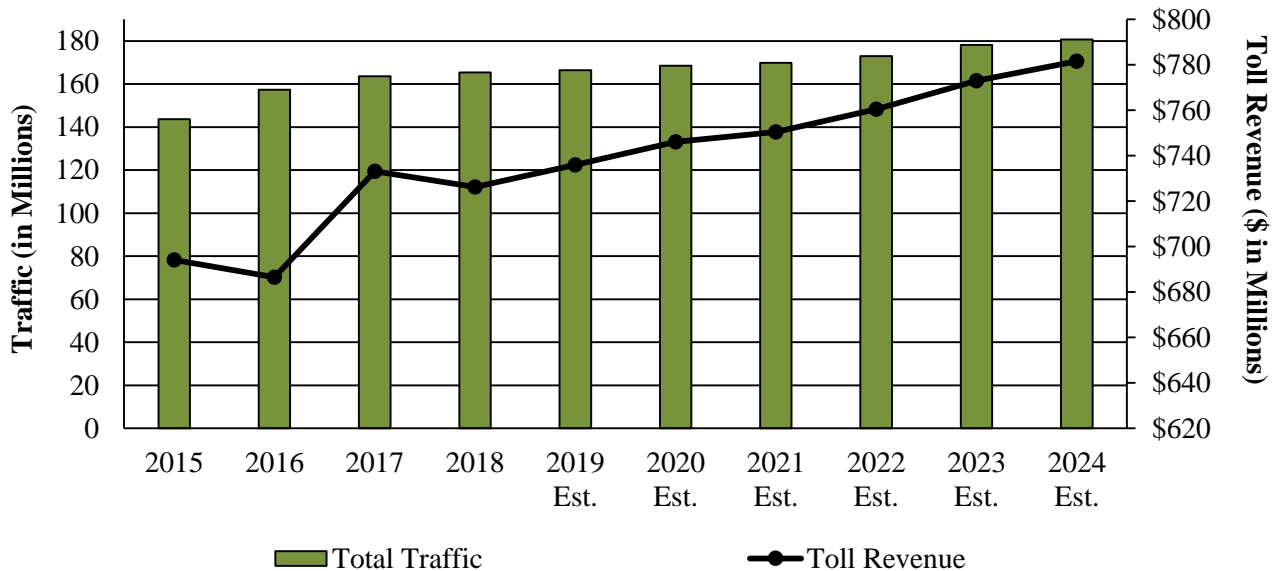
MDTA's goal is to be a financial steward of its dedicated revenue sources that are used to provide vital transportation links that move people and commerce in Maryland.

## Performance Analysis: Managing for Results

### 1. Toll Traffic Increases, While Revenue Projections Are Readjusted

The first goal of MDTA is to efficiently move people and goods across the State. **Exhibit 1** shows the annual tolled traffic and toll revenue at MDTA’s facilities from fiscal 2015 through the 2024 estimate. In fiscal 2018, traffic totaled 165.3 million vehicles, an increase of 1.0% over fiscal 2017. Toll revenue in fiscal 2018 totaled \$726.2 million, a 1.0% decrease from fiscal 2017. This is driven by a 26.1% decrease in other toll revenue during fiscal 2018 as civil penalty revenues declined due to a timing issue with the State’s tax intercept program, and MDTA elimination of the E-ZPass transponder fee. From fiscal 2019 through the end of the forecast period, MDTA anticipates continued growth in both vehicle traffic and toll revenue. In fiscal 2023, traffic and toll revenues generated are projected to increase by 35.5% and 46.9%, respectively, on the I-95 John F. Kennedy Memorial Highway (I-95) ETLs. Projections in these years assume increased utilization of the ETLs following expansion of the northbound ETLs to MD 24, which is currently programmed in the Maryland Department of Transportation (MDOT) *Consolidated Transportation Program (CTP)*.

**Exhibit 1**  
**Annual Tolled Traffic and Toll Revenue**  
**Fiscal 2015-2024 Est.**

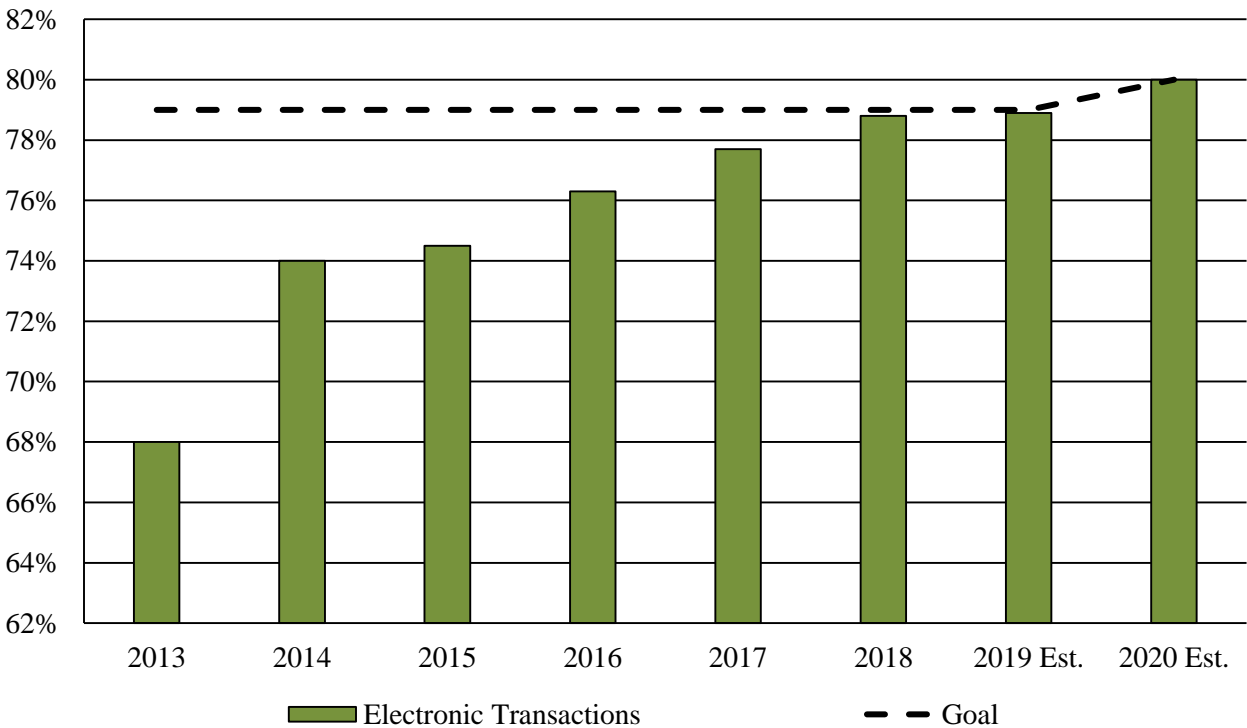


Source: Maryland Transportation Authority

## 2. E-ZPass Use Continues to Increase

Electronic toll transactions reduce costs and expedite the toll collection process; reduce delays at toll plazas; reduce vehicle idling time, thereby reducing emissions; and allow for the efficient movement of goods and people. E-ZPass electronic toll collection is available at all Maryland toll facilities as well as in central Florida, parts of the Midwest, and most of the northeastern United States. **Exhibit 2** shows the percentage of tolls collected with E-ZPass at all of MDTA’s toll facilities by fiscal year. In fiscal 2018, MDTA collected 78.8% of tolls with E-ZPass, nearly meeting the goal to collect 79% of all tolls with E-ZPass in the fiscal year. E-ZPass use is expected to increase in future years, in part, due to the elimination of the \$7.50 transponder fee in fiscal 2018; new initiatives to improve customer service, including the creation of a new E-ZPass mobile website; and public outreach campaigns promoting E-ZPass use. This goal increases to 80% of tolls collected using E-ZPass by fiscal 2020.

**Exhibit 2**  
**Percentage of Tolls Collected Using E-ZPass**  
**Fiscal 2013-2020 Est.**



Source: Department of Budget and Management

## Fiscal 2018 Closeout

The approximate changes in fiscal 2018 spending are shown in **Exhibit 3**. Fiscal 2018 actual operations spending at MDTA totaled approximately \$423.8 million, or \$19.4 million less than the legislative appropriation of \$443.2 million.

---

**Exhibit 3**  
**MDTA Operating Budget Closeout**  
**Fiscal 2018**  
**(\$ in Millions)**

|  |                | <b>Nonbudgeted<br/>Funds</b> |
|--|----------------|------------------------------|
| <b>Fiscal 2018 Legislative Appropriation</b>   |                | <b>\$443.2</b>               |
| Free E-ZPass transponder fee program costs .....   | \$3.1          |                              |
| Credit card fees and mailings .....  | 2.6            |                              |
| Management studies, bank fees, and office assistance .....   | 0.6            |                              |
| Insurance expenses .....   | -0.3           |                              |
| Vehicle maintenance and fuel costs associated with maintaining a newer fleet of vehicles .....                                     | -0.3           |                              |
| Supply and utility costs .....   | -1.0           |                              |
| IT expenses due to changes in timing, cash flow requirements, and a reduction in the number of devices provided to employees ..... | -3.2           |                              |
| Debt service due to partial payoff of 2007 bond series .....   | -6.4           |                              |
| Use of capital funds for applicable employee salary and repair expenses .....  | -14.5          |                              |
| <b>Subtotal</b> .....  | <b>-\$19.4</b> |                              |
| <b>Fiscal 2018 Actual Spending</b>   |                | <b>\$423.8</b>               |

IT: information technology  
MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority

---

## Proposed Budget

As shown in **Exhibit 4**, the fiscal 2020 allowance increases by approximately \$5.1 million, or 1.2%. Total personnel expenses increase by approximately \$0.2 million, due to an increase of approximately \$0.9 million for pension expenses. This is offset by approximately \$0.7 million in reduced costs associated with salary and fringe benefits.

**Exhibit 4**  
**Proposed Budget**  
**Maryland Transportation Authority**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>   | <b>Nonbudgeted<br/>Fund</b> | <b>Total</b>   |
|---|-----------------------------|----------------|
| Fiscal 2018 Actual  | \$423,763                   | \$423,763      |
| Fiscal 2019 Working Appropriation   | 418,552                     | 418,552        |
| Fiscal 2020 Allowance   | <u>423,668</u>              | <u>423,668</u> |
| Fiscal 2019-2020 Amount Change  | \$5,116                     | \$5,116        |
| Fiscal 2019-2020 Percent Change   | 1.2%                        | 1.2%           |
| <br><b>Where It Goes:</b>   |                             |                |
| <b>Personnel Expenses</b>   |                             |                |
| Pension expenses .....  |                             | \$900          |
| Employee and retiree health insurance .....   |                             | -200           |
| Workers’ compensation premium assessment .....  |                             | -200           |
| Salaries .....  |                             | -300           |
| <br><b>Other Changes</b>  |                             |                |
| E-ZPass service center expenses and credit card reciprocity fees .....                        |                             | 2,600          |
| Equipment, supplies, and vehicle replacements, primarily for MDTA police activity .....       |                             | 1600           |
| Contractual toll collector costs .....  |                             | 700            |
| Advertising based on actual spending .....  |                             | 500            |
| Increased spending for new information technology systems analysis and services contract..... |                             | 300            |
| Other contractual services based on actual spending .....                                     |                             | 300            |
| Enterprise information technology shared services fee to DoIT .....                           |                             | 300            |
| Rent costs for temporary relocation of staff during building renovations.....                 |                             | 200            |
| Server storage maintenance .....  |                             | -300           |
| One-time purchase of mobile video cameras for vehicle recovery trucks in fiscal 2019.....     |                             | -500           |
| Road repairs and maintenance.....   |                             | -500           |
| Utilities .....   |                             | -600           |
| Other.....  |                             | 316            |
| <b>Total</b>  |                             | <b>\$5,116</b> |

DoIT: Department of Information Technology

MDTA: Maryland Transportation Authority

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



The majority of the increase in the fiscal 2020 allowance is required to manage rising nonpersonnel costs. Cost related to E-ZPass increase by approximately \$2.6 million. The changes include (1) \$1.8 million for increased E-ZPass service center fees, due to the anticipated increase in account volume expected as a result of the free transponder program; and (2) \$0.8 million for E-ZPass credit card and reciprocity fees, based on prior MDTA actual expenditures. Costs related to contractual payroll expenses increase by approximately \$0.7 million as MDTA continues to hire contractual toll collectors for cash toll collections versus filling regular positions. This decision is based on the movement away from cash toll collections and toward all electronic tolling.

## **Financial Forecast**

Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a nonlapsing fund into which all MDTA revenues flow, except to the extent that they are pledged under a trust agreement. MDTA revenues come primarily from tolls as well as from concession income from travel plazas that it owns along I-95, investment income, and payments from MDOT. MDOT payments comprise reimbursement for police services provided at BWI Marshall Airport and the Port of Baltimore.

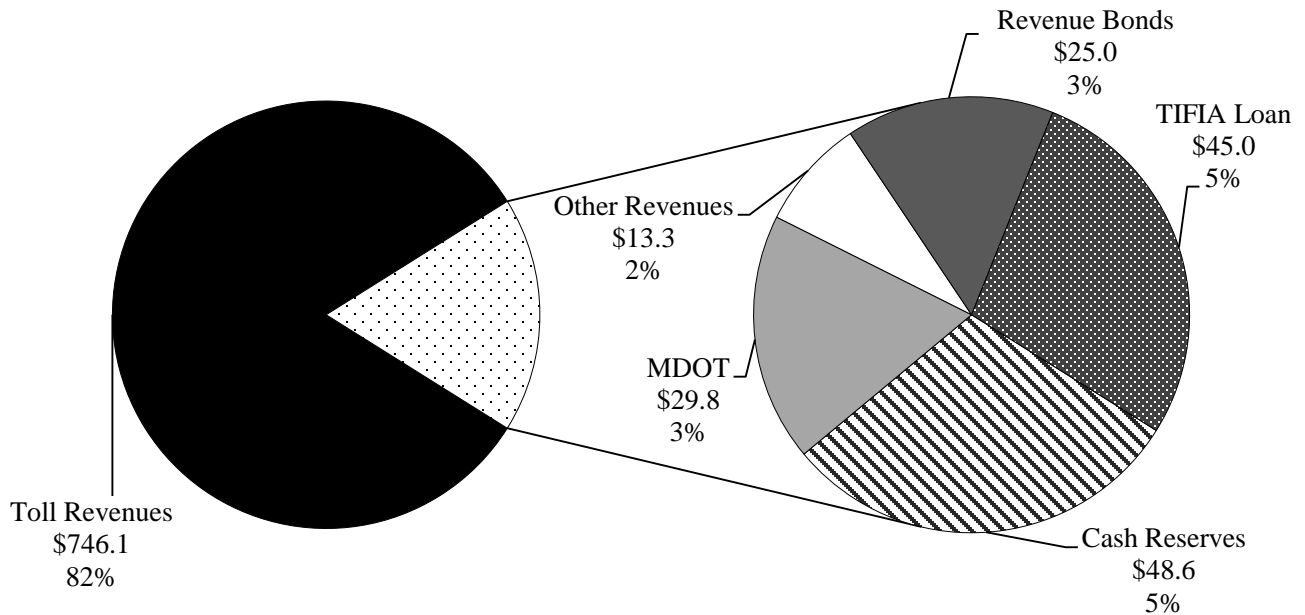
To support its capital program, MDTA may issue toll revenue bonds with a maturity of up to 40 years. Typically, MDTA issues its toll revenue bonds with a 30- to 33-year maturity. Chapters 471 and 472 of 2005 established a financing plan for ICC that included MDTA revenue bonds and a number of alternative funding sources specific to ICC. These funding sources included Grant Anticipation Revenue Vehicle (GARVEE) bonds, federal funds, a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, transfers from the TTF, and funds from the State's General Fund or proceeds from general obligation bonds.

The terms of MDTA's trust agreement with its bondholders are the driving force in MDTA finances. Maintaining its bond coverage ratios is the primary concern, and all revenue adjustments and operating and capital expenditures are managed to maintain these ratios. To this end, MDTA develops and maintains a six-year financial forecast. Section 4-210 of the Transportation Article requires MDTA to provide the General Assembly with a copy of its financial forecast by September 1 of each year and in conjunction with submission of the Governor's budget in January.

## Sources and Uses of Funding

**Exhibit 5** provides information on all of the funding supporting MDTA’s fiscal 2020 operating and capital budgets. As is typical, the primary source of fiscal 2020 funding is toll revenues, totaling \$746.1 million. Unlike in recent years, MDTA will issue \$25 million in revenue bonds and draw \$45 million from a federal TIFIA loan for the Nice/Middleton Bridge. Additionally, MDTA will use \$48.6 million in cash reserves to make up the majority of its remaining funding needs.

**Exhibit 5**  
**Fiscal 2020 Sources of Funding**  
(**\$ in Millions**)

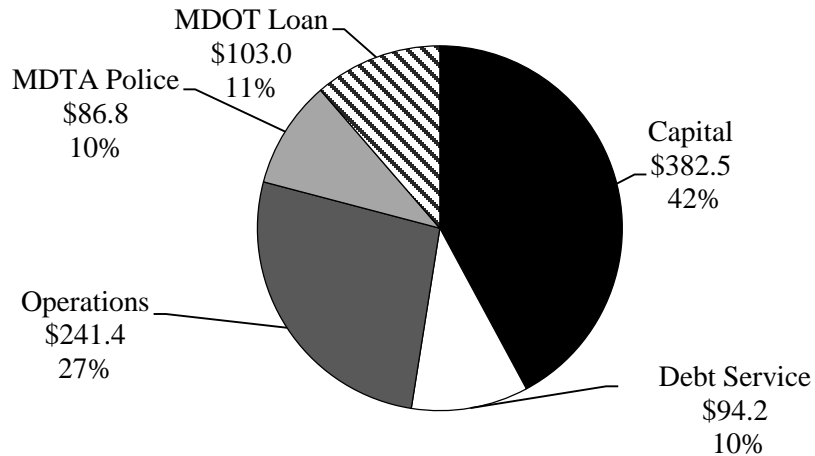


MDOT: Maryland Department of Transportation  
TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority, January 2019 *Financial Forecast*

**Exhibit 6** provides a breakdown of fiscal 2020 spending by category. The capital program accounts for about 42% of all spending in fiscal 2020. The operating budget, including the operating budget for the MDTA police but excluding debt service, accounts for about 37% of all spending. Debt service payments account for 14% of spending in fiscal 2020, while the remaining 11% of spending is due to the issuance of loans from MDTA to various MDOT operational modes. These loans will be discussed in greater detail later in this analysis.

**Exhibit 6**  
**Fiscal 2020 Uses of Funding**  
**(\$ in Millions)**



MDOT: Maryland Department of Transportation  
MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority, January 2019 *Financial Forecast*; Governor's Fiscal 2020 Budget Books

---

## **Toll Revenues**

Toll revenues are the primary revenue source for MDTA. Total toll revenue is expected to increase from \$735.9 million in fiscal 2019 to \$746.1 million in fiscal 2020, an increase of \$10.2 million, or 1.4%. Toll revenues are expected to grow to \$781.6 million in fiscal 2024, the final year of the forecast period. Traffic is estimated to grow at an average annual rate of approximately 1.8% per year from fiscal 2020 through 2024, according to the January 2019 MDTA *Financial Forecast*.

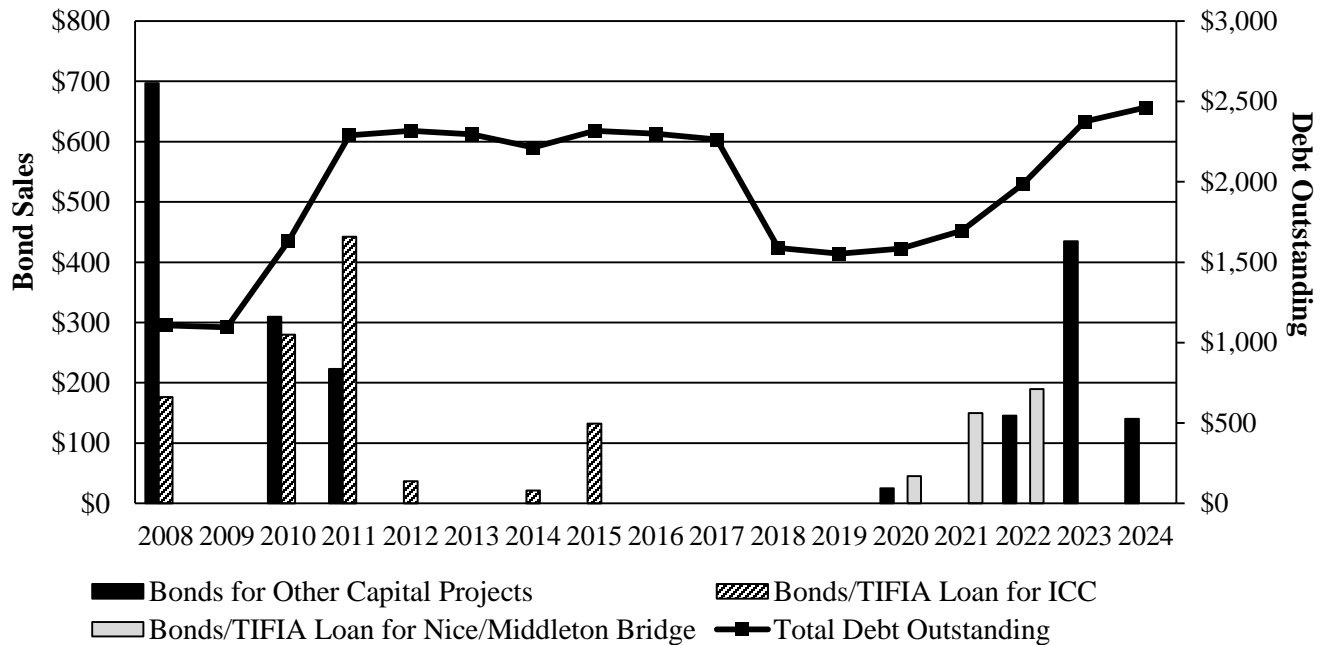
## **Debt Service**

The total of debt service payments in the January 2019 MDTA forecast is \$103.7 million less than the January 2018 MDTA forecast for the comparable 2018 to 2023 period. MDTA used cash reserves to support a revenue bond defeasance of \$603.7 million in fiscal 2018; as such, the anticipated fiscal 2020 debt service costs are \$94.2 million versus \$124.6 million as forecast in the January 2018 MDTA forecast. However, fiscal 2020 also represents the first year with programmed debt for the construction of the Nice/Middleton Bridge. Additional debt issuances to support this and other MDTA projects are programmed in fiscal 2021 through 2024 of the MDTA forecast. This will cause debt service payments to rise to an estimated \$155.7 million in fiscal 2024.

## Revenue Bonds

MDTA plans to take on debt in fiscal 2020, two years earlier than expected in the January 2018 financial forecast. The new debt is tied to the construction of the replacement for the Nice/Middleton Bridge (\$45.0 million TIFIA loan) and facility improvements (\$25.0 million in new Transportation Facilities Projects revenue bonds). **Exhibit 7** shows the total debt outstanding in each year from fiscal 2008 through 2024 and debt issued or TIFIA loan draws. Due to the aforementioned revenue bond defeasance in fiscal 2018, total debt outstanding is well below the statutory debt outstanding limit of \$2.325 billion implemented in Chapter 489 of 2015. This limit is in effect through fiscal 2020 after which it returns to \$3 billion.

**Exhibit 7**  
**Bond Sales and Debt Outstanding**  
**Fiscal 2008-2024**  
**(\$ in Millions)**



ICC: Intercounty Connector  
 TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority’s January 2019 *Financial Forecast*

## **Debt Affordability**

Statute provides that MDTA may issue bonds without obtaining the consent of any unit or agency in the State, as long as total bonds do not exceed \$3 billion at the end of any fiscal year (or \$2.325 billion until June 30, 2020, as previously noted). MDTA debt backed by toll revenues is not considered State debt and, therefore, is not limited by the State's debt affordability measures. MDTA does, however, have its own measures to ensure that debt outstanding remains affordable. Coverage ratios include the following:

- The rate covenant compliance ratio, as stipulated in the trust agreement, requires that the ratio of net revenues (total revenues minus operating expenses) to the amount deposited into the Maintenance and Operating Reserve Account plus 120.0% of debt service be at least 1.00. The additional bonds test requires the rate covenant to be met on a five-year prospective basis. The fiscal 2020 rate covenant compliance ratio is projected to be 3.94, and adequate coverage is provided through the forecast period.
- A second ratio is the debt service coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that the ratio must be at least 1.2, Chapter 489 requires a debt service coverage ratio of 2.5 through fiscal 2020. Starting in fiscal 2021, MDTA will return to its administrative policy, which requires the ratio to be at or above 2.0. In fiscal 2020, the debt coverage ratio is 4.90. MDTA projects that the debt service coverage ratio is met throughout the forecast period at levels exceeding both the legal requirement and MDTA's administrative minimum coverage policy. However, the debt service coverage ratio declines in later forecast years (2.88 projected for fiscal 2024). As debt service continues to account for a greater portion of available revenues, less cash will be available for capital expenditures in the future.
- Chapter 489 codified MDTA's administrative policy of maintaining an unencumbered cash balance of \$350 million through fiscal 2020. Bond rating agencies view the amount of cash on hand relative to operating expenses as a liquidity measure to ensure that operations can continue even if revenues are lower than expected, expenses are higher than expected, or if there is a temporary loss of revenue generation. MDTA reports that for other AA-rated toll agencies, the median cash on hand is sufficient to fund operations for 9 to 18 months. In fiscal 2020, operating expenses including debt service total \$422.4 million, and the unencumbered cash balance is expected to be \$354.4 million, or about 10 months of operating expenses. This falls to approximately 8 months in fiscal 2024. After fiscal 2020, MDTA reports unencumbered cash equal to or slightly in excess of \$350 million throughout the forecast period.

## **Conduit Financing**

In addition to its own revenue bonds, MDTA also issues debt on behalf of other entities, called conduit financing. The following projects were financed by MDTA using conduit financing:

*J00J00 – MDOT – Maryland Transportation Authority*

- a total of \$604 million of projects associated with the \$1.4 billion expansion project at BWI Marshall Airport, including the Elm Road parking facility, pedestrian bridges, roadway improvements, a central utility plant, and a new consolidated rental car facility, which are backed by fees at BWI Marshall Airport. A new issuance of \$120 million in passenger facility charge-backed bonds is planned for late fiscal 2019, pending the appropriate approvals from the Federal Aviation Administration and the State;
- \$40 million for three parking facilities at Largo, New Carrollton, and College Park, which are backed by lease payments from the Washington Metropolitan Area Transit Authority;
- \$23.8 million for the Calvert Street parking garage in Annapolis for State employees, which is backed by general fund lease payments from the Department of General Services; and
- \$750 million in GARVEE bonds to fund construction of ICC, which is backed by future federal highway aid with a secondary pledge from the TTF. MDTA anticipates a refunding of the 2008 series of GARVEE bonds in fiscal 2019.

**Exhibit 8** shows debt service and debt outstanding for MDTA’s conduit financed bonds. In fiscal 2020, debt service on the conduit issuances will total \$96.7 million with debt outstanding of \$373.3 million. The debt service for these projects is paid by the revenues from the projects and does not affect MDTA’s debt outstanding or its budget.

---

**Exhibit 8**  
**Debt Service Payments and Debt Outstanding on Conduit Projects**  
**Fiscal 2018-2020**  
**(\$ in Thousands)**

|  | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|
| <b>Debt Service Payments</b>                           |             |             |             |
| 2002 Series – BWI Marshall Airport Rental Car Facility | \$8,966     | \$8,957     | \$8,949     |
| 2007 GARVEE  | 1,462       | 0           | 0           |
| 2008 GARVEE  | 51,365      | 51,362      | 0           |
| 2017 Refunding GARVEE                                  | 33,227      | 34,816      | 0           |
| 2019 Refunding GARVEE <sup>1</sup>                     | 0           | 0           | 49,960      |
| 2012 A&B Series – BWI Marshall Airport Parking         | 18,230      | 18,171      | 18,166      |
| 2012 A Series – PFC BWI Marshall Airport               | 3,970       | 3,929       | 3,905       |
| 2012 B Series – PFC BWI Marshall Airport               | 7,967       | 7,966       | 7,971       |
| 2012 C Series – PFC BWI Marshall Airport <sup>2</sup>  | 868         | 868         | 868         |
| 2014 Series – PFC BWI Marshall Airport                 | 2,953       | 2,952       | 2,953       |
| 2014 Series – WMATA Refunding Parking Garages          | 2,445       | 2,439       | 2,424       |

*J00J00 – MDOT – Maryland Transportation Authority*

|  | <u>2018</u>      | <u>2019</u>      | <u>2020</u>      |
|--|------------------|------------------|------------------|
| 2015 Series – Calvert Street Parking Garage Refunding  | 694              | 1,488            | 1,486            |
| <b>Total Debt Service Payments</b>                     | <b>\$132,147</b> | <b>\$132,948</b> | <b>\$96,682</b>  |
| <b>Debt Outstanding</b>                                |                  |                  |                  |
| 2002 Series – BWI Marshall Airport Rental Car Facility | \$84,560         | \$81,080         | \$77,375         |
| 2008 GARVEE  | 95,290           | 0                | 0                |
| 2017 Refunding GARVEE                                  | 34,390           | 0                | 0                |
| 2019 Refunding GARVEE <sup>1</sup>                     | 0                | 48,865           | 0                |
| 2012 A&B Series – BWI Marshall Airport Parking         | 125,515          | 113,620          | 101,135          |
| 2012 A Series – PFC BWI Marshall Airport               | 39,510           | 37,425           | 35,260           |
| 2012 B Series –PFC BWI Marshall Airport                | 63,485           | 57,220           | 50,705           |
| 2012 C Series – PFC BWI Marshall Airport <sup>2</sup>  | 43,400           | 43,400           | 43,400           |
| 2014 Series – PFC BWI Marshall Airport                 | 35,030           | 33,450           | 31,790           |
| 2014 Series – WMATA Refunding Parking Garages          | 22,320           | 20,685           | 18,990           |
| 2015 Series – Calvert Street Parking Garage Refunding  | 17,786           | 16,750           | 14,604           |
| <b>Total Debt Outstanding</b>                          | <b>\$561,286</b> | <b>\$452,495</b> | <b>\$373,259</b> |

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

GARVEE: Grant Anticipation Revenue Vehicles

PFC: Passenger Facility Charge

WMATA: Washington Metropolitan Area Transit Authority

<sup>1</sup> 2019 GARVEE refunding bonds expected.

<sup>2</sup> The debt service payments for the Series 2012 C Series variable rate bonds are conservatively modeled at 2% annually, and principal payments begin in 2028.

Source: Maryland Transportation Authority

---

## **PAYGO Capital Program**

### **Program Description**

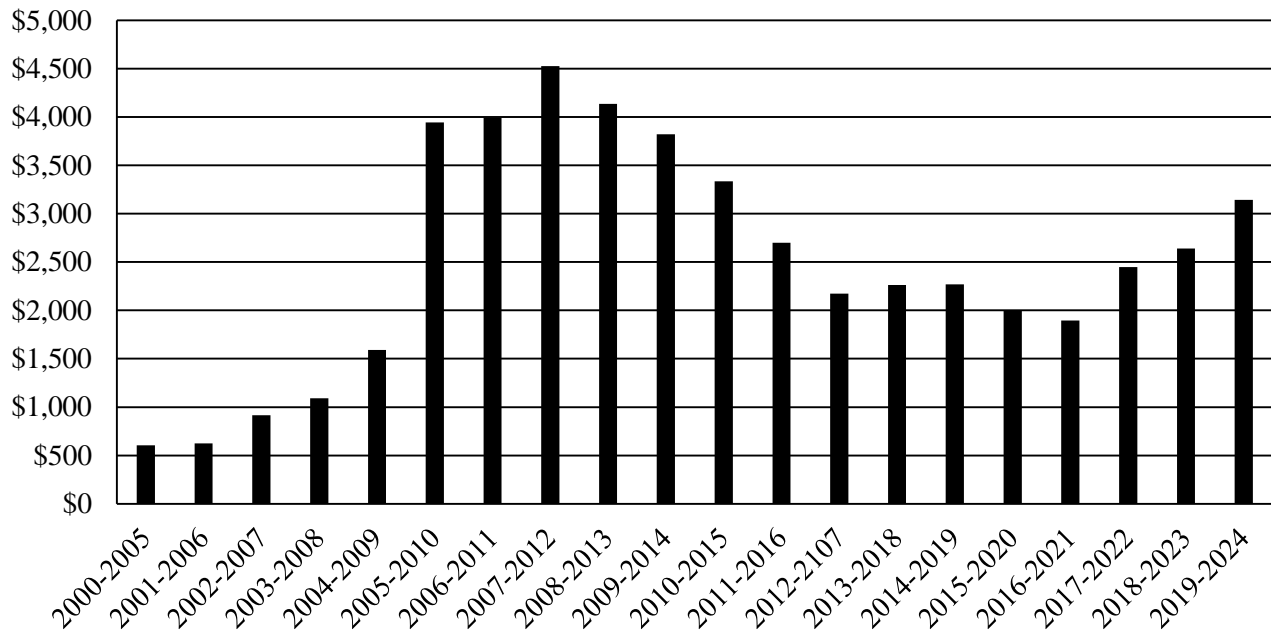
MDTA's capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State.

### **Fiscal 2019 to 2024 CTP**

**Exhibit 9** shows the size of MDTA's six-year capital program from fiscal 2000 through the fiscal 2019 to 2024 CTP. The six-year capital program totals approximately \$3.1 billion, an increase of

approximately \$503 million, or 19%, compared to the fiscal 2018 to 2023 CTP. This is primarily due to the addition of a project to extend the northbound ETLs on I-95 to MD 24. This project and the replacement of the Nice/Middleton Bridge, when combined, represent 47.4% of spending within the six-year period, while the remainder consists primarily of system preservation and minor projects at the various facilities operated by MDTA.

**Exhibit 9**  
**Size of the Six-year Consolidated Transportation Program**  
**Fiscal 2000-2024**  
**(\$ in Millions)**



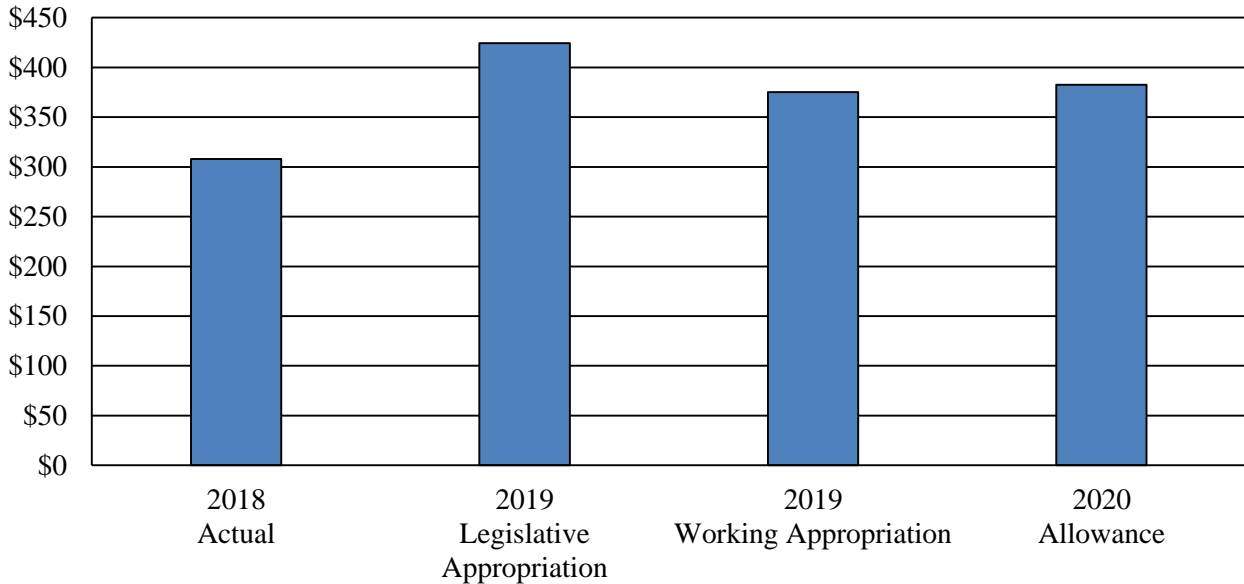
Source: Maryland Department of Transportation, Fiscal 2019-2024 *Consolidated Transportation Program*

**Fiscal 2019 and 2020 Cash Flow Analysis**

**Exhibit 10** shows the change in MDTA capital spending from fiscal 2018 actual through the fiscal 2020 allowance. Fiscal 2019 capital spending programmed in the fiscal 2019 to 2024 CTP (*i.e.*, the fiscal 2019 working appropriation) is approximately \$49.0 million less than the funding programmed in the fiscal 2018 to 2023 CTP, primarily due to a \$26.1 million decline in funding for system preservation and minor projects. A series of funding cuts in fiscal 2019 help offset the addition of the northbound I-95 ETLs extension to the construction program; approximately \$23.1 million is programmed for this project in fiscal 2019.



**Exhibit 10**  
**Cash Flow Changes**  
**Fiscal 2018-2020 Allowance**  
**(\$ in Millions)**



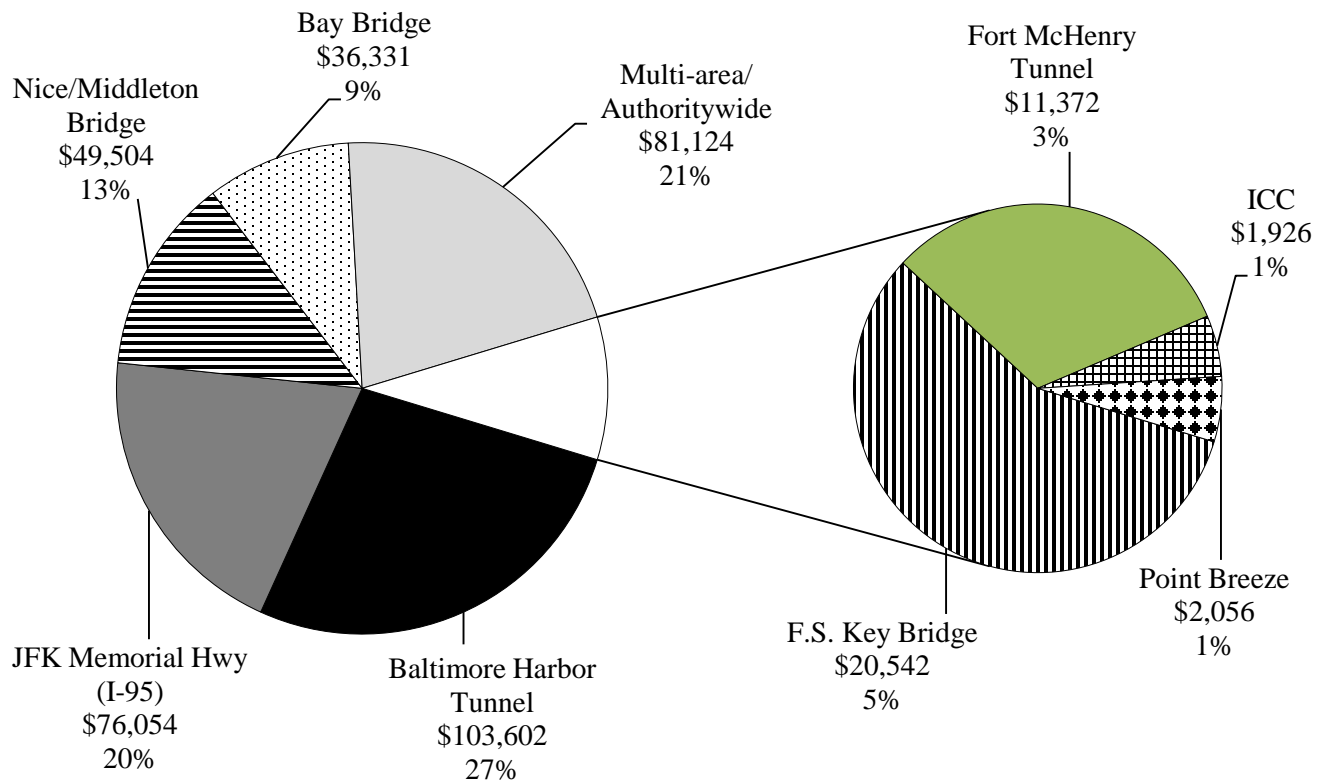
Source: Maryland Department of Transportation, Fiscal 2019-2024 *Consolidated Transportation Program*

Programmed funding for fiscal 2020 is approximately \$7.3 million more than the adjusted funding programmed in fiscal 2019, according to the fiscal 2019 to 2024 CTP. A \$6.3 million decrease in spending for system preservation and minor projects, adjustments to project schedules, the anticipated completion of several projects in 2019, and reduced costs for several projects offset substantial spending increases for the Nice/Middleton Bridge replacement (\$41.4 million) and I-95 ETLs (\$14.4 million) projects as well as a project to rehabilitate the decks of several bridges in Cecil County along I-95 (\$12.1 million).

## MDTA Projects Programmed to Receive Funding in Fiscal 2020

**Exhibit 11** shows capital funding programmed by facility in fiscal 2020. The largest share of spending is at the Baltimore Harbor Tunnel (\$103.6 million, or 27%), primarily due to the replacement of the Canton Viaduct. Sixty percent of MDTA’s spending is programmed for projects at three facilities – the Baltimore Harbor Tunnel, I-95, and the Nice/Middleton Bridge. Authoritywide spending consists of system preservation and minor projects unrelated to a particular facility and the implementation of the third generation electronic toll collection and operating system.

**Exhibit 11**  
**Capital Funding Programmed by MDTA Facility**  
**Fiscal 2020**  
**(\$ in Thousands)**



Bay Bridge: William Preston Lane, Jr. Memorial Bridge (US 50/301)

F.S. Key Bridge: Francis Scott Key Bridge

ICC: Intercounty Connector

JFK Memorial Hwy (I-95): John F. Kennedy Memorial Highway (I-95)

MDTA: Maryland Transportation Authority

Nice/Middleton Bridge: Governor Harry W. Nice/Senator Thomas “Mac” Middleton Bridge

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

**Exhibit 12** shows the projects included in the fiscal 2019 to 2024 CTP. The project with the largest programmed spending in fiscal 2020 is the I-895 Bridge replacement (or Canton Viaduct); MDTA anticipates spending approximately \$69.7 million on this project in fiscal 2020. While this is the largest single project by programmed spending in 2020, two projects – the Nice/Middleton Bridge replacement and the northbound I-95 ETLs extension to MD 24 – are more expensive, both in terms of total estimated cost and six-year total anticipated spend. In fiscal 2020, approximately \$48.9 million and \$37.5 million are programmed for these projects, respectively. Two additional projects are included in the CTP: (1) a Tier 1 National Environmental Policy Act study of a new William Preston Lane, Jr. Memorial Bridge crossing; and (2) a traffic relief planning study for I-295; however, because these studies are being paid for in the MDTA operating budget, the proposed spending in fiscal 2020 is not programmed into the MDTA capital plan as identified in the CTP.

**Exhibit 12**  
**MDTA Capital Allowance**  
**Fiscal 2020**  
**(\$ in Thousands)**

| <u>Facility</u>         | <u>Project Description</u>   | <u>2020</u>      | <u>Total<br/>Estimated<br/>Project Cost</u> | <u>Six-year<br/>Total</u> |
|-------------------------|--|------------------|---|---------------------------|
| Authoritywide           | Replace Electronic Toll Collection and Operating System              | \$36,856         | \$119,563                                   | \$86,240                  |
|                         | Install Security Systems and Video Surveillance at Major Bridges     | 0                | 13,504                                      | 181                       |
|                         | <b>Subtotal</b>  | <b>\$36,856</b>  | <b>\$133,067</b>                            | <b>\$86,421</b>           |
| Baltimore Harbor Tunnel | I-895 Bridge Replacement (former Replace Canton Viaduct)             | \$69,702         | \$251,465                                   | \$197,220                 |
|                         | Replace Vent Fans  | 9,128            | 70,874                                      | 41,726                    |
|                         | Replace Deck and Superstructure of Bridge over Patapsco Flats        | 4,385            | 61,273                                      | 17,218                    |
|                         | Replace 15KV Feeder Cables   | 4,317            | 8,751                                       | 8,588                     |
|                         | Rehabilitate Various Bridges <sup>1</sup>                            | -                | 30,715                                      | 1,524                     |
|                         | <b>Subtotal</b>  | <b>\$87,532</b>  | <b>\$423,078</b>                            | <b>\$266,276</b>          |
| Bay Bridge              | Structural Repairs and Miscellaneous Modifications                   | \$8,598          | \$53,395                                    | \$20,081                  |
|                         | Rehabilitate Suspension Spans Westbound Bridge                       | 7,822            | 36,599                                      | 18,941                    |
|                         | Clean and Paint Structural Steel Westbound Bridge                    | 6,740            | 102,753                                     | 16,990                    |
|                         | Replace 5KV Feeder Cable on Eastbound Span                           | 4,176            | 24,962                                      | 23,802                    |
|                         | Crossover Automated Lane Closure System <sup>2</sup>                 | 3,108            | 13,270                                      | 13,073                    |
|                         | Deck Rehabilitation and Misc. Modifications (Westbound) <sup>2</sup> | 2,769            | 15,856                                      | 15,005                    |
|                         | Rehabilitate Eastbound Bridge Deck                                   | 2,000            | 10,930                                      | 5,719                     |
|                         | Cable Rewrapping and Dehumidification <sup>1</sup>                   | -                | 60,846                                      | 147                       |
| <b>Subtotal</b>         | <b>\$35,213</b>  | <b>\$318,611</b> | <b>\$113,758</b>                            |                           |

| <u>Facility</u>             | <u>Project Description</u>   | <u>2020</u>     | <u>Total<br/>Estimated<br/>Project Cost</u> | <u>Six-year<br/>Total</u> |
|-----------------------------|--|-----------------|---|---------------------------|
| Fort McHenry Tunnel         | Deck Sealing and Miscellaneous Rehabilitation                          | \$2,867         | \$6,743                                     | \$6,385                   |
|                             | Rehabilitate Various Bridges on I-95 in Baltimore City                 | 2,783           | 8,859                                       | 6,823                     |
|                             | Rehabilitate Vent Fans <sup>3</sup>                                    | 1,630           | 47,949                                      | 46,119                    |
|                             | Moravia Road to Tunnel Improvements                                    | 977             | 73,807                                      | 17,007                    |
|                             | Replace Tunnel Lighting Systems  | 670             | 21,973                                      | 7,410                     |
|                             | Port Covington I-95 Access   | -               | 33,400                                      | 27,545                    |
|                             | Replace Weathering Steel High Mast Light Poles <sup>1</sup>            | -               | 17,356                                      | 476                       |
|                             | <b>Subtotal</b>  | <b>\$8,927</b>  | <b>\$210,087</b>                            | <b>\$111,765</b>          |
| Intercounty Connector       | Construction   | \$1,426         | \$2,377,278                                 | \$14,490                  |
| JFK Memorial Highway (I-95) | Electronic Toll Lane – Northern Extension <sup>2</sup>                 | \$37,478        | \$1,070,304                                 | \$747,725                 |
|                             | Resurfacing  | 13,398          | 58,815                                      | 25,516                    |
|                             | Rehabilitate Decks on Three Bridges in Cecil County                    | 12,866          | 16,174                                      | 15,736                    |
|                             | Remove, Replace, and Upgrade Sign Structures                           | 5,432           | 14,252                                      | 13,471                    |
|                             | Replace Deck of Bridge over Little Northeast Creek                     | 3,611           | 11,107                                      | 8,732                     |
|                             | I-95/Belvidere Road Interchange <sup>3</sup>                           | 125             | 22,625                                      | 22,625                    |
|                             | Electronic Toll Lane – Construction <sup>1</sup>                       | -               | 1,097,719                                   | 3,543                     |
|                             | Repair Substructure and Superstructure of Various Bridges <sup>1</sup> | -               | 12,831                                      | 1,440                     |
|                             | <b>Subtotal</b>  | <b>\$72,910</b> | <b>\$2,303,827</b>                          | <b>\$838,788</b>          |
| Francis Scott Key Bridge    | Asphalt Resurfacing  | \$8,542         | \$10,138                                    | \$9,719                   |
|                             | Clean and Paint Structural Steel of Approach Spans                     | 2,208           | 7,576                                       | 6,797                     |
|                             | Rehabilitate Substructure and Superstructure of Various Bridges        | 201             | 12,961                                      | 4,412                     |
|                             | Rehabilitation of the Curtis Creek Bridges <sup>1</sup>                | -               | 24,738                                      | 8,935                     |
|                             | <b>Subtotal</b>  | <b>\$10,951</b> | <b>\$55,413</b>                             | <b>\$29,863</b>           |
| Nice/Middleton Bridge       | Replace Nice/Middleton Bridge  | \$48,912        | \$768,600                                   | \$741,348                 |

| <u>Facility</u>                      | <u>Project Description</u>          | <u>2020</u>      | <u>Total<br/>Estimated<br/>Project Cost</u> | <u>Six-year<br/>Total</u> |
|--------------------------------------|-------------------------------------|------------------|---|---------------------------|
| Point Breeze                         | Renovate Building 2330 <sup>1</sup> | -                | \$13,461                                    | \$3,441                   |
| <b>Subtotal – Projects</b>           |                                     | <b>\$302,727</b> | <b>\$6,603,422</b>                          | <b>\$2,206,150</b>        |
| <b>Programs</b>                      |                                     |                  |   |                           |
| Authoritywide                        | System Preservation Minor Projects  | \$79,800         | n/a   | \$938,500                 |
| <b>Total – Projects and Programs</b> |                                     | <b>\$382,527</b> |   | <b>\$3,144,650</b>        |

Bay Bridge: William Preston Lane, Jr. Memorial Bridge  
 ICC: Intercounty Connector  
 KV: Kilo Volts  
 MDTA: Maryland Transportation Authority  
 Nice Bridge: Harry W. Nice Memorial Bridge

<sup>1</sup> Six-year costs are due to fiscal 2019 spending with no spending programmed for fiscal 2020 or the out years.

<sup>2</sup> Projects added to the Construction Program.

<sup>3</sup> Projects moved from the Development and Evaluation Program to the Construction Program.

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

## ***Issues***

---

### **1. Fiscal Prudence of MDTA Loans to Transportation Business Units**

The fiscal 2019 to 2024 CTP contains three projects – two for MAA to support operations at BWI Marshall Airport and one for the State Highway Administration (SHA) – that are proposed to be funded, in part, by up to \$150 million in loans from MDTA to MDOT for the benefit of these transportation business units (TBU). While MDTA has the authority to make loans such as these, several questions exist as to whether the issuance of these loans represents good fiscal practice by MDTA.

#### **Projects Receiving Support and Loan Terms**

The following TBUs will benefit from the loans issued by MDTA for various capital projects programmed in the 2019 to 2024 CTP.

##### **MAA**

MDOT will receive two loans for two MAA capital improvement projects at BWI Marshall Airport. One project – Phase 2 of the Concourse A Improvements project – will add five gates and hold rooms sized for Boeing 737-800 aircraft and additional supporting infrastructure to the end of Concourse A. This project will proceed ahead of the Concourse A/B Connector and Baggage Handling System replacement at BWI Marshall Airport as a means to maintain overall capacity at the airport during construction on the A/B Connector. The second loan will support infrastructure improvements for a planned full-service aircraft maintenance facility at the airport, including utility infrastructure and site grading. This project will provide space for the airlines serving BWI Marshall Airport to locally perform periodic or incidental maintenance; currently, insufficient space exists at the airport for such activities.

##### **SHA**

The loan to MDOT for the benefit of SHA will support the planning and other upfront costs of a proposed project to add electronic, price managed toll lanes on I-495 – the Capital Beltway – and I-270 – the Dwight D. Eisenhower Memorial Highway. This project is being proposed as a public-private partnership (P3), in which a private concessionaire would operate the toll lanes and provide the necessary financing, construction, and maintenance. A presolicitation report was filed in December 2018 in advance of designating this project as a P3. Given the extent of the project as well as several issues identified by the Department of Legislative Services (DLS), the House Appropriations Committee held a hearing on this project on January 11, 2019. Following the hearing, the budget committees issued a letter requesting that MDOT withdraw the presolicitation report and resubmit it after the issuance of the Draft Environmental Impact Statement (DEIS) under the National Environmental Policy Act (NEPA) for this project. An emergency bill – HB 91 of 2019 – would apply this standard to all P3s that require an Environmental Impact Statement. Further, specific to this project, the bill would require MDOT to withdraw the December 2018 presolicitation report and not resubmit the report until (1) a DEIS is adopted

and (2) an alternative is selected during the NEPA process that involves price managed lanes. Further, if MDOT and MDTA resubmit the presolicitation report, the bill would require that the report compare the use of a P3 for the project to a procurement by MDTA using design-build contracts.

### **Loan Terms**

As partial funding for the projects referenced above, MDTA would issue project-specific loans with a principal value of up to \$50 million. While the loans for the MAA projects are still being finalized, information reported by MDOT and MDTA confirms that several of the key terms align with the terms of the loan to SHA. All three loans will be for 15-year terms at a 3.0% rate of interest, compounded annually. For the MAA loans, MDTA will take a leasehold interest in the facilities to be built using the proceeds and will pay invoices submitted to it directly using the loan proceeds. Because these loans will be secured by a leasehold interest in State property, they must be presented to the Board of Public Works for approval. By contrast, for the SHA loan, work will first be paid for by SHA and subsequently reimbursed by draws from the loan. The loan is, effectively, unsecured and, as such, includes an increased rate for defaults on the loan. In the event MDOT is more than 30 days past due on a payment, MDOT will be charged interest at a rate of 3.3% on any overdue amount for the period from the original due date until full payment is made.

The loan agreement for the benefit of the SHA project defers the period for accrual of interest on the loan until April 1, 2021. If the total principal amount outstanding is repaid on or before this date, MDTA will not earn interest revenues from the loan; however, if full repayment is not made by April 1, 2021, interest will accrue on the outstanding balance of the principal from the respective draw date for the funds with principal repayments to be applied in the same order in which the principal funds were drawn. The draw period for the loan is from April 1, 2019, through June 30, 2020. This provision will not be included in the loans for the benefit of MAA.

### **Value of the MDTA Loans as an Investment Raises Certain Questions**

In making these loans to MDOT, MDTA notes the value of these instruments as low-risk investments for MDTA. Further, these loans allow for the expansion of the MAA and SHA capital programs beyond what the agencies might otherwise be able to absorb without a reprioritization of projects. Finally, the interest rate offered to MDOT for the MAA and SHA loans is better than what MDOT could reasonably expect for similar loans in the traditional market. However, while MDTA has the ability to issue these loans, DLS notes that three key considerations call into question the overall value of these loans and the soundness of their issuance, especially for an entity with significant outstanding debt and several new debt issuances planned, which would be secured by its revenues.

First, while DLS notes that MDTA will meet all its financial coverage ratios in the forecast period, making these loans to the various MDOT TBUs will require the issuance of greater amounts of new debt to cover MDTA's extensive capital needs than MDTA may otherwise have had to issue if MDTA used cash on hand for pay-as-you-go capital expenses. As mentioned previously, MDTA is in the midst of two major capital projects – the rehabilitation of the Nice/Middleton Bridge and the extension of the northbound I-95 ETLs to MD 24. To the extent that debt service on new debt issued



by MDTA exceeds the interest income MDTA stands to gain through issuing these bonds, MDTA would incur a net loss of funds. This does not account for any toll increases or changes in traffic patterns, which may increase revenues and offset losses.

Second, as noted previously, Chapter 489 requires MDTA to maintain a minimum of \$350 million in unencumbered cash through fiscal 2020; after fiscal 2020, this is simply an administrative policy, albeit one that MDTA intends to maintain, given the projections in its January 2019 forecast. However, to make the loans with available cash on hand and not drop below this level of unencumbered cash, it appears that MDTA will no longer set aside cash reserves for the Transportation Revenue Bond (TRB) Debt Service Reserve Fund, which is used to pay the debt service on MDTA's bonds when amounts in the bond service subaccount are insufficient to cover required payments. This cash is redirected to make the MDTA loans, and a debt surety policy is used to insure the debt service payments. While MDTA can elect to insure its debt service payments in this manner and projects that interest payments on the bonds will exceed its surety expenses each year, there is still an additional cost to this method of insuring debt service versus simply encumbering the funds in the TRB Debt Service Reserve Fund and investing those funds as allowed in the trust agreement.

Finally, the deferred interest term of the loan agreement for the benefit of SHA is misaligned with the best interests of MDTA, in terms of generating the maximum return on investment (ROI). The term incentivizes repayment during the deferred interest period for any funds drawn, thus limiting the ROI MDTA can expect. MDTA suggests that the loan was structured this way because MDOT expects a payment upon financial close of the proposed I-495/I-270 managed toll lane P3 slated for late fiscal 2020, which will be used to repay the loan principal. However, even though the fiscal 2020 funds for this loan could be invested prior to disbursement to offset revenue loss, this arrangement is likely to generate less revenue for MDTA than if it invested the funds in a similarly situated low-risk bond without deferred interest payments. This term will not be in the bonds to MAA.

When these issues are assessed collectively, there appears to be minimal benefit to issuing these loans in terms of revenue generation for MDTA. However, there could be other reasons for proceeding with these loans. As mentioned, the loans provide flexibility for the MAA and SHA capital programs and promote transportation interests in the State while providing a modest revenue stream to MDTA. While Transportation Article §4-313(c) provides the framework for a transfer of excess MDTA funds to the TTF, the loan model presents less risk that a bond rating agency will lower MDTA's rating, as repayment of the transfer can be enforced through the loan agreement and comes with some known benefit to MDTA (namely, interest payments). However, like the transfers envisioned by Transportation Article §4-313(c), there may be a benefit to greater oversight and heightened review of loans made by MDTA for transportation projects. **DLS recommends that the General Assembly consider legislation governing the issuance of loans from MDTA to MDOT to require that cash loans from MDTA must be authorized by legislation.**

## **2. Northbound I-95 ETLs Expansion Appears Unaffordable**

MDTA has proposed an expansion to the northbound I-95 ETLs. The total cost of the project to go from north of the Baltimore harbor to the Maryland-Delaware line was underestimated, resulting in the current system of ETLs that terminate at MD 43. With a proposed expansion of the northbound ETLs included in the fiscal 2019 to 2024 CTP, it is important for the General Assembly to have a sense of the total cost of this project to MDTA, considering that current projections suggest the project will not be self-supporting.

### **The Current I-95 ETLs System**

The I-95 ETLs system opened mid-fiscal 2015. Planned as a system of price managed lanes from the I-95/I-895 split to the Maryland-Delaware border, the total cost of the project was underestimated, leading to a scope reduction. Currently, four toll lanes, two each in the north- and southbound directions, connect the I-95/I-895-split with MD 43. The total cost of this project was approximately \$1.1 billion. Revenues generated by the facility have historically been limited, compared to the cost of the project. Total revenues from the I-95 ETLs between fiscal 2015 and 2018 equal approximately \$43.2 million, while traffic and revenue projections anticipate average yearly revenues of approximately \$14.1 million for fiscal 2019 through 2022.

### **Northbound I-95 ETLs Extension**

The proposed project will add approximately 10 miles to the two northbound I-95 ETLs, beginning at the current terminus near MD 43 and ending at MD 24. The southbound ETLs will not be extended as part of this project. In addition to adding the lane infrastructure, MDTA will modify four bridges along the route, reconstruct several interchanges, add noise barriers, and engage in necessary environmental remediation. The total estimated project cost is approximately \$1.1 billion.

To cover the costs of the northbound extension, MDTA anticipates having to finance approximately \$276 million of the \$747.7 million programmed in the fiscal 2019 to 2024 CTP. MDTA notes that additional financing outside of the six-year period may be required for the remaining \$315 million of the total project cost. Based on the conservative rate of interest used for debt issuances in the January 2019 MDTA forecast, annual debt service on this amount totals \$16.9 million. MDTA notes that the prevailing rates are less than this and that annual debt service could be closer to \$15.0 million.

### **Proposed Expansion Is Not Self-Supporting**

**Exhibit 13** shows the increase in traffic and toll revenues anticipated for the northbound I-95 ETLs expansion. The assessment begins in fiscal 2023 as the expanded facility is anticipated to open in this year. Traffic and toll revenue projections were made using the same model for the existing ETLs, as the consultant found established traffic patterns and speeds in the general purpose lanes of these two sections to be similar. The traffic and toll revenue projections for the expanded facility are captured

in MDTA’s January 2019 forecast. When looking at the annual revenue projections for this project, and in comparison to MDTA’s projection of annual debt service costs, using both the conservative and prevailing models, the current expansion effort is not self-supporting. As such, the project appears to require toll revenues from the other facilities in the State to manage its expenses, thus taxing the system as a whole.

---

**Exhibit 13**  
**Traffic and Revenues Due to the Expansion of the Northbound I-95 ETLs**  
**Fiscal 2023-2028**  
**(\$ in Thousands)**

| <u>Year</u> | <u>Increase In Facility Traffic</u> | <u>Increase in Facility Revenue</u> | <u>Total I-95 Facility Revenue</u> |
|-------------|-------------------------------------|-------------------------------------|------------------------------------|
| 2023        | 3,324                               | \$6,343                             | \$21,624                           |
| 2024        | 3,632                               | 7,023                               | 22,938                             |
| 2025        | 3,957                               | 7,762                               | 24,353                             |
| 2026        | 4,095                               | 8,158                               | 25,471                             |
| 2027        | 4,238                               | 8,574                               | 26,640                             |
| 2028        | 4,387                               | 9,011                               | 27,863                             |

ETL: Express Toll Lane

Note: Figures represent forecasting by a third-party consultant, including assumptions made by this group. Numbers represented here are not a guarantee of any future events or trends. Average annual revenue for the expanded facility is approximately \$8.4 million, without accounting for the ramp-up period in fiscal 2023 and 2024.

Source: Jacobs Engineering Group, *I-95 Traffic & Revenue Update, Existing and Extension* (prepared for the Maryland Transportation Authority)

---

Given the uncertain total project costs, including the cost of debt financing, more information is required to determine whether expansion of the I-95 ETLs represents a prudent course of action for MDTA. Further, it is unclear when the next toll increase is required to cover rising operating costs due to inflation. While no toll increases are shown in the period defined in the January 2019 MDTA forecast, current information on this project suggests that it will further stress MDTA’s available revenues, rather than supplementing them, accelerating the need for a toll increase. **DLS recommends committee narrative requesting a report on the financing plan for the northbound I-95 ETLs expansion project. Further, MDTA should provide a comparison of anticipated toll increases over a 25-year prospective forecast period for both the build and no-build scenarios for the northbound I-95 ETLs expansion project.**

### 3. MDTA Forecast Not Representative of All Known Expenses

The MDTA January 2019 forecast does not include the effects of the 3% cost-of-living adjustment for State employees or the expenses associated with the most recent collective bargaining agreement with the MDTA police force. MDTA acknowledges this discrepancy and intends to include the effects of these items in its September 2019 draft MDTA forecast. However, DLS was able to estimate the effect of these salary actions using a personnel model available to the agency. **Exhibit 14** shows the overall change by fiscal year due to the general salary increases for State employees and the MDTA police. To determine this estimate, DLS assumed turnover of 9.3%, or the current vacancy rate for MDTA as of January 1, 2019. It is anticipated that this will more accurately account for actual expenses over the relevant years versus using the MDTA rate for budgeted turnover. To the extent that vacancies increase, total expenses decrease, and vice versa. Because there are no additional revenues to offset the increased expenses, it is assumed that, barring other changes that cannot be modeled accurately, funds to cover these expenses will come from unencumbered cash reserves. This effect is included in Exhibit 14.

**Exhibit 14**  
**MDTA Salary Expenses Not Represented in January 2019 Forecast**  
**Fiscal 2020-2024**  
**(\$ in Millions)**

|                             | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Increase in Expenses        | \$5.5       | \$8.3       | \$10.7      | \$10.7      | \$10.7      |
| Effect on Unencumbered Cash | 348.9       | 341.7       | 339.6       | 344.2       | 342.1       |

MDTA: Maryland Transportation Authority

Note: Includes a 3% cost-of-living adjustment for State employees as well as the effects of the most recent MDTA police collective bargaining agreement. Increases contingent on revenues exceeding a set value are not included, as these are not guaranteed to be new expenses of the Maryland Transportation Authority.

Source: Department of Legislative Services, Maryland Transportation Authority

Two issues are presented by this. First, Chapter 489 codified the MDTA policy to maintain \$350 million in unencumbered cash through the end of fiscal 2020; after fiscal 2020, this returns to being an administrative policy. Based on forecast values and including the effect of the salary actions, MDTA will not meet the statutory requirement in fiscal 2020. Second, by not including the effect of these salary actions, the forecast fails to identify approximately \$45.8 million in expenses known to the agency at this time. MDTA acknowledges that these values are not included in the forecast due to timing issues with the publication of the forecast. **MDTA should resubmit the January 2019 forecast with revised expenses to reflect the anticipated general salary increases.**

## ***Operating Budget Recommended Actions***

---

1. Adopt the following narrative:

**I-95 Northbound Express Toll Lanes Expansion Financial Plan and Forecast:** The Maryland Transportation Authority (MDTA) plans to expand the northbound Express Toll Lanes (ETL) from the current northernmost terminus to MD 24. Given the total estimated cost of the project as programmed in the Maryland Department of Transportation fiscal 2019 to 2024 Consolidated Transportation Program as well as the initial toll revenue projections for the expanded facility, there is concern that continued expansion of the I-95 ETL is unaffordable and not in the best interest of MDTA. As such, MDTA should provide a financing plan for the northbound I-95 ETL expansion project, including a cash flow analysis for the project and source of funds, annual debt service, and anticipated revenues from the facility. Projections should be made for the entire term of the bonds to be issued. For the same term, MDTA should provide a forecast of revenues, expenses, and financial coverage ratios on outstanding debt, identifying any toll increases necessary to cover its expenses and maintain coverage ratios in line with current law and agency administrative policy. Toll increases should be identified by the year in which they occur as well as the value of the estimated toll increase required. The forecast should account for both inclusion of the northbound I-95 ETLs expansion and the no-build scenario. Finally, MDTA should identify all assumptions on which the forecast is based.

The report should be submitted by November 1, 2019. It is the intent of the General Assembly that no work should be performed on and no funds should be spent in furtherance of this project until the report has been received by the budget committees and the budget committees have had reasonable time to review and provide comment on the contents of the report to MDTA.

| <b>Information Request</b>                             | <b>Author</b> | <b>Due Date</b>  |
|--|---------------|------------------|
| Report on I-95 northbound ETL expansion financial plan | MDTA          | November 1, 2019 |

## ***PAYGO Budget Recommended Actions***

---

1. Nonbudgeted.

**Appendix 1**  
**Maryland Transportation Authority Financial Forecast**  
**Fiscal 2018-2024**  
**(\$ in Millions)**

|   | <u>2018</u>      | <u>2019</u>    | <u>2020</u>    | <u>2021</u>    | <u>2022</u>      | <u>2023</u>      | <u>2024</u>    |
|---|------------------|----------------|----------------|----------------|------------------|------------------|----------------|
| <b>Revenues</b>   |                  |                |                |                |                  |                  |                |
| Toll Revenues   | \$726.2          | \$735.9        | \$746.1        | \$750.4        | \$760.5          | \$773.0          | \$781.6        |
| Concessions   | 6.3              | 6.4            | 6.4            | 6.4            | 6.4              | 6.5              | 6.5            |
| Investment Income and Other                                 | 8.5              | 7.4            | 6.9            | 6.7            | 6.6              | 6.7              | 6.7            |
| <b>MDOT</b>   |                  |                |                |                |                  |                  |                |
| Loan Repayment – Interest                                   | 0.0              | 0.0            | 1.4            | 4.8            | 4.7              | 4.5              | 4.3            |
| MAA/MPA Police Reimbursement <sup>1</sup>                   | 27.2             | 28.9           | 28.4           | 29.6           | 30.7             | 32.0             | 33.3           |
| <b>Total Revenues</b>                                       | <b>\$768.1</b>   | <b>\$778.6</b> | <b>\$789.3</b> | <b>\$797.9</b> | <b>\$809.0</b>   | <b>\$822.6</b>   | <b>\$832.4</b> |
| <b>Expenses</b>   |                  |                |                |                |                  |                  |                |
| Operations  | \$294.3          | \$324.4        | \$328.2        | \$341.3        | \$355.0          | \$369.2          | \$384.0        |
| Debt Service  | 129.5            | 92.5           | 94.2           | 102.1          | 113.0            | 134.9            | 155.7          |
| Capital Program   | 307.7            | 375.2          | 382.5          | 510.9          | 681.1            | 754.3            | 440.7          |
| <b>Total Expenses</b>                                       | <b>\$731.5</b>   | <b>\$792.1</b> | <b>\$804.9</b> | <b>\$954.3</b> | <b>\$1,149.1</b> | <b>\$1,258.4</b> | <b>\$980.4</b> |
| <b>Capital Funding Sources/(Uses) and Intergovernmental</b> |                  |                |                |                |                  |                  |                |
| Revenue Bond Proceeds                                       | \$0.0            | \$0.0          | \$25.0         | \$0.0          | \$280.0          | \$435.0          | \$140.0        |
| TIFIA   | 0.0              | 0.0            | 45.0           | 150.0          | 55.0             | 0.0              | 0.0            |
| Surety Policy Expenses <sup>2</sup>                         | 0.0              | -1.6           | 0.0            | 0.0            | -0.3             | -0.5             | -0.2           |
| Revenue Bond Defeasance                                     | -603.7           | 0.0            | 0.0            | 0.0            | 0.0              | 0.0              | 0.0            |
| MDOT Loan Repayment – Principal                             | 0.0              | -42.1          | -103.0         | 2.0            | 5.6              | 5.8              | 6.0            |
| Accounting Reconciliation                                   | 14.4             | 0.0            | 0.0            | 0.0            | 0.0              | 0.0              | 0.0            |
| <b>Total Sources/(Uses)</b>                                 | <b>-\$589.4</b>  | <b>-\$43.8</b> | <b>-\$33.0</b> | <b>\$152.0</b> | <b>\$340.3</b>   | <b>\$440.3</b>   | <b>\$145.8</b> |
| <b>Annual Cash Requirements<sup>3</sup></b>                 | <b>\$1,320.9</b> | <b>\$835.9</b> | <b>\$837.9</b> | <b>\$802.3</b> | <b>\$808.8</b>   | <b>\$818.1</b>   | <b>\$834.5</b> |
| <b>Annual Cash Surplus/(Deficit)</b>                        | <b>-\$552.7</b>  | <b>-\$57.3</b> | <b>-\$48.6</b> | <b>-\$4.4</b>  | <b>\$0.3</b>     | <b>\$4.6</b>     | <b>-\$2.1</b>  |
| <b>Total MDTA Cash Balance</b>                              | <b>\$504.5</b>   | <b>\$447.1</b> | <b>\$398.5</b> | <b>\$394.1</b> | <b>\$394.3</b>   | <b>\$398.9</b>   | <b>\$396.8</b> |
| <b>MDTA Debt</b>  |                  |                |                |                |                  |                  |                |
| Debt Outstanding  | \$1,588.6        | \$1,552.8      | \$1,584.9      | \$1,695.5      | \$1,986.5        | \$2,375.7        | \$2,463.5      |
| Unencumbered Cash <sup>4</sup>                              | 376.7            | 401.8          | 354.4          | 350.0          | 350.3            | 354.9            | 352.7          |
| Debt Service Coverage <sup>4</sup>                          | 3.7              | 4.9            | 4.9            | 4.5            | 4.0              | 3.4              | 2.9            |
| Rate Covenant Compliance <sup>4</sup>                       | 3.0              | 4.0            | 3.9            | 3.6            | 3.2              | 2.7              | 2.3            |

MAA: Maryland Aviation Administration  
MDOT: Maryland Department of Transportation

MPA: Maryland Port Administration  
TIFIA: Transportation Infrastructure Finance and Innovation Act

<sup>1</sup> The Maryland Transportation Authority (MDTA) provides police services to Baltimore-Washington International Thurgood Marshall Airport and the public terminals and facilities at the Helen Delich Bentley Port of Baltimore.

<sup>2</sup> MDTA now uses a surety policy to ensure coverage for debt service in the event of a default.

<sup>3</sup> Sources represent an in-flow of funds to MDTA and are subtracted from total expenses. Uses represent an outflow of funds from MDTA and are added to Total Expenses as a positive value.

<sup>4</sup> For an explanation of these coverage ratios, please see the Debt Affordability section of this analysis.

**Appendix 2**  
**Object/Fund Difference Report**  
**MDOT – Maryland Transportation Authority**

| <u>Object/Fund</u>            | <u>FY 18</u><br><u>Actual</u> | <u>FY 19</u><br><u>Working</u><br><u>Appropriation</u> | <u>FY 20</u><br><u>Allowance</u> | <u>FY 19 - FY 20</u><br><u>Amount Change</u> | <u>Percent</u><br><u>Change</u> |
|-------------------------------|-------------------------------|--|----------------------------------|--|---------------------------------|
| <b>Positions</b>              |                               |  |                                  |  |                                 |
| 01 Regular                    | 1,748.00                      | 1,748.00   | 1,748.00                         | 0.00   | 0%                              |
| <b>Total Positions</b>        | <b>1,748.00</b>               | <b>1,748.00</b>  | <b>1,748.00</b>                  | <b>0.00</b>                                  | <b>0%</b>                       |
| <b>Objects</b>                |                               |  |                                  |  |                                 |
| 01 Salaries and Wages         | \$ 160,116,613                | \$ 176,651,772   | \$ 176,948,783                   | \$ 297,011                                   | 0.2%                            |
| 02 Technical and Special Fees | 102,395                       | 1,601,216  | 2,292,139                        | 690,923                                      | 43.1%                           |
| 03 Communication              | 1,153,337                     | 1,282,201  | 1,256,956                        | -25,245                                      | -2.0%                           |
| 04 Travel                     | 235,952                       | 371,291  | 414,149                          | 42,858                                       | 11.5%                           |
| 06 Fuel and Utilities         | 4,309,373                     | 5,235,376  | 4,672,582                        | -562,794                                     | -10.7%                          |
| 07 Motor Vehicles             | 8,147,180                     | 9,530,409  | 10,375,789                       | 845,380                                      | 8.9%                            |
| 08 Contractual Services       | 103,207,886                   | 110,021,116  | 113,101,975                      | 3,080,859                                    | 2.8%                            |
| 09 Supplies and Materials     | 10,850,252                    | 11,316,166   | 11,803,367                       | 487,201                                      | 4.3%                            |
| 10 Equipment – Replacement    | 899,568                       | 1,620,985  | 2,195,841                        | 574,856                                      | 35.5%                           |
| 11 Equipment – Additional     | 528,762                       | 1,432,140  | 859,007                          | -573,133                                     | -40.0%                          |
| 13 Fixed Charges              | 134,211,182                   | 99,489,385   | 99,747,557                       | 258,172                                      | 0.3%                            |
| <b>Total Objects</b>          | <b>\$ 423,762,500</b>         | <b>\$ 418,552,057</b>                                  | <b>\$ 423,668,145</b>            | <b>\$ 5,116,088</b>                          | <b>1.2%</b>                     |
| <b>Funds</b>                  |                               |  |                                  |  |                                 |
| 07 Nonbudgeted Fund           | \$ 423,762,500                | \$ 418,552,057   | \$ 423,668,145                   | \$ 5,116,088                                 | 1.2%                            |
| <b>Total Funds</b>            | <b>\$ 423,762,500</b>         | <b>\$ 418,552,057</b>                                  | <b>\$ 423,668,145</b>            | <b>\$ 5,116,088</b>                          | <b>1.2%</b>                     |

MDOT: Maryland Department of Transportation

Note: The fiscal 2020 allowance does not include general salary increases.



**Appendix 3**  
**Fiscal Summary**  
**MDOT – Maryland Transportation Authority**

| <u>Program/Unit</u>         | <u>FY 18<br/>Actual</u> | <u>FY 19<br/>Wrk Approp</u> | <u>FY 20<br/>Allowance</u> | <u>Change</u>        | <u>FY 19 - FY 20<br/>% Change</u> |
|-----------------------------|-------------------------|-----------------------------|----------------------------|----------------------|-----------------------------------|
| 41 Operating Program        | \$ 423,762,500          | \$ 418,552,057              | \$ 423,668,145             | \$ 5,116,088         | 1.2%                              |
| 42 Capital Program          | 307,877,289             | 375,206,000                 | 382,511,000                | 7,305,000            | 1.9%                              |
| <b>Total Expenditures</b>   | <b>\$ 731,639,789</b>   | <b>\$ 793,758,057</b>       | <b>\$ 806,179,145</b>      | <b>\$ 12,421,088</b> | <b>1.6%</b>                       |
| Nonbudgeted Fund            | \$ 731,639,789          | \$ 793,758,057              | \$ 806,179,145             | \$ 12,421,088        | 1.6%                              |
| <b>Total Appropriations</b> | <b>\$ 731,639,789</b>   | <b>\$ 793,758,057</b>       | <b>\$ 806,179,145</b>      | <b>\$ 12,421,088</b> | <b>1.6%</b>                       |

MDOT: Maryland Department of Transportation

Note: The fiscal 2020 allowance does not include general salary increases.