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Maryland Port Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$44,454	\$44,362	\$46,585	\$2,223	5.0%
Adjusted Special Fund	\$44,454	\$44,362	\$46,585	\$2,223	5.0%
Adjusted Grand Total	\$44,454	\$44,362	\$46,585	\$2,223	5.0%

- The fiscal 2013 allowance increases \$2.2 million over the fiscal 2012 working appropriation. The increase is largely due to a \$1.9 million increase for security.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2011 Actual</u>	<u>Fiscal 2012</u>		<u>Fiscal 2013 Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$57,033	\$93,464	\$68,611	\$99,944
Federal	\$0	\$1,062	\$3,135	\$700
Total	\$57,033	\$94,526	\$71,746	\$100,644

- The fiscal 2013 capital allowance increases \$28.9 million from the fiscal 2012 working appropriation. The increase is primarily for the dredging program, construction of a new berth at Masonville, and system preservation projects.

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

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Operating and PAYGO Personnel Data

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Operating Budget Positions	189.00	186.00	186.00	0.00
Regular PAYGO Budget Positions	<u>39.00</u>	<u>39.00</u>	<u>39.00</u>	<u>0.00</u>
Total Regular Positions	228.00	225.00	225.00	0.00
Operating Budget FTEs	1.20	0.70	0.70	0.00
PAYGO Budget FTEs	<u>0.50</u>	<u>0.50</u>	<u>0.50</u>	<u>0.00</u>
Total FTEs	1.70	1.20	1.20	0.00
Total Personnel	229.70	226.20	226.20	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	8.96	3.98%
Positions and Percentage Vacant as of 12/31/11	12.00	5.30%

- From fiscal 2011 to 2012, the Maryland Port Administration (MPA) lost 3 regular positions, including 2 regular positions for cost containment actions taken by the Maryland Department of Transportation (MDOT) and 1 regular position as a result of legislative statewide position reductions. There is no change in positions from fiscal 2012 to 2013.
- As of December 31, 2011, there are 12 vacant positions for a vacancy rate of 5.3%. One of these positions has been vacant for more than 12 months.

Analysis in Brief

Major Trends

Port's Nationwide Rankings Improve: In 2010, the Port ranked thirteenth among all United States port districts for total foreign cargo handled (up from fifteenth in 2009) and eleventh among all United States port districts in terms of the total dollar value of that cargo (up from twelfth in 2009). In 2010, the Port handled 32.8 million tons of foreign cargo at its private and public terminals, a 46.4% increase from 22.4 million tons in 2009. The dollar value of all foreign commerce increased as well, from \$30.2 billion in 2009 to \$41.5 billion in 2010.

Cargo and Passengers at Public Terminals Rebound in 2011: Most commodities handled at the Port's public terminals, including containers, autos, forest products, and roll on/roll off (Ro/Ro) saw declines in fiscal 2009 and 2010. In fiscal 2011, these commodities all increased, with the strongest rebounds in autos and Ro/Ro. Calendar 2011 was also a record year at the Port for the number of cruises and passengers.

Issues

Potential Public-private Partnership Projects Promotes Port's Potential: In January 2012, MDOT submitted its annual report on public-private partnerships (P3). The report included three port-related projects: the Seagirt Marine Terminal P3, executed in 2010; the redevelopment of Cambridge Marine Terminal; and the possible purchase and redevelopment of Curtis Bay Ordnance Depot. In addition, MDOT is also working with CSX Corporation on a new Intermodal Container Transfer Facility. **The Department of Legislative Services (DLS) recommends that MPA discuss the need for each of these projects, the risks and benefits that each project may bring, and the possible role of the private sector in developing these projects.**

Remediation Work Awaits Decision on Required Cleanup Method: The presence of chrome ore processing residue at Dundalk Marine Terminal requires remediation by MPA and Honeywell International. In January 2011, MPA and Honeywell submitted remediation alternatives to the Maryland Department of Environment (MDE), who is responsible for enforcing the 2006 consent decree and selecting the final remediation strategy. MDE has not yet made a decision, but one is expected soon. **DLS recommends that MPA provide an update on the status of MDE's review of the corrective measures alternative analysis and timeline for completion of the remediation work. DLS further recommends the adoption of committee narrative requiring a report updating the status of remediation efforts.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Adopt committee narrative requiring a report on the status of remediation efforts at Dundalk Marine Terminal.

Updates

Smoke on the Water: MDOT provides an annual grant of \$1.4 million to the Baltimore City Fire Department (BCFD) for fire suppression at the Port of Baltimore. Submitted in accordance with the 2011 *Joint Chairmen's Report*, MPA submitted reports noting that BCFD offers the only fireboats manned 24 hours a day, 7 days a week and that expenditures of grant money in fiscal 2011 were in accordance with the grant agreement.

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

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

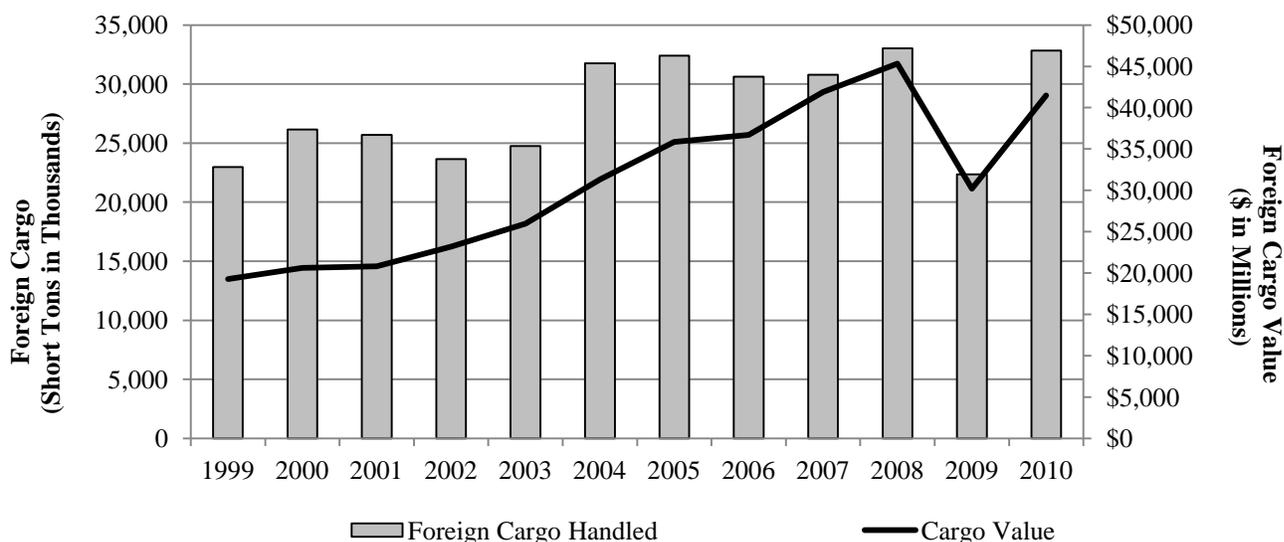
- maximize cargo throughput, terminal efficiency, and the economic benefit generated by the Port;
- operate MPA to ensure revenue enhancements and to optimize operating expenses;
- preserve and enhance the Port's infrastructure to maintain cargo capacities, while ensuring adequate security and environmental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

Performance Analysis: Managing for Results

The Port is a vast industrial complex that encompasses 45 miles of shoreline and 3,403 waterfront acres. It includes 7 public terminals owned by MPA, as well as 23 private terminals. Unlike many State entities, the Port operates in a highly competitive market, with direct competition not only from the private industry but also from other ports up and down the east coast, as well as some Canadian ports. Following a difficult year in calendar 2009, ports nationwide began their recovery in 2010. Following a 12% decline nationwide in United States foreign waterborne commerce in 2009, foreign waterborne commerce increased 9% in 2010.

Just as the Port experienced steeper declines than the nation in calendar 2009, the Port’s recovery in calendar 2010 was also more substantial than the nationwide recovery. As shown in **Exhibit 1**, in 2010, the Port handled 32.8 million tons of foreign cargo at its private and public terminals, a 46.4% increase from 22.4 million tons in calendar 2009. The largest piece of this growth occurred in exports, which increased 72.0%, compared to a 25.0% increase in imports. The dollar value of all foreign commerce increased as well, from \$30.2 billion in calendar 2009 to \$41.5 billion in calendar 2010. In calendar 2010, the Port ranked thirteenth among all United States port districts for total foreign cargo handled (up from fifteenth in 2009) and eleventh among all United States port districts in terms of the total dollar value of that cargo (up from twelfth in calendar 2009).

Exhibit 1
Total Foreign Cargo Handled and Cargo Value
Helen Delich Bentley Port of Baltimore
Calendar 1999-2010



Note: Includes both public and private terminals.

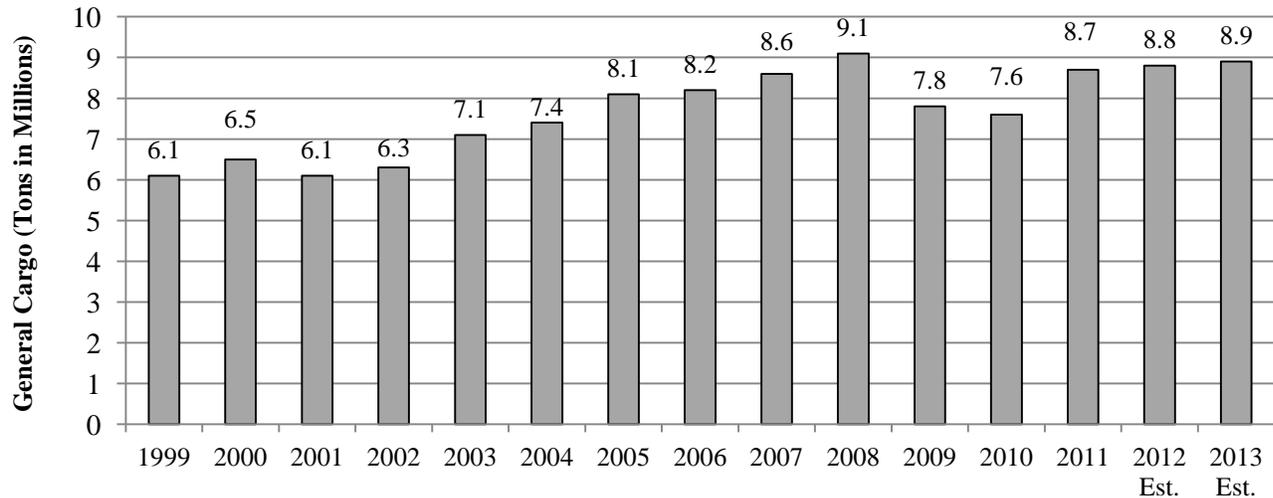
Source: Maryland Port Administration, Foreign Commerce Statistical Report, 2010

Cargo Volumes at MPA Terminals

Nearly all general cargo that moves through the Port of Baltimore is handled at the terminals owned by MPA. General cargo is defined as containers, autos, forest products, and roll on/roll off (Ro/Ro). Ro/Ro includes construction and farm equipment, as well as other cargo that is driven on or off a ship, excluding autos. Following a substantial decline in general cargo volumes in fiscal 2009 and a lesser decline in fiscal 2010, general cargo revenues rebounded in fiscal 2011. Total general cargo handled in fiscal 2011 increased to 8.7 million tons but has not yet reached pre-recession levels

of 9.1 million tons in fiscal 2008. As shown in **Exhibit 2**, slow growth is expected for the next few years, and it could be several years before general cargo levels reach fiscal 2008 levels.

Exhibit 2
Total General Cargo Tonnage at State-owned Facilities
Fiscal 1999-2013



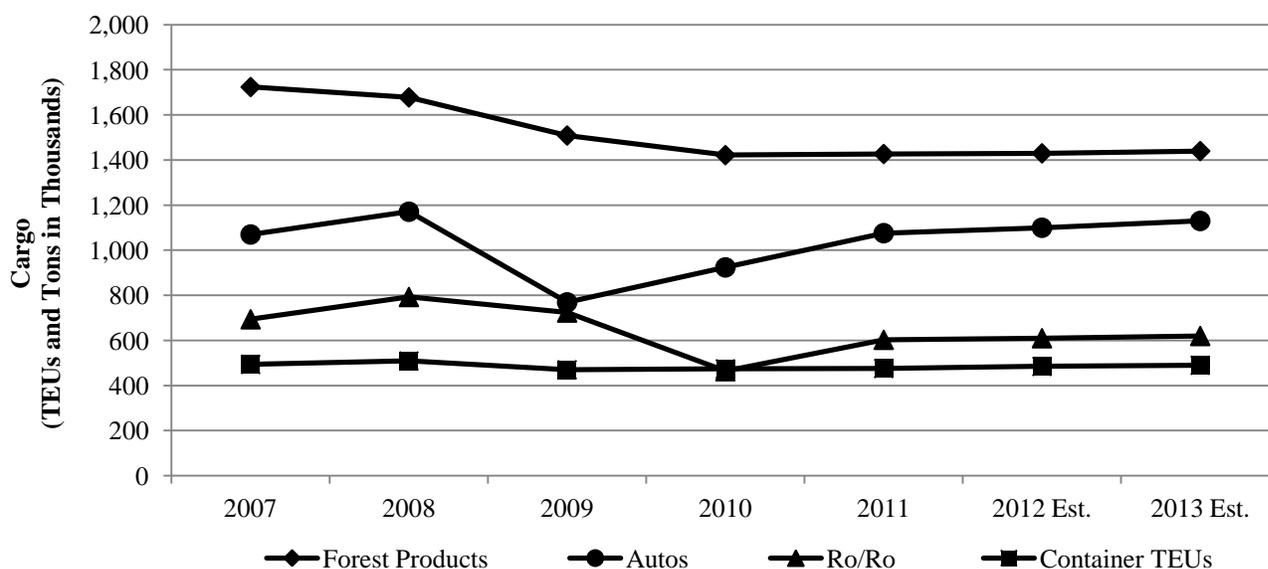
Source: Maryland Port Administration

Exhibit 3 provides data on selected general cargo commodities handled at the Port. All commodities showed increases in fiscal 2011, although increases in forest products and containers were slight. The largest rebounds were in Ro/Ro, which increased 30.0%, and autos, which increased 16.5% from fiscal 2010.

Containers and autos have nearly returned to pre-recessionary levels, but Ro/Ro and forest products levels are much slower to recover. From fiscal 2007 to 2010, forest products declined by 17.5% and the recovery expected through fiscal 2013 is only a little over 1.0%. The nationwide decline in print newspapers and magazines has significantly decreased demand for forest products and forest product cargo volumes at Baltimore have also been negatively impacted by the announced departure of Finnish paper company M-real in 2012. The steepest recessionary declines were in Ro/Ro, which declined 41.5% from fiscal 2008 to 2010. The nationwide decline in construction during the recession impacted the demand for Ro/Ro such as construction equipment. Through fiscal 2013, Ro/Ro is expected to rebound by 33.6%, thus still requiring several years to reach pre-recessionary levels.

Since the cargo declines at the Port of Baltimore over the last several years have been similar to nationwide trends, Baltimore has been able to maintain market share for most of its key commodities. It remains number one among all United States ports for handling Ro/Ro and imported forest products.

Exhibit 3
Cargo Volume by Type
Fiscal 2007-2013



Ro/Ro: roll on/roll off

TEUs: twenty-foot equivalent unit (an industry standard for measuring containers)

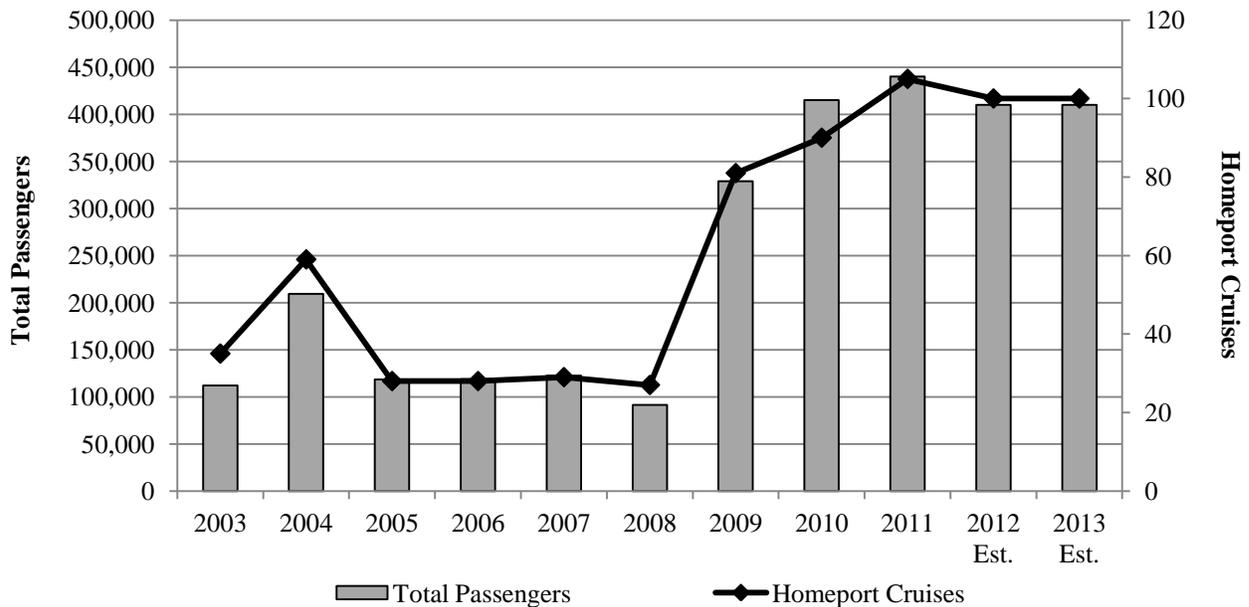
Source: Maryland Port Administration

Cruise Maryland

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

Calendar 2011 was a record year for cruises at the Port of Baltimore. A total of 105 cruises set sail from the Port, and 440,000 total passengers used the cruise ship terminal. Baltimore ranks fifth on the East Coast and twelfth nationally for cruise passengers. In 2012, the Port of Baltimore is scheduled to have 100 homeport cruises, down from the peak of 105 in 2011, due to the departure of Celebrity’s *Mercury* ship. Two cruise lines will operate year-round cruising schedules from Baltimore in 2012: the *Carnival Pride* will sail to the Bahamas, Bermuda, and the Caribbean; and Royal Caribbean’s *Enchantment of the Seas* sails to New England/Canada, the Bahamas, Bermuda, and the Caribbean.

**Exhibit 4
Cruise Ship Operations
Calendar 2003-2013**



Source: Maryland Port Administration

Economic Impact of the Port

Every four years, an economic impact study of the Port of Baltimore is conducted. The study determines the economic impact of the entire port, including both public and private terminals. Although the economic impact of the Port has declined since the last economic impact study conducted for port activity in 2006, this is largely a function of the decline in cargo that accompanied the recession. It is expected that as cargo volumes continue to rebound, so too will the economic impact of the port.

In total, the study found that port activity in calendar 2010 was linked to over 108,000 jobs. Over 40,000 of these jobs are direct, induced, and indirect jobs dependent on port activity. The remaining 68,000 jobs are related to port activities and receive some benefit being located near a healthy port. The jobs more directly linked to port activity include:

- 14,630 direct jobs, for jobs directly dependent on port activities, such as longshoremen, stevedores, bay pilots, towing companies, and employees from trucking firms, railroads, and warehouses;

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- 14,470 induced jobs, or jobs supported by local purchases made by individuals with jobs directly tied to the port, like employees at retail stores, grocery stores, restaurants, hospitals, etc.; and
- 10,940 indirect jobs, or jobs necessitated by local purchases of things like office supplies, security, cleaning services, and maintenance and repair services by companies that directly benefit from port activity (such as the towing companies, railroads, and trucking firms).

These jobs generated \$3.0 billion in salaries for Maryland residents, and the business providing services at the Port generated \$1.7 billion in revenue and spent \$1.0 billion on local purchases. This generated slightly more than \$300 million in State and local tax revenues.

Revenues and Expenditures

Unlike most other State agencies that rely solely on the State for all support, MPA receives revenues that help to offset its expenditures. Its profitability determines how much the Transportation Trust Fund must provide as a subsidy. In fiscal 2010, MPA posted its first positive net operating income in more than a decade. As shown in **Exhibit 5**, MPA also achieved a positive net operating income in fiscal 2011 and expects to do so in fiscal 2012 as well. In fiscal 2010 and 2011, MPA's operating revenue decreased significantly as a result of a public-private partnership (P3) for Seagirt Marine Terminal; however, operating expenditures declined at a slightly higher rate as a result of the Seagirt P3 and cost containment actions. In fiscal 2012, operating revenues were boosted by a one-time payment of \$6 million from a port customer that has not met contracted minimum cargo amounts. Without this one-time payment, MPA's net operating income would have been slightly negative. In fiscal 2013, without benefit of this one-time payment, MPA projects a net operating loss.

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

Exhibit 5
Special Fund Revenues and Expenses
Fiscal 2010-2013
(\$ in Thousands)

	<u>2010</u>	<u>2011</u>	<u>Work. Approp. 2012</u>	<u>Allowance 2013</u>	<u>\$ Change 2012-2013</u>	<u>% Change 2012-2013</u>
Operating Revenue	\$69,339	\$49,065	\$48,513	\$41,020	-\$7,493	-15.4%
Total Operating Expenses ¹	70,681	46,875	46,816	46,745	-71	-0.2%
Total Exclusions ²	-4,095	-4,735	-4,232	-4,319	-87	-2.1%
Net Operating Expenses	\$66,586	\$42,140	\$42,584	\$42,426	-\$158	-0.4%
Net Operating Income	\$2,753	\$6,925	\$5,929	-\$1,406	-\$7,335	-123.7%
Capital Expenditures³	74,108	61,768	97,725	111,969	14,224	14.6%
Net Income/Loss	-\$71,355	-\$54,843	-\$91,796	-\$113,375	-\$21,579	-23.5%

¹ Includes the following expenses paid by the Maryland Department of Transportation: \$1.4 million per year for Baltimore City Fire Suppression and payments in lieu of taxes in the amount of \$1.0 million in fiscal 2010 and 2011 and \$1.1 million in fiscal 2012 and 2013.

² Excluded expenditures include payments to the Maryland Transportation Authority for Masonville, certificates of participation debt service payments, and certain capital equipment.

³ Includes special fund capital allowance as well as the capital expense exclusions that were removed from the operating budget above.

Source: Department of Legislative Services

Proposed Budget

MPA's fiscal 2013 operating budget allowance increases \$2.2 million from the fiscal 2012 working appropriation. **Exhibit 6** provides a summary of the changes taking place from fiscal 2012 to 2013.

In total, personnel expenditures decrease by \$7,740. Required increases in employee and retiree health insurance (\$243,040), retirement (\$89,908), and workers' compensation (\$78,356) are offset by decreases in salaries (\$257,951), removal of the one-time \$750 bonus granted to all State employees in fiscal 2011 (\$142,839), and Social Security contributions (\$25,101).

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

How Much It Grows:	Special Fund	Total
2012 Working Appropriation	\$44,362	\$44,362
2013 Allowance	<u>46,585</u>	<u>46,585</u>
Amount Change	\$2,223	\$2,223
Percent Change	5.0%	5.0%
Contingent Reductions	\$0	\$0
Adjusted Change	\$2,223	\$2,223
Adjusted Percent Change	5.0%	5.0%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$243
Employee retirement	90
Workers' compensation premium assessment	78
Social Security	-25
Removal of \$750 one-time bonus	-143
Salaries	-258
Other fringe benefit adjustments	7

Other Changes

Security	1,878
Video surveillance equipment maintenance	250
Terminal groundsmen to comply with Watershed Implementation Plan	115
Various small contracts (property appraisals, air quality testing, tug services, etc.)	101
Debt service – certificates of participation	87
Utilities	80
Phone system maintenance and cell phone plans	44
Information technology	26
Crane supplies and materials	-43
Insurance	-310
Other	3

Total	\$2,223
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Note: Numbers may not sum to total due to rounding.

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The majority of changes in the budget take place outside of personnel. The largest increase by far is a \$1.9 million increase for security. This increase is due to an inflationary cost increase in the contract with a private security company and an increase in the number of posts that must be manned. Other large increases include \$250,000 for the maintenance of video surveillance cameras no longer under warranty; \$115,000 for contractual staff to pick up debris and maintain the cleanliness of the terminal grounds to prevent trash and debris from entering the Chesapeake Bay; and \$101,311 for various contracts under \$25,000 each that include property appraisals, air quality testing, and tug services.

Personnel

As shown in **Exhibit 7**, since fiscal 2009, 66 positions at MPA were abolished. The majority of these positions, 48 positions, were abolished by the legislature as a result of the Seagirt P3, which turned operations of the terminal over to Ports America Chesapeake (PAC). In addition, 18 positions were abolished for cost containment reasons by the legislature, Board of Public Works, or Maryland Department of Transportation (MDOT).

Exhibit 7 Position Abolitions Fiscal 2009-2013

Fiscal 2009 Actual	291
Legislative reduction of 55 positions departmentwide	-2
Board of Public Works cost containment actions	-5
Fiscal 2010 Actual	284
Legislative reductions related to Seagirt P3	-48
Other legislative reductions	-1
Voluntary Separation Program	-7
Fiscal 2011 Actual	228
MDOT cost containment actions	-2
Statewide legislative reduction (Section 47 of the fiscal 2012 budget bill)	-1
Fiscal 2012 Working Appropriation	225
Fiscal 2013 Allowance	225

MDOT: Maryland Department of Transportation
P3: public-private partnership

Source: Department of Legislative Services

PAYGO Capital Program

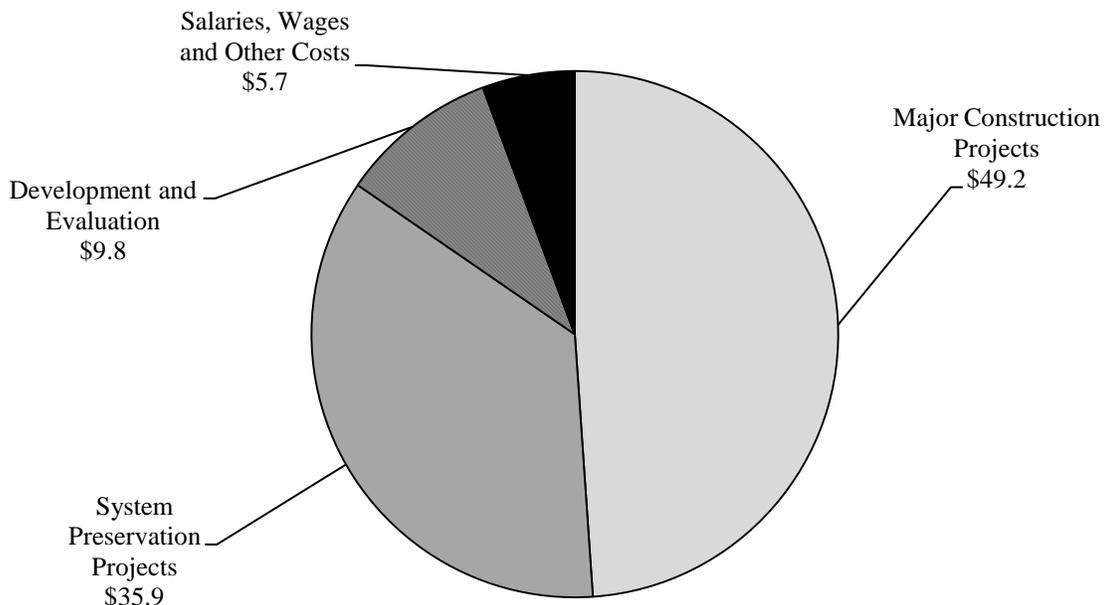
Program Description

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

Fiscal 2012 to 2017 Consolidated Transportation Program

MPA’s total capital program from fiscal 2012 to 2017 is \$740.0 million, providing an increase of \$107.1 million over the fiscal 2011-2016 *Consolidated Transportation Program*. The fiscal 2013 PAYGO capital allowance increases \$28.9 million from the fiscal 2012 working appropriation. This increase includes a \$14.5 million increase in major construction projects and a \$12.6 million increase in system preservation projects. **Exhibit 8** shows capital expenditures by category.

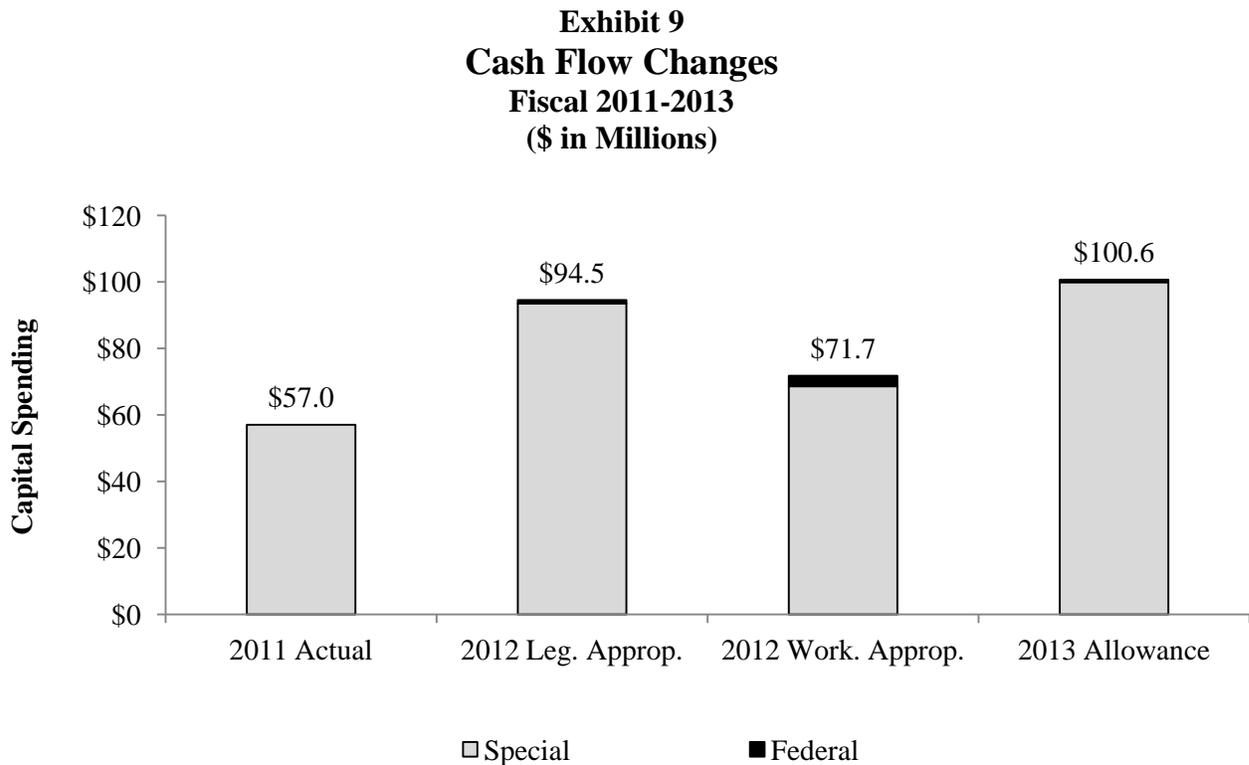
Exhibit 8
Capital Expenditures by Category
Fiscal 2013
(\$ in Millions)



Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Fiscal 2012 and 2013 Cash Flow Analysis

Exhibit 9 presents cash flow from MPA’s fiscal 2011 to 2013 capital budgets. The fiscal 2012 working appropriation is \$71.7 million, which is \$22.8 million less than the legislative appropriation of \$94.5 million. This decrease is largely due to project schedule delays for reasons such as weather or changes in project scope. The fiscal 2013 capital allowance is \$100.6 million, an increase of \$28.9 million from the fiscal 2012 working appropriation. The net increase is the result of a \$31.3 million increase in special funds, which is offset by a \$2.4 million decrease in federal funds. Funding for the capital program consists almost entirely of special funds, although there is a small portion of federal funds for terminal security.



Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Exhibit 10 provides a list of major construction projects funded in fiscal 2013. The four projects listed account for nearly 95% of fiscal 2013 funding for major projects in the construction program.

As is typical, the largest portion of the fiscal 2012 capital allowance is for the dredging program. Nearly three-fourths of the major projects construction program and the entire development and evaluation program are dedicated to identifying, constructing, maintaining, and monitoring dredged material placement sites.

Exhibit 10
Major Construction Projects
Funded in Fiscal 2013
(\$ in Thousands)

<u>Project</u>	<u>Fiscal 2013</u>	<u>Total \$</u>	<u>Completion of Fiscal Cash Flow</u>
Masonville Berth Construction – construction of a new berth at Masonville Marine Terminal to handle auto and Ro/Ro ships.	\$8,000	\$23,455	2014
Chrome Ore Processing Residue Remediation – includes studies and work plans to assess the presence and scope of chromium at the Dundalk Marine Terminal and the development and evaluation of remediation options.	2,357	84,197	Ongoing
Hart-Miller Island – this dredged material placement site ceased receiving new material on December 31, 2009, but maintenance and monitoring of water quality will continue.	4,538	97,434	Ongoing
Dredged Material Placement and Monitoring – involves the construction, monitoring, and operation of dredged material containment sites.	31,316	621,975	Ongoing
Total	\$46,201	\$827,061	

Ro/Ro: roll on/roll off

Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Issues

1. Potential Public-private Partnership Projects Promotes Port's Potential

Chapters 640 and 641 of 2010 require annual reports from MDOT and other State agencies on any P3s that the agency has underway or under consideration. In January 2012, MDOT submitted its latest report and noted a number of projects that benefit the Port. These projects are all in various stages of development and each has a unique purpose and structure. Although it is not noted in MDOT's report and is not necessarily a P3 in the traditional sense, the Intermodal Container Transfer Facility is also included here because of MDOT's funding commitment and the public benefits that will accrue from the project.

Seagirt Marine Terminal

In January 2010, MPA executed a P3 agreement with PAC that includes a 50-year lease of Seagirt Marine Terminal in exchange for PAC constructing and equipping a 50-foot berth at Seagirt and other financial considerations. Now in its second year, Seagirt's operational efficiency remains high while cargo throughput has increased. Container moves on and off vessels increased 7% and truck gate transactions increased 9% in the first seven months of 2011 compared to the previous year. In December 2011, MPA announced new direct service from Northern Europe with Hapag-Lloyd, the world's fifth largest container company. This new service resulted from a joint marketing effort by MPA and PAC and will result in 30,000 more containers per year moving through the Port.

One of the primary goals of the Seagirt P3 was to ensure construction of a 50-foot berth at Seagirt before 2014, when the expansion of the Panama Canal will be complete. The expansion is expected to bring larger ships to the East Coast, and ports with a 50-foot berth will have a competitive advantage. The P3 agreement requires the 50-foot berth to be in place by 2014; however, PAC has accelerated the construction timeline for the berth and accelerated the procurement schedule for the new Super Post Panamax container cranes and expects to have this project complete in 2012, a full two years ahead of schedule.

Intermodal Container Transfer Facility

In May 2008, CSX Corporation announced the launch of its National Gateway project, a long-term \$850 million project funded by a combination of federal, State, and private funds. The project will allow for the greater use of double stacking containers, thus improving freight movement between the Mid Atlantic and Midwest, creating operational efficiencies and reducing vehicle miles traveled. In Maryland, one of the key projects is the construction of an Intermodal Container Transfer Facility south of Baltimore's Howard Street Tunnel. Currently, the Howard Street Tunnel does not have adequate vertical clearance to allow the movement of double stacked containers in and out of Baltimore, thus providing a competitive disadvantage for attracting container cargo to Maryland.

In March 2011, CSX announced the following four candidate sites for the location of the facility: Beltsville (Prince George's County), Hanover (Howard County), Jessup (Anne Arundel

County), and Montevideo (Howard County). Currently, CSX and MDOT are evaluating these sites, along with a no build alternative, in accordance with the federal National Environmental Policy Act. Once a preferred site is selected, the design and permitting process will begin. Construction is scheduled for completion in 2015.

Current cost estimates for the project range from \$140 million to \$325 million, depending on the chosen location. In 2009, MDOT committed to funding one-half of the project, up to a maximum of \$75 million. The actual amount and timing of MDOT's funding is not yet known.

Cambridge Marine Terminal

Cambridge Marine Terminal, located in Dorchester County, is a 12-acre waterfront lot that was previously used as a port facility. In 1988, the property ceased operating as a port facility, and it was converted to public use. Sailwinds Park includes Governors Hall, a converted cargo shed used for concerts and public events; a boardwalk area; and the Dorchester County Visitors Center. These improvements were funded by MDOT and total about \$3.5 million. Other improvements include the nearby Hyatt Regency Chesapeake Bay Golf Resort, Spa, and Marina, a property of the Maryland Economic Development Corporation.

In May 2011, MDOT issued a request for qualifications to select a developer to enter into exclusive negotiations regarding the redevelopment of the Cambridge Marine Terminal. Redevelopment of the property is an important part of Cambridge Waterfront 2020, a comprehensive redevelopment plan for the area from Great Marsh Park to the Hyatt Regency. The proposed redevelopment includes redeveloping Sailwinds Park into a multi-use development of retail shops, restaurants, a boutique hotel, residences, and a public park.

In December 2011, MDOT announced the selection of Jerome J. Parks Companies as the selected developer. Currently, MDOT and the developer are negotiating a memorandum of understanding regarding the project that begins to lay out some of the process and timeline groundwork. Following that, there will be several opportunities for public comment, followed by negotiation of a master developer agreement. This project is still very much in its infancy, and many of the details of the partnership between the State and the developer, including whether the land will be leased or sold and what financial contributions MDOT may make, are not yet known.

Curtis Bay Ordnance Depot

The Curtis Bay Ordnance Depot is a 435-acre site located in Glen Burnie (Anne Arundel County). Its current owner, the United States' General Services Administration, made it available for purchase in September 2007. MDOT expressed an interest in acquiring the property for possible development as a port-related warehouse, storage, and distribution complex. The property has an appraised value of \$33 million, but MDOT is trying to negotiate acquiring the property at a reduced cost or no cost. Currently, environmental studies are underway on the property, and MDOT would not be able to purchase it until it is certified as clean for industrial use. It is still unknown at this time whether the project will move forward and if it does, whether it will be developed solely by the State or as a P3.

The Department of Legislative Services (DLS) recommends that MPA discuss the need for each of these projects, the risks and benefits that each project may bring, and the possible role of the private sector in developing these projects.

2. Remediation Work Awaits Decision on Required Cleanup Method

In the 1970s, a portion of Dundalk Marine Terminal was developed and expanded using Chrome Ore Processing Residue (COPR) as fill material. At that time, COPR was thought to be good fill material; however, COPR has since been defined and regulated as a hazardous substance.

In 2006, MPA entered into two agreements intended to provide a long-term, final solution resolving all matters related to the presence of COPR at Dundalk Marine Terminal. The first was a settlement agreement with Honeywell International, Inc. (whose predecessor company was responsible for the dumping of COPR) requiring MPA to pay 23% of the remediation costs and Honeywell to pay the remaining 77%. The second agreement was a consent decree among MPA, Honeywell, and the Maryland Department of the Environment (MDE) that requires MPA and Honeywell to thoroughly assess the nature and extent of COPR at Dundalk Marine Terminal and to identify, evaluate, and implement a broad range of interim and final corrective measures for the site. The consent decree requires that all corrective measures be completed by 2023, although MDE can revise this schedule based on its review of the Corrective Measures Alternative Analysis (CMAA).

In November 2010, MDE approved all of the required technical reports and investigations required by the consent decree. In January 2011, MPA and Honeywell submitted the CMAA to MDE for review. In February 2011, MDE conducted a public information meeting and accepted public comments on the CMAA. Since then, MPA and Honeywell have been awaiting MDE's decision on the selected final corrective measure. **Exhibit 11** provides a summary of the alternatives that were submitted to MDE for its review. Once the final corrective measure is chosen, more details on the timeline and cost of the project will be known.

DLS recommends that MPA provide an update on the status of MDE's review of the corrective measures alternative analysis and timeline for completion of the remediation work. DLS further recommends the adoption of committee narrative requiring a report updating the status of remediation efforts.

Exhibit 11
Remediation Alternatives
(\$ in Millions)

<u>Alternatives</u>	<u>Description</u>	<u>Capital Cost¹</u>	<u>O&M Cost¹</u>	<u>State's Share of Cost</u>
No further action	Establishes a baseline remedy to which others can be compared and includes all work completed prior to 2006 including treatment of groundwater, groundwater monitoring, and protective measures for workers and the community.	\$0.0	\$63.2	\$14.5
Basic containment	Includes components of Alternative 1 and interim measures required under the 2006 consent decree, including a blacktop maintenance program and a site drinking water monitoring plan.	0.0	82.3	18.9
Enhanced isolation and containment	Includes all of the components of Alternatives 1 and 2 plus relining of storm drains to mitigate impact on stormwater; implementing a Performance Management Program for stormwater, groundwater, blacktop surfaces, and COPR; and ongoing monitoring.	14.7	111.0	28.9
Partial excavation	Excavation and offsite disposal of 130 acres of COPR down to the water table.	1,150.3	66.3	279.8
Full excavation	Excavation and offsite disposal of 148 acres of COPR and contaminated groundwater plus groundwater and stormwater management during excavation and removal and replacement of storm drains and utilities in the area.	2,959.4	91.6	701.7

¹ In 2010 dollars.

COPR: chrome ore processing residue
O&M: operations and maintenance

Source: Corrective Measures Alternative Analysis, Dundalk Marine Terminal, January 2011

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Adopt the following narrative:

Remediation Efforts at Dundalk Marine Terminal: Remediation of chrome ore processing residue located at Dundalk Marine Terminal continues to be a lengthy process with the potential to require significant funding from the State. The committees request a report from the Maryland Port Administration and the Maryland Department of the Environment providing an update on the status of remediation efforts. The report should include:

- progress made over the last year;
- actions expected to take place over the next year;
- a summary and cost estimate of required corrective measures; and
- a summary of current and future funding needs.

Information Request	Authors	Due Date
Update on the status of remediation efforts at Dundalk Marine Terminal	Maryland Port Administration Maryland Department of the Environment	December 15, 2012

Updates

1. Smoke on the Water

Each year, MDOT provides a \$1.4 million grant to the Baltimore City Fire Department (BCFD) Maritime Unit for fire suppression services at the Port of Baltimore. The 2011 *Joint Chairmen's Report* required MPA to submit an audit of BCFD's fiscal 2011 grant expenditures, a report on other emergency response resources available along the Chesapeake Bay, and additional information on BCFD's Maritime Unit. In November 2011, MPA submitted the audit, and in December 2011, it submitted the report.

A number of small fireboats manned by professional and volunteer fire fighters exist along the Chesapeake Bay; however, BCFD is the only one to provide staffing on its boats 24 hours a day and 7 days a week. BCFD's Maritime Unit includes 32 firefighters, two large fireboats, and two smaller fire rescue boats. One large fireboat and one smaller fire rescue boat are staffed at all times by six personnel. Mutual aid agreements with other local jurisdictions can provide additional assistance when needed. In fiscal 2011, the BCFD Maritime Unit responded to 46 calls, which included 15 building and dwelling fires and 11 harbor and water rescue calls. Total calls were down significantly from fiscal 2010, when the unit responded to 106 calls.

The unit has a total budget of \$3.0 million, of which \$2.9 million is for personnel. Funding is derived from the MDOT grant (\$1.4 million), a grant from the Department of Natural Resources (\$25,000), and the remainder is funded through Baltimore City's general fund. MDOT's Office of Audits reviewed the unit's fiscal 2011 expenditures and found that all expenditures were made in accordance with the grant agreement.

Current and Prior Year Budgets

**Current and Prior Year Budgets
Maryland Port Administration – Operating Budget
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2011					
Legislative Appropriation	\$0	\$51,193	\$0	\$0	\$51,193
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-6,738	0	0	-6,738
Actual Expenditures	\$0	\$44,454	\$0	\$0	\$44,454
Fiscal 2012					
Legislative Appropriation	\$0	\$44,219	\$0	\$0	\$44,219
Budget Amendments	0	143	0	0	143
Working Appropriation	\$0	\$44,362	\$0	\$0	\$44,362

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

Fiscal 2011

Fiscal 2011 operating expenditures at MPA totaled \$44.5 million, which is \$6.7 million less than the legislative appropriation. The decrease was the result of unspent special funds being cancelled at the end of the fiscal year. The primary reason for the unspent funds relates to continued efforts to right-size MPA's budget following the Seagirt Marine Terminal P3 in 2010. Savings from the P3 in fiscal 2011 totaled \$5.1 million for personnel costs, fuel costs, equipment purchases, and insurance. Other cancelled funds include \$0.8 million for lower than expected spending in advertising, maintenance, janitorial, and video surveillance equipment; \$0.4 million for an accrual adjustment for legal fees; and \$0.3 million for capital equipment.

Fiscal 2012

The fiscal 2012 legislative appropriation increased \$142,839 to fund the one-time \$750 bonus to all State employees.

Audit Findings

Audit Period for Last Audit:	January 8, 2008 – January 19, 2011
Issue Date:	October 2011
Number of Findings:	2
Number of Repeat Findings:	1
% of Repeat Findings:	50%
Rating: (if applicable)	

Finding 1: **MPA did not establish adequate controls to ensure all collections were deposited.**

Finding 2: Proper internal controls were not established over the processing of certain purchasing transactions.

*Bold denotes item repeated in full or part from preceding audit report.

Object/Fund Difference Report
MDOT – Maryland Port Administration – Operating Budget

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	189.00	186.00	186.00	0.00	0%
02 Contractual	1.20	0.70	0.70	0.00	0%
Total Positions	190.20	186.70	186.70	0.00	0%
Objects					
01 Salaries and Wages	\$ 16,692,428	\$ 17,178,267	\$ 17,170,527	-\$ 7,740	0%
02 Technical and Spec. Fees	-136,841	264,585	264,585	0	0%
03 Communication	312,098	255,125	298,625	43,500	17.1%
04 Travel	303,987	275,790	275,790	0	0%
06 Fuel and Utilities	4,790,456	4,916,713	4,996,549	79,836	1.6%
07 Motor Vehicles	1,361,817	886,873	898,244	11,371	1.3%
08 Contractual Services	13,365,849	12,771,192	15,126,250	2,355,058	18.4%
09 Supplies and Materials	1,037,168	1,143,376	1,077,000	-66,376	-5.8%
10 Equipment – Replacement	350,867	292,500	341,000	48,500	16.6%
11 Equipment – Additional	202,812	92,000	43,500	-48,500	-52.7%
12 Grants, Subsidies, and Contributions	25,000	25,000	25,000	0	0%
13 Fixed Charges	5,066,080	5,560,454	5,339,941	-220,513	-4.0%
14 Land and Structures	1,082,548	700,375	728,000	27,625	3.9%
Total Objects	\$ 44,454,269	\$ 44,362,250	\$ 46,585,011	\$ 2,222,761	5.0%
Funds					
03 Special Fund	\$ 44,454,269	\$ 44,362,250	\$ 46,585,011	\$ 2,222,761	5.0%
Total Funds	\$ 44,454,269	\$ 44,362,250	\$ 46,585,011	\$ 2,222,761	5.0%

Note: The fiscal 2012 appropriation does not include deficiencies.

Fiscal Summary
MDOT – Maryland Port Administration

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
2010 Port Operations	\$ 44,454,269	\$ 44,362,250	\$ 46,585,011	\$ 2,222,761	5.0%
2020 Port Facilities and Capital Equipment	57,032,822	71,746,361	100,644,000	28,897,639	40.3%
Total Expenditures	\$ 101,487,091	\$ 116,108,611	\$ 147,229,011	\$ 31,120,400	26.8%
Special Fund	\$ 101,487,091	\$ 112,973,611	\$ 146,529,011	\$ 33,555,400	29.7%
Federal Fund	0	3,135,000	700,000	-2,435,000	-77.7%
Total Appropriations	\$ 101,487,091	\$ 116,108,611	\$ 147,229,011	\$ 31,120,400	26.8%

Note: The fiscal 2012 appropriation does not include deficiencies.

**Budget Amendments for Fiscal 2012
Maryland Department of Transportation
Maryland Port Administration – Operating**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$142,839	Special	One-time \$750 bonus for all State employees.

Source: Maryland Department of Transportation

Budget Amendments for Fiscal 2012
Maryland Department of Transportation
Maryland Port Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$29,859	Special	One-time \$750 bonus for all State employees.
Pending	-24,882,000	Special	Adjusts the amended appropriation to agree with anticipated expenditures for the current year as reflect in the 2012-2017 CTP.
	2,073,000	Federal	
	-\$22,809,000	Total	

CTP: *Consolidated Transportation Program*

Source: Maryland Department of Transportation