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Maryland Port Administration

Maryland Department of Transportation

Operating Budget Data

($ in Thousands)

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change	% Change Prior Year
Special Fund	$47,867	$50,979	$51,562	$584	1.1%
Deficiencies and Reductions	0	0	-60	-60	
Adjusted Special Fund	**$47,867**	**$50,979**	**$51,502**	**$524**	**1.0%**
Adjusted Grand Total	**$47,867**	**$50,979**	**$51,502**	**$524**	**1.0%**

- The fiscal 2017 allowance increases by $523,723, or 1.0%. The largest change is a $500,000 operating grant for Pride, Inc., which operates the Pride of Baltimore II, a replica of an 1812-era topsail schooner privateer.

- Personnel costs increased by $337,601, largely due to health insurance and retirement system contributions.

PAYGO Capital Budget Data

($ in Thousands)

	Fiscal 2015	Fiscal 2016		Fiscal 2017
	Actual	Legislative	Working	Allowance
Special	$87,773	$155,334	$118,645	$110,222
Federal	1,105	4,049	2,596	6,683
Total	**$88,878**	**$159,383**	**$121,241**	**$116,905**

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

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- The fiscal 2016 working appropriation is $38.1 million lower than the legislative appropriation, primarily due to reduced spending on dredging projects.

- The fiscal 2017 allowance decreases by $4.3 million, with $20.3 million increasing in the Dredge Material Placement and Monitoring program offset by a $14.3 million reduction due to the fiscal 2016 purchase of the Intermodal Container Transfer Facility (ICTF) and a $7.0 million reduction in minor system preservation projects.

Operating and PAYGO Personnel Data

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change
Regular Operating Budget Positions	182.00	182.00	182.00	0.00
Regular PAYGO Budget Positions	37.00	37.00	37.00	0.00
Total Regular Positions	**219.00**	**219.00**	**219.00**	**0.00**
Operating Budget FTEs	0.70	0.70	0.70	0.00
PAYGO Budget FTEs	0.00	0.50	0.50	0.00
Total FTEs	**0.70**	**1.20**	**1.20**	**0.00**
Total Personnel	**219.70**	**220.20**	**220.20**	**0.00**
Vacancy Data: Regular Positions				
Turnover and Necessary Vacancies, Excluding New Positions		10.91	4.98%	
Positions and Percentage Vacant as of 1/1/16		20.00	9.08%	

- The fiscal 2017 personnel allowance remains unchanged compared to the fiscal 2016 working appropriation.

- The fiscal 2017 budgeted turnover rate is 4.98%, requiring 10.91 vacant positions. There were 20.0 vacant positions on January 1, 2016, for a turnover rate of 9.08%.

Analysis in Brief

Major Trends

Foreign Cargo Volumes at the Port Increase: Cargo tonnage at the Helen Delich Bentley Port of Baltimore (Port) increased by an estimated 12.4% to 33 million short tons in calendar 2015, and the Port's market share increased to 15.3% of major north Atlantic ports.

General Cargo Tonnage Continues to Grow: Following a substantial decline in general cargo volumes in fiscal 2009 and a smaller decline in fiscal 2010, general cargo tonnage rebounded in fiscal 2011 and 2012. Since then, slow growth has continued, with 9.6 million tons handled in fiscal 2014 and 9.7 million tons in fiscal 2015.

Cruises in Maryland: In fiscal 2015, the Port had 75 homeport cruises and 350,000 passengers, declines of 24.2% and 22.7%, respectively, from the prior year. The decline is due to Carnival Pride diverting to Tampa for five months, which deprived Baltimore of about 20 cruises.

Net Operating Income Declines: The Maryland Port Administration's (MPA) net operating income is expected to decline in fiscal 2017 by $3.3 million from the fiscal 2016 estimate.

Issues

Port Not Able to Take Full Advantage of Unique Deep Water Access: While the Port hosts the most efficient East Coast container terminal and has deep water access needed for the next generation of post-Panamax ships, the lack of direct rail access for double-stack containers is a major impediment to expanding the Port's container business. **The Department of Legislative Services recommends MPA comment on its readiness for post-Panamax ships and on the status of a study MPA is undertaking on the economic impact of adding double-stack rail capacity to the Port.**

MPA Sells Cranes to Ports America Chesapeake: MPA is selling five maritime cranes at Dundalk Marine Terminal for $425,000 to Ports America Chesapeake (PAC), which will rehabilitate and maintain the cranes. MPA will lose associated revenue but will also reduce operating costs. Due to the investment by PAC in the Dundalk cranes, Atlantic Container Line/Grimaldi Group agreed to a 20-year agreement that guarantees 70 vessel calls per year, 250,000 tons of roll on/roll off cargo, and lease of land and shed space. **MPA should comment on the sale and what it means for the future of the existing public-private partnership (P3) agreement, PAC's involvement at the Port, and the potential for an extended or new P3 agreement.**

Tradepoint Atlantic Requests State Aid: Tradepoint Atlantic, the developer and owner of Sparrows Point, has proposed a tax credit for increasing the volume of business at the Port. **MPA should comment on the proposed tax credit or any other incentives or aid to Tradepoint Atlantic.**

Operating Budget Recommended Actions

		Funds
1.	Delete special funds intended for an operating grant to Pride, Inc.	$ 500,000
2.	Adopt narrative that it is the committees' intent that the 2017 to 2022 Consolidated Transportation Program be modified to reflect any costs associated with adding double-stack container rail access to the Helen Delich Bentley Port of Baltimore.	
	Total Reductions	**$ 500,000**

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

Search for Dredging Capacity: One of the major long-term issues confronting the Port is the need for more dredged placement capacity for both harbor and Chesapeake Bay materials. The most promising space previously being considered, Coke Point on Sparrows Point, is no longer a priority due to a lack of interest from the current property owners, Tradepoint Atlantic. The loss of Coke Point has led MPA to shift its focus to an expansion onto land that MPA owns at the Cox Creek dredged materials site, which could begin accepting dredged material in 2018.

Maryland Transportation Authority Sells ICTF to MPA: MPA purchased ICTF from the Maryland Transportation Authority in January for $14.2 million.

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). The State-owned property at or related to the Port includes the Dundalk Marine Terminal, the North Locust Point and South Locust Point marine terminals, Hawkins Point, the World Trade Center, Hart-Miller Island, Cox Creek, Fairfield Terminal, the Masonville Auto Facility, and the Seagirt Marine Terminal. Activities include developing, marketing, maintaining, and stewarding the State's port facilities; improving access channels and dredging berths; developing and promoting international and domestic waterborne trade by promoting cargoes and economic expansion in the State; and providing services to the maritime community, such as developing dredged material placement sites.

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

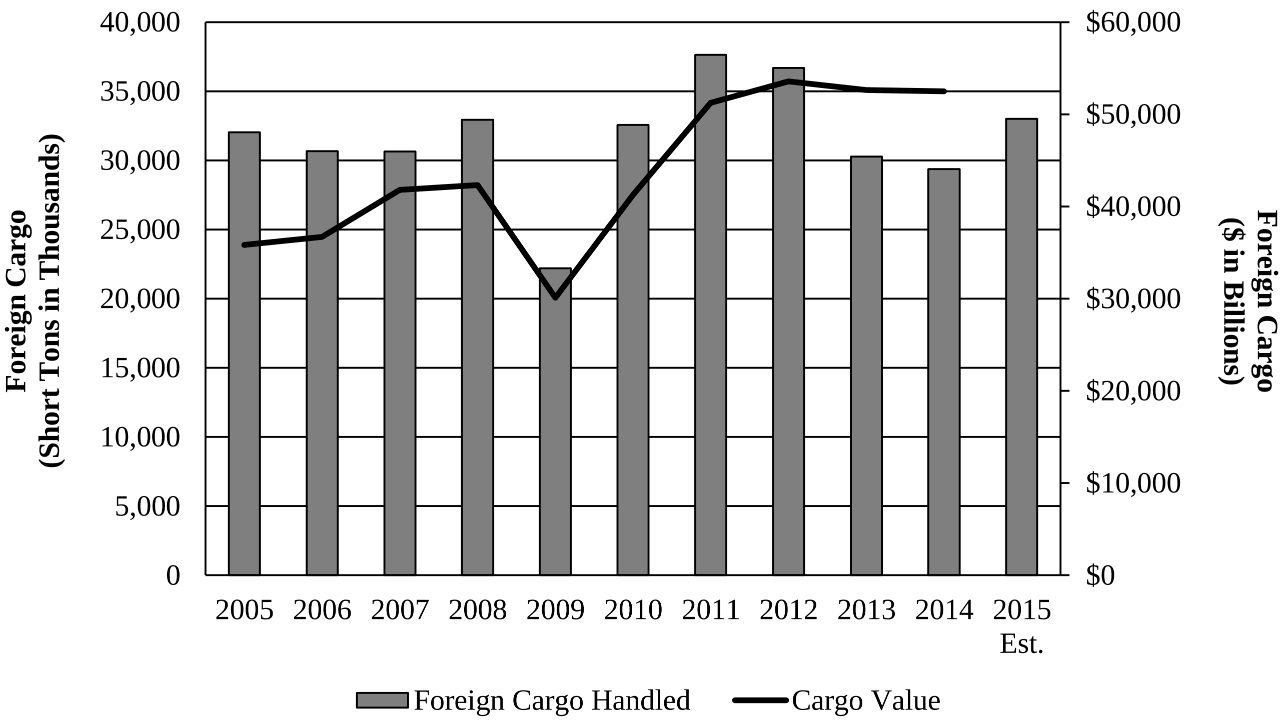
- maximize cargo throughput, terminal efficiency, and the economic benefit generated by the Port;
- operate MPA to ensure revenue enhancements and to optimize operating expenses;
- preserve and enhance the Port's infrastructure to maintain cargo capacities, while ensuring adequate security and environmental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

Performance Analysis: Managing for Results

1. Foreign Cargo Volumes at the Port Increase

The Port is a vast industrial complex that encompasses 45 miles of shoreline and 3,403 waterfront acres. It includes seven public cargo terminals and a cruise terminal owned by MPA, as well as more than 25 privately owned marine facilities within the Port. Unlike many State entities, the Port operates in a highly competitive market, with direct competition not only from private industry but also from other ports up and down the east coast, as well as some Canadian ports. The Port handles about 2.1% of the nation's foreign waterborne commerce, and about 15.3% of the foreign cargo flowing through mid-Atlantic ports. As shown in **Exhibit 1,** cargo tonnage at the Port increased in calendar 2015 by an estimated 12.4% to 33 million short tons from the prior year.

Exhibit 1
Total Foreign Cargo Handled and Cargo Value
Helen Delich Bentley Port of Baltimore
Calendar 2005-2015 Est.



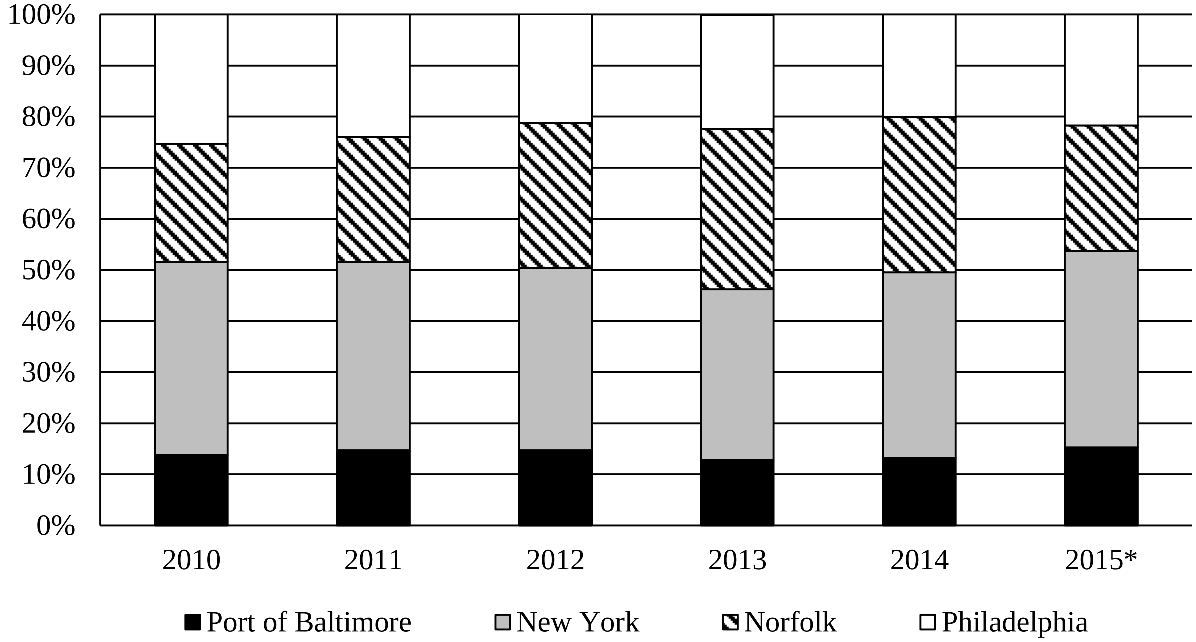
Note: Includes both public and private terminals. Estimate for 2015 cargo value is not yet available.

Source: Maryland Port Administration, *Foreign Commerce Statistical Report*, 2014

In calendar 2014, the Port ranked thirteenth among all U.S. ports for total foreign cargo handled and ninth among all U.S. ports in terms of the total dollar value of that cargo.

The Port competes with other East Coast ports, especially ports in Norfolk, Philadelphia, and New York. As shown in **Exhibit 2**, the Port held 15.3% of that market through the first nine months of calendar 2015, up from 13.2% in 2014, and highest in the past five years.

Exhibit 2
Market Share, Major North American Ports
Calendar 2010-2015



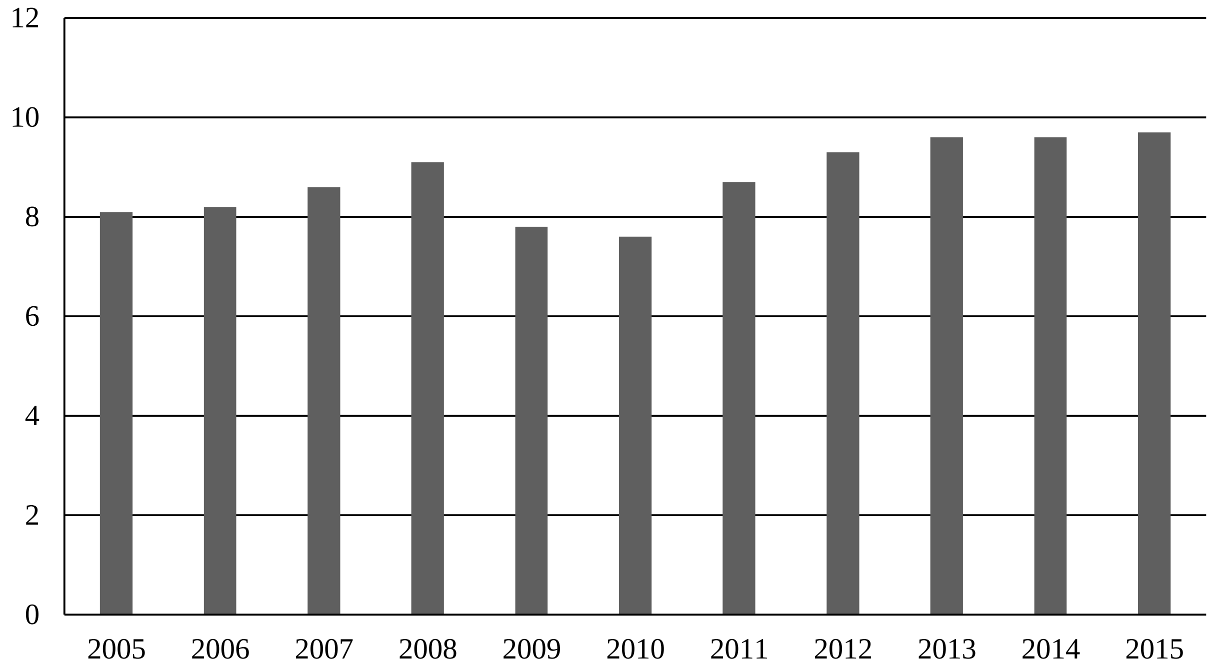
*Calendar 2015 is for first nine months of the year.

Source: Maryland Port Administration

2. General Cargo Tonnage Continues to Grow

Nearly all general cargo that moves through the Port is handled at the terminals owned by MPA. General cargo is defined as containers, automobiles, forest products, and roll on/roll off (Ro/Ro). Ro/Ro includes construction and farm equipment, as well as other cargo that is driven on or off a ship, excluding automobiles. Following a substantial decline in general cargo volumes in fiscal 2009 and a smaller decline in fiscal 2010, general cargo tonnage rebounded in fiscal 2011 and 2012, as shown in **Exhibit 3**. Since then, slow growth has continued, with 9.6 million tons handled in fiscal 2014 and 9.7 million tons in fiscal 2015.

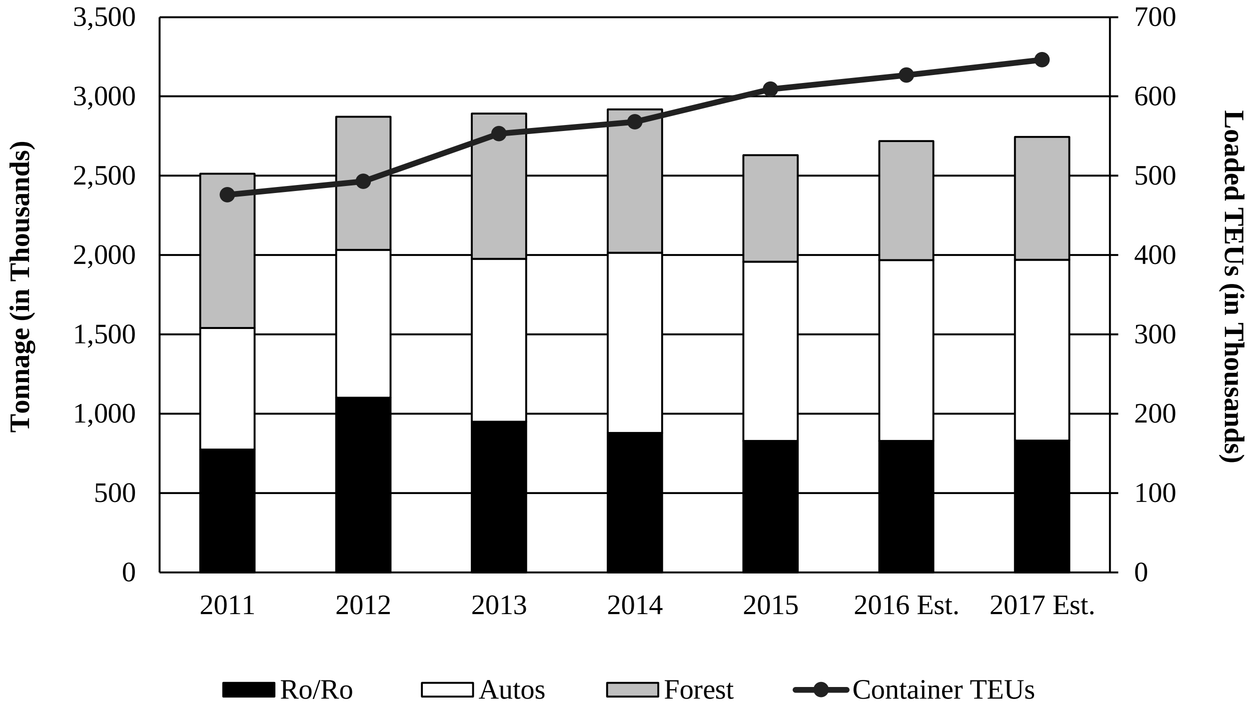
Exhibit 3
Total General Cargo Tonnage at State-owned Facilities
Fiscal 2005-2015
(Tons in Millions)



Source: Maryland Port Administration

Exhibit 4 provides data on selected general cargo commodities handled at the Port. The amount of forest products declined by 25.7% in fiscal 2015 due to the departure of a major wood pulp account from the Port to Philadelphia. Fiscal 2015 saw the third straight year of declines in Ro/Ro cargo, after peaking in fiscal 2012 when the global economy was recovering from the Great Recession. Additionally, a weak mining industry has led to a decline in equipment shipments, and a strong U.S. dollar made U.S.-made equipment more expensive to purchase in Europe. In recent years, decreases in those areas had been offset by strong growth in automobile shipments; however, automobiles declined slightly in fiscal 2015 with no growth expected in fiscal 2016 and 2017. The Port continues to see steady growth in containers handled and expects nearly 650,000 20-foot equivalent units in fiscal 2017.

Exhibit 4
Cargo Volume by Type
Fiscal 2011-2017 Est.



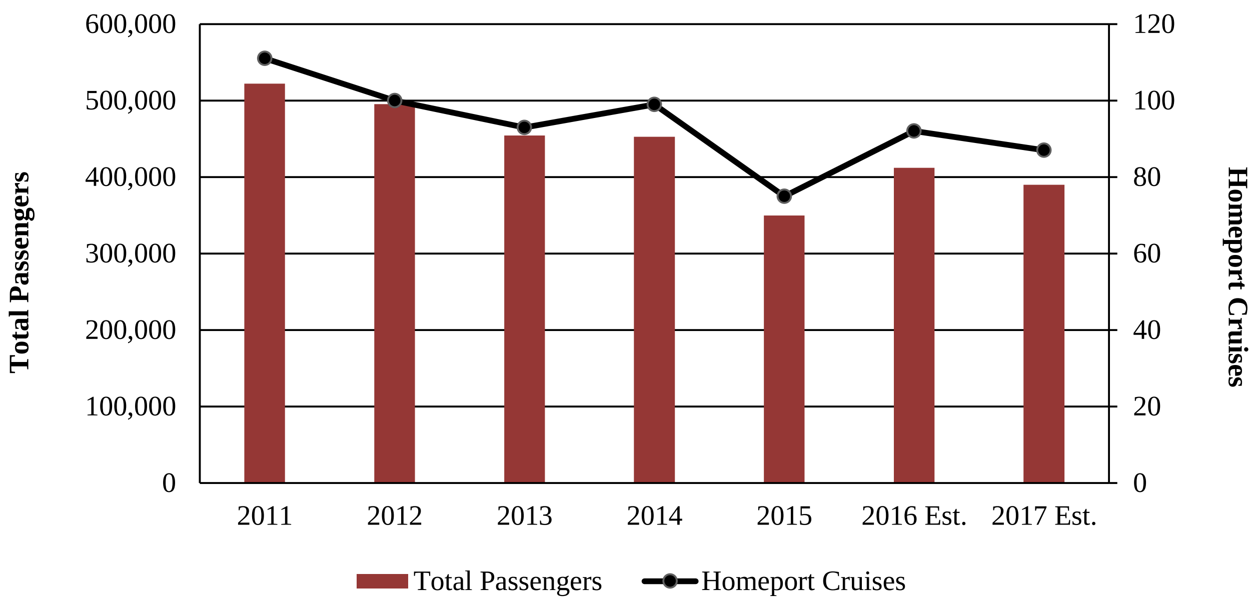
Ro/Ro: roll on/roll off
TEUs: 20-foot equivalent unit (an industry standard for measuring containers)

Source: Maryland Port Administration

3. Cruises in Maryland

In addition to handling cargo, the Port is also involved in the cruise ship business. **Exhibit 5** shows the total number of homeport cruises and passengers that utilized the Port's cruise terminal. A new terminal opened in 2006.

Exhibit 5
Cruise Ship Operations
Fiscal 2011-2017 Est.



Source: Maryland Port Administration

In fiscal 2015, the Port had 75 homeport cruises and 350,000 passengers, declines of 24.2% and 22.7%, respectively, from fiscal 2014. The decline is due to Carnival Pride diverting to Tampa for five months, which deprived Baltimore of about 20 cruises. The Port estimates a rebound in fiscal 2016, as both Carnival Pride and Royal Caribbean have requested berthing on a year-round basis. Operating income from operating the cruise ship site is expected to be $6.0 million in fiscal 2016.

4. Net Operating Income Declines

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. As shown in **Exhibit 6**, net operating income falls to a loss of

$2.8 million, a decline of $3.3 million compared to fiscal 2016. The driver of this change is a $3 million grant in The Secretary's Office for the Intermodal Rail Incentive Program, which is designed to provide incentives to ocean carriers to ship containers through the Seagirt Intermodal Container Transfer Facility (ICTF).

Exhibit 6
Special Fund Revenues and Expenses
Fiscal 2014-2017 Allowance
($ in Thousands)

	2014	2015	Working Approp. 2016	Allowance 2017	$ Change 2016-17	% Change 2016-17
Operating Revenue	**$52,841**	**$49,759**	**$49,565**	**$49,714**	**$149**	**0.3%**
Total Operating Expenses[1]	47,792	50,299	53,497	56,975	3,478	6.5%
Total Exclusions[2]	-4,542	-4,605	-4,421	-4,447	-26	0.6%
Net Operating Expenses	**$43,250**	**$45,694**	**$49,076**	**$52,528**	**$3,452**	**7.0%**
Net Operating Income	**$9,591**	**$4,065**	**$489**	**-$2,814**	**-$3,303**	**-675.5%**
Capital Expenditures[3]	**$76,551**	**$87,773**	**$118,645**	**$110,222**	**-$8,423**	**-7.1%**
Net Income/Loss	**-$66,960**	**-$83,708**	**-$118,156**	**-$113,036**	**$5,120**	**-4.3%**

[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 $888,000 in fiscal 2014, $1.0 million in fiscal 2015, $1.1 million in fiscal 2016, and $1.0 million in fiscal 2017. Also included is a $3 million grant from The Secretary's Office in fiscal 2017 for the Intermodal Rail Incentive Program for container shipper incentives at the Seagirt Intermodal Container Transfer facility. Fiscal 2017 is adjusted for across-the-board and contingent reductions.

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

[3] Includes special fund capital allowance.

Source: Maryland Port Administration

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.

Fiscal 2016 Actions

Cost Containment

While the Maryland Department of Transportation (MDOT) was not subject to the fiscal 2016 across-the-board 2% reduction, it did list areas in which costs could be reduced by that amount. MPA said it would reduce operating expenditures by $618,960 in special funds, with approximately half of the reduction coming from reduced security costs, and the rest from several other cost saving actions. Rather than amending the working appropriation, MDOT will cancel funds at the end of fiscal 2016.

Proposed Budget

As shown in **Exhibit 7**, the fiscal 2017 allowance increases by $523,723, or 1.0%, in special funds.

Grant to Pride of Baltimore II

The fiscal 2017 allowance includes a $500,000 operating grant to Pride Inc., which owns and operates the Pride of Baltimore II, a replica of an 1812-era topsail schooner privateer. The ship travels to dozens of ports each year and conducts deck tours, sailing charters, youth programs, and private events. The funds will be used for administration, overhead, operation, and maintenance for Pride and for the Pride of Baltimore II. Pride requested State assistance as it has struggled to sustain operations; the State most recently provided an operating grant to Pride in fiscal 2008 for $164,000. In an announcement, the Governor noted that he expected to provide three years of support. As this is a grant for operations, it is not clear what would change in Pride's situation in three years that would end its need for State support. It is also not clear how this grant would further the MPA goal of promoting the capabilities and resources of the Port.

Other Changes

Other large fiscal 2017 allowance changes compared to fiscal 2016 include:

- a $414,860 increase to reflect expected increases in stormwater maintenance activities;
- a $267,833 increase primarily to reflect previous spending levels for fire protection services;
- a $449,148 decrease for private insurance and a $113,853 increase in payments to the State insurance system; and
- a $268,450 decrease for security services due to coverage changes.

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

How Much It Grows:	Special Fund	Total
Fiscal 2015 Actual	$47,867	$47,867
Fiscal 2016 Working Appropriation	50,979	50,979
Fiscal 2017 Allowance	51,502	51,502
Fiscal 2016-2017 Amount Change	$524	$524
Fiscal 2016-2017 Percent Change	1.0%	1.0%

Where It Goes:	
Personnel Expenses	
Increments and other compensation	$31
Social Security contributions	-31
Employee and retiree health insurance	239
Retirement system contributions	173
Unemployment and workers' compensation premium assessments	-79
Turnover adjustments	4
Other Changes	
Pride of Baltimore II operating grant	500
Increased stormwater maintenance activities	415
Fire protections services to reflect previous spending levels	268
Insurance to the State Treasurer's Office (STO)	114
Road repair services to reflect previous spending levels	100
Advertising to reflect previous spending levels	97
Natural gas and propane	85
In-state travel and training	59
Gas and oil	-117
Supplies and materials	-127
Outside consulting services	-140
Safety expenditures moved to other contractual services	-150
Electricity	-208
Security services due to changes to coverage area	-268
Non-STO insurance	-449
Other	8
Total	**$524**

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

PAYGO Capital Program

Program Description

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

Fiscal 2016 to 2021 *Consolidated Transportation Program*

The MPA total capital program from fiscal 2016 to 2021 totals $879.5 million, a decrease of $56.5 million compared to the fiscal 2015 to 2020 *Consolidated Transportation Program* (CTP). Funding for projects in the fiscal 2016 to 2021 CTP is largely devoted to dredging and system preservation projects.

Fiscal 2016 and 2017 Cash Flow Analysis

Exhibit 8 shows that the fiscal 2016 working appropriation decreased by $38.1 million compared to the legislative appropriation. The major changes include:

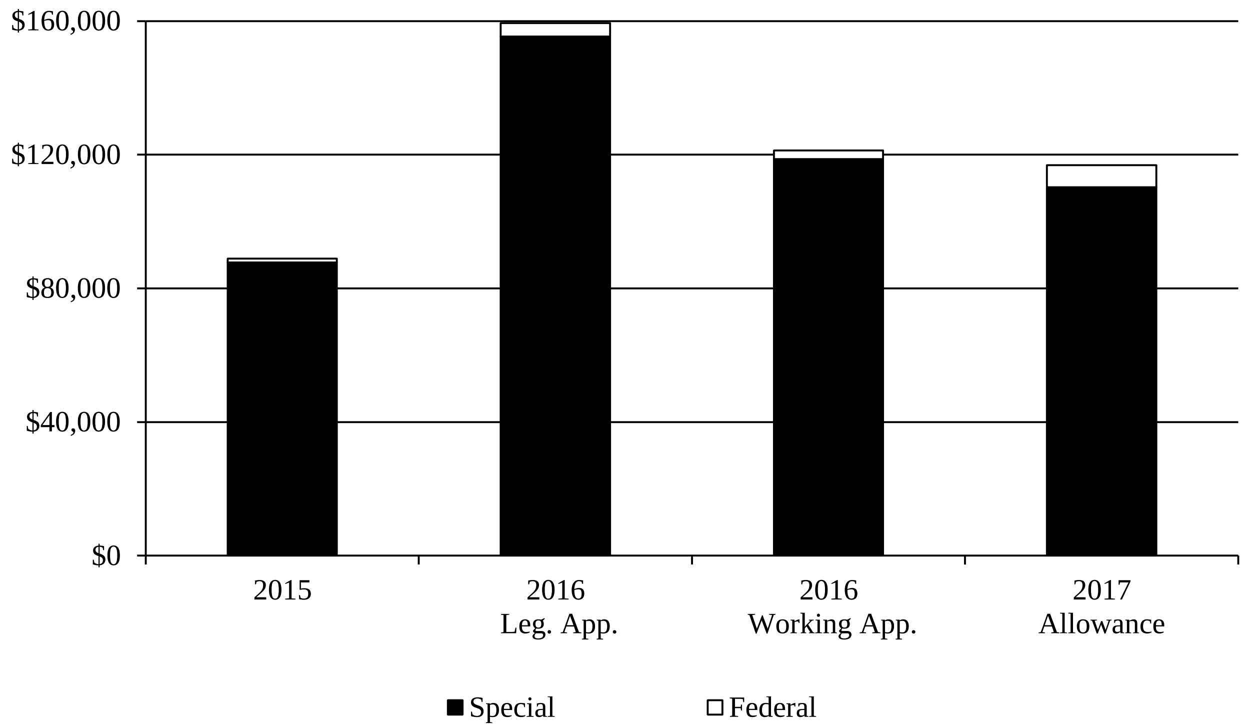
- a $39.5 million reduction for dredging projects;
- an increase of $14.3 million for the purchase of ICTF; and
- a $12.1 decrease across all other projects.

The fiscal 2017 allowance is $4.3 million less than the working appropriation. A $20.3 million increase in the Dredge Material Placement and Monitoring program is offset by a $14.3 million reduction due to the one-time expenditure for the purchase of ICTF and a $7.0 million reduction in minor system preservation projects.

Fiscal 2017 Capital Allowance

Exhibit 9 shows the fiscal 2017 capital allowance for MPA by project and program along with estimated total project costs and six-year funding included in the CTP. The dredging programs total $445.7 million, or 49.0%, of the CTP. Other large programs include the berth reconstruction at Dundalk Marine Terminal ($60.2 million) and chrome ore remediation ($45.1 million).

Exhibit 8
Cash Flow Changes
Fiscal 2015-2017 Allowance
($ in Thousands)



Source: Maryland Department of Transportation, 2016-2021 *Consolidated Transportation Program*

Exhibit 9
Maryland Port Administration Pay-as-you-go Capital Allowance
Fiscal 2017
($ in Thousands)

Jurisdiction	Project Description	2017	Total Cost	Six-year Total
Projects				
Baltimore City	Reconstruction of Berths at Dundalk Marine Terminal	$5,161	$95,074	$60,174
Baltimore City	Chrome Ore Processing Residue Remediation	3,890	79,969	45,119
Baltimore County	Hart-Miller Island Related Projects	4,201	105,427	32,781
Baltimore City	Port of Baltimore Export Expansion Project	11,021	42,857	29,614
Baltimore City	Marine Terminal Property Acquisition	0	30,043	21,501
Cecil	Pearce Creek Waterline Project	3,684	14,184	14,184
Baltimore City	South Locust Point Cruise Terminal	585	6,331	4,976
Baltimore City	Terminal Security Program	374	45,385	2,093
Baltimore City	Masonville Vessel Berth Construction	0	23,203	0
Subtotal – Projects		***$28,916***	***$442,473***	***$210,442***
Programs				
Statewide	Dredge Material Placement and Monitoring	$51,862	$782,570	$383,154
Statewide	Dredge Material Management Program	9,851	149,294	62,538
Statewide	System Preservation and Minor Projects	21,500	n/a	223,400
Statewide	Capital Salaries	4,800	n/a	29,900
Subtotal – Programs		***$88,013***	***$931,864***	***$698,992***
Total – Projects and Programs		**$116,929**	**$1,374,337**	**$909,434**

Source: Maryland Department of Transportation, 2016-2021 *Consolidated Transportation Program*

Issues

1. Port Not Able to Take Full Advantage of Unique Deep Water Access

The container business is both large and growing at the Port, and increasing the container business is an important MPA goal. Measured by the number of containers loaded and unloaded per hour while a ship is at the berth, Seagirt Marine Terminal is the top East Coast container terminal and the third most productive in the country, based on 2014 data. The Port is also one of only four ports on the East Coast that has a depth able to accommodate post-Panamax ships that will soon begin traveling through the expanded Panama Canal. Despite being well-positioned to take advantage of this new business, several factors will limit the Port's ability to take full advantage.

The primary limiter is the lack of ability to double-stack containers on rail cars leaving the Port, due to the lack of vertical clearances along the CSX Transportation rail network, with the Howard Street tunnel being the main impediment. A 2015 Moody's Analytics report noted that despite the Port's deep water access, the inferior rail infrastructure connecting to the Port puts it at a competitive disadvantage to other Ports. For a long-term solution, MDOT continues to work with the Federal Railroad Administration (FRA), Amtrak, Baltimore City, and Norfolk Southern to focus on the Baltimore and Potomac (B&P) Tunnel, which connects Penn Station and the West Baltimore Maryland Area Regional Commuter Station. Following public hearings held in January 2016, FRA will choose a design alternative and complete the planning process in 2017. In addition to the B&P Tunnel, several other clearances and connections would also need to be established. In the short-term, MPA is focused on operational efficiencies and incentive programs for shippers in an effort to increase container volumes at the Port.

Much further from the Port, delays in raising the Bayonne Bridge between New York and New Jersey will also limit the number of post-Panamax ships calling East Coast ports. The bridge currently is not high enough to allow post-Panamax ships into three of the largest Port of New York/New Jersey terminals. It is unlikely that ocean carriers would send ships to East Coast ports if the New York/New Jersey facilities are unavailable.

These factors will limit Port container business even though the Port itself is prepared for the new era of post-Panamax ships. It is difficult to estimate the total impact of the lack of double-stack access, but the Port is aware of vessel operators that made calls to the Port in the past and would likely return in the event double-stack access is added. **The Department of Legislative Services (DLS) recommends MPA comment on its readiness for post-Panamax ships and on the status of a study that MPA is undertaking on the economic impact of adding double-stack rail capacity to the Port. DLS also recommends that the department modify its CTP to reserve funds necessary to this endeavor.**

2. MPA Sells Cranes to Ports America Chesapeake

MPA is selling five maritime cranes at Dundalk Marine Terminal for $425,000 to Ports America Chesapeake (PAC), which will rehabilitate and maintain the cranes. PAC and MPA are party to a public-private partnership (P3) at the Seagirt Marine Terminal, which is adjacent to Dundalk. As part of the sale, PAC will provide capital funding to maintain and rehabilitate the cranes up to current industry standards. While MPA will lose a revenue stream due to the sale, the administration believes that benefits associated with the sale outweigh the losses.

The cranes, manufactured between 1977 and 1996, are at the end of their useful lives, and do not meet current industry standards. Prior to selling the cranes, MPA could have either refurbished or replaced the cranes. The cost of refurbishment is estimated by MPA at approximately $4.75 million, while replacement of the cranes would cost an estimated $60.0 million, plus $2.5 million for demolition and removal of the existing cranes. With the sale of the cranes to PAC, MPA will lose between $400,000 and $600,000 in annual revenue; MPA will save approximately $122,000 annually in fuel, parts, and supply costs, as well as $282,000 in wages and benefits. In addition, due to the investment by PAC in the Dundalk cranes, Atlantic Container Line/Grimaldi Group, a large container and Ro/Ro customer, agreed to a 20-year agreement that guarantees 70 vessel calls per year, 250,000 tons of Ro/Ro cargo, and lease of land and shed space.

As noted earlier, PAC is in a P3 with MPA at Seagirt Marine Terminal. Part of that agreement precludes MPA from leasing, operating, or permitting third parties to operate container terminals on State property, and that only Ports America Baltimore (PAB) (a PAC affiliate) may conduct container operations at Dundalk. In addition to limiting the benefits to MPA of investing in the cranes at Dundalk, it also limited potential buyers of the cranes to either PAC or PAB. Two firms conducted appraisals of the cranes and provided estimated sales values of $350,000 and $425,000.

This sale marks a growth in the footprint of PAC at the Port, as PAC now has a major presence at the Port's two largest container and Ro/Ro terminals. **MPA should comment on the sale and what it means for the future of the existing P3 agreement, PAC's involvement at the Port, and the potential for an extended or new P3 agreement.**

3. Tradepoint Atlantic Requests State Aid

The redevelopment of Sparrows Point continues to progress, as the owners, Tradepoint Atlantic, recently announced plans for a new, 300,000-square-foot FedEx distribution center on its land. The site's location near highway and rail access, as well as access to the Port's deep water channels, provides many redevelopment opportunities including both long- and short-term potential to attract marine-related businesses.

The developer, however, still sees a need for State incentives in the form of an extension of the One Maryland Tax Credit and improvements to infrastructure on and around Sparrows Point. Another incentive proposed by Tradepoint Atlantic related to the Port is a tax credit for increasing the volume of business at the Port. **MPA should comment on the proposed tax credit or any other incentives or aid to Tradepoint Atlantic.**

Operating Budget Recommended Actions

		Amount Reduction	
1.	Delete special funds intended for an operating grant to Pride, Inc., which operates the Pride of Baltimore II schooner. The grant does not fit with the Maryland Port Administration's mission of promoting the Port of Baltimore.	$ 500,000	SF

2. Adopt the following narrative:

Funds for Double-stack Access Should Be Included in the Consolidated Transportation Program: The budget committees are concerned about the lack of funds programmed in the Consolidated Transportation Program (CTP) to address efforts to add double-stack container rail access to the Helen Delich Bentley Port of Baltimore. It is the intent of the committees that the 2017 to 2022 CTP reserve funds necessary for this endeavor.

Total Special Fund Reductions	**$ 500,000**

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Search for Dredging Capacity

One of the major long-term issues confronting the Port is the need for more dredged placement capacity for both harbor and Chesapeake Bay materials. While capacity exists for maintenance dredging of harbor channels for about 15 to 20 years, there is little capacity to enhance or expand channels to meet business demands. The most promising space previously being considered, Coke Point on Sparrows Point, is no longer a priority due to a lack of interest from the current property owners, Tradepoint Atlantic.

The loss of Coke Point has led MPA to shift its focus to an expansion onto land that MPA owns at the Cox Creek dredged materials site, which could begin accepting dredged material in 2018. The Cox Creek site is just south of the Francis Scott Key Bridge on the western shore of the Patapsco River. MPA is also exploring expanding the site by purchasing adjacent property. Achieving both expansions would add nearly 19.5 million cubic yards of capacity, approximately what would have been available at Coke Point. MPA is also testing several nontraditional dredged material capacity recovery methods at its existing sites.

The expansion of Poplar Island is the focus for expanding capacity for bay materials. When completed, a vertical expansion to raise the height of one portion of the island, as well as adding several upland cells, would add 28 million cubic yards of capacity for bay material. Longer term, the next step is a future Mid-Chesapeake Bay Island Ecosystem Restoration Project – James Island and Barren Island. When completed, the project would add more than 90 million cubic yards of capacity.

2. Maryland Transportation Authority Sells ICTF to MPA

MPA purchased ICTF from the Maryland Transportation Authority (MDTA) in January 2016 for $14.2 million. ICTF, which is adjacent to the Seagirt Marine Terminal, is an on-dock rail facility used to transfer container cargo between rail and ocean vessels working at the terminal.

MDTA built ICTF in the late 1980s along with the Seagirt Marine Terminal for $204.0 million. From fiscal 1991 to 2010, MPA made annual payments to MDTA for use of the facilities and to repay MDTA’s investment. In 2010, MDTA sold Seagirt to MPA for $140.0 million as part of the administration’s P3 with PAC. Since then, MPA has received approximately $2.4 million per year from leasing the ICTF. An appraisal determined the value of the property to be $17.6 million, slightly higher than the $14.2 million sale price. The sale price, although lower than the assessment, approximately matches what MPA would have received from use of the property over the six-year term of the CTP. MDTA agreed with MPA that the facility best matched the maritime focus of MPA.

Appendix 1

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015					
Legislative Appropriation	$0	$48,592	$0	$0	$48,592
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	149	0	0	149
Reversions and Cancellations	0	-874	0	0	-874
Actual Expenditures	**$0**	**$47,867**	**$0**	**$0**	**$47,867**
Fiscal 2016					
Legislative Appropriation	$0	$50,752	$0	$0	$50,752
Budget Amendments	0	227	0	0	227
Working Appropriation	**$0**	**$50,979**	**$0**	**$0**	**$50,979**

MDOT: Maryland Department of Transportation

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

MPA finished fiscal 2015 approximately $725,000 below its legislative appropriation. An amendment increased the appropriation by $148,891 for the cost-of-living adjustment. The Administration cancelled approximately $874,000 in special funds for the following reasons:

- reduced costs for health insurance and retirement ($133,000);
- legal contingencies ($300,000); and
- security services ($441,000).

Fiscal 2016

The fiscal 2016 appropriation increased by $226,896 for the restoration of salaries.

Object/Fund Difference Report
Maryland Department of Transportation – Maryland Port Administration

Object/Fund	FY 15 Actual	FY 16 Working Appropriation	FY 17 Allowance	FY 16 - FY 17 Amount Change	Percent Change
Positions					
01 Regular	182.00	182.00	182.00	0.00	0%
02 Contractual	0.70	0.70	0.70	0.00	0%
Total Positions	**182.70**	**182.70**	**182.70**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 18,267,387	$ 18,947,102	$ 19,344,489	$ 397,387	2.1%
02 Technical and Spec. Fees	-107,616	429,431	429,431	0	0%
03 Communication	323,674	314,305	317,305	3,000	1.0%
04 Travel	371,989	348,169	406,967	58,798	16.9%
06 Fuel and Utilities	6,233,628	6,432,649	6,356,107	-76,542	-1.2%
07 Motor Vehicles	1,038,235	1,058,446	949,429	-109,017	-10.3%
08 Contractual Services	14,543,006	15,537,319	15,401,579	-135,740	-0.9%
09 Supplies and Materials	1,037,506	1,169,445	1,042,215	-127,230	-10.9%
10 Equipment – Replacement	234,813	341,725	281,725	-60,000	-17.6%
11 Equipment – Additional	153,125	101,025	153,125	52,100	51.6%
12 Grants, Subsidies, and Contributions	25,000	25,000	525,000	500,000	2000.0%
13 Fixed Charges	4,814,683	5,466,663	5,182,556	-284,107	-5.2%
14 Land and Structures	931,875	807,300	1,172,160	364,860	45.2%
Total Objects	**$ 47,867,305**	**$ 50,978,579**	**$ 51,562,088**	**$ 583,509**	**1.1%**
Funds					
03 Special Fund	$ 47,867,305	$ 50,978,579	$ 51,562,088	$ 583,509	1.1%
Total Funds	**$ 47,867,305**	**$ 50,978,579**	**$ 51,562,088**	**$ 583,509**	**1.1%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Appendix 2

Fiscal Summary
Maryland Department of Transportation – Maryland Port Administration

Program/Unit	FY 15 Actual	FY 16 Wrk Approp	FY 17 Allowance	Change	FY 16 - FY 17 % Change
2010 Port Operations	$ 47,867,305	$ 50,978,579	$ 51,562,088	$ 583,509	1.1%
2020 Port Facilities and Capital Equipment	88,877,571	121,241,000	116,904,997	-4,336,003	-3.6%
Total Expenditures	**$ 136,744,876**	**$ 172,219,579**	**$ 168,467,085**	**-$ 3,752,494**	**-2.2%**
Special Fund	$ 135,640,311	$ 169,623,579	$ 161,784,085	-$ 7,839,494	-4.6%
Federal Fund	1,104,565	2,596,000	6,683,000	4,087,000	157.4%
Total Appropriations	**$ 136,744,876**	**$ 172,219,579**	**$ 168,467,085**	**-$ 3,752,494**	**-2.2%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Appendix 4

Budget Amendments for Fiscal 2016

Maryland Department of Transportation
Maryland Port Administration – Operating

Status	Amendment	Fund	Justification
Approved	$226,896	Special	Salary increase.
Pending	51,189	Special	Realign Office of Administrative Hearings and Workers' Compensation costs across the Maryland Department of Transportation.

Source: Maryland Department of Transportation

Appendix 5

Budget Amendments for Fiscal 2016

Maryland Department of Transportation
Maryland Port Administration – Capital

Status	Amendment	Fund	Justification
Approved	$57,792	Special	Salary increase.
Pending	5,670	Special	Realign Office of Administrative Hearings and Workers' Compensation costs across the Maryland Department of Transportation.
Pending	-36,746,758	Special	Amend the working appropriation to reflect the fiscal 2016 to 2021 *Consolidated Transportation Program.*
	-1,453,000	Federal	
	-$38,199,758	**Total**	

Source: Maryland Department of Transportation