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Maryland Transportation Authority
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Nonbudgeted Fund	\$428,162	\$543,427	\$445,067	-\$98,359	-18.1%
Adjustments	0	0	0	0	
Adjusted Nonbudgeted Fund	\$428,162	\$543,427	\$445,067	-\$98,359	-18.1%
Adjusted Grand Total	\$428,162	\$543,427	\$445,067	-\$98,359	-18.1%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 budget decreases by \$98.4 million, or 18.1%. The Maryland Transportation Authority (MDTA) made an early debt repayment of \$101.7 million, skewing those figures.
- Excluding the revenue bond defeasance, but including regular debt service payments, the fiscal 2019 budget increases by \$3.3 million, or 0.8%.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2017</u> <u>Actual</u>	<u>Fiscal 2018</u>		<u>Fiscal 2019</u> <u>Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Nonbudgeted	\$200,135	\$409,824	\$324,952	\$424,245
Total	\$200,135	\$409,824	\$324,952	\$424,245

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

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- The fiscal 2018 working appropriation is \$84.9 million lower than the fiscal 2018 legislative appropriation. The largest change is a \$51.6 million decrease in system preservation minor projects.
- The fiscal 2019 allowance increases by \$99.3 million over the fiscal 2018 working appropriation. The increase is driven by the ramping up of the Canton Viaduct replacement (\$35.4 million) and the new tolling system project (\$23.8 million) as well as a \$28.9 million increase in system preservation minor projects.

Operating and PAYGO Personnel Data

	<u>FY 17 Actual</u>	<u>FY 18 Working</u>	<u>FY 19 Allowance</u>	<u>FY 18-19 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>
Total Regular Positions	1,748.00	1,748.00	1,748.00	0.00
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>
Total FTEs	0.00	0.00	0.00	0.00
Total Personnel	1,748.00	1,748.00	1,748.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	52.44	3.0%
Positions and Percentage Vacant as of 1/1/18	163.0	9.32%

- Personnel remains flat in the fiscal 2019 budget at 1,748 positions.
- The budgeted turnover rate is 3.0%, requiring 52.44 vacant positions. As of January 1, 2018, MDTA had 163 vacant positions for a vacancy rate of 9.32%.

Analysis in Brief

Major Trends

Toll Revenue Exceeds Expectations: In fiscal 2017, traffic totaled 163.6 million vehicles, an increase of 4.0%. Toll revenue in fiscal 2017 totaled \$733.2 million, a 6.8% increase from fiscal 2016. The department anticipates continued, steady growth in both vehicle traffic and toll revenue.

E-ZPass Use Continues to Increase: In fiscal 2017, MDTA collected 78% of tolls with E-ZPass and has set a goal of collecting 79% of tolls with E-ZPass, which it expects to meet in fiscal 2018. MDTA is in the planning stages of converting the entire system to all-electronic tolling.

Issues

MDTA Tackles Video Tolling Complaints: Since the opening of the InterCounty Connector and the I-95 Express Toll Lanes to traffic several years ago, the amount of video tolls issued by MDTA has increased dramatically. In response to legislative and customer concerns, MDTA formed an internal working group to address video tolling enforcement and customer service-related issues. MDTA expects to begin transitioning its system to all-electronic tolling (AET) beginning in late 2019 or 2020. **MDTA should comment on its planning process for the rollout of AET. MDTA should also discuss what it has learned from recent customer service efforts and how it can be applied to the AET rollout.**

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Budget Reconciliation and Financing Act Recommended Actions

1. Amend the Budget Reconciliation and Financing Act of 2018 to change the required due date of the financial forecast as approved by the Maryland Transportation Authority from July 1 to September 1 of each year.

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Budget Analysis

Program Description

The Maryland Transportation Authority (MDTA) has exclusive authority relating to the financing, construction, operation, maintenance, and repair of Maryland's toll facilities and any other revenue-generating 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 Harry W. Nice Memorial Bridge (Nice 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 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.

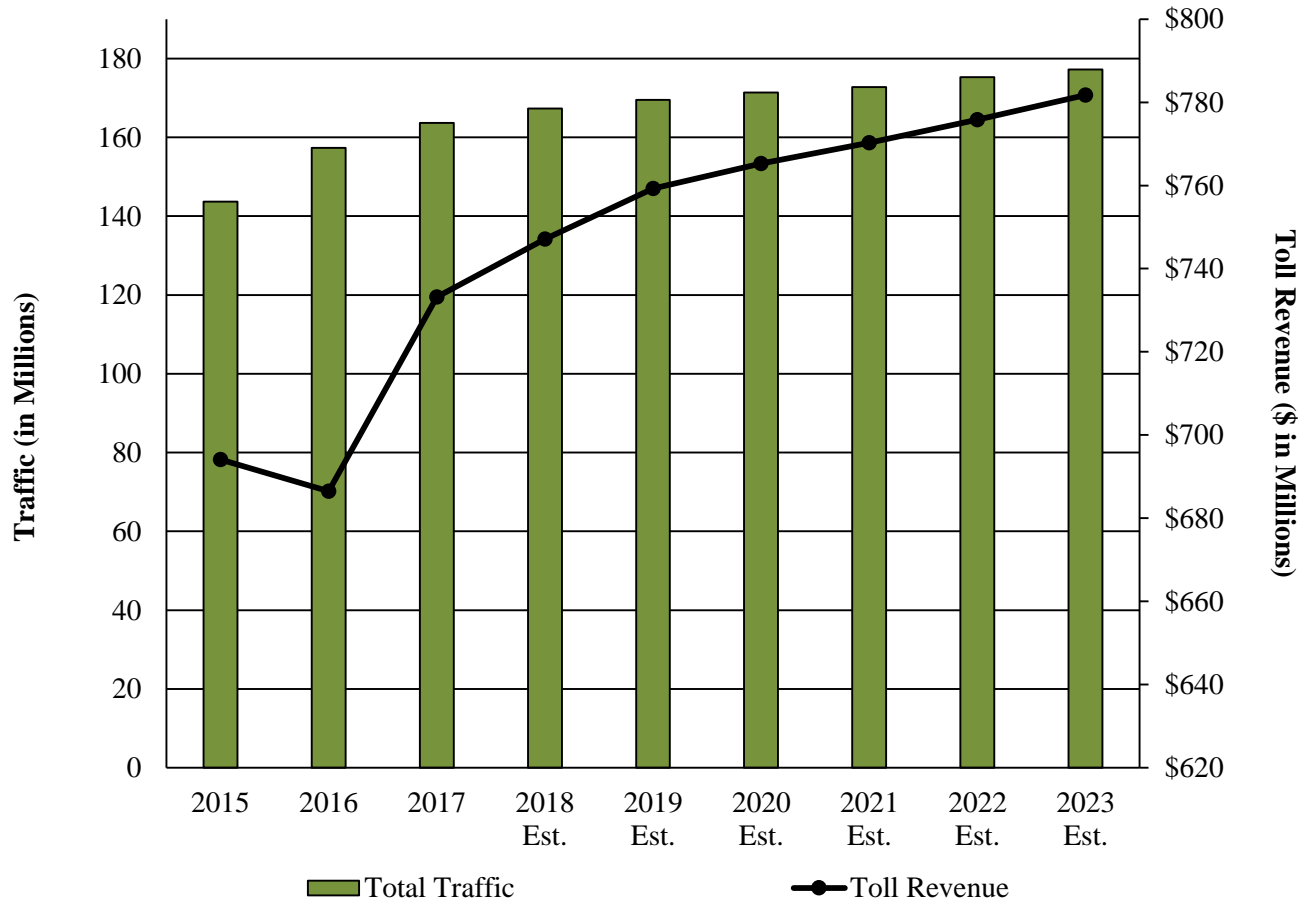
MDTA's goal is to be a financial steward of its dedicated revenue sources that are used to provide vital transportation links that move people and commerce in Maryland.

Performance Analysis: Managing for Results

1. Toll Revenue Exceeds Expectations

The first goal of MDTA is to efficiently and effectively 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 fiscal 2023 estimate. In fiscal 2017, traffic totaled 163.6 million vehicles, an increase of 4%. Toll revenue in fiscal 2017 totaled \$733.2 million, a 6.8% increase from fiscal 2016. The department anticipates continued steady growth in both vehicle traffic and toll revenue.

Exhibit 1
Annual Tolled Traffic and Toll Revenue
 Fiscal 2015-2023 Est.

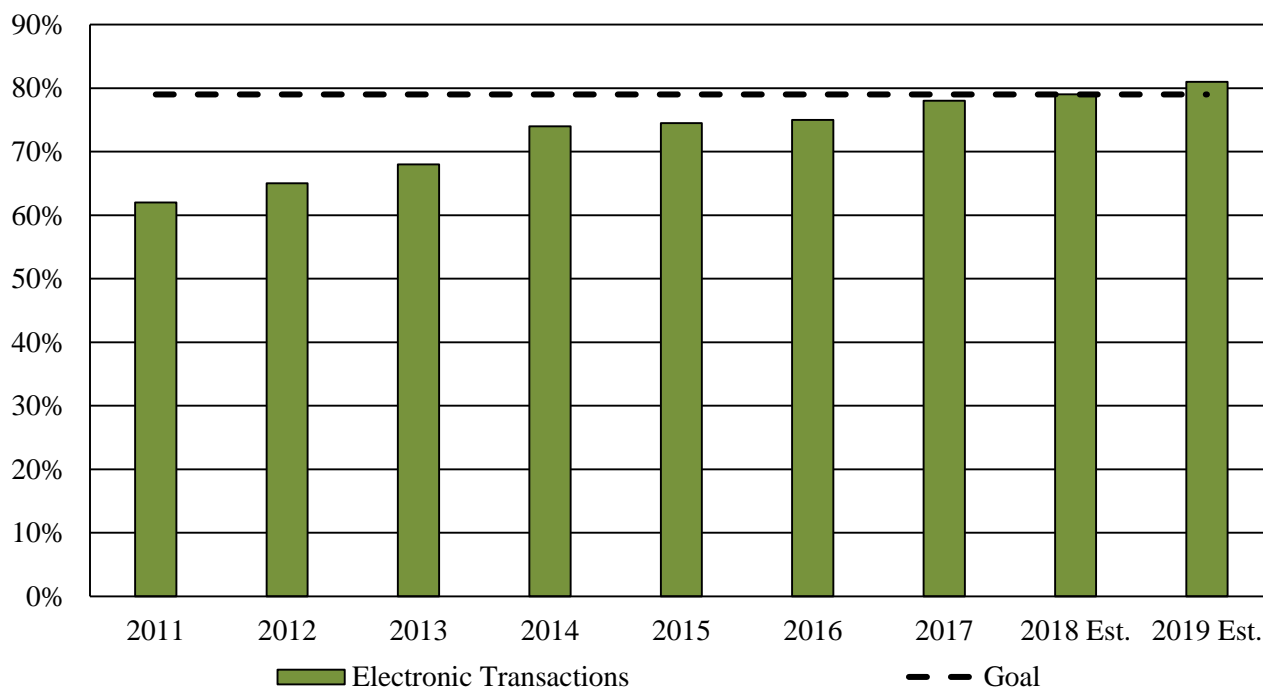


Source: Maryland Transportation Authority

2. E-ZPass Use Continues to Increase

Electronic toll transactions 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 parts of the Midwest and most of the northeastern part of the United States. E-ZPass use continues to increase. **Exhibit 2** shows the percentage of tolls collected with E-ZPass at all of MDTA’s toll facilities. In fiscal 2017, MDTA collected 78% of tolls with E-ZPass and has set a goal of collecting 79% of tolls with E-ZPass, which it expects to meet in fiscal 2018. MDTA is in the planning stages of converting the entire system to all-electronic tolling (AET); this is further discussed in the Issues section of this analysis.

Exhibit 2
Percentage of Tolls Collected Electronically
Fiscal 2011-2019 Est.



Source: Department of Budget and Management

Fiscal 2017 Closeout

Fiscal 2017 actual spending at MDTA totaled \$428.2 million, or \$4.9 million more than the legislative appropriation of \$423.3 million.

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The changes in spending included:

- \$8.5 million in additional credit card fees and mailings associated with increased toll transactions;
- \$3.8 million in increased salary and benefit costs for MDTA Police due to collective bargaining changes and police recruiting expenses;
- \$2.1 million in net reduced personnel expenses due to step increases, reduced overtime costs, and other fringe benefit costs;
- \$2.4 million in reduced information technology costs due to changes in timing and cash flow requirements for various projects and systems;
- \$1.6 million in reductions in motor vehicle costs based on actual need; and
- \$1.3 million in reductions in supply costs based on actual need.

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2019 allowance decreases by \$98.4 million, or 18.1%. This is skewed by an early debt repayment in fiscal 2018 of \$101.7 million. Excluding the revenue bond defeasance but including regular debt service payments, the allowance increases by \$3.3 million, or 0.8%.

Personnel costs increase by \$3.4 million in fiscal 2019. Turnover is reduced to 3% to reflect expedited hiring practices, resulting in a \$2.1 million increase. MDTA revamped its recruitment process in an effort to reduce the time to hire a new employee to approximately 100 days. It has also held a job fair, added human resources contacts to each division in the agency, and developed a human resources database and tracking system. The annualization of salary increases due to collective bargaining changes increases costs by \$1.9 million. Those increases are offset by approximately \$600,000 in reductions in fringe benefit costs.

Outside of the revenue bond defeasance and personnel costs, the largest change in the fiscal 2019 allowance is a \$4 million reduction in regular debt service costs due to the early payoff of debt.

Costs related to E-Z Pass increase by \$4.1 million. The changes include \$2 million for replacement of transponders, \$1.1 million for increases in E-ZPass credit card reciprocity fees, and \$1 million for E-ZPass service center costs due to the increased volume of accounts and video tolls.

Exhibit 3
Proposed Budget
Maryland Transportation Authority
(\$ in Thousands)

How Much It Grows:	Nonbudgeted <u>Fund</u>	<u>Total</u>
Fiscal 2017 Actual	\$428,162	\$428,162
Fiscal 2018 Working Appropriation	543,427	543,427
Fiscal 2019 Allowance	<u>445,067</u>	<u>445,067</u>
Fiscal 2018-2019 Amount Change	-\$98,359	-\$98,359
Fiscal 2018-2019 Percent Change	-18.1%	-18.1%
 Where It Goes:		
Personnel Expenses		
Turnover reduced to 3%		\$2,100
Annualization of salaries and benefits due to police collective bargaining agreement		1,900
Overtime costs		700
Workers' compensation premiums		-200
Pension contributions		-400
Social Security contributions		-600
 Other Changes		
Replacement transponders based on 10-year life span		2,000
E-ZPass credit card reciprocity fees		1,100
E-ZPass service center		1,000
Information technology systems analysis and services		800
Utilities		500
Mobile video cameras for vehicle recovery trucks		500
Increased rent due to building renovations that require temporary relocation of staff		400
Vehicle expenses based on actual spending		300
Advertising based on actual spending		300
Equipment repairs based on actual spending		-100
Contractual payroll based on actual spending		-100
Replacement equipment based on actual spending		-200
Insurance based on actual spending		-200
Engineering services based on actual spending		-600
Expiration of on-call painting contract		-1,900
Debt service		-4,000
Fiscal 2018 revenue bond defeasance		-101,700
Other		41
Total		-\$98,359

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

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 the Maryland Department of Transportation (MDOT). MDOT payments comprise reimbursement for services provided at BWI Marshall Airport and the Port of Baltimore.

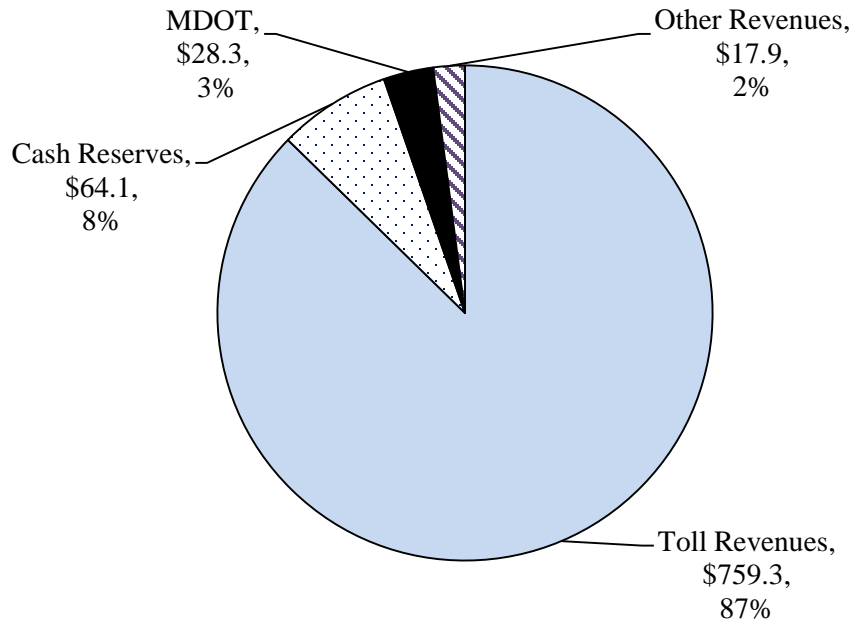
To support its capital program, MDTA may issue toll revenue bonds with a maturity of up to 40 years. Typically, MDTA issues its toll revenue bonds with a 30- to 33-year maturity. Chapters 471 and 472 of 2005 established a finance plan for the ICC that included MDTA revenue bonds and a number of alternative funding sources specific to the 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 July 1 each year and in conjunction with submission of the Governor's budget in January. **The Department of Legislative Services recommends adding language to the Budget Reconciliation and Financing Act to alter the July 1 deadline to September 1 to coincide with MDOT's submission of the Draft *Consolidated Transportation Program (CTP)*, which would conform statute to current practice.**

Sources and Uses of Funding

Exhibit 4 provides information on all of the funding supporting MDTA's fiscal 2019 operating and capital budgets. As is typical, the primary source of fiscal 2019 funding is toll revenues, totaling \$759.3 million. MDTA will not issue revenue bonds in fiscal 2019 and will use \$64.1 million in cash reserves to make up the majority of the rest of its funding needs.

Exhibit 4
Fiscal 2019 Sources of Funding
(\$ in Millions)

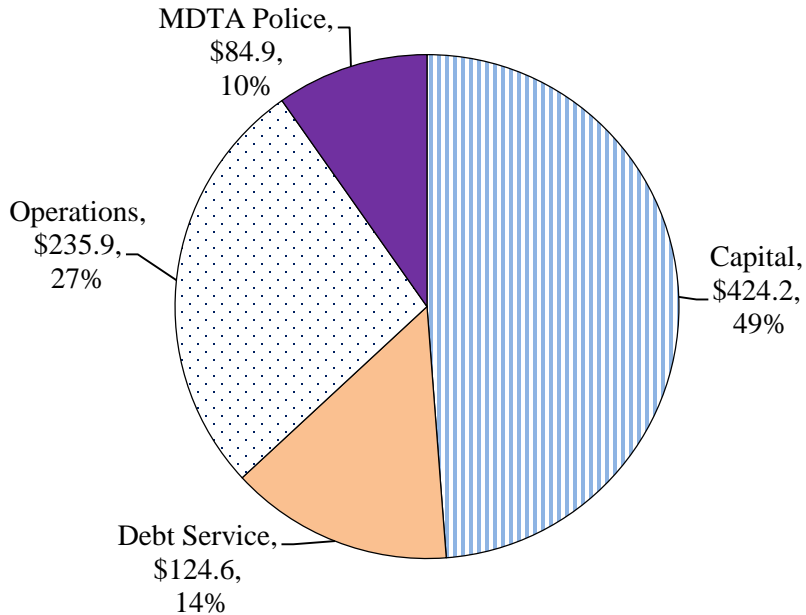


MDOT: Maryland Department of Transportation

Source: Maryland Transportation Authority, January 2018 *Financial Forecast*

Exhibit 5 provides a breakdown of fiscal 2019 spending by category. The capital program accounts for about 49% of all spending in fiscal 2019. 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 the remaining 14%.

Exhibit 5
Fiscal 2019 Uses of Funding
(\$ in Millions)



MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority, January 2018 *Financial Forecast*; Governor’s Budget Books Fiscal 2019

Toll Revenues

Toll revenues are the primary revenue source for MDTA. Total toll revenue is expected to increase from \$733.2 million in fiscal 2017 to \$747.1 million in fiscal 2018, an increase of \$13.9 million. Toll revenues are expected to grow to \$781.7 million in fiscal 2023, the final year of the forecast period. Traffic is estimated to grow at an average annual rate of approximately 0.8% per year from fiscal 2019 through 2023.

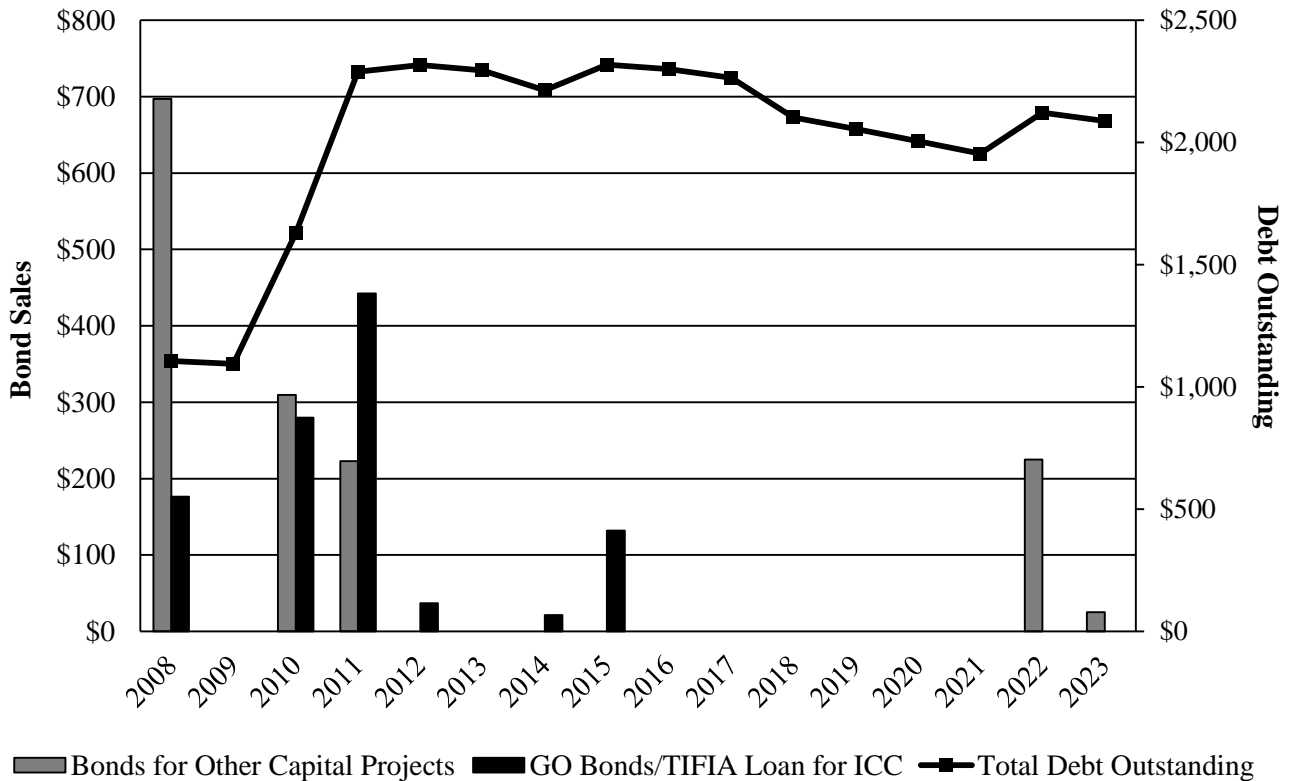
Debt Service

The reliance on debt to fund construction of a new facility and the major expansion of an existing toll facility result in significantly higher debt service payments over the following 30 years. Debt service at its most recent low point was \$25 million in fiscal 2007; the fiscal 2019 anticipated debt service costs are \$124.6 million. That amount will increase to \$134.3 million in fiscal 2023 as MDTA begins issuing debt to fund construction of a replacement for the Nice Bridge.

Revenue Bonds

For the first time since drawing down \$132 million from the TIFIA loan in fiscal 2015, MDTA plans to take on debt in fiscal 2022, one year later than expected in last year’s financial forecast. The new debt is tied to the construction of the replacement for the Nice Bridge. **Exhibit 6** shows the total debt outstanding in each year from fiscal 2008 through 2023 and debt issued or TIFIA loan draws. The \$2.1 billion in outstanding debt in fiscal 2018 is below the statutory debt outstanding limit of \$2.325 billion, which was implemented in Chapter 489 of 2015. That limit is in effect through fiscal 2020, after which it returns to \$3 billion.

Exhibit 6
Bond Sales and Debt Outstanding
Fiscal 2008-2023
(\$ in Millions)



GO: general obligation
 ICC: InterCounty Connector
 TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority’s January 2018 *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 2019 rate covenant compliance ratio is projected to be 3.13, 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 1.20, MDTA maintains an administrative policy that requires it to be above 2.50. In fiscal 2019, the debt coverage ratio is 3.89. While the debt service coverage ratio is met throughout the forecast period, debt service as a percent of revenues totals 16.2% in fiscal 2023. By way of comparison, the State's debt limit is that debt service should not exceed 8.0% of revenues. With debt service accounting for so much of available revenues, less cash is available for capital expenditures in the future.
- Chapter 489 of 2015 codified MDTA's previously stated administrative policy of maintaining an unencumbered cash balance of \$350 million through June 30, 2020. Bond rating agencies view the amount of cash on hand relative to operating expenses as a liquidity measure to ensure 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 AA-rated toll agencies, the median cash on hand should fund operations for 9 to 18 months. In fiscal 2019, operating expenses including debt service total \$445.4 million, and the unencumbered cash balance is expected to be \$790.3 million, or about 21 months of operating expenses.

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:

- 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;

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- \$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 the ICC, which is backed by future federal highway aid with a secondary pledge from the TTF. The 2007 series of GARVEE bonds was refunded and redeemed in 2017 through the issuance of a Series 2017 GARVEE Refunding Bond.

Exhibit 7 shows debt service and debt outstanding for MDTA’s conduit financed bonds. In fiscal 2019, debt service on the conduit issuances will total \$134.3 million with debt outstanding of \$452.5 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 7
Debt Service Payments and Debt Outstanding on Conduit Projects
Fiscal 2017-2019
(\$ in Thousands)**

	<u>2017</u>	<u>2018²</u>	<u>2019²</u>
<u>Debt Service Payments</u>			
2002 Series – BWI Marshall Airport Rental Car Facility	\$8,971	\$8,966	\$8,957
2007 and 2008 Series – GARVEE Bonds	87,452	0	0
2008 Series and 2017 Refunding Series – GARVEE Bonds	0	86,055	86,179
2012 A&B Series – BWI Marshall Airport Refunding Elm Rd.	18,558	18,230	18,171
2012 A Series – Various BWI Marshall Airport Projects	4,008	3,970	3,929
2012 B Series – Various BWI Marshall Airport Projects	7,969	7,968	7,967
2012 C Series – Various BWI Marshall Airport Projects	287	1,278	2,170
2014 Series – WMATA Refunding Parking Garages	2,442	2,445	2,439
2014 Series – Various BWI Marshall Airport Projects	2,956	2,953	2,952
2015 Series – Calvert Street Parking Garage Refunding	472	697	1,502
Total Debt Service Payments	\$133,115	\$132,562	\$134,266

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	<u>2017</u>	<u>2018²</u>	<u>2019²</u>
<u>Debt Outstanding</u>			
2002 Series – BWI Marshall Airport Rental Car Facility	\$87,830	\$84,560	\$81,080
2007 and 2008 Series – GARVEE Bonds	206,590	0	0
2008 Series and 2017 Refunding Series – GARVEE Bonds	0	129,680	48,865
2012 A&B Series – BWI Marshall Airport Refunding Elm Rd.	136,900	125,515	113,620
2012 A Series – Various BWI Marshall Airport Projects	41,535	39,510	37,425
2012 B Series – Various BWI Marshall Airport Projects	69,510	63,485	57,220
2012 C Series – Various BWI Marshall Airport Projects ¹	43,400	43,400	43,400
2014 Series – WMATA Refunding Parking Garages	23,905	22,320	20,685
2014 Series – Various BWI Marshall Airport Projects	36,535	35,030	33,450
2015 Series – Calvert Street Parking Garage Refunding	18,011	17,786	16,750
Total Debt Outstanding	\$664,216	\$561,286	\$452,495

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport
GARVEE: Grant Anticipation Revenue Vehicle
WMATA: Washington Metropolitan Area Transit Authority

¹ The fiscal 2018 and 2019 debt service payments are estimates only for the variable rate passenger facility charge revenue bonds, series 2012C. Fiscal 2018 interest is actual for July to December and estimated at 5% for January to June.

² 2012 Series C bonds are variable rate.

Source: Maryland Transportation Authority

Financial Outlook Is Stable

Several years of traffic growth on the system and toll revenue over attainment has put MDTA's finances in a stable position, despite the reduction in toll rates and corresponding decline in revenue in fiscal 2016. However, over the long term, the administration will have to manage relatively high debt service costs while taking on at least one mega-project (Nice Bridge replacement) and maintaining an aging system. Additionally, MDTA is considering at least three potential additions or expansions to the system. None of these potential projects is included in the current CTP, although a small amount of funding is provided for the I-95 ETL expansion.

- **Chesapeake Bay Crossing:** The Governor has announced plans for MDTA to study the addition of a third bay crossing. MDTA is developing a scoping report that will summarize comments regarding the range of issues and corridor options that should be considered in an environmental impact statement. The study will also evaluate the financial viability of a third crossing, as well as current and future traffic demand across the Chesapeake Bay. The report will be presented at public meetings this spring to present the criteria for the purpose and need of a third span and location alternatives. A 2015 Bay Bridge lifecycle analysis estimated costs for this project would range from \$1.4 billion to \$4.3 billion.

- ***Baltimore-Washington Parkway:*** The Governor has announced a plan to add express toll lanes along the entire length of the beltway in Maryland via a public-private partnership. In addition, the plan includes the National Park Service turning over the Baltimore-Washington Parkway (MD295) to MDTA, which would undertake a project to add express toll lanes along the highway. MDOT estimated the cost of this project at approximately \$1.4 billion.
- ***I-95 ETL Expansion:*** The Governor has also announced plans to extend the express toll lanes on I-95 to Route 24 in Harford County. MDTA estimates the project to cost \$210 million. The construction of the existing I-95 ETLs cost nearly \$1.1 billion. The CTP includes \$11.6 million in funding for this project.

PAYGO Capital Program

Program Description

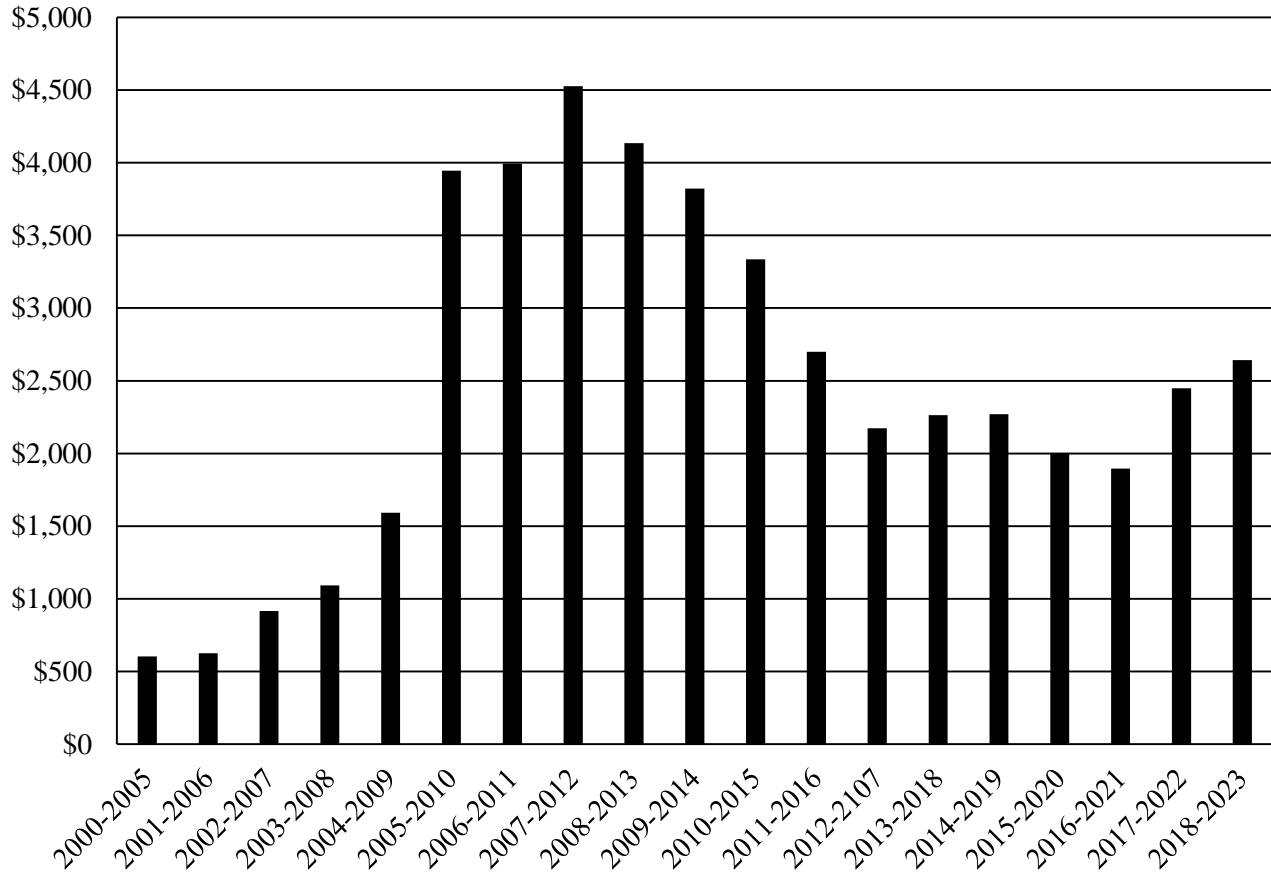
MDTA's capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State. The Nice Bridge replacement is the single largest project in the program at \$728.2 million in the six-year period, while the rest of the program is primarily made up of system preservation projects.

Fiscal 2018 to 2023 Consolidated Transportation Program

The six-year capital program totals \$2.6 billion, an increase of \$194 million compared to the fiscal 2017 to 2022 CTP.

Exhibit 8 shows the size of MDTA's six-year capital program from fiscal 2000 through the present. Prior to the construction of the I-95 ETLs and ICC, MDTA's capital spending had historically been around \$500 million. Construction of the two mega-projects ballooned the CTP to a peak of \$4.5 billion in the fiscal 2007 to 2012 CTP. The current program is the largest since the fiscal 2011 to 2016 CTP.

Exhibit 8
Size of the Six-year Consolidated Transportation Program
Fiscal 2000-2023
(\$ in Millions)



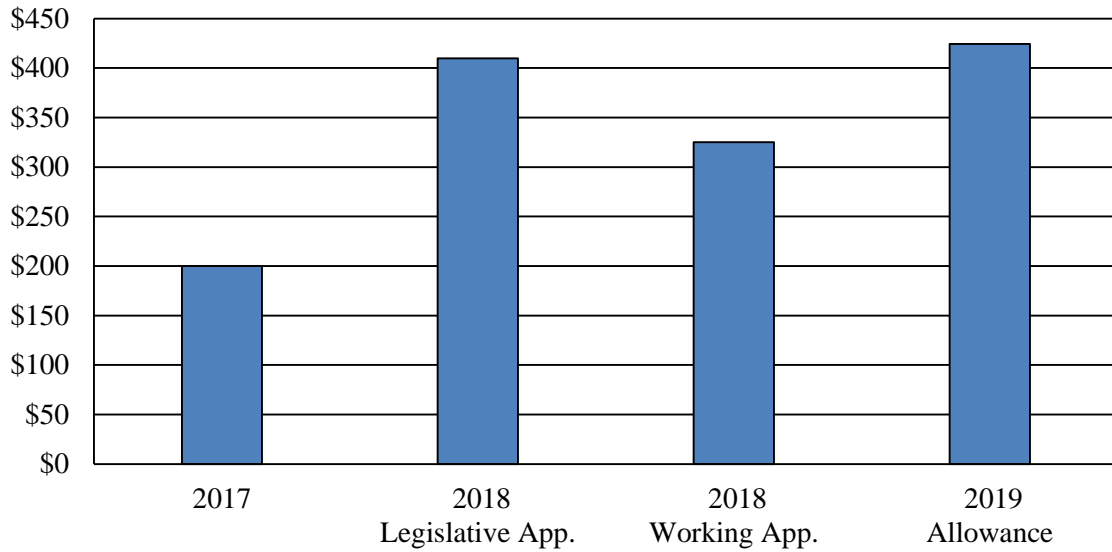
Source: Maryland Department of Transportation, 2018-2023 *Consolidated Transportation Program*

Fiscal 2018 and 2019 Cash Flow Analysis

The fiscal 2018 working appropriation is \$84.9 million less than the legislative appropriation, as shown in **Exhibit 9**. A decline of \$51.6 million in system preservation minor projects as well as a \$26.1 million reduction due to pushing back the rollout of the third generation toll system make up the largest portion of the reduction.

The fiscal 2019 allowance increases by \$99.3 million compared to the fiscal 2018 working appropriation. The replacement of the Canton Viaduct is responsible for \$35.4 million of the increase, while system preservation minor projects increase by \$28.9 million, and the replacement of the toll system increases by \$23.8 million.

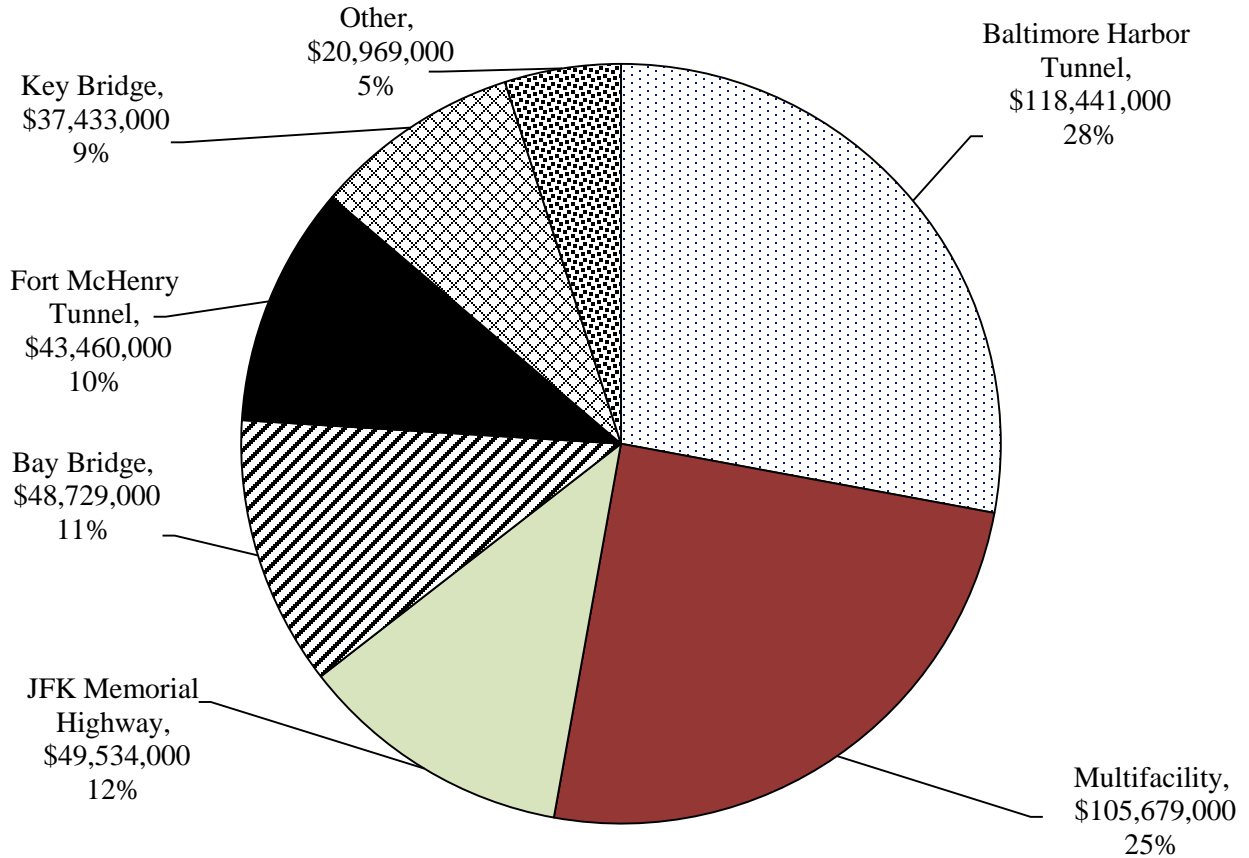
Exhibit 9
Cash Flow Changes
Fiscal 2017-2019 Allowance
(\$ in Millions)



Source: Maryland Department of Transportation, 2018-2023 *Consolidated Transportation Program*

Exhibit 10 shows capital spending by facility in fiscal 2019. The largest share of spending (\$118.4 million, 28%) is at the Baltimore Harbor Tunnel, primarily due to the replacement of the Canton Viaduct. Multifacility projects, such as the authoritywide replacement of the toll collection and operating system, make up one quarter of the fiscal 2019 spending.

Exhibit 10
Capital Expenditures by Facility
Fiscal 2019



Bay Bridge: William Preston Lane, Jr. Memorial Bridge

Source: Department of Budget and Management

Projects in the Construction Program

Exhibit 11 shows the projects included in the 2018 to 2023 CTP. The largest project in the program is the replacement of the Nice Bridge at a six-year total cost of \$728.2 million, which accounts for more than a quarter of the program. The next largest project, at \$267.6 million and 10.1% of the program, is the replacement of the Canton Viaduct. No other project makes up more than 2.4% of the program.

Exhibit 11
MDTA Capital Allowance
Fiscal 2019
(\$ in Thousands)

<u>Facility</u>	<u>Project Description</u>	<u>2019</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Nice Bridge	Replace Nice Bridge	\$6,115	\$768,600	\$728,179
Baltimore Harbor Tunnel	Replace Canton Viaduct	72,939	290,429	267,572
Authority-Wide	Replace Electronic Toll Collection and Operating System	27,217	78,500	63,559
Baltimore Harbor Tunnel	Replace Vent Fans	12,654	70,531	55,771
Fort McHenry Tunnel	Moravia Road to Tunnel Improvements	15,905	76,375	49,174
Baltimore Harbor Tunnel	Replace Deck and Superstructure of Bridge over Patapsco Flats	19,500	61,273	40,178
Bay Bridge	Structural Repairs and Miscellaneous Modifications	17,375	60,452	40,174
Fort McHenry Tunnel	Port Covington I-95 Access	0	33,400	33,162
Bay Bridge	Rehabilitate Suspension Spans Westbound Bridge	12,605	36,380	28,039
JFK Memorial Highway	Resurfacing	15,664	60,656	27,540
InterCounty Connector (ICC)	ICC Construction	8,752	2,377,278	25,076
Bay Bridge	Clean and Paint Structural Steel Westbound Bridge	9,923	103,001	23,991
Key Bridge	Rehabilitation of the Curtis Creek Bridges	11,245	24,395	22,805
Key Bridge	Facilitywide Asphalt Resurfacing	4,765	21,243	21,164
JFK Memorial Highway	Rehabilitate Decks on Three Bridges on I-95 in Cecil County	11,204	20,111	19,740
Fort McHenry Tunnel	Replace Tunnel Lighting Systems	7,089	21,730	17,789
Key Bridge	Clean and Paint Structural Steel of Approach Spans	8,182	14,279	14,272
JFK Memorial Highway	Remove, Replace, and Upgrade Sign Structures	6,231	14,436	13,778
Baltimore Harbor Tunnel	Rehabilitate Various Bridges	6,472	28,997	13,571
Bay Bridge	Replace 5KV Feeder Cable on Eastbound Span	3,686	14,217	13,443
JFK Memorial Highway	Replace Deck of Bridge over Little Northeast Creek	4,842	12,408	11,582
JFK Memorial Highway	I-95 ETL Construction	0	1,097,719	11,312

<u>Facility</u>	<u>Project Description</u>	<u>2019</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Fort McHenry Tunnel	Rehabilitate Various Bridges on I-95 in Baltimore City	4,499	12,742	10,896
Point Breeze	Renovate Building 2330	2,994	13,287	10,365
Fort McHenry Tunnel	Deck Sealing and Miscellaneous Rehabilitation	7,118	10,504	10,252
Baltimore Harbor Tunnel	Replace 15KV Feeder Cables	3,912	10,241	10,189
Key Bridge	Rehabilitate Substructure and Superstructure of Various Bridges	4,072	12,822	10,187
JFK Memorial Highway	Repair Substructure and Superstructure	3,365	11,573	7,489
Bay Bridge	Rehabilitate Eastbound Bridge Deck – 1	2,000	10,900	6,952
Fort McHenry Tunnel	Replace Weathering Steel High Mast Light Poles	1,253	17,267	4,295
Bay Bridge	Cable Rewrapping and Dehumidification	0	61,946	1,484
Fort McHenry Tunnel	Rehabilitate Vent Fans – 1	400	3,149	1,471
JFK Memorial Highway	I-95/Belvidere Road Interchange Study – 1	100	300	300
Authoritywide	Install Security Systems and Video Surveillance at Major Bridges	0	0	135
Fort McHenry Tunnel	Rehabilitate Decks, Other Miscellaneous Repairs	0	105,775	44
Fort McHenry Tunnel	Rehabilitate Concrete Tunnel Deck	0	37,086	9
Subtotal – Projects		\$312,078	\$5,594,002	\$1,615,939
Programs				
Authoritywide	System Preservation Minor Projects	\$112,200	n/a	\$1,025,700
Subtotal – Programs		\$112,200	\$0	\$1,025,700
Total – Projects and Programs		\$424,278	\$5,594,002	\$2,641,639

Bay Bridge: William Preston Lane, Jr. Memorial Bridge
 ICC: InterCounty Connector
 Nice Bridge: Harry W. Nice Memorial Bridge

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

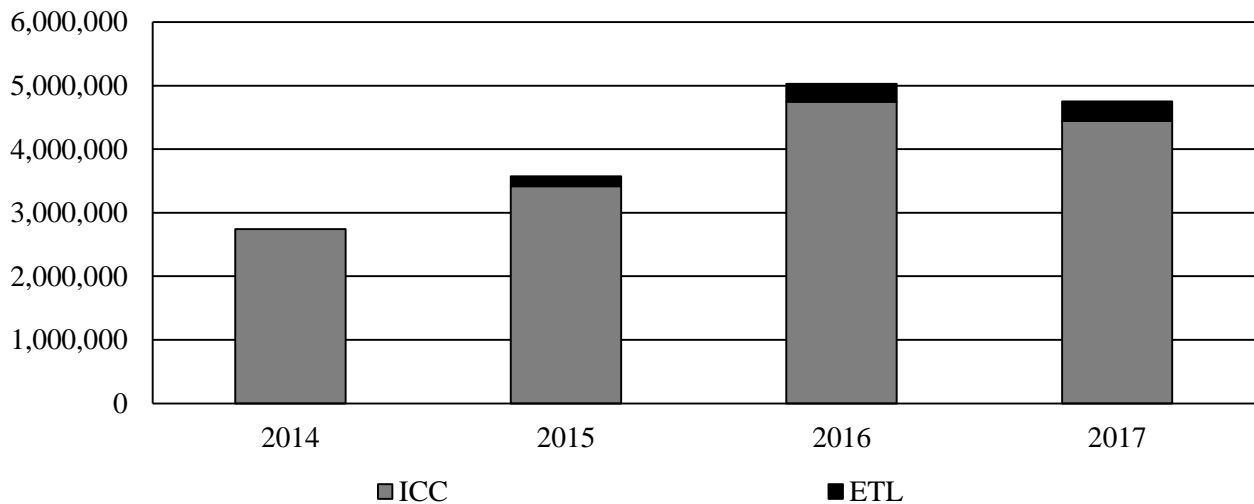
Source: Maryland Department of Transportation, 2018-2023 Consolidated Transportation Program

Issues

1. MDTA Tackles Video Tolling Complaints

Since the opening of the ICC and the I-95 ETLs to traffic several years ago, the amount of video tolls issued by MDTA has increased dramatically. While a video toll can occur at any facility, they are most common on the ICC and I-95 ETLs as there are no toll booths at those facilities. **Exhibit 12** shows the number of video toll transactions for the two facilities.

Exhibit 12
Video Toll Transactions
Fiscal 2014-2017



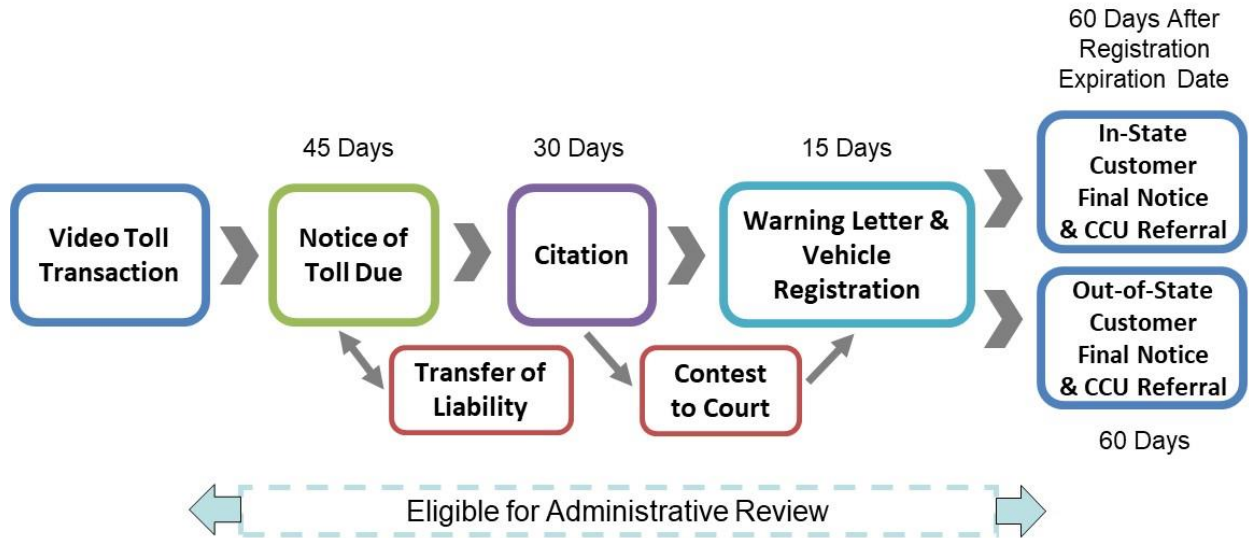
ETL: Express Toll Lane
ICC: InterCounty Connector

Source: Maryland Transportation Authority

Background

The video tolling process begins when a driver passes through a toll facility without paying by cash, or the vehicle is not matched to an E-ZPass account transponder or license plate. **Exhibit 13** shows the process from video toll to final notice and Central Collection Unit (CCU) referral. The time between the occurrence of a video toll transaction and the mail date varies from about 30 to 60 days in order to review images and match the vehicle to its owner. Once the owner has been identified, a notice of toll due is mailed to the vehicle owner. As shown in Exhibit 13, the vehicle owner has 45 days from the date the notice is mailed to pay the video toll amount due without any penalty.

**Exhibit 13
Video Toll Process**



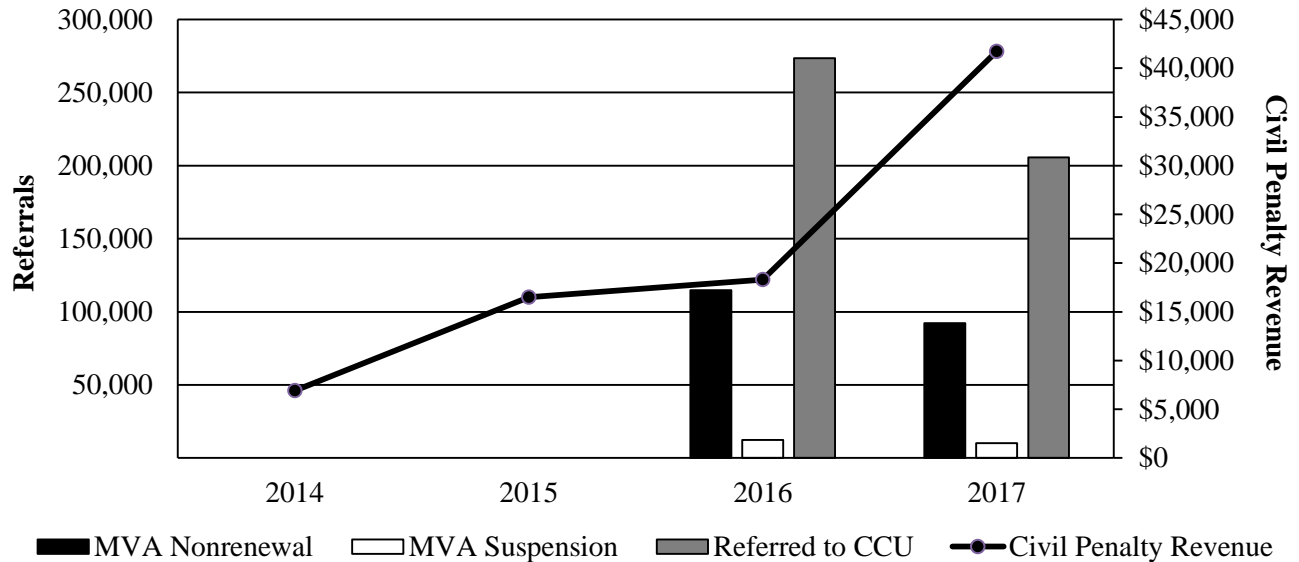
CCU: Central Collection Unit

Source: Maryland Transportation Authority

If the vehicle owner fails to pay the notice of toll due or transfer liability within the allotted timeframe, a citation with a \$50 civil penalty is issued. At this stage, the vehicle owner has the option to pay the citation and civil penalty within 30 days or contest the case in the District Court. If the vehicle owner fails to pay the citation or is found guilty in District Court and does not pay, a past due notice is issued. At this stage, the vehicle owner has 15 days to pay the citation and civil penalty before the vehicle license plate is referred to the Motor Vehicle Administration (MVA) to be flagged for suspension or nonrenewal of the vehicle’s registration. A vehicle’s registration is flagged for nonrenewal at MVA when the vehicle license plate has one outstanding transaction or less than \$1,000 in unpaid tolls and penalties. A vehicle’s registration is suspended when the vehicle license plate has \$1,000 or more in unpaid tolls and penalties.

If the vehicle owner fails to pay the past due notice within the 15-day period, a final notice is issued providing the vehicle owner with an additional 15 days to pay the outstanding tolls and penalties prior to referral to the CCU for collection action, which is triggered 60 days after the customer’s vehicle registration renewal date. **Exhibit 14** shows data on the number of referrals to MVA and CCU as well as the amount of revenues collected from the civil penalty. The large increase in fiscal 2017 to \$41.7 million is due to a program to intercept tax refunds from people who had been referred to CCU.

Exhibit 14
Civil Penalty Revenue and Referrals to MVA and CCU
Fiscal 2014-2017
(\$ in Millions)



CCU: Central Collection Unit
MVA: Motor Vehicle Administration

Source: Maryland Transportation Authority

MDTA Working Group

In response to legislative and customer concerns, MDTA formed an internal working group to address video tolling enforcement and customer service-related issues. Among the concerns were large civil penalties being accrued by drivers who failed to pay video tolls for reasons ranging from deliberate avoidance to missing notices from MDTA about either video tolls or late payments due to incorrect addresses or other communication issues. State regulations call for a \$50 civil penalty for a toll violation.

The working group’s goals were to improve customer service, provide more accessible and fair payment options, and maintain clear enforcement processes and reasonable fees. To those ends, MDTA has made several changes in its processes related to video tolling. It has expanded customer notifications via email to include low and negative balance alerts, return mail or bad address occurrences for video tolls, and via warning letters for malfunctioning transponders. MDTA has reduced the number of outstanding customer service complaints from more than 1,000 at the beginning of 2017 to less than 100 at the end of 2017. The agency has also created a helpline to aid in E-ZPass

account conversion and resolution of video toll transactions. Early this year, MDTA will implement a license plate matching feature in conjunction with MVA to convert a video toll to an E-ZPass transaction in cases where a vehicle is tied to an E-ZPass account. Finally, the agency is undertaking an educational campaign in an effort to reduce video tolling, with efforts including an advertising campaign, social media, increased signage, and media events.

Future Is AET

MDTA expects to begin the transition of its system to AET beginning in late 2019 or 2020. Chapter 397 of 2014 required the administration to perform a study of AET in anticipation of a transition that at the time was expected to happen earlier. MDTA's study identified several items to address prior to AET implementation. These include:

- providing options to convert cash customers to AET customers, including additional customer service at the beginning of implementation;
- adding transponder sales at toll booths immediately prior to implementation; and
- performing rigorous enforcement of in-state violators by withholding registration renewal and entering violator reciprocity agreements with neighboring states.

As noted earlier, MDTA has ramped up customer service efforts in response to complaints about video tolling enforcement issues. Adding transponder sales at toll booths would also seem to be a simple effort to undertake. However, MDTA may find it difficult to balance the competing priorities of rigorously enforcing toll violations and ensuring that penalties are not exceedingly onerous. **MDTA should comment on its planning process for the rollout of AET. MDTA should also discuss what it has learned from recent customer service efforts and how they can be applied to the AET rollout.**

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Nobudgeted.

Appendix 1
Maryland Transportation Authority Financial Forecast
Fiscal 2017-2023
(\$ in Millions)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues							
Toll Revenues	\$733.2	\$747.1	\$759.3	\$765.3	\$770.3	\$775.8	\$781.7
Concessions	6.0	6.4	6.4	6.5	6.5	6.6	7.1
Investment Income and Other	2.9	12.1	11.5	10.7	9.5	8.6	8.5
Maryland Department of Transportation	26.8	27.4	28.3	29.4	30.6	31.8	33.1
Total Revenues	\$768.9	\$793.0	\$805.5	\$812.0	\$816.9	\$822.9	\$830.4
Expenses							
Operations	\$291.0	\$313.2	\$320.8	\$333.6	\$347.0	\$360.9	\$375.3
Debt Service	138.4	128.6	124.6	124.6	127.2	130.6	134.3
Capital Program	208.5	325.0	424.2	450.0	503.1	559.1	380.2
Total Expenses	\$637.9	\$766.7	\$869.6	\$908.3	\$977.3	\$1,050.5	\$889.8
Capital Funding Sources							
Revenue Bond Proceeds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$225.0	\$25.0
Bond Defeasance Accounting	0.0	-101.7	0.0	0.0	0.0	0.0	0.0
Reconciliation	8.2	0.0	0.0	0.0	0.0	0.0	0.0
Annual Surplus/Deficit	\$139.3	-\$75.4	-\$64.1	-\$96.4	-\$160.4	-\$2.6	-\$34.4
Total Cash Balance	\$1,057.2	\$981.8	\$917.7	\$821.3	\$661.0	\$658.3	\$623.9
Debt							
Debt Outstanding	\$2,264.2	\$2,103.0	\$2,055.8	\$2,006.0	\$1,954.1	\$2,122.3	\$2,088.2
Unencumbered Cash (Policy \$350.0 Million Minimum)	\$937.0	\$852.3	\$790.3	\$695.1	\$534.8	\$520.7	\$485.0
Debt Service Coverage (Policy 2.0)	3.45	3.73	3.89	3.84	3.69	3.54	3.39
Rate Covenant Compliance (Legal 1.0)	2.82	3.00	3.13	3.08	2.97	2.87	2.75

Appendix 2
Object/Fund Difference Report
Maryland Department of Transportation – Maryland Transportation Authority

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	1,748.00	1,748.00	1,748.00	0.00	0%
Total Positions	1,748.00	1,748.00	1,748.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 160,208,649	\$ 172,639,319	\$ 176,051,243	\$ 3,411,924	2.0%
02 Technical and Spec. Fees	185,647	851,311	786,953	-64,358	-7.6%
03 Communication	1,084,788	1,257,957	1,282,201	24,244	1.9%
04 Travel	221,469	298,780	343,291	44,511	14.9%
06 Fuel and Utilities	4,895,581	4,694,761	5,219,376	524,615	11.2%
07 Motor Vehicles	7,545,323	9,031,351	9,310,248	278,897	3.1%
08 Contractual Services	102,279,013	107,254,578	107,896,491	641,913	0.6%
09 Supplies and Materials	6,874,057	9,306,105	11,305,494	1,999,389	21.5%
10 Equipment – Replacement	1,336,968	1,814,754	1,612,985	-201,769	-11.1%
11 Equipment – Additional	759,669	904,135	1,357,140	453,005	50.1%
13 Fixed Charges	142,771,035	235,373,662	129,902,060	-105,471,602	-44.8%
Total Objects	\$ 428,162,199	\$ 543,426,711	\$ 445,067,482	-\$ 98,359,231	-18.1%
Funds					
07 Nonbudgeted Fund	\$ 428,162,199	\$ 543,426,711	\$ 445,067,482	-\$ 98,359,231	-18.1%
Total Funds	\$ 428,162,199	\$ 543,426,711	\$ 445,067,482	-\$ 98,359,231	-18.1%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 3
Fiscal Summary
Maryland Department of Transportation – Maryland Transportation Authority

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
41 Operating Program	\$ 428,162,199	\$ 543,426,711	\$ 445,067,482	-\$ 98,359,229	-18.1%
42 Capital Program	200,134,540	324,952,000	424,245,000	99,293,000	30.6%
Total Expenditures	\$ 628,296,739	\$ 868,378,711	\$ 869,312,482	\$ 933,771	0.1%
Nonbudgeted Fund	\$ 628,296,739	\$ 868,378,711	\$ 869,312,482	\$ 933,771	0.1%
Total Appropriations	\$ 628,296,739	\$ 868,378,711	\$ 869,312,482	\$ 933,771	0.1%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.