

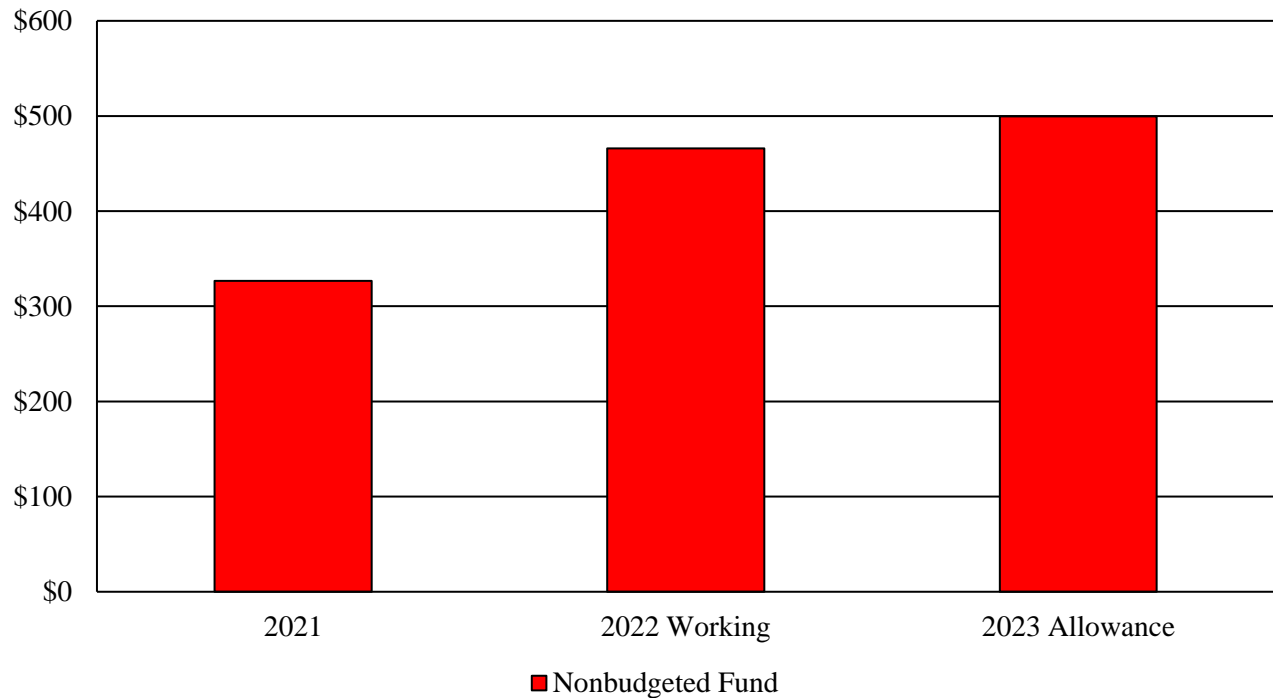
J00J00
Maryland Transportation Authority
Maryland Department of Transportation

Executive Summary

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

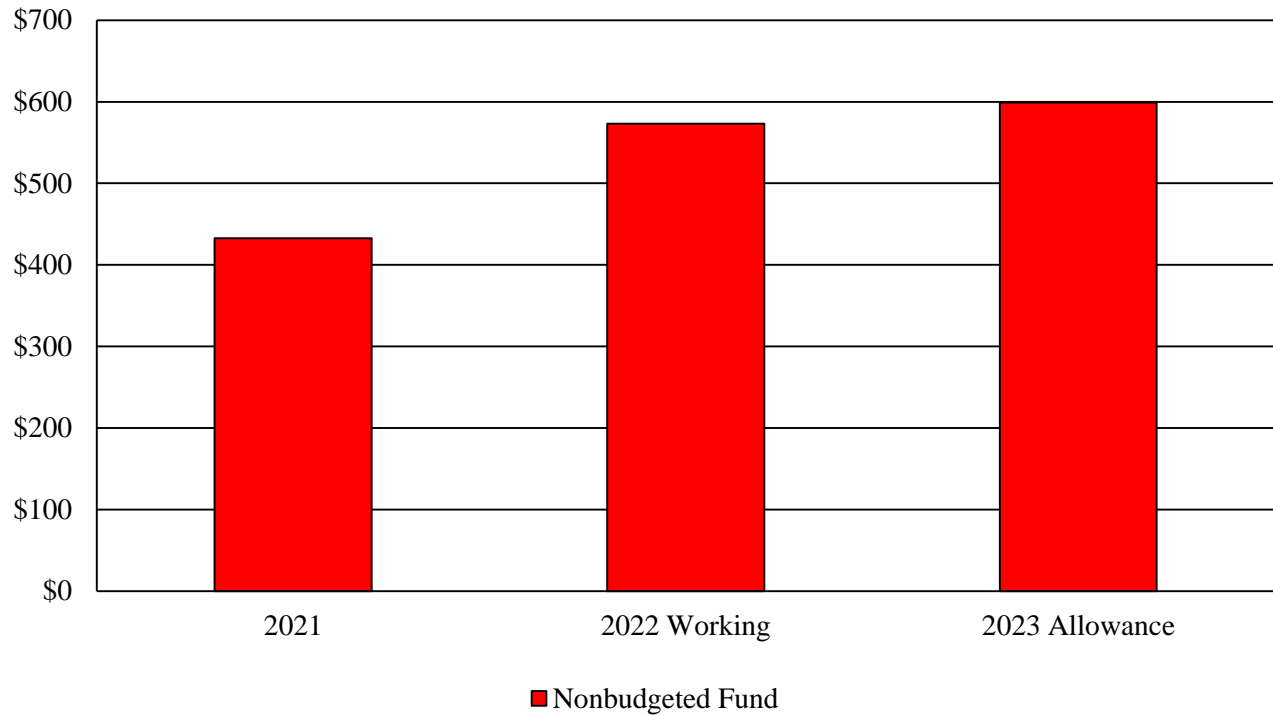
Operating Budget Summary

Fiscal 2023 Budget Increases \$33.7 Million, or 7.2%, to \$499.5 Million
(\$ in Millions)



PAYGO Capital Budget Summary

**Fiscal 2023 Budget Increases \$25.9 Million, or 4.5%, to \$599.1 Million
(\$ in Millions)**



Key Observations

- ***Office of Legislative Audits (OLA) MDTA Audit:*** OLA released an audit of MDTA in September 2021. It found issues with overbilling of customers at four tolling facilities during MDTA’s transition to its third-generation tolling system.
- ***Backlog of Toll Transactions:*** MDTA is dealing with a backlog of toll transactions. The agency paused the mailing of video tolls at the beginning of the pandemic. There was also a brief pause on E-ZPass tolls at the Intercounty Connector (ICC). These actions have led to a backlog of transactions that are not expected to be completed until summer 2022.
- ***MDTA’s Fiscal Stress Report:*** MDTA submitted a 2021 *Joint Chairman’s Report* (JCR) on its financial standing. It included a financial forecast that covered fiscal 2021 to 2031. This report noted the possibility of MDTA increasing toll rates by \$0.33 in fiscal 2030 to ensure the agency’s debt service coverage policy.

Operating Budget Recommended Actions

1. Adopt narrative requesting a report on resolution to existing tolling concerns.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

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Budget Analysis

Program Description

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

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

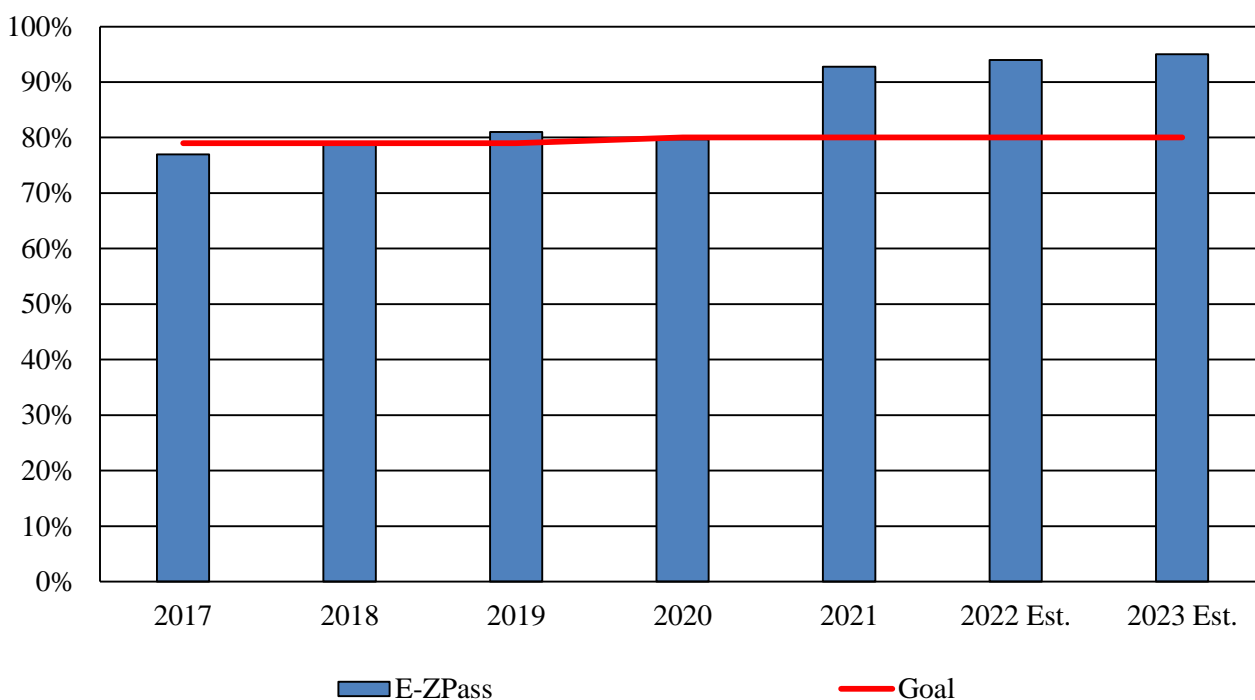
MDTA's mission is to be a customer driven leader that delivers safe, sustainable, intelligent, and exceptional transportation solutions in order to connect customers to life's opportunities.

Performance Analysis: Managing for Results

1. E-ZPass Use Rises

E-ZPass toll transactions reduce costs and expedite the toll collection process; reduce delays at toll plazas; reduce vehicle idling time, thereby reducing emissions; and allow for the efficient movement of goods and people. E-ZPass toll collection is available at all Maryland toll facilities as well as in central Florida, parts of the Midwest, and most of the northeastern United States. **Exhibit 1** shows the percentage of tolls collected with E-ZPass at all MDTA facilities by fiscal year. In fiscal 2021, MDTA collected 92.7% of tolls with E-ZPass, which exceeded the goal of 80%. The agency estimates the percentage will grow in fiscal 2022 and 2023.

Exhibit 1
Tolls Collected Using E-ZPass
Fiscal 2017-2023 Est.



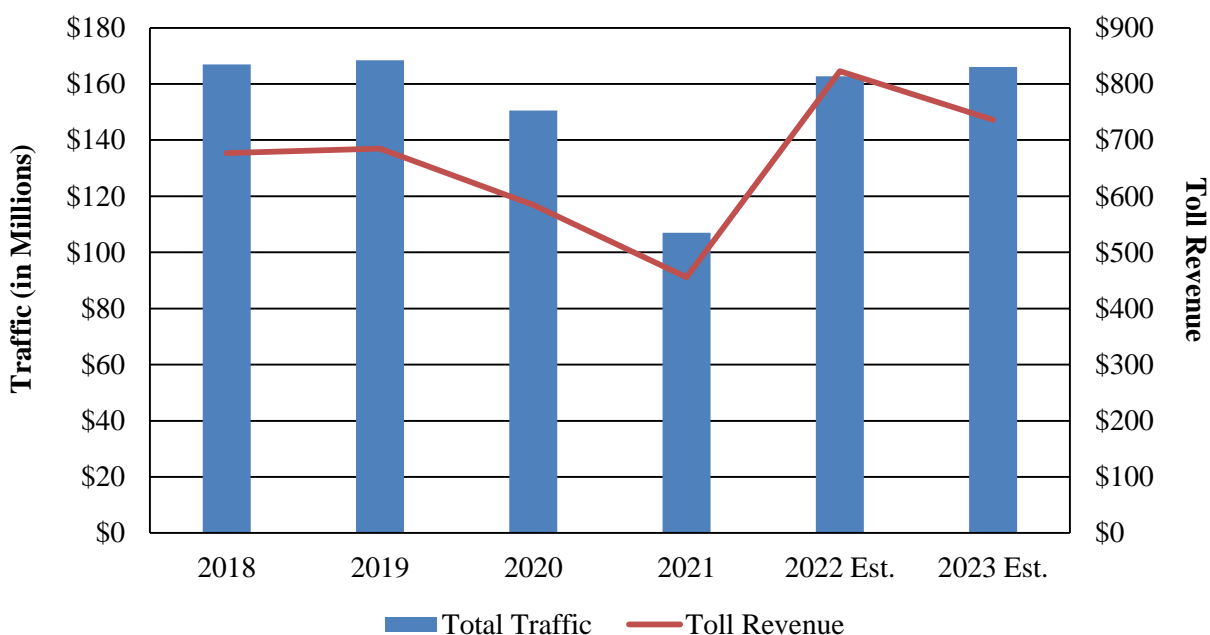
Note: The Fiscal 2021 E-ZPass collection percentage is higher than a typical year due to the pausing of Notice of Toll Due Mailings. Fiscal 2022 E-ZPass collection percentage is likely to be artificially decreased as the paused video tolls are collected and increased video toll collections occur as a result of the Maryland Transportation Authority approved Customer Assistance Plan. Fiscal 2023 E-ZPass collections are anticipated to resume in a normal manner.

Source: Department of Budget and Management

2. COVID-19 Continues to Impact Traffic

The first goal of MDTA is to efficiently move people and goods across the State. **Exhibit 2** shows the annual tolled traffic and toll revenue at MDTA facilities between fiscal 2018 and the fiscal 2023 estimate. Toll revenue in fiscal 2021 totaled \$455.9 million compared to \$584.6 million in fiscal 2020. Toll revenue in fiscal 2021 was impacted by the significant decrease in tolled traffic as well as the delay in collecting video tolls at all facilities and the pause of E-ZPass transactions at the ICC. This topic is further discussed in Issues 2 and 3 of this analysis.

Exhibit 2
Annual Tolled Traffic and Toll Revenue
Fiscal 2018-2023 Est.
(\$ in Millions)



Source: Department of Budget and Management; Maryland Transportation Authority

Proposed Budget Change

As shown in **Exhibit 3**, the fiscal 2023 allowance increases by approximately \$33.7 million, or 7.2%. The net growth in the proposed budget is largely attributable to the \$33.2 million increase in bond payments.

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

How Much It Grows:	Nonbudgeted Fund	Total
Fiscal 2021 Actual	\$362,729	\$362,729
Fiscal 2022 Working Appropriation	465,834	465,834
Fiscal 2023 Allowance	<u>499,505</u>	<u>499,505</u>
Fiscal 2022-2023 Amount Change	\$33,671	\$33,671
Fiscal 2022-2023 Percent Change	7.2%	7.2%

Where It Goes:	Change
Personnel Expenses	
Health insurance.....	\$2,199
Retiree health insurance premiums	1,780
Miscellaneous adjustments	1,724
Employees' retirement system	1,720
Salaries.....	1,531
Social Security contributions	385
Workers' compensation premium assessment	379
Other fringe benefits	4
Law Enforcement Officers' Pension System	-2,931
Other Changes	
Debt service	33,210
Replacement of personal protective equipment for MDTA police	883
Increase for salt and E-ZPass transponders.....	345
Reduced lease costs.....	-222
Other	-278
Equipment costs shifted to the capital budget.....	-294
A decrease in E-ZPass costs in anticipation of the elimination of the transaction processing backlog.....	-6,764
Total	\$33,671

MDTA: Maryland Transportation Authority

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 police services provided at BWI Marshall Airport and the Port of Baltimore.

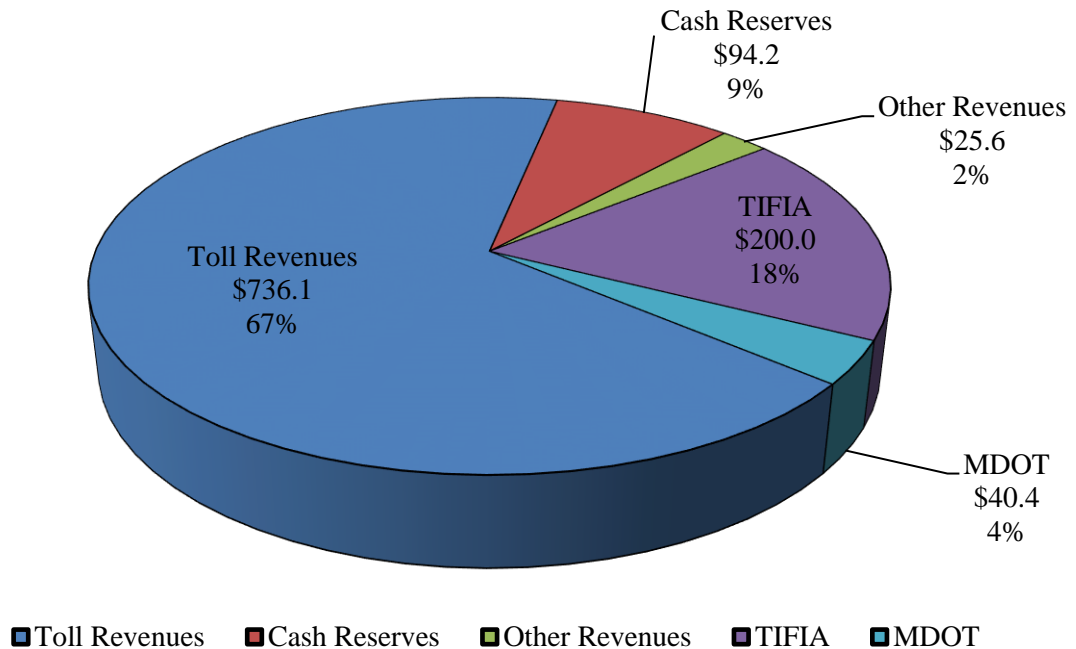
To support its capital program, MDTA may issue toll revenue bonds with a maturity of up to 40 years. Typically, MDTA issues its toll revenue bonds with a 30- to 33-year maturity. Chapters 471 and 472 of 2005 established a financing plan for the ICC that included MDTA revenue bonds and a number of alternative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

The terms of MDTA's trust agreement with its bondholders are the driving force in MDTA finances. Maintaining its bond coverage ratios is the primary concern, and all revenue adjustments and operating and capital expenditures are managed to maintain these ratios. To this end, MDTA develops and maintains a six-year financial forecast. Section 4-210 of the Transportation Article requires MDTA to provide the General Assembly with a copy of its financial forecast by September 1 of each year and in conjunction with submission of the Governor's budget in January. **Appendix 3** provides the detail of MDTA's fiscal 2021 through 2027 financial forecast.

Fiscal 2023 Sources and Uses of Funding

Exhibit 4 provides information on all of the funding supporting MDTA's fiscal 2023 operating and capital budgets. As is typical, the primary source of funding is toll revenues, totaling \$736.1 million. There is \$94.2 million in cash reserves, or unencumbered cash. In fiscal 2023, MDTA is expecting \$200 million from a TIFIA loan for the Nice/Middleton Bridge replacement.

Exhibit 4
Fiscal 2023 Sources of Funding
(\$ in Millions)

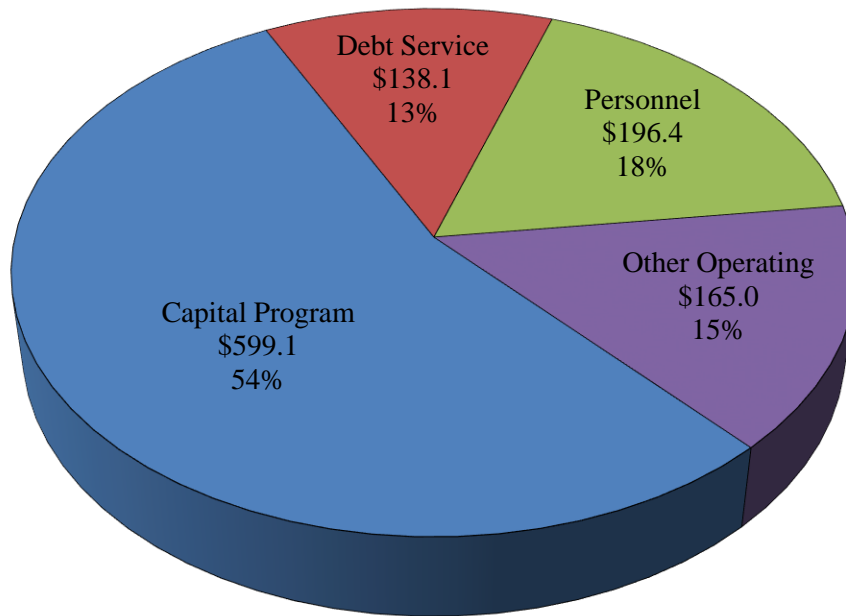


MDOT: Maryland Department of Transportation
TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority, *MDTA Financial Forecast FY 2021-2027*

Exhibit 5 provides a breakdown of fiscal 2023 spending by category. The capital program accounts for 54% of all spending in fiscal 2023. The operating budget, excluding debt service, accounts for 33% of spending, while debt service makes up the remaining 13% of fiscal 2023 spending.

Exhibit 5
Fiscal 2023 Uses of Funding
(\$ in Millions)



Source: Governor's Fiscal 2023 Budget Books; Maryland Transportation Authority

Revenues and Debt Affordability

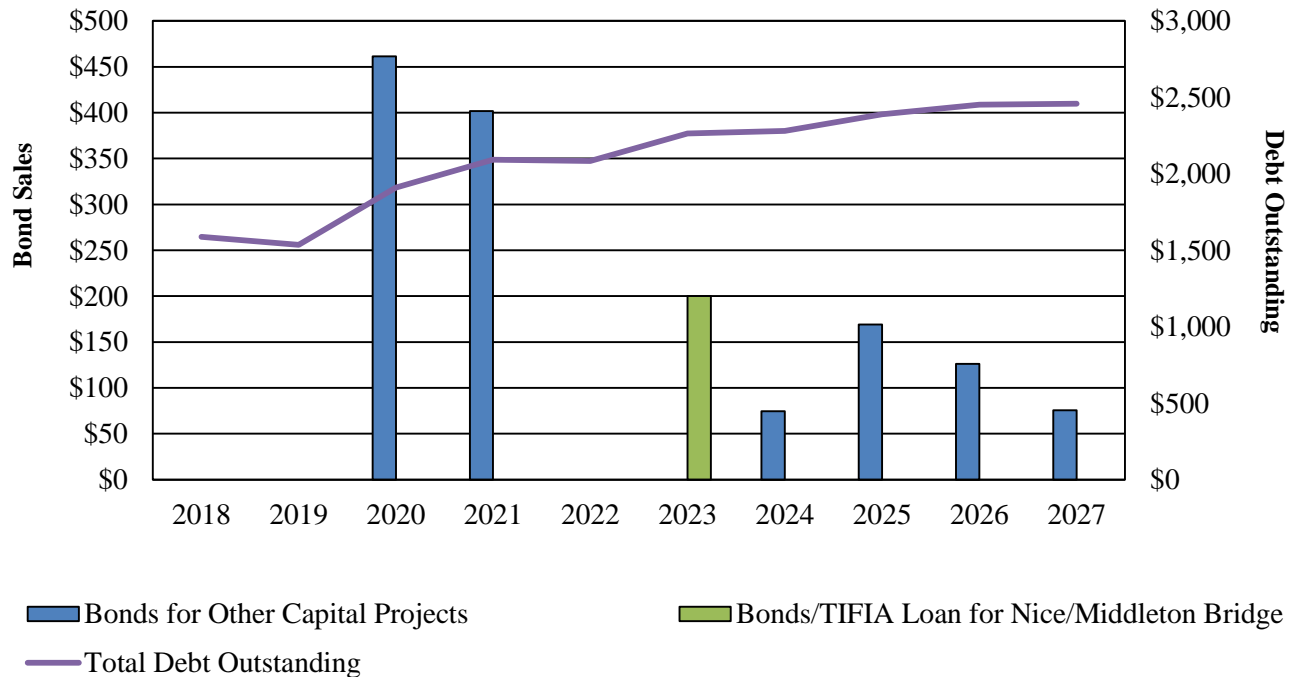
Toll Revenues

Toll revenues are the primary revenue source for MDTA. The \$822.9 million in revenue anticipated for fiscal 2022 reflects a dramatic increase from the \$455.9 million collected in fiscal 2021. This is due to the impacts of COVID-19 and the delay in toll revenue collection from fiscal 2021 into fiscal 2022. The average toll revenue in the three years prior to the pandemic was \$781.4 million. Total toll revenue is expected to decrease to \$736.1 million in fiscal 2023 but grow to \$761.3 million in fiscal 2027, the final year of the forecast. This anticipated toll revenue growth is attributable to growth at the ICC and legacy facilities, although forecasted revenues are still below the prepandemic level.

Revenue Bonds

Exhibit 6 shows the total debt outstanding in each year from fiscal 2018 through 2027 and debt issued or TIFIA loan draws. The total outstanding debt of \$2.3 billion in fiscal 2023 is below the \$3.0 billion statutory limit, although the outstanding amount is expected to increase to \$2.5 billion by fiscal 2027. This demonstrates that MDTA is undertaking a number of large projects that are taxing its financial resources and leading to increased issuances of debt. However, it is still projected to be under the debt cap through the forecasted period.

Exhibit 6
Bond Sales and Debt Outstanding
Fiscal 2018-2027
(\$ in Millions)



TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority

Debt Affordability

Under statute, MDTA is authorized to issue bonds without obtaining the consent of any unit or agency in the State, so long as the total bonds outstanding do not exceed \$3 billion at the end of any fiscal year. MDTA bonds backed by toll revenue are not considered State debt and, therefore, are not limited by the State's debt affordability measures. However, MDTA does have its own debt affordability measures. 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 2023 rate covenant compliance ratio is projected to be 2.5, and adequate coverage is provided through the forecast period. However, there is a steady decline during the forecast period with the rate covenant compliance ratio falling from 2.5 in fiscal 2023 to 1.9 by fiscal 2027.
- The second ratio is the debt service coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that the ratio must be at least 1.2, Chapter 489 of 2015 required a debt service coverage ratio of 2.5 through fiscal 2020. In fiscal 2021, MDTA returned to its administrative policy, which requires the ratio to be at or above 2.0. In fiscal 2023, the debt coverage ratio is projected to be 3.1. MDTA projects that the debt service coverage ratio will be met throughout the forecast period at levels exceeding both the statutory requirement and MDTA's administrative minimum coverage policy. In the out-years of the forecast, the ratio declines to 2.3 in fiscal 2027. This indicates that as debt service continues to account for a greater portion of available revenues, less cash will be available for capital expenditures in the future. This decline in debt service coverage continues beyond fiscal 2027 and is further discussed in Issue 3 of this analysis.
- Chapter 489 codified MDTA's administrative policy of maintaining an unencumbered cash balance of \$350 million through fiscal 2020. Bond rating agencies view the amount of cash on hand relative to operating expenses as a liquidity measure to ensure that operations can continue even if revenues are lower than expected, expenses are higher than expected, or if there is a temporary loss of revenues. MDTA reports that for other AA-rated toll agencies, the median cash on hand is sufficient to fund operations for 9 to 18 months. In fiscal 2023, operating expenses including debt service total \$497.2 million, and the unencumbered cash balance is expected to be \$544.5 million, or about 13 months of operating expenses. By fiscal 2027, this number is estimated to fall to approximately 7.9 months.

Nonrecourse Debt

In addition to its own revenue bonds, MDTA also issues debt on behalf of other State agencies and projects, which is called nonrecourse debt (formerly called conduit financing). The following projects have been financed using MDTA nonrecourse debt:

- \$604 million of projects associated with the \$1.4 billion expansion project at BWI Marshall Airport, including the Elm Road parking facility, pedestrian bridges, roadway improvements, a central utility plant, and a new consolidated rental car facility, which are backed by fees at BWI Marshall Airport. A new issuance of \$120 million in passenger facility charge backed bonds was approved in late fiscal 2019; and
- \$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.

Exhibit 7 shows debt service and debt outstanding for MDTA's nonrecourse bonds. In fiscal 2023, debt service on the nonrecourse issuances will total \$33.7 million with \$302.3 million in outstanding debt. The debt service for these projects is paid using the revenues from the projects or through lease payments from other agencies and does not affect MDTA's debt outstanding or its budget.

Exhibit 7
Debt Service Payments and Debt Outstanding on
Nonrecourse Debt-financed Projects
Fiscal 2021-2023
(\$ in Thousands)

	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Debt Service Payments</u>			
2002 Series – BWI Airport Rental Car Facility	\$8,941	\$8,932	\$8,926
2012 A Series – PFC BWI Airport	3,886	3,864	3,842
2012 B Series –PFC BWI Airport	7,971	7,971	7,968
2012 C Series – PFC BWI Airport ¹	48	30	30
2014 Series – PFC BWI Airport	2,955	2,953	2,957
2019 Series – PFC BWI Airport	8,471	8,470	8,470
2015 Series – Calvert Street Parking Garage Refunding	1,482	1,481	1,478
Total Debt Service Payments	\$33,754	\$33,701	\$33,671
<u>Debt Outstanding</u>			
2002 Series – BWI Airport Rental Car Facility	\$73,430	\$69,230	\$64,755
2012 A Series – PFC BWI Airport	33,005	30,660	28,220
2012 B Series –PFC BWI Airport	43,925	37,010	29,950
2012 C Series – PFC BWI Airport ¹	43,400	43,400	43,400
2014 Series – PFC BWI Airport	30,045	28,215	26,290
2019 Series – PFC BWI Airport	105,085	101,285	97,295
2015 Series – Calvert Street Parking Garage Refunding	14,604	13,491	12,352
Total Debt Outstanding	\$343,494	\$323,291	\$302,262

BWI Airport: Baltimore/Washington International Thurgood Marshall Airport

PFC: Passenger Facility Charge

¹ The debt service payments for the Series 2012C variable rate bonds are conservatively modeled at 2% annually, principal payments begin 2028.

Source: Maryland Transportation Authority

Operating and PAYGO Personnel Data

	<u>FY 21 Actual</u>	<u>FY 22 Working</u>	<u>FY 23 Allowance</u>	<u>FY 22-23 Change</u>
Regular Operating Budget Positions	1,707.00	1,727.00	1,707.00	-20.00
Regular PAYGO Budget Positions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Regular Positions	1,707.00	1,727.00	1,707.00	-20.00
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	1,707.00	1,727.00	1,707.00	-20.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	100.71	5.90%
Positions and Percentage Vacant as of 12/31/21	314.00	18.40%
Vacancies Above Turnover	213.29	12.50%

- The fiscal 2023 allowance eliminates 20 vacant toll collector positions due to the transition to the All-Electronic Toll or cashless tolling.

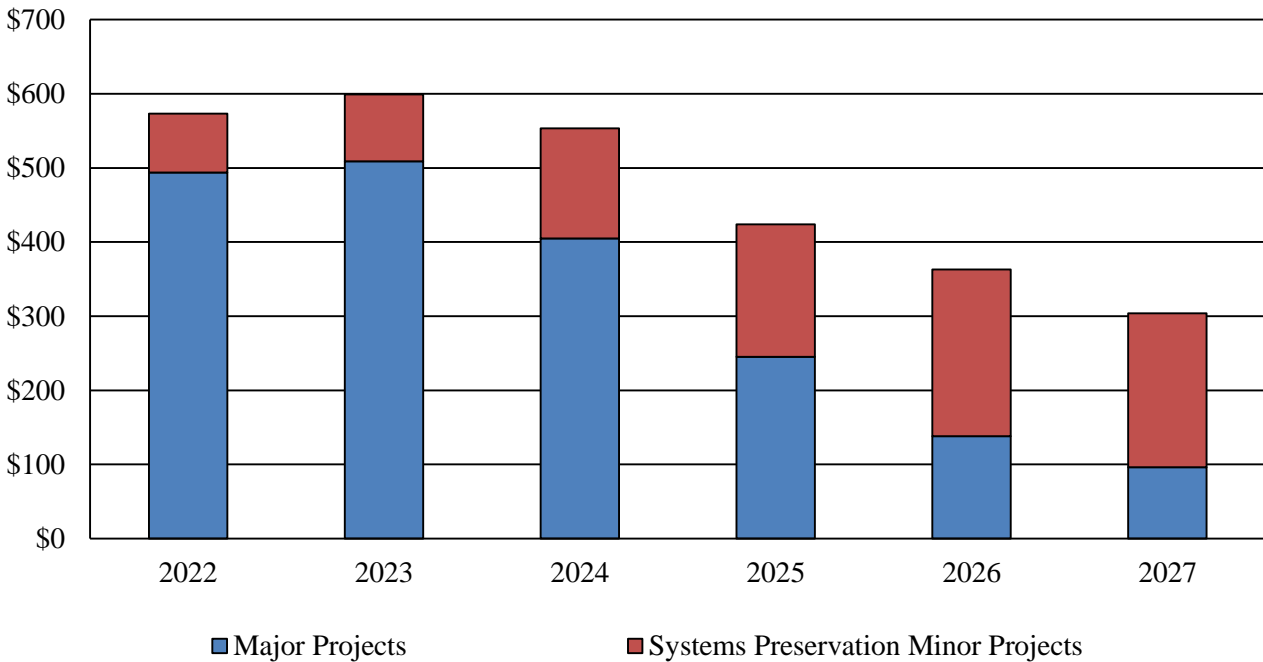
PAYGO Capital Program**Program Description**

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

Fiscal 2022 to 2027 Consolidated Transportation Program

The fiscal 2022 to 2027 *Consolidated Transportation Program* (CTP) for MDTA totals \$2.8 billion. **Exhibit 8** shows reduced capital spending for fiscal 2024 through 2027. The reduced capital spending can be contributed to the expected completion of the deck rehabilitation on the eastbound span of the Bay Bridge, the Nice-Middleton Bridge, and the Phase 1 of I-95 ETL Northern Extension project.

Exhibit 8
Six-year PAYGO Allowance
Fiscal 2022-2027
(\$ in Millions)



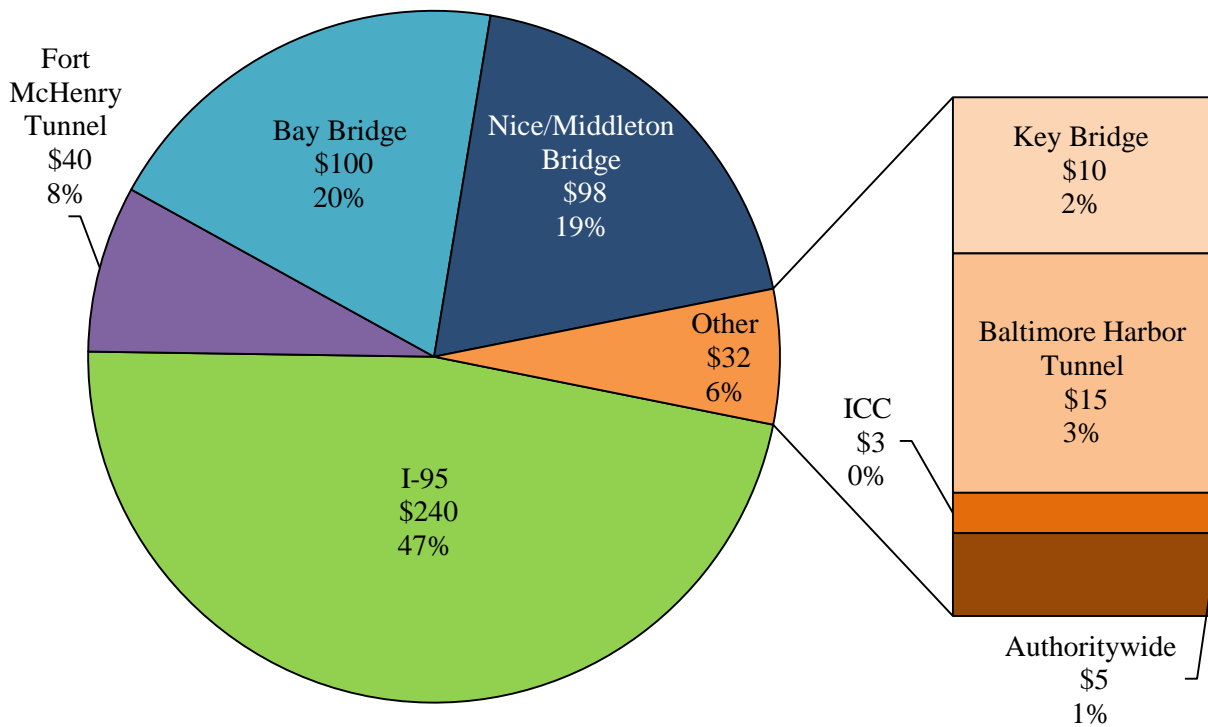
PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2022-2027 *Consolidated Transportation Program*

Fiscal 2023 Capital Allowance by MDTA Facility

Exhibit 9 shows capital funding programmed by facility in fiscal 2023. The largest share of spending is for the I-95 ETL Northern Expansion project, followed by the replacement of the Nice/Middleton Bridge. Eighty-six percent of MDTA’s capital spending is programmed for projects at three facilities: the Bay Bridge; I-95; and the Nice/Middleton Bridge. Authoritywide spending consists of system preservation and minor projects unrelated to a particular facility and the implementation of the third-generation electronic toll collection and operating system.

Exhibit 9
Capital Funding by MDTA Facility
Fiscal 2023
(\$ in Millions)



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

ICC: Intercounty Connector

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

Key Bridge: Francis Scott Key Bridge

MDTA: Maryland Transportation Authority

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

Note: These amounts do not include minor projects.

Source: Maryland Department of Transportation, 2022-2027 *Consolidated Transportation Program*

Fiscal 2023 Capital Allowance Detail

Exhibit 10 shows the programmed funds for the fiscal 2023 capital allowance by project and program along with total estimated costs and six-year funding for each program.

Exhibit 10
PAYGO Capital Allowance
Fiscal 2023

<u>Facility</u>	<u>Project Description</u>	<u>2023</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
Baltimore Harbor Tunnel	I-895 Bridge Replacement	\$4,000	\$241,153	\$8,102
	Replace Vent Fans	0	70,874	191
	Replace Concrete Median Barrier	0	13,772	3,184
	Replace 15KV Feeder Cables	0	10,171	2,033
	Envelope and Switchgear Replacements at Vent Buildings	10,788	64,447	60,111
	Subtotal	\$14,788	\$400,417	\$73,621
Bay Bridge	Clean and Paint Structural Steel Westbound Bridge	\$0	\$103,189	\$50
	Deck Rehabilitation and Miscellaneous Modifications	0	33,248	6,913
	Rehabilitate Eastbound Bridge Deck	75,862	237,550	228,738
	Rehabilitate Suspension Spans Westbound Bridge	0	43,129	50
	Structural Repairs and Miscellaneous Modifications	0	61,405	2,451
	Replace 5KV Feeder Cable on Eastbound and Westbound Spans	6,000	50,229	26,416
	Crossover Automated Lane Closure System	4,478	18,249	8,958
	Convert to Cashless Tolling	10,748	51,456	32,243
	Project Management Office and Maintenance Equipment Storage	2,528	11,000	9,467
	Subtotal	\$99,616	\$609,455	\$315,286
Fort McHenry Tunnel	Rehabilitate Vent Fans	\$14,142	\$41,844	\$32,149
	Port Covington I-95 Access Study	0	33,400	6
	Rehabilitate Substructure and Superstructure of Various Bridges on I-95 in Baltimore City	6,375	27,877	14,895
	Rehabilitate Tunnel 15KV Cable, Conduit, and Concrete Wall	10,138	33,284	30,957
	Superstructure Repairs of Various Bridges North and South of Fort McHenry Tunnel	1,510	6,391	5,510
	Convert to Cashless Tolling	7,472	22,802	20,312
	Subtotal	\$39,637	\$165,598	\$103,829

J00J00 – MDOT – Maryland Transportation Authority

<u>Facility</u>	<u>Project Description</u>	<u>2023</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
Intercounty Connector	Construction	\$2,500	\$2,375,430	\$7,933
JFK Memorial Highway (I-95)	Express Toll Lane – Northern			
	Extension Resurfacing	223,106	1,070,304	839,325
	Resurfacing	0	59,905	400
	Remove, Replace, and Upgrade Sign Structures	0	14,601	140
	Replace Deck of Bridge over Little Northeast Creek	0	13,109	200
	Rehabilitate Decks on Three Bridges on I-95 in Cecil County	0	16,345	200
	Construct Interchange at Belvidere Road	16,400	76,585	71,650
<i>Subtotal</i>		<i>\$239,506</i>	<i>\$1,250,849</i>	<i>\$911,915</i>
Francis Scott Key Bridge	Renovate Campus Buildings	\$0	\$11,598	\$123
	Subgrade Improvements at Bear Creek	9,638	61,121	58,789
	Convert to Cashless Tolling	0	25,528	209
<i>Subtotal</i>		<i>\$9,638</i>	<i>\$98,247</i>	<i>\$59,121</i>
Nice/Middleton Bridge	Replace Nice/Middleton Bridge	\$97,849	\$635,787	\$372,335
Thomas J. Hatem Bridge	Convert to Cashless Tolling	0	12,558	854
<i>Subtotal – Projects</i>		<i>\$503,534</i>	<i>\$5,548,341</i>	<i>\$1,844,894</i>
Programs				
Authoritywide	Replace Electronic Toll Collection and Operating System	\$5,123	\$123,251	\$41,652
Authoritywide	System Preservation and Minor Projects	90,400		929,700
Total – Projects and Programs		\$599,057	\$5,671,592	\$2,816,246

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

KV: kilo volts

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

PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2022-2027 *Consolidated Transportation Program*

Significant Changes from the Previous CTP

Exhibit 11 lists the significant changes from the fiscal 2021 to 2026 CTP, which comprises additions to the construction program.

Exhibit 11
Major Project Significant Changes from the 2021 to 2026 CTP
Fiscal 2023
(\$ in Millions)

Projects Added to the Construction Program

MD 695 Francis Scott Key Bridge – Renovate Campus Buildings	\$11.6
MD 695 Francis Scott Key Bridge – Subgrade Improvements at Bear Creek	61.1
US 50/301 Bay Bridge – Project Management Office and Maintenance Equipment Storage Building	11.0

CTP: *Consolidated Transportation Program*

Source: Maryland Department of Transportation, 2022-2027 *Consolidated Transportation Program*

Issues

1. OLA

OLA released an audit of MDTA in September 2021 covering the period of May 10, 2016, through March 4, 2020, which included a part of MDTA's transition to its third-generation tolling system. This transition began in May 2019 and was to be completed in March 2020 but was not completed until April 2021.

The audit had two findings, the most concerning being that MDTA did not determine the impact of electronic toll collection system issues on its customers and did not identify and correct certain related customer overbillings. OLA reported multiple instances of overbilling at four toll facilities due to problems with tolling equipment. These problems occurred at the Fort McHenry Tunnel, the ICC, the I-95 ETL, and the Hatem Bridge. There were issues with incorrect axle counts by tolling equipment and customers being billed twice due to cameras misreading vehicles in other toll lanes.

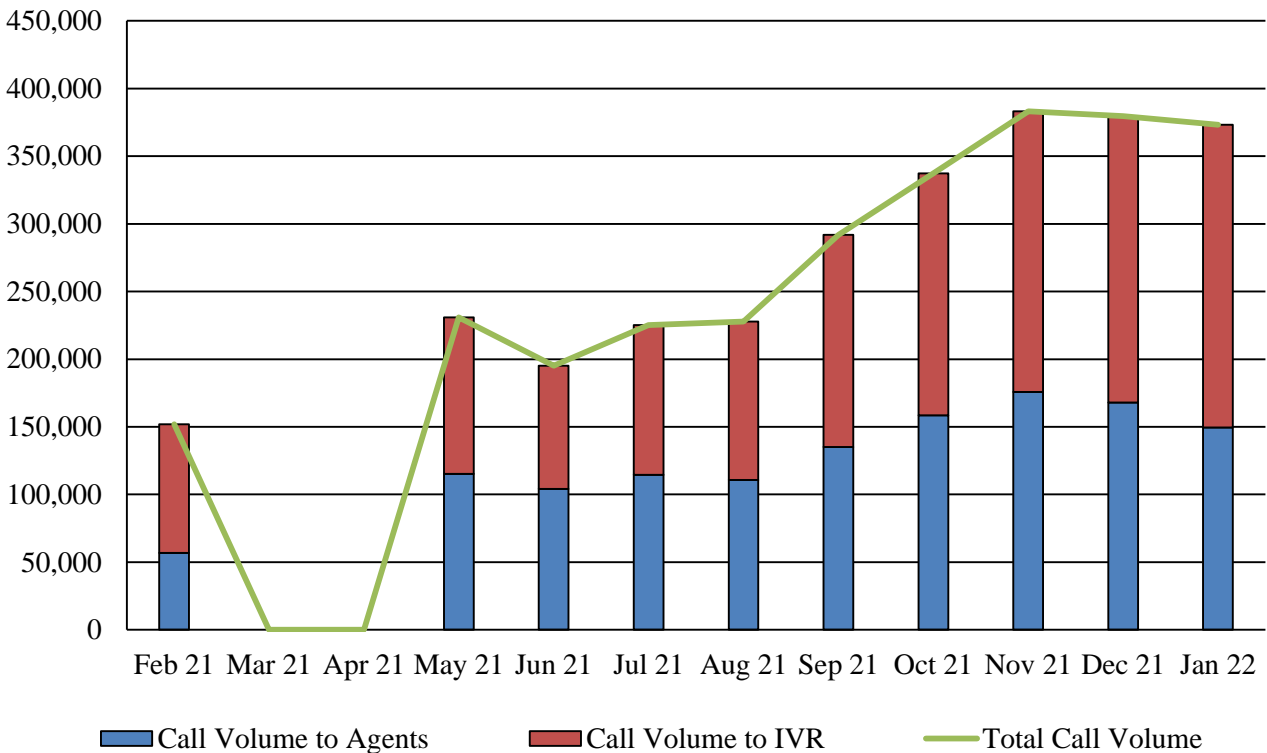
In response to OLA's finding of overbilling at these two facilities, during a three hour window on four dates, when reviewing these dates, MDTA expanded its review to 24 hours on the same dates to catch any other possible billing discrepancies. In total, the audit reported \$155,480.55 in errors, with credits totaling \$67,000 given to customers prior to the audit's completion. While MDTA has pointed to the low error rate (0.000065) of its tolling system, questions remain regarding accuracy and monitoring. **The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that MDTA conduct an accuracy study of the tolling equipment at its tolling facilities and submit a report on MDTA's process to ensure significant tolling issues are swiftly identified and resolved in the future.**

2. Backlog of Toll Transactions

In response to the pandemic, MDTA paused the collection of video tolls from March 2020 to October 2020. MDTA saw this pause as a COVID-19 relief action. The pandemic's beginning saw a rise in financial insecurity, and various forms of relief were implemented. Once this period ended, MDTA began to mail out notices of tolls due (NOTD) to the impacted customers. To avoid sending large bills to customers, MDTA has adopted a metering strategy for non E-ZPass customers. For E-ZPass customers MDTA is mailing customers one week of old NOTDs concurrently with one week of current NOTDs. This method has created a backlog of video tolls that have yet to be collected.

MDTA also has a backlog of E-ZPass transactions. In June 2020, E-ZPass toll collections were suspended on the ICC as MDTA transitioned to its new tolling system. In July 2021, MDTA began posting those E-ZPass transactions to customers' accounts. E-ZPass customers receive a week of old and current toll transactions. This backlog of NOTDs and E-ZPass transactions has led to an inundation of calls to MDTA's call center. **Exhibit 12** shows the monthly call volume at MDTA's call center since February 2021. November had the highest call volume with 383,131 calls.

Exhibit 12
Call Center's Monthly Call Volume
Calendar 2021-2022



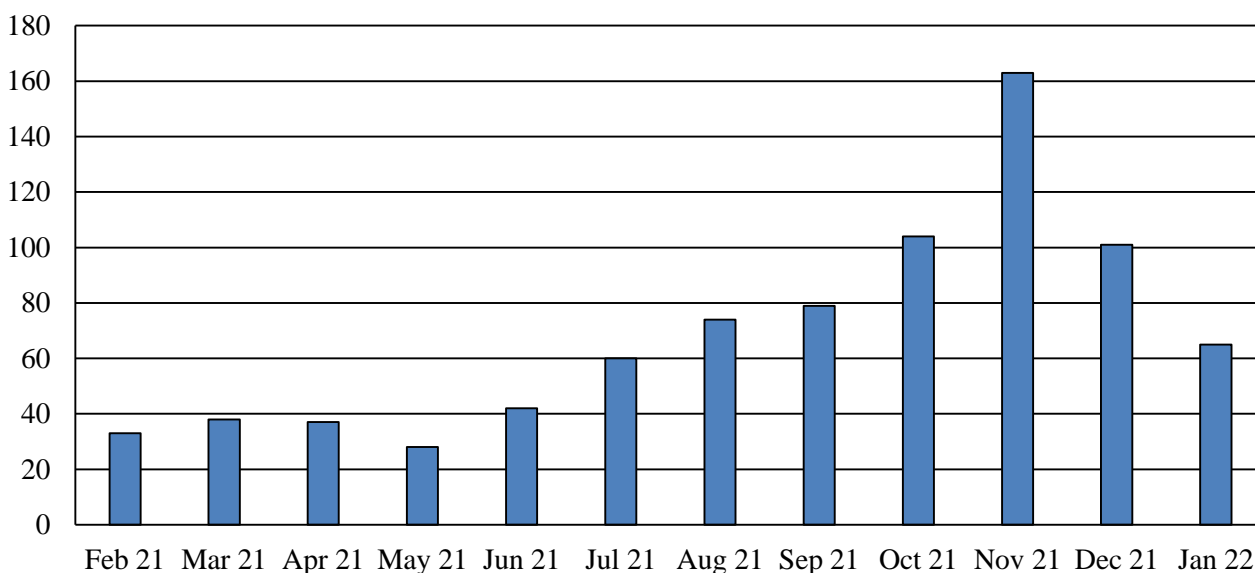
IVR: Interactive Voice Response

Note: Due to the transition between call center vendors, there is no data for March and April 2021.

Source: Maryland Transportation Authority

This increase in call volume led to a rise in call wait time. The average call wait time was two and half minutes or less before the backlog. **Exhibit 13** shows the monthly average call wait time since February 2021.

Exhibit 13
Monthly Average Call Wait Time
Calendar 2021-2022
(Minutes)



Source: Maryland Transportation Authority

The month of November had the highest wait time with 163 minutes. The wait time has since fallen to 65 minutes. Another contributing factor to the long wait times is staffing issues with the call center. The call center has dealt with the same hiring pains felt by all employers during the pandemic. At one point, the call center had only 60 call agents but now has 163. MDTA believes the increase in call agents led to a decrease in call wait time. **MDTA should comment on the ongoing backlog, including an update on the hiring of call agents and whether it is on track to meet its timeline of processing the backlog by summer 2022.**

3. MDTA's Fiscal Stress Report

Four financial standards guide MDTA: (1) rate covenant; (2) debt service coverage; (3) unencumbered cash; and (4) debt outstanding limits. The requirements for the financial standards can be seen in **Exhibit 14**.

Exhibit 14
MDTA's Financial Standards

<u>Financial Ratio</u>	<u>Requirement</u>
Rate Covenant (Legal)	Net Revenues \geq 1.0x sum of 120% of debt service + 100% deposits to the Maintenance and Operations Reserve
Debt Service Coverage (Policy)	Net Revenues \geq 2.0x annual debt service
Unencumbered Cash (Policy)	Cash \geq \$350 million
Debt Outstanding Limit (Statutory)	\$3.0 billion for toll revenue-backed debt

Source: Maryland Transportation Authority, *Fiscal Stress Report*

In the 2021 legislative session, MDTA was asked for a JCR report about concerns of future fiscal stress that included a financial forecast into fiscal 2031. This report was prompted by MDTA's previous forecast of its unencumbered cash being within \$5 million of its \$350 million standard beginning in fiscal 2023. **Exhibit 15** shows that nearing this threshold has been delayed until fiscal 2024. From fiscal 2024 through 2031, the unencumbered cash amounts will be within \$5 million of the \$350 million threshold. In fiscal 2030, MDTA is also forecast to fall below its debt service coverage policy of net revenues being equal or greater than two times the annual debt service. This would require a toll increase of \$0.33 in fiscal 2030 to keep MDTA in compliance with its financial policy.

The fiscal stress report was written under the assumption that the Nice-Middleton Bridge would receive TIFIA funding. MDTA planned to secure \$200 million in a federal loan through the TIFIA program to help pay for the bridge's construction. MDTA applied for the loan in calendar 2019, but approval of the loan is now tenuous. If the TIFIA loan is not approved, MDTA will replace that funding source with MDTA's tax-exempt revenue bonds. **MDTA should comment on the status of the TIFIA loan application and how its financial forecast will be affected if the loan is not approved.**

COVID-19 has negatively impacted the financial forecast. The latest forecast estimates \$7.2 billion in revenue from fiscal 2020 through 2029, a decrease of \$400 million from the October 2019 forecast. However, the pandemic has an unexpected positive impact on fiscal 2022's expected toll revenue, as the fiscal 2022 projected toll revenue of \$822.9 million is \$151.1 million higher than the \$671.8 million projected in the 2021 session. This increase is due, however, to collection on the backlog of tolls that were not collected in fiscal 2021 due to the pandemic rather than reflective of an increase in ongoing revenues. While MDTA does not have information for video tolls collected, for the \$458.6 million in E-ZPass tolls collected through January 31, 2022, \$74.5 million, or 16.2%, came from delayed toll collection.

MDTA should comment on the possibility of a toll increase in fiscal 2030 and whether alterations to current capital plans could be made to avoid the financial stresses reflected in the forecast.

Exhibit 15
Fiscal Stress
Fiscal 2021-2031
(\$ in Millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Total Revenues	\$477.6	\$867.1	\$783.0	\$783.1	\$788.7	\$798.7	\$812.2	\$826.8	\$839.2	\$848.9	\$857.1
Total Expenses	848.8	1,068.7	1,057.0	1,013.2	970.9	955.8	900.5	979.1	983.1	990.5	1,022.5
Annual Cash Surplus/Deficit	-\$40.3	-\$196.9	-\$56.2	-\$101.6	-\$1.6	\$0.5	\$1.5	-\$1.4	\$0.2	\$0.1	-\$0.5
Total MDTA Cash											
Balance	\$741.4	\$544.5	\$488.4	\$386.7	\$385.1	\$385.6	\$387.2	\$385.8	\$385.9	\$386.0	\$385.5
Debt Outstanding	2,091.8	2,083.4	2,263.6	2,310.2	2,426.1	2,514.7	2,529.4	2,599.5	2,657.7	2,707.5	2,774.5
Unencumbered											
Cash	418.8	511.5	455.3	353.7	352.1	352.6	354.1	352.7	352.9	352.9	352.4
Debt Service Coverage	2.60	4.80	3.10	2.80	2.60	2.40	2.30	2.20	2.10	1.90	1.80

MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority, *Fiscal Stress Report*

Operating Budget Recommended Actions

1. Adopt the following narrative:

Tolling Concerns Report: The committees are concerned about the ongoing issues concerning the accuracy of the tolling equipment at the Maryland Transportation Authority's (MDTA) tolling facilities. The budget committees request that MDTA provide a report that addresses these concerns. It should include an accuracy study of the tolling equipment at its tolling facilities that covers a one-week period and details the occurrences of overbilling of drivers and cause of said overbillings. The report should also include details on MDTA's process to ensure significant tolling issues are identified, stopped, and fixed.

Information Request	Author	Due Date
Tolling concerns	MDTA	December 1, 2022

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

1. I-495/I-270 Public-private Partnership Program Renamed Ops Lanes Maryland

The I-495 and I-270 public-private partnership (P3) Program has been rebranded as Op Lanes Maryland. In August 2021, the Board of Public Works approved the Phase 1 Developer P3 agreement between MDOT/MDTA and Accelerate Maryland Partners, Inc (AMP). A losing bidder, Capital Express Mobility Partners (CEMP), filed suit against MDOT for rejecting its protest to AMP’s contract. On February 17, 2022, a Montgomery County Circuit Court judge sided with CEMP and ordered MDOT to revisit the proposals that the State received in 60 days. The Managed Lanes Study Supplemental Draft Environmental Impact Statement (EIS) was published on October 1, 2021, with public comments accepted through November 15, 2021. The Final EIS and Record of Decision is expected in spring 2022.

2. Preferred Corridor Alternative Selected for Chesapeake Bay Crossing

MDTA released the Tier 1 draft environmental impact statement for the Chesapeake Bay Crossing Study. This draft statement accepted public comments through May 10, 2021. The Bay Crossing Study evaluated multiple corridor alternatives based on specified criteria as well as environmental and financial considerations. MDTA selected Corridor 7/Existing Corridor (US 50/301 to US 50 between Crofton and Queenstown) as the preferred alternative. The Tier 1 National Environmental Policy Act Final EIS is expected to be published in spring 2022.

Appendix 1
2021 Joint Chairmen’s Report Responses from Agency

The 2021 JCR requested that MDTA prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***MDTA Allaying Fiscal Stress Concerns Report:*** MDTA was asked to complete a financial forecast from fiscal 2021 through 2031 to allay concerns about the agency’s fiscal position due to ongoing capital projects, reduced revenues, and the funding of non-MDTA projects. The agency maintained that it is meeting all financial standards and does not foresee the need for a possible toll rate increase until fiscal 2030. However, financial conditions may change but will continued to be monitored by the agency’s biannual financial forecasts. Further discussion of this data can be found in Issue 3 of this analysis.
- ***Trucks Traversing Key Bridge Without Crossing the Key Bridge Report:*** This report addresses the complaint of truck drivers paying a toll despite not crossing the Key Bridge. The report includes a projection of tolls paid by truck drivers. MDTA clarifies that Key Bridge is not a toll bridge but a toll roadway spanning 10.9 miles, including a bridge and highway.

Appendix 2
Audit Findings

Audit Period for Last Audit:	May 10, 2016 – March 4, 2020
Issue Date:	September 2021
Number of Findings:	2
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: MDTA actions did not determine the impact of electronic toll collection system issues on its customers and identify and correct certain related customer overbillings.

Finding 2: MDTA did not perform periodic documented reviews of system access capabilities granted to State and contractor employees on the old electronic tolling and customer service system used during our audit period.

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

Appendix 3
Maryland Transportation Authority Financial Forecast
Fiscal 2021-2027

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Revenues							
Toll Revenues	\$455.9	\$822.9	\$736.1	\$735.7	\$740.6	\$749.2	\$761.30
Concessions	5.0	3.8	3.9	3.9	3.9	3.9	3.9
Investment Income and Other	3.7	8.3	8.7	7.3	6.3	6.3	6.3
MDOT Loan Repayment – Interest	0	0.5	1.7	1.6	1.5	1.3	1.2
MAA/MD Port Administration Police Reimbursement ⁽¹⁾	29.7	32.6	33.9	35.3	36.7	38.2	39.7
Total Revenues	\$494.3	\$868.1	\$784.3	\$783.8	\$789.0	\$798.9	\$812.4
Expenses							
Operations	\$302.2	\$360.8	\$359.1	\$373.4	\$388.7	\$404.2	\$420.4
Debt Service	61.8	105.0	138.1	146.4	152.5	161.4	167.6
Capital Program	432.7	573.2	599.1	553.2	423.7	363.2	303.8
Total Expenses	\$796.7	\$1,039.0	\$1,096.3	\$1,073.0	\$964.9	\$928.8	\$891.8
Capital Funding Sources/(Uses) and Intergovernmental							
Revenue Bond Proceeds	\$401.8	0	0	\$74.5	\$169.2	\$126.2	\$75.6
TIFIA			200.0				
Surety Policy Expenses		-1.2		-0.2	-0.4	-0.3	-0.2
Cash Refunding	-81.9	0	0	0	0	0	0
MDOT Loan Repayment – Principal	-4.5	4.7	4.8	4.9	4.9	5.0	5.1
VDOT Contribution/Grant	0	0	13.0	0	0	0	0
I-95 Interchange Partner Contribution	0	0	0	20.0	0	0	0
Accounting Reconciliation	44.3	0	0	0	0	0	0
Total Sources/(Uses)	\$359.7	\$3.5	\$217.8	\$99.2	\$173.7	\$130.9	\$80.5
Annual Cash Requirements⁽²⁾	\$436.9	\$1,035.6	\$878.5	\$973.8	\$791.1	\$798.0	\$811.3
Annual Cash Surplus/(Deficit)	57.4	-167.4	-94.2	-190.0	-2.1	1.0	1.1
Total MDTA Cash Balance	839.1	671.7	577.6	387.5	385.4	386.4	387.50
MDTA Debt							
Debt Outstanding	\$2,091.8	\$2,083.4	\$2,263.7	\$2,280.8	\$2,390.0	\$2,452.3	\$2,458.2
Unencumbered Cash	\$400.4	\$638.7	\$544.5	\$354.5	\$352.4	\$353.3	\$354.5
Debt Service Coverage	3.1	4.8	3.1	2.8	2.6	2.4	2.3
Rate Covenant Compliance	2.4	3.9	2.5	2.3	2.1	2.0	1.9

MAA: Maryland Aviation Administration

MDTA: Maryland Transportation Authority

TIFIA: Transportation Infrastructure Finance and Innovation Act

VDOT: Virginia Department of Transportation

¹ MDTA provides police services at Baltimore-Washington International Thurgood Marshall Airport and the Helen Delich Bentley Port of Baltimore.

² Sources represent an in-flow of funds to MDTA and are subtracted from Total Expenses. (Uses) represent an outflow of funds from MDTA and are added to Total Expenses as a positive value.

Appendix 4
Object/Fund Difference Report
Maryland Transportation Authority

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,707.00	1,727.00	1,707.00	-20.00	-1.2%
Total Positions	1,707.00	1,727.00	1,707.00	-20.00	-1.2%
Objects					
01 Salaries and Wages	\$ 172,645,736	\$ 189,651,147	\$ 196,442,609	\$ 6,791,462	3.6%
02 Technical and Special Fees	115,000	773,893	569,548	-204,345	-26.4%
03 Communication	2,912,651	3,047,976	3,056,404	8,428	0.3%
04 Travel	23,817	399,013	392,814	-6,199	-1.6%
06 Fuel and Utilities	3,499,199	4,490,456	4,399,337	-91,119	-2.0%
07 Motor Vehicles	6,281,631	10,255,667	10,274,942	19,275	0.2%
08 Contractual Services	101,666,463	133,695,229	126,931,793	-6,763,436	-5.1%
09 Supplies and Materials	6,988,598	10,171,138	10,516,354	345,216	3.4%
10 Equipment – Replacement	459,843	1,957,781	2,840,307	882,526	45.1%
11 Equipment – Additional	422,126	975,418	681,585	-293,833	-30.1%
13 Fixed Charges	67,714,293	110,416,166	143,399,508	32,983,342	29.9%
Total Objects	\$ 362,729,357	\$ 465,833,884	\$ 499,505,201	\$ 33,671,317	7.2%
Funds					
07 Nonbudgeted Fund	\$ 362,729,357	\$ 465,833,884	\$ 499,505,201	\$ 33,671,317	7.2%
Total Funds	\$ 362,729,357	\$ 465,833,884	\$ 499,505,201	\$ 33,671,317	7.2%

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

**Appendix 5
Fiscal Summary
Maryland Transportation Authority**

<u>Program/Unit</u>	<u>FY 21 Actual</u>	<u>FY 22 Wrk Approp</u>	<u>FY 23 Allowance</u>	<u>Change</u>	<u>FY 22 - FY 23 % Change</u>
0041 Operating Program	\$ 362,729,357	\$ 465,833,884	\$ 499,505,201	\$ 33,671,317	7.2%
0042 Capital Program	432,715,542	573,240,648	599,065,229	25,824,581	4.5%
Total Expenditures	\$ 795,444,899	\$ 1,039,074,532	\$ 1,098,570,430	\$ 59,495,898	5.7%
Nonbudgeted Fund	\$ 795,444,899	\$ 1,039,074,532	\$ 1,098,570,430	\$ 59,495,898	5.7%
Total Appropriations	\$ 795,444,899	\$ 1,039,074,532	\$ 1,098,570,430	\$ 59,495,898	5.7%

J00J00 – MDOT – Maryland Transportation Authority