

**J00J00**  
**Maryland Transportation Authority**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 09</u></b> <b><u>Actual</u></b>	<b><u>FY 10</u></b> <b><u>Amended</u></b>	<b><u>FY 11</u></b> <b><u>Budget</u></b>	<b><u>FY 10-11</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
Nonbudgeted Fund	\$220,562	\$252,343	\$262,029	\$9,686	3.8%
<b>Adjusted Nonbudgeted Fund</b>	<b>\$220,562</b>	<b>\$252,343</b>	<b>\$262,029</b>	<b>\$9,686</b>	<b>3.8%</b>
<b>Adjusted Grand Total</b>	<b>\$220,562</b>	<b>\$252,343</b>	<b>\$262,029</b>	<b>\$9,686</b>	<b>3.8%</b>

- The fiscal 2011 operating budget increases by \$9.7 million, or 3.8%, from the fiscal 2010 budget.
- The majority of the increase is attributed to personnel costs (\$9.6 million). This includes \$4.2 million for retirement, \$3.1 million for health insurance, and \$2.2 million for salaries. These personnel increases are largely driven by the addition of 61 new positions.

***PAYGO Capital Budget Data***

(\$ in Thousands)

	<b><u>Fiscal 2009</u></b> <b><u>Actual</u></b>	<b><u>Fiscal 2010</u></b> <b><u>Approved</u></b> <b><u>Amended</u></b>		<b><u>Fiscal 2011</u></b> <b><u>Budget</u></b>
Nonbudgeted	\$723,255	\$1,028,101	\$1,115,443	\$923,311
<b>Total</b>	<b>\$723,255</b>	<b>\$1,028,101</b>	<b>\$1,115,443</b>	<b>\$923,311</b>

- The capital budget decreases by \$192.1 million, or 17.2%. The capital budget is primarily driven by the project schedules for the InterCounty Connector (ICC) and Express Toll Lanes (ETLs) on I-95.

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

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***Operating and PAYGO Personnel Data***

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	<b><u>FY 09 Actual</u></b>	<b><u>FY 10 Amended</u></b>	<b><u>FY 11 Budget</u></b>	<b><u>FY 10-11 Change</u></b>
Regular Operating Budget Positions	1,630.50	1,626.50	1,687.50	61.00
Regular PAYGO Budget Positions	<u>113.00</u>	<u>113.00</u>	<u>113.00</u>	<u>0.00</u>
<b>Total Regular Positions</b>	<b>1,743.50</b>	<b>1,739.50</b>	<b>1,800.50</b>	<b>61.00</b>
Operating Budget FTEs	0.00	0.00	0.00	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total FTEs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Personnel</b>	<b>1,743.50</b>	<b>1,739.50</b>	<b>1,800.50</b>	<b>61.00</b>

**Vacancy Data: Regular Positions**

Turnover and Necessary Vacancies, Excluding New Positions	41.7	2.4%
Positions and Percentage Vacant as of 12/31/09	128.0	7.4%

- The fiscal 2011 budget includes 1,800.5 regular positions, an increase of 61.0 positions from fiscal 2010.
- The largest change in personnel is an increase of 73.0 positions for the ICC, which will open to traffic at the end of 2010. New positions for the ICC include 55.0 maintenance and operations positions and 18.0 police positions. The increase in positions for the ICC is partially offset by decreases in other areas.

## *Analysis in Brief*

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### Major Trends

**Forecasted Revenues Continue to Decline:** The number of toll transactions declined from fiscal 2008 to 2009 by 1.9%. A further decline of 2.9% is expected in fiscal 2010. Toll revenues declined by less than 1.0% in fiscal 2009 and increased in fiscal 2010 by 12.6% due to increases in toll rates for vehicles with three or more axles and new E-ZPass service fees. Over the six-year forecast, toll revenues were adjusted downward to account for the prolonged economic recession and the expectation of a slow recovery.

**Debt Issuances Continue:** In December 2009, the Maryland Transportation Authority (MDTA) issued \$549.4 million in bonds, including \$98.9 million in revenue bonds and \$450.5 million in Build America Bonds. From fiscal 2008 to 2014, MDTA will issue \$2.6 billion in bonds to support its capital program. These debt issuances will require large increases in debt service, increasing from \$35.0 million in fiscal 2011 to a peak of \$175.2 million in fiscal 2018.

### Issues

**Legislative Oversight of Police Not Uniform:** Since a 2004 executive order expanding the primary jurisdiction of MDTA Police, the police have begun patrolling the Maryland Rail Commuter System and the Glen Burnie headquarters of the Motor Vehicle Administration. In addition, the Maryland Transit Administration Police and MDTA Police are currently looking for operational efficiencies to be obtained between the agencies. Cost savings may be realized by consolidating all transportation law enforcement into one unit; however, the optimal location of this unit may not be in MDTA, because MDTA's nonbudgeted status limits legislative oversight of the jurisdiction, policies, and budget of the MDTA Police. **The Department of Legislative Services (DLS) recommends the adoption of committee narrative requiring MDTA, in consultation with the Maryland Department of Transportation and the State Police, to submit a report outlining possible cost savings from consolidation and the most appropriate agency to house a consolidated law enforcement agency.**

**No Rest for Legislative Review of Travel Plaza Proposal:** In March 2010, MDTA plans to issue a request for proposals for a long-term lease and redevelopment of the travel plazas along I-95. Certain ambiguity exists in the statutory and regulatory definitions outlining the process for approval and legislative notice of such a project. **DLS recommends the adoption of committee narrative outlining the process for approval and legislative notice that MDTA should follow for its travel plaza project. DLS also recommends MDTA comment on the status of the project and why it should be pursued as a public-private partnership rather than a MDTA capital project.**

## **Operating Budget Recommended Actions**

1. Adopt committee narrative encouraging the Maryland Transportation Authority to consider modifying its commuter discount plans and discounting toll rates for E-ZPass users when evaluating toll increase proposals.
2. Adopt committee narrative requiring a report on the benefits of consolidating all transportation law enforcement units into one.

## **PAYGO Budget Recommended Actions**

1. Adopt committee narrative outlining the approval process the Maryland Transportation Authority should follow for its travel plaza public-private partnership.

## **Updates**

***Segment of ICC to Open to Traffic Later This Year:*** Contract A, running from the I-270/I-370 corridor to MD 97 is on schedule to open in late 2010. Portions of the road from MD 97 to I-95 will open in late 2011. Completion of the contract for I-95 to US 1 has been deferred to fiscal 2013, although the project remains on budget. Tolling parameters were established by MDTA in December 2009, although actual toll rates have not yet been set.

***Public-public Partnership for Firing Range on Target:*** In accordance with direction provided by the General Assembly during the 2009 session, MDTA and the Police and Correctional Training Commissions are split-funding a project for improvements to the rifle firing range at the Public Safety Education and Training Center (PSETC). All of MDTA's pistol firing range needs are currently being accommodated at PSETC.

***Police Collective Bargaining:*** In response to an item in the 2009 *Joint Chairmen's Report* (JCR), MDTA submitted a letter in January 2010 noting that ongoing litigation between MDTA and the Fraternal Order of Police have prevented the two sides from further discussions on collective bargaining for the MDTA Police.

***I-95 Cost Increases:*** The 2009 JCR required a report from MDTA outlining the reasons for large cost increases in the I-95 ETLs project since fiscal 2006. The report was received in November 2009 and outlines the cost pressures on the project.

## Maryland Transportation Authority

### *Budget Analysis*

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#### **Program Description**

The Maryland Transportation Authority (MDTA), established under Title 4 of the Transportation Article, 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 that title. MDTA divides its facilities into three regions and has jurisdiction over the following facilities:

- **Northern Region** – includes the John F. Kennedy Memorial Highway (I-95) and the Thomas J. Hatem Memorial Bridge (Hatem Bridge);
- **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) and the William Preston Lane, Jr. Memorial Bridge (Bay Bridge).

In addition to these toll facilities, MDTA also owns the Intermodal Container Transfer Facility at the Port of Baltimore, which is leased to the Maryland Port Administration (MPA), who subleases it to CSX Railroad. Until January 2010, MDTA also owned Seagirt Marine Terminal, which was leased to MPA. As part of a public-private partnership (P3) for Seagirt, MDTA conveyed the property to MPA after receiving a \$140 million payment from Ports America Chesapeake, the private partner, to repay MDTA's investment in the construction of Seagirt.

Currently, MDTA is working in partnership with the State Highway Administration (SHA) to construct the \$2.6 billion InterCounty Connector (ICC), a new east-west highway that will link the I-270/I-370 corridor in Montgomery County and the I-95/US 1 corridor in Prince George's County. MDTA is also constructing Express Toll Lanes (ETLs) on an eight mile portion of I-95 just north of Baltimore.

Membership of MDTA's board is comprised of eight members (increased from six per Chapter 1 of the 2006 special session) appointed by the Governor with the advice and consent of the State Senate. The Secretary of the Maryland Department of Transportation (MDOT) 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 I-95, which is patrolled by the Department of State Police. MDTA is also under contract with the Maryland Aviation Administration (MAA) to provide law enforcement services at the Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport), MPA to provide law enforcement services at the MPA-owned facilities at the Port of Baltimore, and the

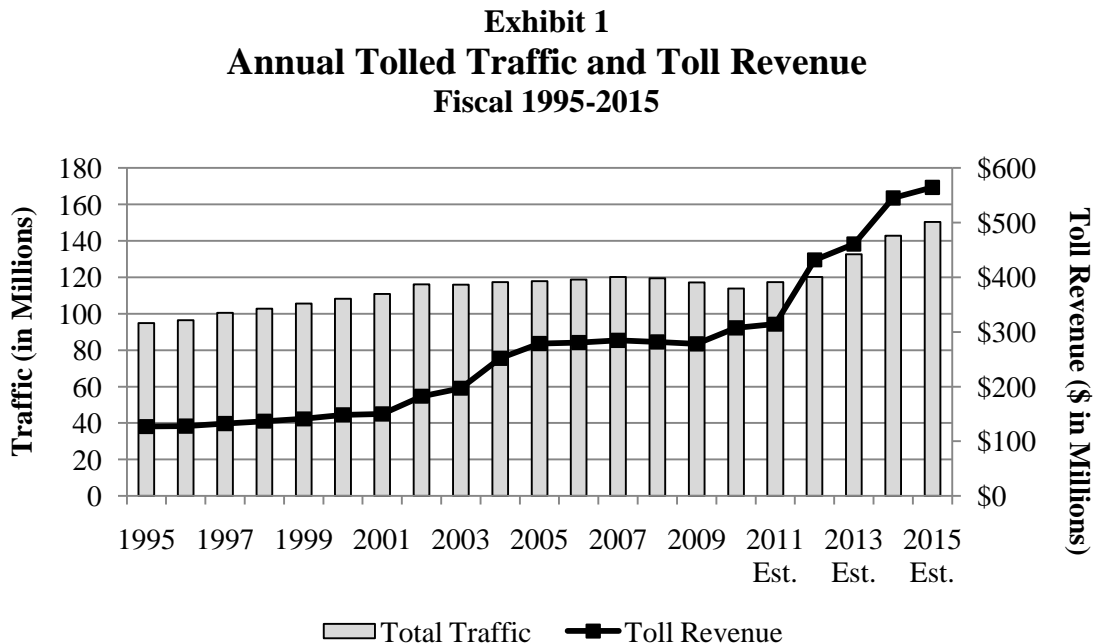
Motor Vehicle Administration (MVA) to provide law enforcement services at the headquarters complex in Glen Burnie.

To achieve its vision of “creating E-Z passage throughout Maryland,” MDTA has identified the following key goals:

- moving people and goods efficiently and effectively;
- safety and security;
- strategic financing and financial stewardship; and
- improving external and internal customer service and performance.

### **Performance Analysis: Managing for Results**

In order to achieve its vision of “creating E-Z passage throughout Maryland,” MDTA’s first goal is to efficiently and effectively move people and goods across the State. To exemplify the movement of people and goods, **Exhibit 1** shows the annual tolled traffic and toll revenue at all MDTA facilities from fiscal 1995 through 2015. Total tolled traffic in fiscal 2009 was 117.2 million vehicles, a decrease of 2.3 million, or 1.9%, from fiscal 2008. Toll revenue in fiscal 2009 was \$273.1 million, a decrease of \$2.5 million, or 0.9%, from fiscal 2008. Large increases in toll revenues in fiscal 2012 and 2014 are the result of forecasted toll increases.

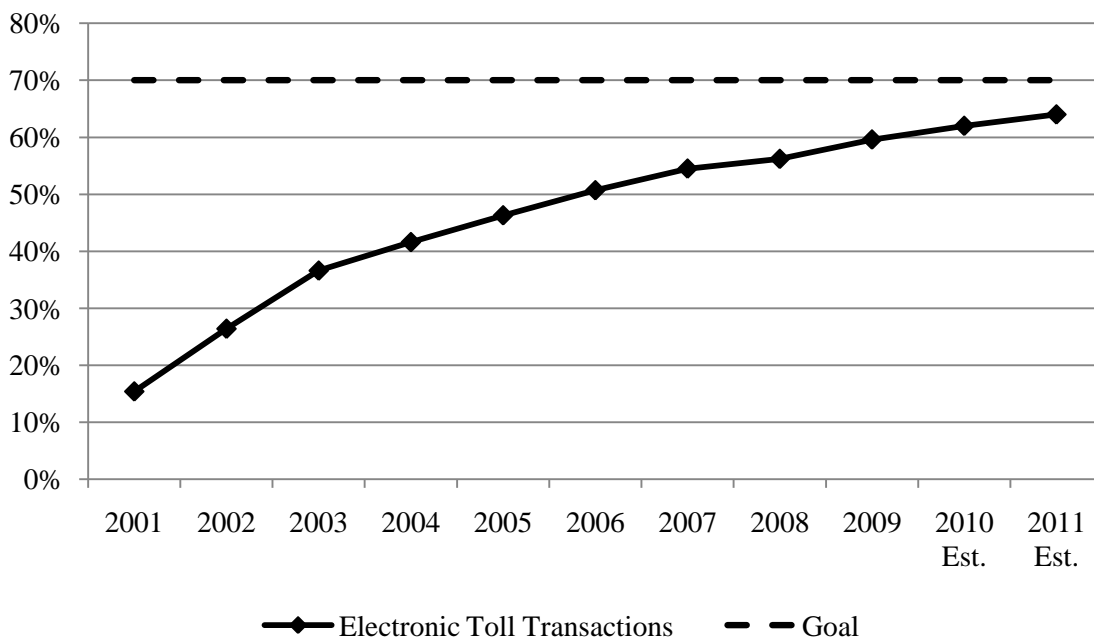


Source: Maryland Transportation Authority

## Electronic Tolling

Electronic toll transactions expedite the toll collection process, reduce delays at toll plazas, and allow for the efficient movement of goods and people. E-ZPass electronic toll collection is available at all seven toll facilities, as well as throughout the northeastern part of the United States. The use of electronic tolling continues to increase. **Exhibit 2** shows the percentage of E-ZPass toll transactions at all toll facilities. This exhibit does not include the use of automatic vehicle identification decals at the Hatem Bridge, which could also be considered an electronic tolling method. In fiscal 2009, 60% of tolls were collected electronically. MDTA's goal is to reach 70% electronic toll collection by fiscal 2013. MDTA estimates that at the end of fiscal 2009, there were 560,000 active E-ZPass accounts. From July to December 2009, following the implementation of new E-ZPass account fees, 46,701 accounts were cancelled, although it is uncertain if all cancellations were because of the new fees.

**Exhibit 2**  
**Tolls Collected via E-ZPass**  
**Fiscal 2001-2011**



Source: Maryland Transportation Authority's *Managing for Results* January 2010 Submission

## **Fiscal 2010 Actions**

MDTA's amended budget for fiscal 2010 is \$252.3 million, which is a \$3.2 million decrease from the preliminary budget submitted in January 2009. Personnel costs decreased by \$4.3 million in the amended budget as a result of removing employee cost-of-living adjustments (COLA), step increases, and merit raises and implementing employee service reduction and furlough days, in accordance with the personnel decisions made during the 2009 legislative session. This large decrease was offset by increases in vehicle expenses, replacement and additional equipment, and supplies and materials.

## **Proposed Budget**

As a nonbudgeted agency, MDTA submits its budget to the General Assembly for informational purposes only. The General Assembly is not permitted to approve or amend MDTA's budget.

MDTA's fiscal 2011 budget is \$262.0 million, a \$9.7 million, or 3.8%, change from the fiscal 2010 budget. **Exhibit 3** provides a summary of the changes taking place from fiscal 2010 to 2011.

### **Personnel Costs**

The personnel expenses in the fiscal 2011 operating budget total \$139.0 million, an increase of \$9.6 million from fiscal 2010. The largest increase takes place in employee retirement (\$4.2 million), primarily as the result of an increase in the State contribution rates for law enforcement. Other large increases take place in employee and retiree health insurance (\$3.1 million), and salaries (\$2.2 million), primarily as the result of 61 new positions. Similar to all other State agencies, MDTA's budget does not include COLAs or step or merit increases for employees. Due to MDTA's nonbudgeted status, the Department of Legislative Services (DLS) has not allocated a portion of savings from across-the-board actions, such as employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings to MDTA as it has for other State agencies. However, these policies will also affect MDTA and will lessen the increase in MDTA's personnel costs.

### **Nonpersonnel Costs**

Outside of personnel, there is little growth in the operating budget. Increases in some parts of the budget are almost entirely offset by decreases in other areas of the budget. Some of the larger increases in the fiscal 2011 budget are for the E-ZPass service contract (\$1.3 million), new and replacement equipment (\$1.0 million), maintenance service and equipment rental (\$0.5 million), and advertising (\$0.5 million). These increases are offset by decreases in E-ZPass transponders (\$1.5 million) and information technology equipment (\$1.3 million).

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

<b>How Much It Grows:</b>	<b>Nonbudgeted Fund</b>	<b>Total</b>
2010 Amended Budget	\$252,343	\$252,343
2011 Proposed Budget	<u>262,029</u>	<u>262,029</u>
Amount Change	\$9,686	\$9,686
Percent Change	3.8%	3.8%
Contingent Reductions	0	\$0
Adjusted Change	\$9,686	\$9,686
Adjusted Percent Change	3.8%	3.8%

**Where It Goes:**

**Personnel Expenses**

Retirement.....	\$4,214
Employee and retiree health insurance .....	3,115
Salaries (including new positions) .....	2,247
Social Security .....	214
Unemployment tax .....	148
Overtime.....	-294
Deferred compensation .....	2

**Other Changes**

E-ZPass service center .....	1,261
New and replacement equipment .....	951
Maintenance service and equipment rental .....	526
Publicity and advertising.....	500
Environmental mitigation .....	176
Trust agreement expenses .....	122
Retail fees.....	96
Vehicle expenses.....	73
Professional service contracts .....	-49
Reciprocity fees.....	-70
Maryland State Police contract for I-95 .....	-120
Maintenance materials .....	-163
New and replacement vehicles.....	-251

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**Where It Goes:**

New and replacement information technology equipment.....	-1,275
E-ZPass transponders.....	-1,518
Other .....	-219
<b>Total</b>	<b>\$9,686</b>

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

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## ***Financial Forecast***

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Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a non-lapsing fund into which all MDTA revenues flow. MDTA revenues come primarily from tolls, but also from concession income from travel plazas it owns along I-95, investment income, and payments from MDOT. MDOT payments include a capital lease of Masonville Auto Terminal and reimbursement for law enforcement services provided at BWI Marshall Airport, the Port of Baltimore, and the MVA headquarters in Glen Burnie.

To support its capital program, MDTA may issue toll revenue bonds with a maturity 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 a number of alternative funding sources specific to the ICC. These funding sources include Grant Anticipation Revenue Vehicle (GARVEE) bonds, federal funds, 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 is 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 legislature a copy of its financial forecast by July 1 each year and in conjunction with submission of the Governor's budget in January.

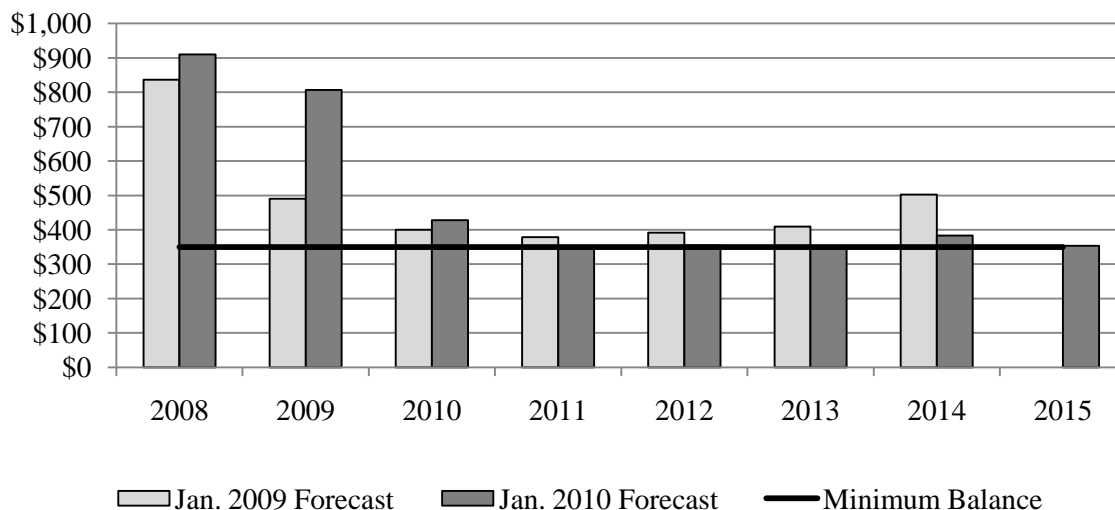
### **Changes in Financial Management Policies**

During 2009, MDTA made changes to two of its financial management policies.

#### **Cash on Hand**

The first policy change involves the unencumbered cash balance that MDTA maintains. In prior years, MDTA utilized a ratio of total cash to toll revenues and required that ratio to be at least 1.0 times toll revenues. Given substantial toll rate increases in fiscal 2012 and 2014 that will significantly raise annual toll revenues, MDTA revisited this policy. The increase in annual toll revenues would have required MDTA to maintain much larger cash balances, which would not be the best use of the money. Instead, MDTA changed its policy on cash balances to require the cash balance at the end of each fiscal year to be at least 1.0 times toll revenues for the fiscal year or \$350 million in unencumbered cash. This will free up additional cash that MDTA can use to maintain its capital program. **Exhibit 4** illustrates the effect this will have on MDTA's cash balance by comparing MDTA's 2009 financial forecast to its 2010 one. MDTA's 2010 forecast assumes that current year revenues and capital funding sources will be insufficient for current year expenditures throughout the forecast period, creating a deficit in each year. This deficit will be funded by drawing down the cash balance.

**Exhibit 4**  
**Unencumbered Cash Balance**  
**Fiscal 2008-2015**  
**(\$ in Millions)**



Source: Maryland Transportation Authority’s January 2009 Financial Forecast, Version 2008-69; Maryland Transportation Authority’s January 2010 Financial Forecast, Version 2010-1

It is expected that there will be no impact to MDTA’s bond rating as a result of this decision. The rating agencies traditionally look at the number of days of cash on hand as opposed to any other cash balance metric. This ensures that a toll facility would have sufficient cash on hand to fund operations in the short term in case of lower than expected revenues, higher than expected expenditures, or any temporary revenue loss. For Aa rated toll agencies, the median cash on hand should fund operations for 9 to 18 months. Given current operating budget projections, a cash balance of \$350 million would fund approximately 13 months of operations in fiscal 2015. As the operating budget grows, MDTA will need to revisit the \$350 minimum to ensure that the days of cash on hand continues to remain within the medians expected of toll agencies with similar bond ratings. **DLS recommends that MDTA brief the committees on why it chose to use a minimum fund balance requirement, which will require periodic revisiting as the operating budget grows, rather than a dynamic measure, such as days of cash on hand.**

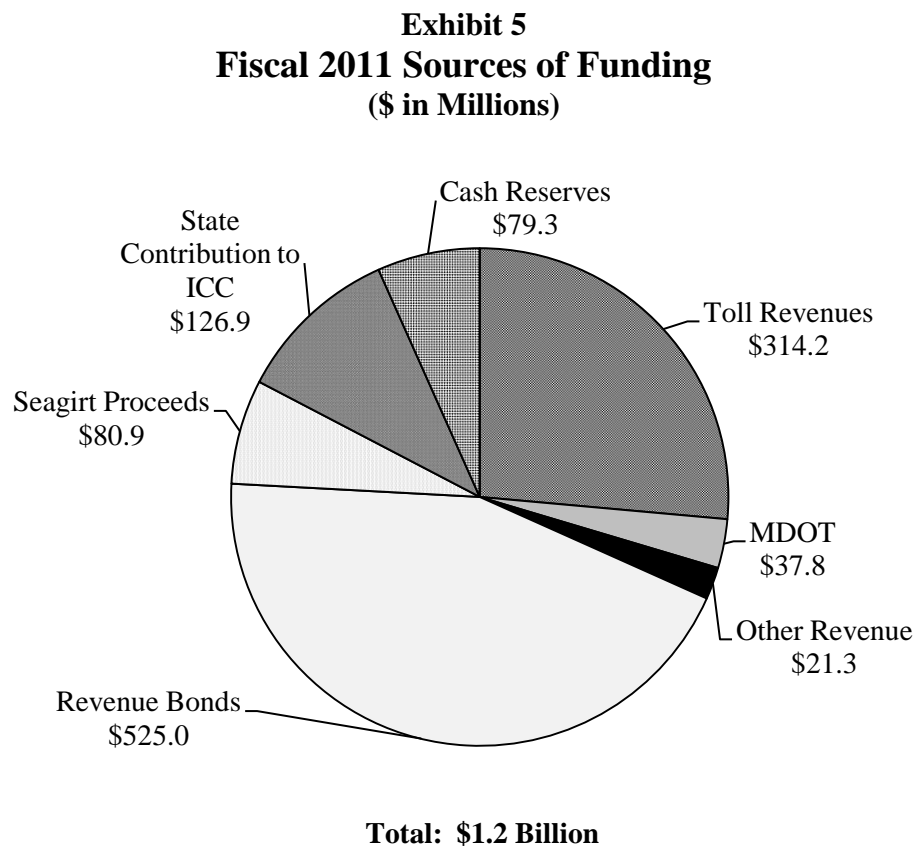
**Capital Spend Rate**

DLS’s analysis of MDTA’s fiscal 2010 budget noted that MDTA had decreased the capital spend rate used for forecasting purposes from 90 to 75% for all capital projects except the ICC and I-95 ETLs. The capital spend rate is a budgeting tool that assumes that due to normal construction schedule delays, some percentage of budgeted capital expenditures will not be spent in any given

year. MDOT does not use a capital spend rate but makes adjustments to the capital program near the end of each fiscal year to more closely align the capital budget with actual expenditures. Although utilizing a capital spending rate is not uncommon, using one as low as 75% suggests an inability to properly forecast capital expenditures. In 2009, MDTA adjusted the cashflow for its capital projects and ceased the practice of utilizing a capital spend rate.

## Sources and Uses of Funding

**Exhibit 5** provides information on all of the funding supporting MDTA’s fiscal 2011 operating and capital budgets. As the exhibit shows, the primary source of fiscal 2011 funding is from revenue bonds (\$525.0 million) followed by toll revenues (\$314.2 million).

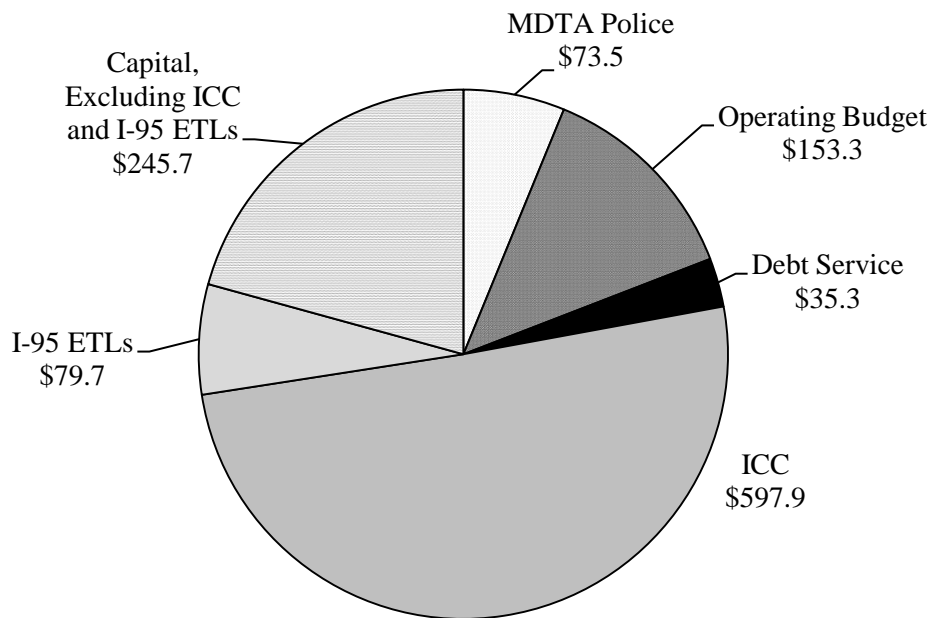


ICC: InterCounty Connector  
MDOT: Maryland Department of Transportation

Source: Maryland Transportation Authority’s January 2010 Financial Forecast, Version 2010-1

**Exhibit 6** provides a breakdown of fiscal 2011 spending by category. The majority (50%) of the fiscal 2011 budget is for the ICC. The next largest use of funds is the rest of the capital program, including \$102.9 million for the I-95 ETLs.

**Exhibit 6**  
**Fiscal 2011 Uses of Funding**  
(**\$ in Millions**)



**Total: \$1.2 Billion**

ETLs: Express Toll Lanes  
ICC: InterCounty Connector  
MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority's January 2010 Financial Forecast, Version 2010-1

## **Decline in Vehicle Miles Traveled Takes Toll on Revenues**

High gas prices in 2008, the nationwide recession, and reduced consumer confidence over the last two years resulted in monthly declines in year-over-year vehicle miles traveled for parts of 2007 and 2009 and virtually all of 2008. This nationwide trend was seen in Maryland as well and resulted in declines in toll transactions at MDTA facilities. Year-over-year comparisons of traffic at MDTA toll facilities declined in most months from December 2008 through March 2009. Only

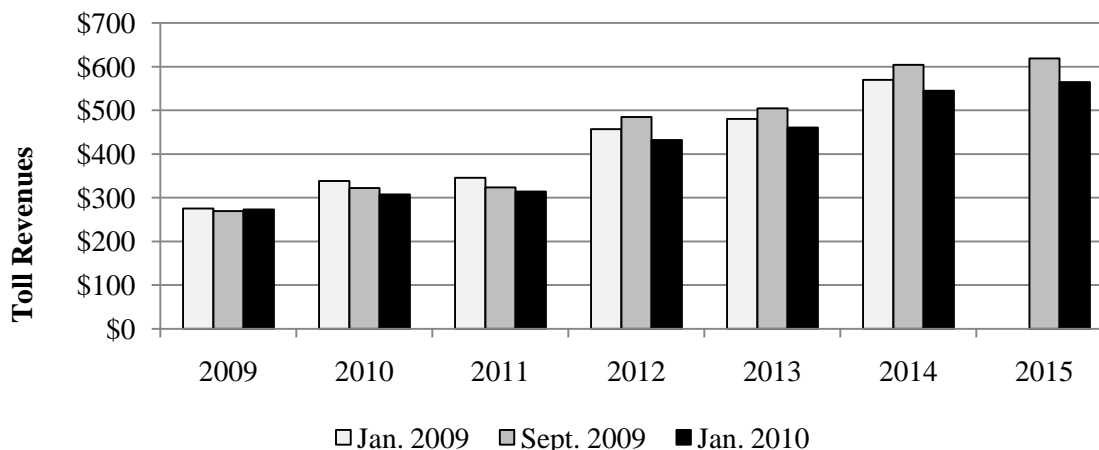
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recently have toll transactions stabilized and begun to increase slightly, albeit at a much slower rate than was common in 2006. From fiscal 2008 to 2009, toll transactions decreased by 1.9%, and a further decline of 2.9% is expected in fiscal 2010. The forecast is built on a modest recovery in fiscal 2011.

The effect of the downturn in toll transactions has a lasting effect on MDTA's financial forecast. The long term growth rate for toll transactions after the recovery is estimated at 1.0%, much lower than the growth rate of 2.9% from 1995 to 2002. It will take several years for toll transactions to return to levels seen in fiscal 2009 and nearly a decade before toll transactions for existing facilities reach the high point of 120.1 million toll transactions seen in fiscal 2007. The risks that remain for toll transactions is when economic recovery will occur and whether individuals' driving habits have fundamentally changed as a result of the recession and high gas prices.

The number of toll transactions has a direct impact on revenues. As fewer cars travel through the toll plazas, MDTA generates less income. The decline in toll transactions and its effect on revenues was a factor in MDTA's cost recovery initiative announced in early January 2009 and approved later that month. The cost recovery initiative increased toll rates for vehicles with 3 or more axles and implemented a number of service fees and program modifications. The service fees included a \$1.50 monthly maintenance fee for all E-ZPass accounts, charges for new and replacement transponders (\$21.00 for standard transponders), \$3.00 notice of toll due service charges, and increased toll violation charges (from \$15.00 to \$25.00). MDTA estimated that the cost recovery initiative would generate approximately \$60 million per year in additional revenues; however, since the toll and fee increases coincided with a 2.9% decline in traffic, MDTA only realized approximately \$35 million in additional revenue. As shown in **Exhibit 7**, MDTA has revised its current toll revenue projections downward to reflect the ongoing nature of this recession.

**Exhibit 7  
Forecasted Toll Revenues  
Fiscal 2009-2015  
(\$ in Millions)**



Note: Includes forecasted toll increases in fiscal 2012 and 2014.

Source: Maryland Transportation Authority’s January 2009 Financial Forecast, Version 2008-69; Maryland Transportation Authority’s September 2010 Financial Forecast, Version 2009-11; Maryland Transportation Authority’s January 2010 Financial Forecast, Version 2010-1

**Declining Revenues Receive Boost from Seagirt Marine Terminal Transaction**

In the early 1990s, MDTA invested \$208 million in constructing Seagirt Marine Terminal at the Port of Baltimore. Following completion of the project, MDTA entered into a memorandum of understanding (MOU) with MPA to lease and operate the facility. Since that time, MPA has been operating Seagirt Marine Terminal as a container facility and paying MDTA annual operating payments. The fiscal 2009 payment was \$8.3 million.

Over the last two years, MPA has been working on a P3 to lease the facility to a private operator for the next 50 years in return for private investment in constructing a 50-foot berth at the facility to be completed prior to the expansion of the Panama Canal in 2014. In January 2010, MPA finalized an agreement with Ports America Chesapeake for a long-term lease of the facility. The agreement included a provision to repay MDTA’s initial investment in Seagirt and for MDTA to convey the property to MPA. This provision has already been met, and MDTA’s forecast includes using the proceeds of the P3 for capital projects in fiscal 2010 through 2012. The funding includes \$44.1 million in fiscal 2010, \$80.9 million in fiscal 2011, and \$15.0 million in fiscal 2012. Capital projects funded by these proceeds include redecking the Bay and Hatem Bridges, improvements to the MD 695/Quarantine Road interchange, and improvements along I-95.

## **Revenue Bonds**

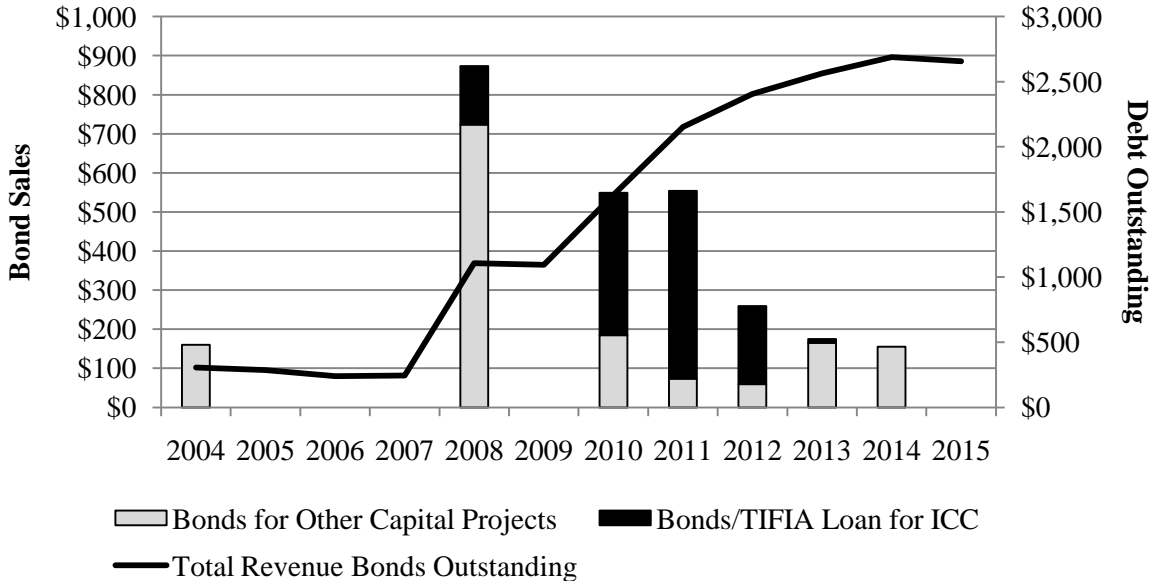
From fiscal 2008 through 2014, MDTA will issue \$2.6 billion in bonds to support its capital program. Approximately \$1.2 billion in debt, including revenue bonds and a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, will fund construction of the ICC. MDTA has secured a guaranteed TIFIA loan from the Federal Highway Administration for \$516 million with a fixed interest rate of 2.56% for the life of the project. MDTA has not yet drawn on this loan. Given historically low interest rates in the bond market, MDTA is reserving use of the TIFIA loan until interest rates in the bond market begin to creep upwards. The TIFIA loan has a maturity of 35 years and will be repaid with toll revenues.

In December 2009, MDTA issued \$549.4 million in bonds, including \$98.9 million in revenue bonds and \$450.5 million in Build America Bonds. This was MDTA's first issuance of Build America Bonds. MDTA maintained its bond ratings of AA- by Standard & Poor's and Fitch Ratings and Aa3 by Moody's Investors Service. The final maturity of the bonds is in 2043 and the true interest cost was 3.8%.

The bonds included \$51.8 million in capitalized interest bonds. Capitalized interest is a financing mechanism to issue more principal than what is actually needed for the project and then use those additional proceeds to pay debt service in the first few years. Capitalizing interest can be a useful tool for start-up facilities to allow time for the project to become operational and begin to generate revenues. Capitalizing interest makes less financial sense for issuers such as MDTA that have existing revenue-generating facilities that can cross-subsidize debt service until revenues from a new facility, like the ICC, begin flowing.

**Exhibit 8** shows the amount of bonds projected to be issued for the ICC and other capital projects as well as total bonds outstanding in each year from fiscal 2004 through 2015. After not issuing any revenue bonds since fiscal 2004, MDTA issued revenue bonds totaling \$873.3 million in fiscal 2008. Following the issuance of \$549.4 million in fiscal 2010, issuances of \$553.7 million in fiscal 2011 and \$259.4 million in fiscal 2012 are expected, primarily for the ICC. Total debt outstanding is expected to increase from \$1.6 billion in fiscal 2010 to \$2.7 billion in fiscal 2015. This level of debt outstanding remains below the statutory debt outstanding limit of \$3.0 billion.

**Exhibit 8  
Bond Sales and Debt Outstanding  
Fiscal 2004-2015  
(\$ in Millions)**



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

Source: Maryland Transportation Authority’s January 2010 Financial Forecast, Version 2010-1

**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 outstanding do not exceed \$3 billion at the end of any fiscal year. 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 rate covenant compliance ratio, as stipulated in the trust agreement, requires that net revenues (total revenues minus operating expenses) must be at least 1.00 times the amount deposited into the Maintenance and Operations Reserve Account plus 1.20 times greater than debt service. The additional bonds test requires the rate covenant to be met on a five year prospective basis. The fiscal 2011 rate covenant compliance ratio is projected to be 1.39 and decreases to 1.10 in fiscal 2013, just above the legal requirement.

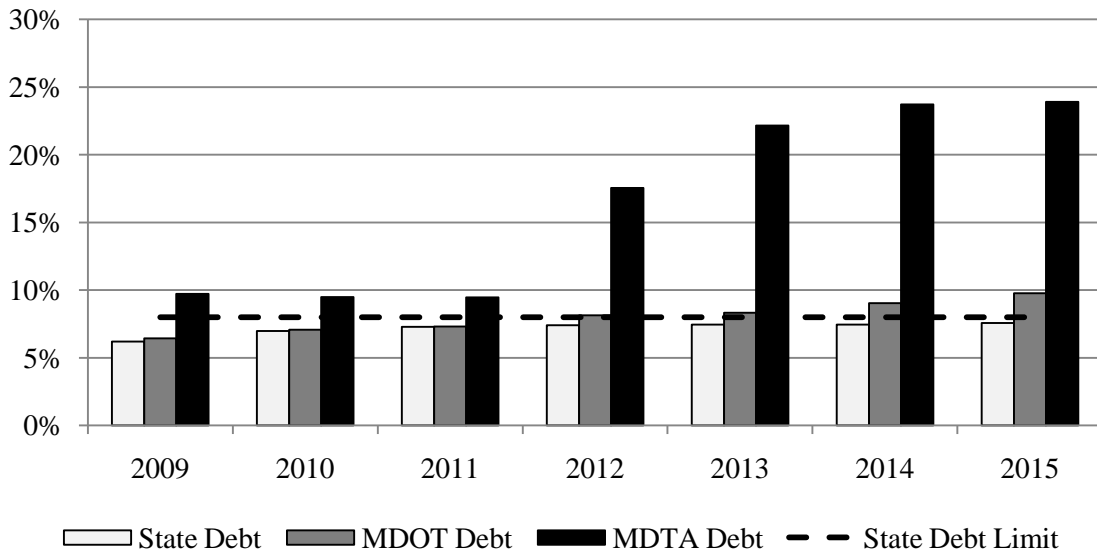
*J00J00 – Maryland Transportation Authority*

- A second ratio is the debt coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that net revenues must be 1.2 times greater than debt service, MDTA maintains an administrative policy that requires it to be above 2.0. In fiscal 2011, the debt coverage ratio is 3.80. In fiscal 2013, the debt coverage ratio drops to 2.07, just above the administrative policy level.
- The ratio of the cash balance to toll revenues must be at least 1.0 times toll revenues or a minimum balance of \$350.0 million in unencumbered cash. This is an administrative policy only and is not contained in the trust agreement. The fiscal 2011 unencumbered cash balance is \$351.5 million and remains at near minimum levels throughout the forecast period.

Although MDTA debt does not count as State debt and MDTA is not bound by the same debt affordability ratios as the State, these affordability ratios can be useful for comparison purposes. The State has two debt affordability criteria: debt service cannot exceed 8.0% of revenues supporting debt service and debt outstanding cannot exceed 4.0% of personal income. In 2008, when the Capital Debt Affordability Committee reviewed these affordability criteria, it raised the personal income criteria from 3.2 to 4.0%, but declined to alter the debt service as a percentage of revenue criteria. The concern was that as that percentage increases, debt service consumes a larger portion of annual revenues and less money is available to support ongoing operating budget spending.

**Exhibit 9** compares the percentage of debt service to revenues for the State, MDOT, and MDTA. It should be noted that MDOT debt is included as State debt for debt affordability purposes. This chart shows both total State debt (including MDOT) as well as stand-alone debt affordability for MDOT. In fiscal 2011, both the State and MDOT project that debt service will consume approximately 7.3% of revenues. For MDTA, debt service in fiscal 2011 will consume 9.5% of revenues. MDTA debt service will increase rapidly over the next several years in response to already issued debt and planned debt issuances. By fiscal 2015, debt service will consume 23.9% of MDTA's revenues, thus decreasing the availability of current year revenues to fund the operating and capital budgets. In this same year, State debt will remain below the 8.0% criterion, and MDOT's percentage will reach 9.8%. It should be noted that debt service as 23.9% of revenues in fiscal 2015 is dependent on substantial toll increases in fiscal 2012 and 2014. Absent these toll increases, debt service would consume nearly half of current year revenues in fiscal 2015.

**Exhibit 9  
Debt Service as a Percentage of Revenues  
Fiscal 2009-2015**

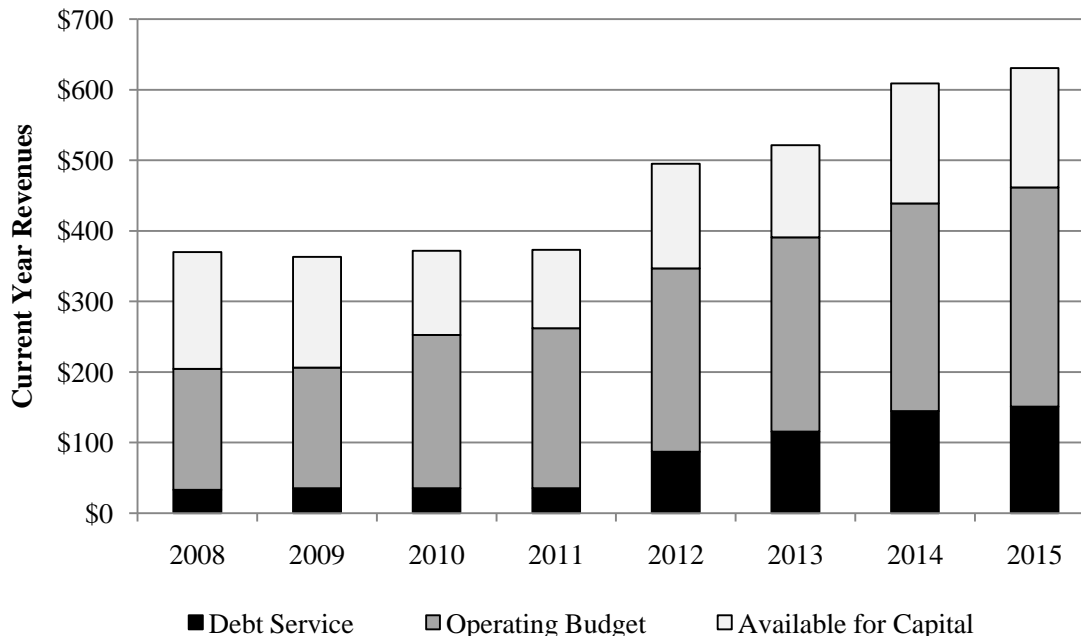


MDOT: Maryland Department of Transportation  
MDTA: Maryland Transportation Authority

Source: Capital Debt Affordability Committee December 2009 Meeting Materials; Maryland Department of Transportation Financial Forecast, January 2010; Maryland Transportation Authority’s January 2010 Financial Forecast, Version 2010-1

As MDTA continues to issue debt for its capital program, debt service costs will rise. **Exhibit 10** shows the use of current year revenues from fiscal 2008 through 2015. Beginning in fiscal 2012, large increases in debt service consume a greater portion of MDTA’s budget. Debt service will increase from \$35.3 million in fiscal 2011 and peak in fiscal 2018 at \$175.2 million. From fiscal 2002 through 2007, MDTA experienced greater than inflationary growth in operating expenses of 11.3% annually. MDTA constrained operating budget growth in fiscal 2008 and 2009 with cost containment actions. A substantial risk to MDTA’s forecast will be its ability to continue to constrain operating budget growth, especially with additional operating costs associated with the ICC opening in fiscal 2011. Increases in MDTA’s operating budget beyond those forecasted will limit pay-as-you-go (PAYGO) funding for the capital program. Given the significant toll increases and debt issuances already forecasted to fund the current capital program, there will be little opportunity for MDTA to seek additional funding from these sources, making management of expenses critical for MDTA over the forecast period.

**Exhibit 10  
Use of Current Year Revenues  
Fiscal 2008-2015  
(\$ in Millions)**



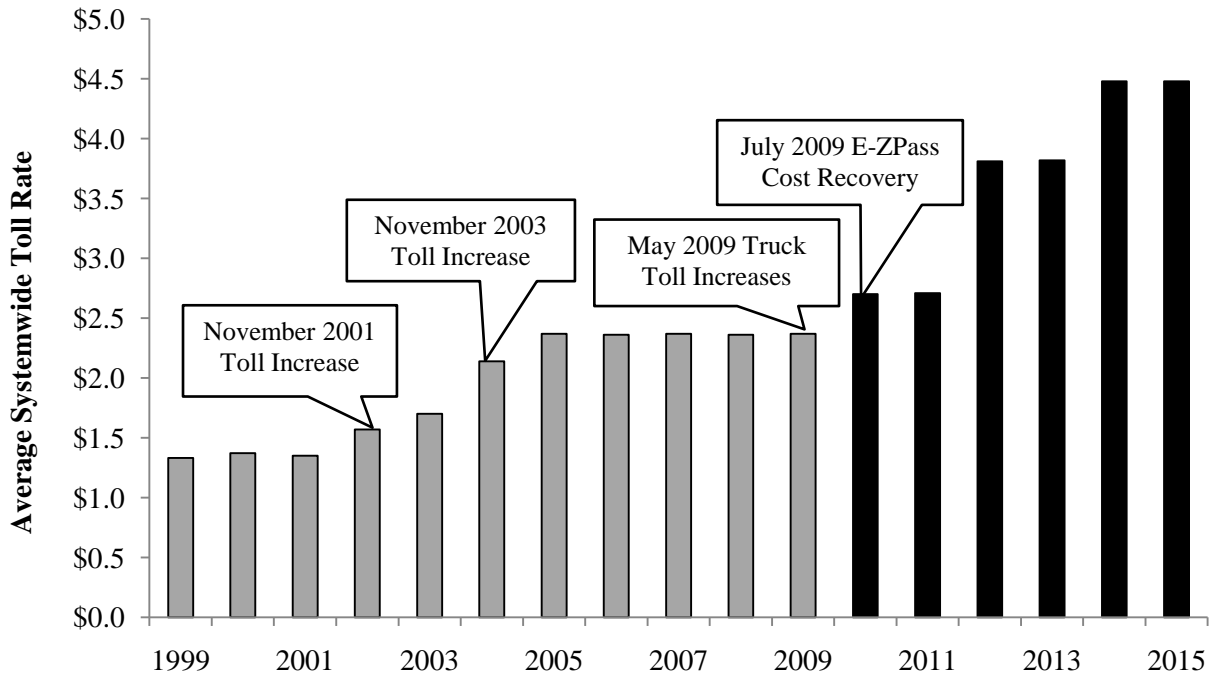
Source: Maryland Transportation Authority's January 2010 Financial Forecast, Version 2010-2011

**Substantial Toll Increases Forecasted**

In order to fund rising debt service and the current capital program, MDTA's forecast assumes toll increases in fiscal 2012 and 2014. The fiscal 2012 toll increase will be substantial and will increase revenues from existing facilities by approximately \$98 million. DLS assumes that given the amount of revenue raised, this toll increase will likely take effect in July 2011 to provide a whole year of additional revenues. Given the 60-day public comment period required in MDTA regulations for toll increases, it is expected that the increases will be announced in March or April of 2011. Due to the number of different toll facilities, vehicle classes, service fees, and commuter versus non-commuter rates, MDTA uses an average systemwide toll rate for forecasting purposes.

**Exhibit 11** shows the actual average systemwide toll rate for fiscal 1999 through 2009, and the forecasted rate from fiscal 2010 through 2015. Toll increases that took place in 2001 and 2003 are noted for comparison purposes. Both of these toll increases affected two-axle vehicles and took place mid-year, so the increase in toll revenues phases in over two fiscal years. Exhibit 11 also shows the most recent toll increases, including the increases in toll rates with three or more axles, effective May 1, 2009, and the implementation of new service fees related to E-ZPass, effective July 1, 2009.

**Exhibit 11**  
**Average Systemwide Toll Rate on Existing Facilities**  
**Fiscal 1999-2015**



Source: Maryland Transportation Authority's January 2010 Financial Forecast, Version 2010-1

Since the idea of an average systemwide toll rate is somewhat abstract, **Exhibit 12** presents toll rates at each facility following the 2001 and 2003 toll increases as well as possible toll rates following the toll increases forecasted for fiscal 2012 and 2014. As noted above, due to the number of different toll facilities, vehicle classes, service fees, and commuter versus noncommuter rates, MDTA has a multitude of options available to increase revenues. MDTA has not yet provided any information on the toll increase scenarios it is considering. The proposed toll rates are based on traffic patterns and revenue projections to provide some sense of the magnitude of future toll increases. DLS assumes that the current ratio of revenues from two axle vehicles is maintained, which means that a proportional increase in truck toll rates would also be required. DLS also assumes that the toll increases will take place in July 2011 and July 2013. Both increases net the additional revenue forecasted without affecting commuter rates or E-ZPass service fees.

**Exhibit 12**  
**Toll Rate Increase Scenario**

	<u>2001</u>	<u>2003</u>	<u>2011</u>	<u>2013</u>
Baltimore Crossings (Harbor Tunnel, Fort McHenry Tunnel and Key Bridge)	\$1.00	\$2.00	\$3.00	\$4.00
Nice Bridge	3.00	3.00	5.00	5.00
Bay Bridge	2.50	2.50	4.00	5.00
Hatem Bridge and I-95	4.00	5.00	6.00	6.00

Note: These toll rates are illustrative only and do not reflect proposals by the Maryland Transportation Authority (MDTA). Due to the number of toll facilities, vehicle classes, commuter rates, and service fees, there are a multitude of different toll increase scenarios that MDTA could propose.

Source: Department of Legislative Services

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**Toll Increase Guidance**

When reviewing MDTA's current tolling structure, two things are readily apparent. The first is that commuter rates provide substantial cost savings over regular toll rates. Toll rates for I-95 and the Hatem Bridge are currently \$5.00 for regular fares and \$0.80 for commuters, providing a discount of 84%. Similarly, commuter plans for the Baltimore Region (Fort McHenry and Harbor Tunnels and the Key Bridge) provide savings of 80%, the Bay Bridge plan provides savings of 60%, and the Nice Bridge plan provides savings of 47%. Although MDTA reduced the duration of commuter plans from 60 to 45 days as part of E-ZPass modifications that took place in July 2009, as recently as December 2009, the bond rating agencies continue to cite MDTA's generous commuter discount programs as a risk to its financial forecast.

The other issue that becomes readily apparent when reviewing MDTA's current toll structure is that the convenience of E-ZPass comes at a financial cost. Due to changes to the E-ZPass program implemented in July 2009, E-ZPass account fees for the first year total \$39 (\$21 for transponder plus \$1.50 monthly account maintenance charges) and each subsequent year costs \$18. It should be noted that these fees are for cost recovery only and MDTA does not make profit on these charges. However, the use of electronic tolling helps to ease congestion by allowing higher daily throughput at toll facilities. Therefore, MDTA benefits from the use of electronic tolling because it delays the need to add capacity or institute other strategies to reduce congestion at toll facilities. To balance the need for cost recovery and the benefits of drivers utilizing electronic tolling, some tolling authorities have implemented a bifurcated tolling structure that provides E-ZPass users with a lower toll rate than cash customers. For consumers, these toll rate discounts provide an incentive to infrequent users to retain an E-ZPass account despite the monthly fees associated with the account. **DLS recommends the adoption of committee narrative to encourage MDTA to consider modifications to its commuter discount program and discounted toll rates for E-ZPass users when evaluating proposed toll increases.**

## **Conduit Financing**

Besides MDTA 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 \$451.1 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;
- \$40.0 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 to finance the Calvert Street parking garage in Annapolis for State employees, which is backed by general fund lease payments made by the Department of General Services (DGS); and
- \$750.0 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.

**Exhibit 13** shows debt outstanding for MDTA's conduit financed bonds. 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 13**  
**Debt Service Payments and Debt Outstanding on Conduit Projects**  
**Fiscal 2009-2011**  
**(\$ in Thousands)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b><u>Debt Service Payments</u></b>			
2002 A&B Series – BWI Marshall Airport Elm Road garage	\$20,739	\$20,746	\$20,756
2002 Series – BWI Marshall Airport rental car facility	9,021	9,015	9,008
2003 A&B Series – various BWI Marshall Airport projects <sup>1</sup>	9,936	10,309	11,302
2004 Series – WMATA parking garages	2,900	2,894	2,897
2005 Series – Calvert Street Parking Garage	1,562	1,561	1,560
2007 and 2008 Series – GARVEE Bonds	40,364	87,458	87,455
<b>Total Debt Service Payments</b>	<b>\$84,522</b>	<b>\$131,983</b>	<b>\$132,978</b>
<b><u>Debt Outstanding</u></b>			
2002 A&B Series – BWI Marshall Airport Elm Road garage	\$229,590	\$220,575	\$211,110
2002 Series – BWI Marshall Airport rental car facility	107,890	105,855	103,710
2003 A&B Series – various BWI Marshall Airport projects <sup>1</sup>	51,800	42,300	32,400
2004 Series – WMATA parking garages	36,785	35,635	34,430
2005 Series – Calvert Street Parking Garage	21,960	21,325	20,670
2007 and 2008 Series – GARVEE Bonds	704,365	651,795	596,915
<b>Total Debt Outstanding</b>	<b>\$1,152,390</b>	<b>\$1,077,485</b>	<b>\$999,235</b>

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

<sup>1</sup> The fiscal 2009 and 2010 debt service payments are estimates only, as they are variable rate passenger facility charge revenue bonds.

Source: Maryland Transportation Authority

## **PAYGO Capital Program**

### **Program Description**

MDTA's capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State. Currently, MDTA is undertaking two large capital projects. The projects are the ICC and construction of ETLs on an eight mile stretch of I-95 from the I-895 split to north of MD 43.

### **Increased Focus on System Preservation**

In August 2008, there was a fatal crash on the Bay Bridge when two-way operations were in effect. A tractor trailer swerved to avoid an automobile that crossed the center line, impacted the bridge parapet at a severe angle and considerable speed and fell to the Chesapeake Bay below, killing the driver. Subsequent inspections of the Bay Bridge found that corrosion in the steel bolts connecting the parapets to the bridge deck weakened the bond between the two. Although this finding would not have changed the outcome of the crash, it was still notable that inspections of the bridge had not revealed this defect. In response, a panel of national experts convened to review MDTA's inspection practices for bridges and tunnels. The panel issued its final report in June 2009.

The panel found that MDTA's inspection program is in substantial compliance with National Bridge Inspection Standards. No national standards currently exist for tunnel inspections. Since 2005, MDTA had already been implementing a number of improvements to its engineering division and inspection process under the direction of its new chief engineer. These MDTA-initiated changes and the recommendations from the expert panel have strengthened MDTA's inspection procedures. Improvements include employing more than one inspection consulting firm, rotating the facilities inspected by each firm, requiring hands-on inspections, developing baseline hydrographic surveys of bridges and tunnels, developing scour remediation plans as needed, verifying load ratings on bridges, improving inspection reports for multi-year comparisons, and strengthening MDTA's partnership with SHA.

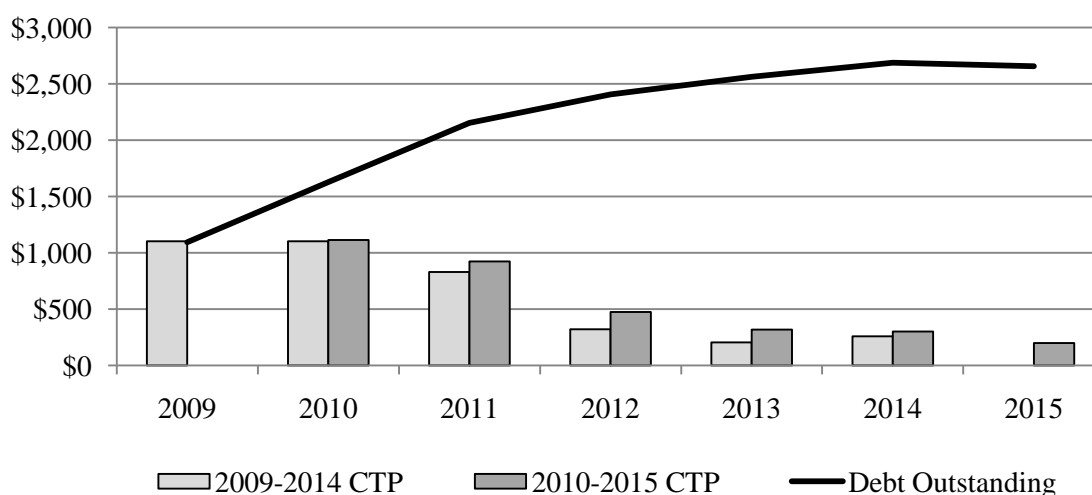
The increased thoroughness of inspections has identified additional repair and maintenance issues at all of the toll facilities. This, coupled with the increasing age of MDTA's facilities, has necessitated an increased focus on system preservation. Except for the ICC and I-95 ETL projects, the majority of the capital program is focused on system preservation projects.

### **Fiscal 2010 to 2015 Consolidated Transportation Program**

The total six-year capital program decreases from \$3.8 billion in the 2009-2014 *Consolidated Transportation Program* (CTP) to \$3.3 billion in the 2010-2015 CTP. This decrease is largely due to a \$384.6 million decrease in six-year spending for the ICC and a \$332.1 million decrease in six-year spending for the I-95 ETLs. Approximately \$170.6 million of the savings from the changes in scope to the I-95 ETLs project was reprogrammed to new projects added to the construction program in the 2010-2015 CTP.

Although total six-year spending on the capital program decreases \$485.7 million from the 2009-2014 CTP to the 2010-2015 CTP, **Exhibit 14** shows that in fiscal 2010 through 2014, annual capital spending increases. This is the result of fiscal 2009 annual capital spending (\$1.1 billion) being so much higher than fiscal 2015 annual capital spending (\$199.0 million). Exhibit 14 also shows the amount of debt outstanding for MDTA to illustrate its reliance on debt to fund the capital program and the effect this will have on MDTA’s ability to fund its capital program in the future.

**Exhibit 14**  
**Capital Expenditures by Year**  
**Fiscal 2009-2015**  
**(\$ in Millions)**



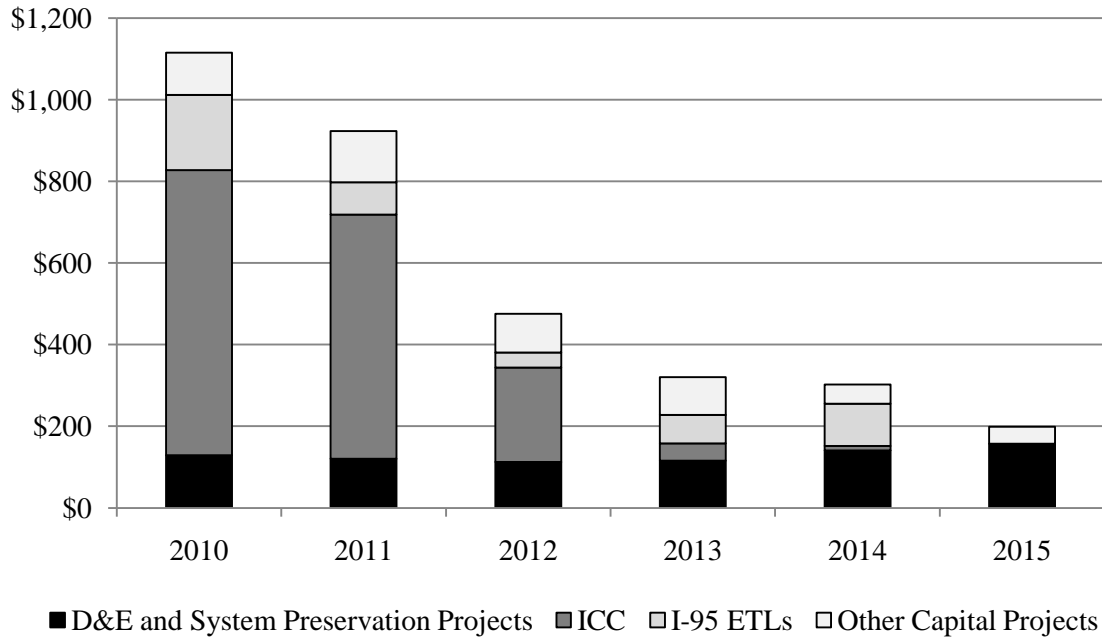
CTP: Consolidated Transportation Program

Source: Maryland Department of Transportation, 2009-2014 CTP; 2010-2015 CTP; and Maryland Transportation Authority’s January 2010 Financial Forecast, Version 2010-1

### **Cash Flow Analysis**

MDTA’s capital program in fiscal 2011 totals \$923.3 million. This is a \$192.1 million decrease from the fiscal 2010 capital budget of \$1.1 billion. The capital program is largely driven by construction of the ICC, with nearly two-thirds of fiscal 2011 capital expenditures going to this project. **Exhibit 15** shows capital expenditures by year.

**Exhibit 15**  
**Capital Expenditures by Year**  
**Fiscal 2010-2015**  
**(\$ in Millions)**

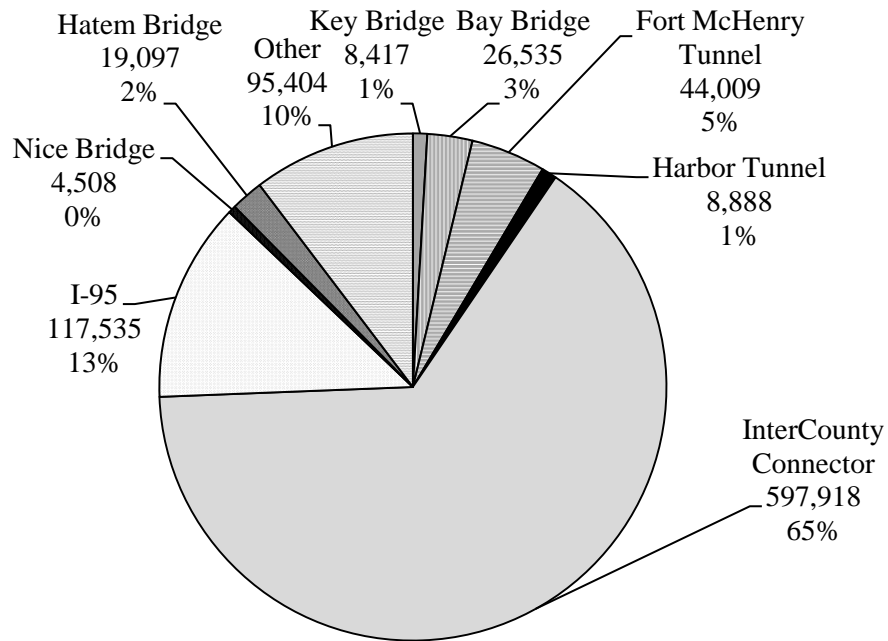


D&E: development and evaluation  
ETL: Express Toll Lanes  
ICC: InterCounty Connector

Source: Maryland Department of Transportation, 2010-2015 *Consolidated Transportation Program*

**Exhibit 16** shows capital spending by facility in fiscal 2011.

**Exhibit 16**  
**Capital Expenditures by Facility**  
**Fiscal 2011**  
**(\$ in Thousands)**



Source: Governor's Fiscal 2011 Budget Book, Volume I, page 662

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**Exhibit 17** provides a partial list of major construction projects funded in fiscal 2011. The projects listed account for 93.9% of all funding for major projects in the construction program in fiscal 2011.

**Exhibit 17**  
**Major Construction Projects**  
**Funded in Fiscal 2011**  
**(\$ in Thousands)**

<u>Project</u>	<u>2011</u>	<u>Total \$</u>	<u>Completion of Fiscal Cash Flow</u>
Roadway Rehabilitation on I-95 from Moravia Road to the Fort McHenry Tunnel (Phase I) – includes grinding, overlay and restriping to provide four continuous lanes	\$13,839	\$15,580	2011
Hatem Bridge – deck replacement	15,958	64,971	2011
I-95 MD 24 Interchange Improvements (Phase I) – involves minor improvements to the I-95/MD 24 interchange and reconstruction of the MD 24/MD 924 interchange	23,219	60,563	2011
Upgrade, Repair and Replace Signs Including Dynamic Message Signs and Sign Structures	10,943	39,401	2012
Bridge, Roadway, and Signage Rehabilitation on I-95 from Joh Avenue to Washington Boulevard – includes overlaying of roadway, replacement and upgrades of existing signs, miscellaneous safety improvements, and inspection and repair of highmast light poles and sign structures	12,206	38,153	2012
I-95 Express Toll Lanes – involves the construction of two managed lanes in each direction from I-895 north to north of MD 43	79,717	994,218	2014
InterCounty Connector – construction of a new east-west, multimodal highway in Montgomery and Prince George’s counties between I-270 and I-95/US 1	597,918	2,565,976	Ongoing <sup>1</sup>
<b>Total</b>	<b>\$753,800</b>	<b>\$3,778,862</b>	

<sup>1</sup>Construction of the InterCounty Connector will be complete in fiscal 2014. However, one of the contracts associated with the project for improvements along I-95 has been deferred beyond the 2015 capital program period.

Source: Maryland Department of Transportation, 2010-2015 *Consolidated Transportation Program*

### Significant Scope Changes

The 2010-2015 CTP includes several significant scope changes to projects. These changes are outlined below.

**I-95 ETLs:** This project is the first of four projects studying capacity improvements for I-95 from the I-895 split to the Delaware border. In the 2009-2014 CTP, MDTA deferred completion of the ETLs from fiscal 2012 to 2016, increasing the cost of the project from \$1.2 billion to \$1.5 billion.

In the 2010-2015 CTP, the project cost declines by \$500.3 million as the result of eliminating two of the ETL interchanges, advancing the completion date to fiscal 2014, and reducing the project length from 10 miles to 8 miles. Although the southern end of the project (at I-95/I-895) remains the same, the northern limit was shortened by 2 miles from the New Forge Road overpass to just north of MD 43.

The ETL project involves the addition of two lanes in each direction in the center of I-95. The non-tolled, or general purpose lanes, will be shifted to the outside and barriers will separate the ETLs from the general purpose lanes. This configuration requires significant additional cost because additional interchanges must be constructed to accommodate those entering and exiting the barrier-separated ETLs, rather than using existing interchanges. In order to reduce the cost of the ETL project, interchanges for I-695 and MD 43 have been eliminated. The project will now have only one entry and exit point with no additional interchanges. Users must drive the entire eight mile stretch in the tolled lanes or in the general purpose lanes.

**Canton Viaduct Bridge Replacement:** The Canton Viaduct Bridge is the elevated stretch of I-95 between the north portal of the Harbor Tunnel and Holabird Avenue. In the 2008-2013 CTP, this project involved the replacement of the deck of the Canton Viaduct Bridge at a total cost of \$47.9 million. In the 2009-2014 CTP, the project scope was expanded to include replacement of the bridge superstructure and repairs to the substructure. The cost of the project was increased by \$25.1 million to a total of \$73.0 million and completion was delayed until fiscal 2012. In the 2010-2015 CTP, the project scope has been expanded to include a total replacement of the bridge, including the deck, superstructure, and substructure. The cost of the project has increased by \$105.8 million, to a total of \$178.8 million, and the start of construction work has been delayed until fiscal 2015. **Given the rapidly increasing scope and cost of this project, MDTA should brief the committees on the changing conditions that now require complete replacement of the bridge and why this need was not previously identified.**

**ICC:** As a result of the higher than expected bid received for Contract B of the ICC, in the 2009-2014 CTP, the project cost increased \$120.1 million and Contract D, for improvements to the collector-distributor lanes along I-95, was indefinitely deferred. In the 2010-2015 CTP, the project cost remains the same, but completion of Contract E, for mainline construction from I-95 to US 1, was deferred until the spring of 2013. This section of the roadway was originally projected to open in late 2011 with the rest of the road. Construction of the ICC is discussed further in Update 1.

## **Projects Added to the Construction Program**

As shown in **Exhibit 18**, several projects were added to the 2010-2015 CTP. Scope changes to the I-95 ETLs project resulted in \$500.3 million in savings, of which \$111.4 million was reprogrammed to other projects. Additionally, projects totaling \$165.6 million were moved from the System Preservation program to the Major Projects construction program. These changes were made as the result of an agreement between the General Assembly and MDOT. During the 2009 legislative session, MDOT agreed to include projects that are statutorily defined as minor projects but have a total cost of more than \$10.0 million as major projects.

**Exhibit 18**  
**Projects Added to the Construction Program**  
**(\$ in Millions)**

<u>Project</u>	<u>2011</u>	<u>Total \$</u>	<u>Completion of Cash Flow</u>
<b>Moved from System Preservation Program</b>			
I-95 – New maintenance facility	\$4.9	\$17.5	2014
Fort McHenry Tunnel – Rehabilitate concrete tunnel deck	2.9	22.3	2014
Key Bridge – Replace Curtis Creek drawbridge grid deck	0.0	14.4	2016
Hatem Bridge – Underwater repairs	1.1	26.5	2013
Nice Bridge – clean and paint structural steel, fatigue retrofits, and miscellaneous structural repairs	1.6	21.8	2015
Upgrade radio communications system (700 MHz system)	9.2	23.7	2013
Upgrade, repair, and replace signs including dynamic message signs and sign structures	10.9	39.4	2012
<b>Added Due to Savings from I-95 ETLs</b>			
I-95 – Underwater repairs at Tydings Bridge	3.1	41.8	2014
Fort McHenry Tunnel – I-395 repair, spot paint beam ends, deck seal, and joint repair	0.9	19.1	2014
Key Bridge – Paint bridge fascia beams and repair section loss	0.0	14.6	2016
Harbor Tunnel – Rehabilitate Patapsco Flats bridge substructure	0.8	14.1	2014
Hatem Bridge – Clean and paint structural steel	0.0	10.5	2013
<b>Total</b>	<b>\$35.4</b>	<b>\$265.7</b>	

Source: Maryland Department of Transportation, 2010-2015 *Consolidated Transportation Program*

### Construction Schedule Delays

As shown in **Exhibit 19**, the schedules of three projects were delayed. Two of these project delays resulted from cash flow revisions. One project involving construction of a new firing range for MDTA Police is on hold pending an agreement with the Police and Correctional Training Commissions (PCTC) to utilize the existing firing range at the Public Safety Education and Training Center (PSETC) in Sykesville.

**Exhibit 19**  
**Construction Schedule Delays**

<b><u>Project</u></b>	<b><u>Justification</u></b>	<b><u>Delay</u></b>
Bay Bridge – Clean and paint structural steel on westbound bridge	Cash flow revisions	From fiscal 2010 to 2011
Outdoor firing range for police	Agreement pending	From fiscal 2010 to 2011
Fort McHenry Tunnel – Bridge, roadway, and signage rehabilitation north of the tunnel	Cash flow revisions	From fiscal 2011 to 2012

Source: Maryland Department of Transportation, 2010-2015 *Consolidated Transportation Program*

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## ***Issues***

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### **1. Legislative Oversight of Police Not Uniform**

From its humble beginning in 1940 as the State Roads Commission Bridge Guards, the MDTA Police has expanded its size and jurisdiction over the last 70 years. Currently, the MDTA Police includes over 600 sworn and civilian personnel and a \$73.5 million budget. Its jurisdiction includes all of the State's toll facilities, the State-owned terminals at the Port of Baltimore, BWI Marshall Airport, MVA headquarters in Glen Burnie, and the Maryland Rail Commuter (MARC) system. MDTA Police also have the same authority as other police officers in the State to make arrests, conduct investigations, and otherwise enforce laws throughout the State in specified circumstances, such as joint investigations, rendering assistance to another officer, acting at the request of another officer, or emergency situations. In addition, MDTA Police also have concurrent jurisdiction for certain locations adjacent to toll facilities per MOUs reached with neighboring police jurisdictions.

#### **Police Jurisdiction**

As shown in **Exhibit 20**, although MDTA Police has had responsibility for law enforcement at the Port and BWI Marshall Airport for more than a decade, its jurisdiction has expanded more rapidly since the 2004 executive order signed by Governor Robert L. Ehrlich, Jr. to expand MDTA Police jurisdiction to "all publicly owned, commercial, and/or common carrier transportation assets throughout the State." In that same year, MDTA Police began assisting MTA with homeland security efforts on the MARC commuter rail system.

In 2008, MDTA assumed law enforcement responsibilities for the MVA headquarters in Glen Burnie. Four positions were assigned to the MVA detachment in fiscal 2009. This number grows to 12 positions in the fiscal 2011 allowance. The growth is the result of replacing MVA Police with MDTA Police as turnover occurs and adding additional responsibilities, such as additional buildings at the Glen Burnie MVA complex and security when the buildings are closed.

In 2009, MDTA Police and MTA Police began looking for "operational efficiencies" between the agencies. Although some newspaper articles have suggested that consolidation of the police forces is being considered, MDTA advises that talk of consolidation is premature and many obstacles would need to be overcome to consolidate police forces. The greatest of these hurdles may be collective bargaining with binding arbitration which the MTA Police Union currently has; however, House Bill 815 of 2010 would allow unionization, and collective bargaining with binding arbitration for MDTA Police. MTA Police includes 214 sworn and civilian personnel. Consolidation with the MDTA Police would swell the ranks to nearly 900 positions and significantly increase MDTA Police's primary jurisdiction.

In 2010, the opening of the ICC will expand MDTA Police's primary jurisdiction to include parts of Montgomery and Prince George's counties. It is assumed that in addition to the toll facility, MDTA Police and local police jurisdictions will agree to concurrent jurisdictions in some adjacent locations.

**Exhibit 20**  
**Major Milestones**

- 1940 – The Hatem and Nice Bridges open and are patrolled by State Roads Commission Bridge Guards (SRCBG)
- 1952 – SRCBG begins patrolling the newly opened Bay Bridge
- 1957 – The Harbor Tunnel Special Police Force begins patrolling the Harbor Tunnel
- 1971 – SRCBG and the Harbor Tunnel Police combine to become the Maryland Toll Facilities Police
- 1973 – The Toll Facilities Police begins patrolling the newly opened twin span of the Bay Bridge
- 1977 – The Toll Facilities Police begins patrolling the newly opened Key Bridge
- 1985 – The Toll Facilities Police begins patrolling the newly opened Fort McHenry Tunnel
- 1994 – The Toll Facilities Police are renamed the MDTA Police and begin patrolling BWI Marshall Airport
- 1998 – MPA Police are abolished and merged into MDTA Police
- 2004 – Executive Order 01.01.2004.08 expands MDTA Police jurisdiction to include the Maryland Rail Commuter System
- 2008 – MDTA Police assume law enforcement responsibility for MVA headquarters in Glen Burnie
- 2009 – MDTA Police and MTA Police begin working toward “operational efficiencies” with future consolidation a possibility
- 2010 – MDTA Police to begin patrolling the newly opened ICC

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

ICC: InterCounty Connector

MDTA: Maryland Transportation Authority

MPA: Maryland Port Administration

MTA: Maryland Transit Administration

MVA: Motor Vehicle Administration

Source: Maryland Transportation Authority

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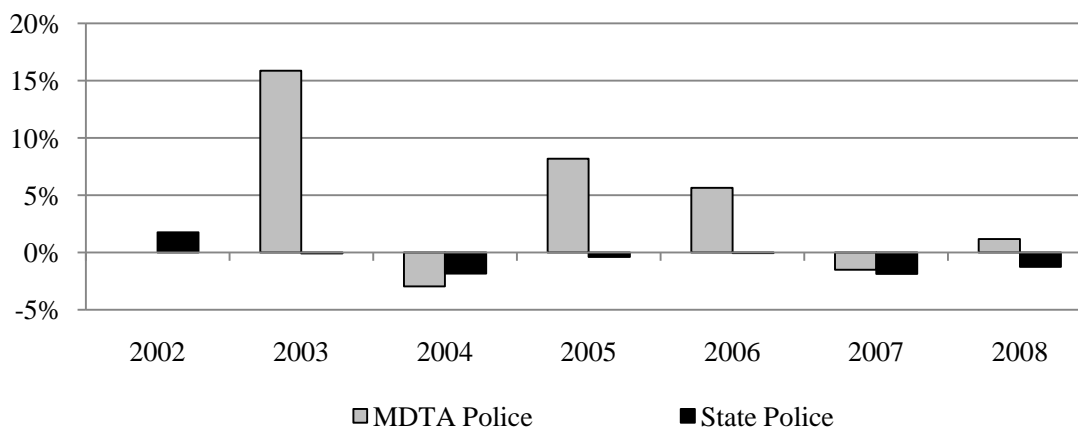
## Critical Role in Transportation Security and Law Enforcement

MDTA Police currently are on contract to provide services to MPA, MAA, and MVA. In the future, MTA and MDTA Police will forge a closer working relationship. In fiscal 2011, MDTA estimates that it will receive a total of \$30.1 million from the various modes of MDOT for law enforcement services. In fiscal 2011, approximately 35% of MDTA Police’s budget and positions will be for services provided to MDOT.

MDTA is the seventh largest law enforcement agency in the State and the only State law enforcement agency to operate off budget. As an entity within a nonbudgeted agency, MDTA Police have been shielded from the cost containment actions that other law enforcement agencies have endured. Additionally, although MDTA conforms to the personnel policies established by the State, such as furloughs and the cessation of deferred compensation matches, MDTA is not subject to the same policies for creating and transferring positions that State agencies are. MDTA has the ability to create positions as needed without approval from the legislature or the Department of Budget and Management.

This may help to explain why MDTA Police have grown by 28.1% from 2001 to 2008 while State Police personnel declined by 3.7% over this same time period, as shown in **Exhibit 21**. The terrorist attacks of September 11, 2001, undoubtedly changed the face of law enforcement. MDTA Police are the frontline of protection of Maryland’s port and airport, and both transportation assets received a renewed security focus following the attacks. This may account for some of the change; however, the difference in personnel cannot be explained away by this fact since the State Police also have a critical role to play in homeland security.

**Exhibit 21**  
**Percentage Growth in Personnel**  
**Calendar 2002-2008**



MDTA: Maryland Transportation Authority

Source: Federal Bureau of Investigation, 2008 *Uniform Crime Report*

The nonbudgeted status of MDTA Police limits the General Assembly's oversight of MDTA Police's jurisdiction, policies, and budget. In the last several years, the General Assembly has grappled with several major policy issues relating to State Police policies, such as surveillance, speed cameras, electronic ticketing, and arrest procedures. As a statewide law enforcement agency, many of these issues involve MDTA Police as well; yet, the General Assembly's oversight of the law enforcement agency is very limited. Moreover, MDTA's historically strong financial position, which allowed virtually unconstrained operating budget growth, allowed MDTA Police to acquire certain equipment and vehicles that other law enforcement agencies covet but are prevented from purchasing by limited funding.

Given MDTA Police's growing role as a law enforcement agency with a multi-modal transportation focus, the increase in payments from MDOT to MDTA for law enforcement services, and the closer working relationship being forged with MTA Police, savings may be realized if MDOT and MDTA move toward consolidation of all transportation law enforcement. The recommendation for consolidation of transportation law enforcement agencies was originally made by the 2003 Commission on the Structure and Efficiency of State Government, chaired by former Governor Marvin Mandel. Furthermore, given MDTA Police's rise from a police agency focused on a handful of toll facilities to one responsible for much of the State's transportation assets; the increasing presence and jurisdiction of MDTA Police across the State; and the nonbudgeted status of MDTA Police that limits the legislature's oversight of MDTA Police's jurisdiction, policies, and budget, additional legislative oversight could be obtained by consolidating the transportation police forces within MDOT, a budgeted agency rather than MDTA.

This action would effectively remove police operations from MDTA and into MDOT. The law enforcement agency could be created as a separate mode within MDOT and instead of MDOT paying MDTA to provide law enforcement, MDTA would reimburse MDOT for police expenses. This would not have an impact on the TTF or MDTA's budget since cost-sharing already takes place. It would simply allow for greater legislative oversight of a transportation police force which could potentially grow to nearly 900 positions. Alternatively, the entire transportation police force (to include MDTA and MTA Police) could be created as a division within the Department of State Police so that operational efficiencies could be realized with the two largest State law enforcement agencies. **DLS recommends the adoption of committee narrative requiring a joint report from MDTA, MDOT, and the Department of State Police to determine what cost savings could be realized by consolidating all transportation law enforcement into one agency. The report should also determine the feasibility of consolidating the police forces as an administration within MDOT or as a division within the Department of State Police, and what benefits to legislative oversight may accrue as a result.**

## **2. No Rest for Legislative Review of Travel Plaza Proposal**

For approximately the past year, MDTA has been working on a P3 for the redevelopment of the two travel plazas it owns along I-95. The travel plazas include the Maryland House, opened in 1964, and the Chesapeake House, opened in 1975. The two travel plazas have 6.2 million visitors a year and generate approximately \$35 million in food and beverage revenues annually. Due to the age

of the facilities and capacity shortcomings, MDTA is seeking a complete reconstruction or redevelopment of the travel plazas through a P3.

The 2009 *Joint Chairmen's Report* (JCR) required MDTA to provide the General Assembly with 45 days notice prior to issuing a notice of public solicitation for the travel plaza project and 45 days notice prior to entering into an agreement. In November 2009, MDTA provided notice to the legislature that it intended to issue a request for proposals (RFP) in late December 2009. MDTA has since advised that issuance of the RFP has been delayed by several months but should take place in March 2010. The timeline projects that proposals will be due in June 2010, and approximately one year is expected for negotiations.

MDTA's proposed P3 for the redevelopment of the travel plazas is similar to the P3 the General Assembly recently reviewed for Seagirt Marine Terminal. MDTA indicates that the P3 would involve a long-term lease (estimated at 35 years) of the travel plazas to a private operator. In addition to operating and maintaining the facilities over the term of the contract, the private partner would also construct and finance the redevelopment of the travel plazas. MDTA estimates that the cost of redeveloping the facility will be approximately \$110 million. In return, MDTA would receive a percentage of gross operating proceeds.

Currently, MDTA leases operations of the facilities to private operators and receives a maximum of 23.5% of gross receipts. For the P3, given the private partner's investment in the facilities and its obligation to pay future maintenance costs (MDTA shares these costs with vendors in the current model), it is assumed that the percentage of gross revenues received in the future will be less than 23.5%.

The final P3 agreement will involve two separate transactions. The first is a ground lease of the affected area, and the second is a concession contract including general provisions of the agreement and detailed provisions and performance specifications for the design/build and operation/maintenance aspects of the agreement.

The current statutory definition of P3s includes revenue-producing highway, bridge, tunnel, or transit facilities. One could argue that the travel plazas are part of the I-95 highway facility and, therefore, subject to the statutory legislative reporting requirements of a proposed P3. However, a separate definition of transportation facility projects in regulations governing MDTA's P3 process references only port, airport, railroad, or transit facilities, thereby suggesting that the legal requirements regarding Board of Public Works' (BPW) approval of P3s imposed on MDTA by regulation may not apply to this transaction. **To ensure that proper legislative oversight and BPW approval take place, DLS recommends the adoption of committee narrative clearly defining what is expected of MDTA in regard to the process of approval of its P3 agreement. DLS further recommends that MDTA comment on the status of the project and why it is being pursued as a P3 rather than as a traditional MDTA capital project.**

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

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1. Adopt the following narrative:

**Changes to Tolling Structure:** The Maryland Transportation Authority’s (MDTA) financial forecast indicates that a substantial toll increase will take place in fiscal 2012. The current tolling structure provides extremely generous commuter discounts of up to 84% and provides a financial disincentive to consumers to use E-ZPass due to start-up costs and monthly fees. It is the intent of the committees that when evaluating the tolling structure in preparation for the fiscal 2012 toll increase, MDTA should give consideration to modifying the commuter discount plans to moderate substantial commuter discounts and implementing a bifurcation of the tolling structure to offer discounted toll rates to E-ZPass users to offset start-up and monthly fees imposed on E-ZPass accounts.

2. Adopt the following narrative:

**Transportation Law Enforcement Consolidation and Legislative Oversight:** Since a 2004 executive order that expanded the primary jurisdiction of the Maryland Transportation Authority (MDTA) Police, MDTA Police have begun patrolling the Maryland Rail Commuter System and the headquarters of the Motor Vehicle Administration. In addition, MDTA Police and the Maryland Transit Administration (MTA) Police are working together to identify operational efficiencies between the agencies. Currently, three of the Maryland Department of Transportation’s (MDOT) modes reimburse MDTA Police for costs totaling \$30.1 million in fiscal 2011. Cost savings may be realized by consolidating all transportation law enforcement into one law enforcement agency, as was originally proposed by the 2003 Commission on the Structure and Efficiency of State Government, chaired by former Governor Marvin Mandel. MDTA Police is the seventh largest law enforcement agency in the State; yet, it is also the only State law enforcement agency to operate off budget. The nonbudgeted status of MDTA Police limits legislative oversight of the jurisdiction, policies, and budget of MDTA Police. MDTA, in consultation with MDOT and State Police, should submit a report identifying the cost savings that may be realized by consolidating all transportation law enforcement into one unit. The report should also include an analysis of where the consolidated transportation law enforcement unit should be housed within MDTA, MDOT, or the State Police. In considering where the unit should be housed, consideration should be given to the role of legislative oversight.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on consolidating transportation law enforcement into one unit and whether that unit should be housed in MDTA, MDOT, or State Police	MDTA, MDOT, and State Police	November 1, 2010

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

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1. Adopt the following narrative:

**Legislative Review of Travel Plaza Proposal:** The Maryland Transportation Authority (MDTA) is currently preparing a request for proposals to issue in March 2010 for the redevelopment of the Maryland House and Chesapeake House travel plazas along I-95. The public-private partnership will involve a long-term lease of the facilities and private investment in the redevelopment. Current law and regulations provide some ambiguity about what notice and approval is required for this transaction. It is the intent of the committees that 45 days prior to entering into an agreement, MDTA should provide:

- the length of the proposed agreement;
- the scope of payments to MDTA from the private partner;
- a cost benefit analysis of the proposal;
- evidence of the financial stability of the private partner;
- requirements pertaining to the ongoing operation and maintenance of the facility and contract oversight;
- requirements pertaining to capital investment in the facility and timeline for completion of that investment;
- a description of any performance measures utilized in the contract, as well as actions that may be taken if performance goals are not met;
- contract provisions relating to the variety of brands and competitiveness of prices at the travel plazas;
- provisions allowing the State right of first refusal prior to a reassignment of the lease to another entity;
- the estimated dollar amount of any bonds to be used to finance the agreement; and
- a description, including the estimated value, of any land, buildings, or other structures or assets that are to be transferred, leased, or exchanged with the private partner.

Furthermore, it is the intent of the committees that all contract provisions, including the ground lease agreement and the concession contract, should be approved by the Board of Public Works.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on the proposed contract provisions	MDTA	45 days prior to entering into an agreement

## ***Updates***

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### **1. Segment of ICC to Open to Traffic Later This Year**

The ICC is an 18.8 mile, controlled access highway with accommodations for express bus service connecting the I-270/I-370 corridor in Montgomery County with the I-95/US 1 corridor in Prince George's County. It will be owned and operated by MDTA. SHA is managing the planning, environmental approvals, design, and construction administration.

The six-lane (three each way) highway will be the State's first fully electronic toll facility. There will not be any cash transactions or tollbooths, and all toll transactions will be made using either an E-ZPass transponder or video tolling, in which an image of the vehicle's license plate is captured and the vehicle owner is mailed a bill. The ICC will be the first toll facility in Maryland to utilize congestion pricing, where toll rates vary based on time of day.

#### **Tolling Parameters Established**

On September 23, 2009, MDTA proposed tolling parameters for the ICC and opened a 60-day public comment period that ran through November 23, 2009. In October 2009, MDTA held two informational public open houses, one in Beltsville and one in Silver Spring, to provide information about the proposed tolling parameters. One week later, MDTA held two public hearings, one in Beltsville and one in Gaithersburg, to receive public comments.

On December 17, 2009, MDTA approved the tolling parameters for the ICC, including the mileage rate range, pricing periods, minimum toll, fee for video tolling, and the rounding rule (tolls are rounded up to the nearest nickel). **Exhibit 22** shows the original tolling parameters announced in September and the final version approved by MDTA in December, following the public comment period. Actual toll rates have not yet been established. MDTA's Executive Secretary will set the rate within these tolling parameters prior to the opening of the facility. MDTA will provide 10 days notice to the public of any changes to tolling rates within the established parameters. Any changes to the tolling parameters require a 60-day public comment period.

**Exhibit 22  
ICC Tolling Parameters**

	<u>Original Proposal</u>	<u>Final Action</u>
<b>Mileage Rate Range – 2-Axle Vehicles</b>		
Peak	\$0.25 to \$0.35 per mile	\$0.25 to \$0.35 per mile
Off-peak	\$0.20 to \$0.30 per mile	\$0.20 to \$0.30 per mile
Overnight	\$0.20 to \$0.30 per mile	\$0.10 to \$0.30 per mile
<b>Pricing Periods</b>		
Peak	Monday through Friday except federal holidays, 6 a.m. to 9 a.m. and 4 p.m. to 7 p.m.	Monday through Friday except federal holidays, 6 a.m. to 9 a.m. and 4 p.m. to 7 p.m.
Overnight	Peak or off-peak periods only	11 p.m. to 5 a.m.
Off-peak	All other non-peak times	All other non-peak or non-overnight times
<b>Minimum toll</b>	3 miles multiplied by applicable rate	2 miles multiplied by applicable rate or \$0.40, whichever is greater
<b>Video tolling fee</b>	\$3 per transaction	\$3 per transaction

ICC: InterCounty Connector

Source: Department of Legislative Services

**Status of Project**

As of December 2009, approximately \$1.1 billion of the project’s \$2.56 billion budget has been expended. As noted above in the section on scope changes for capital projects, completion of Contract E, for mainline construction from I-95 to US 1, was deferred until the spring of 2013. This section of the roadway was originally projected to open in late 2011 with the rest of the road. **Exhibit 23** provides information on the five major construction contracts associated with the project.

**Exhibit 23  
Status of Major Contracts**

<u>Contract</u>	<u>Location</u>	<u>Cost (\$ in Millions)</u>	<u>% Complete</u>	<u>Open to Traffic</u>
A	I-270/I-370 to MD 97	\$478.7	67	Late 2010
B	MD 97 to US 29	559.7	27	Late 2011
C	US 29 to I-95	513.9	52	Late 2011
D	Collector-distributor roads along I-95	70-85	0	Deferred indefinitely
E	I-95 to US 1	50-65	0	Spring 2013

Source: Maryland Transportation Authority, 2009 Financial Plan Annual Update, November 2009

## **Environmental Package**

In October 2009, an interagency group of federal, State, and local agencies approved changes to the ICC's environmental package. The ICC's final design involved less environmental impact than originally anticipated, thereby decreasing the amount of mitigation work required. Impacts to nearly 21 acres of wetlands and 5,000 linear feet of streams primarily in the Indian Creek, Northwest Branch, and Upper Rock Creek watersheds were avoided in the final design. This allowed several compensatory mitigation (CM) projects to be transferred to the environmental stewardship (ES) program and the deletion of several ES projects. CM projects are required when unavoidable adverse impacts to wetlands, streams, forests, and parks occur. The ES program is a voluntary initiative that provides additional environmental restoration efforts and enhancements beyond what is required by law.

## **Commuter Buses Procured**

In December 2009, BPW approved the procurement of 18 commuter buses for the ICC at a cost of \$9.1 million. The ICC project budget includes \$20.0 million for transit capital and operating costs. MTA will secure a private contractor to operate the buses. Four bus routes are planned for the ICC. Two will begin in late 2010, when the first portion of the road opens. Both routes will originate in Gaithersburg and one will end at BWI Marshall Airport and the other at Fort Meade. Stops may include Gaithersburg Park and Ride destinations and connections with the MARC Penn line. Future routes will include Bethesda-Columbia and Gaithersburg-College Park.

## **State Funding for the ICC**

Chapters 471 and 472 of 2005 established a finance plan for the ICC, which included \$264.9 million in funding from the State's general fund to repay money borrowed from the TTF in 2003 and 2004. Chapter 487 of 2009 altered the repayment schedule and allowed for the use of general obligation (GO) bond proceeds to pay the State's portion of the project. To date, MDTA received \$53.0 million in general funds in fiscal 2007 and \$55.0 million in GO bond proceeds in fiscal 2010, leaving a remaining balance of \$156.9 million to be repaid in fiscal 2011. Senate Bill 141, the Budget Reconciliation and Financing Act of 2010, would alter the repayment schedule to provide \$126.9 million of GO bond proceeds to the ICC in fiscal 2011, and defer the remaining \$30.0 million until fiscal 2012. DLS will make a recommendation concerning State funding of the project for fiscal 2011 in its Capital Fiscal Briefing.

## **2. Public-public Partnership for Firing Range on Target**

The 2009-2014 CTP included a \$3.0 million project for the construction of a firing range for MDTA Police near the Key Bridge. Noting PSETC's mission to serve as a central facility for the training of all law enforcement, correctional, and parole and probation employees, the General Assembly directed MDTA and PCTC to collaborate on the project. The main focus of the

collaboration was to make the facilities at PSETC more accessible to MDTA Police and to split-fund a project to improve the firing range at PSETC.

Section 56 of the fiscal 2010 operating budget bill required MDTA and PCTC to submit a MOU concerning use of PSETC facilities and a needs assessment evaluating whether sufficient capacity exists at PSETC to accommodate MDTA's needs for pistol firing ranges. If sufficient pistol lanes exist, the split-funded improvements to the firing range should include remediation of the rifle ranges only. If sufficient capacity did not exist, the project was to include remediation of the rifle ranges as well as the construction of up to 10 additional pistol lanes. Additionally, PCTC was directed to work with all law enforcement agencies to develop a long-term needs assessment for firing ranges.

In June 2009, MDTA and PCTC reached a MOU to provide additional access to PSETC. The MOU granted MDTA exclusive access to one pistol range of at least 11 firing positions and pre-scheduled access to the other resources at PSETC, including classrooms, weapon storage and cleaning areas, and specialized training resources.

In December 2009, MDTA and PCTC submitted the short-term needs assessment report concluding that there is currently sufficient capacity at PSETC to accommodate all of MDTA's pistol firing range needs. In January 2010, the budget committee chairmen approved the release of funds that had been held until submission of these reports and noted that since the short-term needs assessment concluded that sufficient pistol lane capacity currently exists, the capital project for improvements to the PSETC firing range should include only remediation of the rifle firing range and should move forward. Currently, the design phase is underway at the direction of the Department of General Services in consultation with PCTC and MDTA.

In February 2010, PCTC submitted a long-range needs assessment evaluating firing range needs by all law enforcement agencies over the next 20 years. The assessment concluded that the most immediate need is firing range capacity for long guns (rifles and shotguns), although this need will somewhat be alleviated by completion of the rifle range remediation project at PSETC currently underway. Over the next 20 years, although there will be sufficient capacity for pistol firing ranges in normal light conditions, there will be a need for additional long gun firing range capacity and pistol firing range capacity in reduced light conditions. Reduced light firing is required of all officers in accordance with standards set by PCTC. Reduced light firing conditions can be met by reducing the lighting at indoor facilities or firing at dusk at outdoor facilities. However, the proximity of some firing ranges to residential neighborhoods significantly limits the amount of reduced light firing allowed at outdoor facilities, thus adding to the capacity problem.

### **3. Police Collective Bargaining**

During the 2009 legislative session, House Bill 1357 was introduced to allow MDTA Police to engage in collective bargaining. The bill failed, but committee narrative was included in the 2009 JCR to encourage MDTA and the MDTA Police to reach agreement on the appropriateness and process for collective bargaining and submit departmental legislation in the 2010 session. In

January 2010, MDTA submitted a response to the committee narrative noting that the issue is currently in litigation; therefore, no discussions about collective bargaining have taken place between MDTA and the MDTA Police. A lawsuit was filed in June 2007 against MDTA by the Fraternal Order of Police alleging that MDTA failed to provide certain benefits to MDTA Police as was verbally agreed to by a previous administration. In June 2008, the Circuit Court of Baltimore County dismissed the case, and the plaintiff appealed. The appeal was heard by the Special Court of Appeals in November 2009, and a decision is pending. House Bill 815 (not departmental legislation) was introduced in the 2010 session and would grant collective bargaining to MDTA Police.

#### **4. I-95 Cost Increases**

The I-95 ETLs project has seen significant changes over the past several years. It has grown from an \$810.9 million project in the 2006-2011 CTP to a peak of \$1.5 billion in the 2009-2014 CTP. Due to cost increases, the 2009-2014 CTP deferred completion of the project from fiscal 2012 to 2016. As noted above, the 2010-2015 CTP includes significant changes to the scope of the project, advances completion to fiscal 2014, and decreases the cost of the project to \$994.2 million. In response to these cost increases, committee narrative in the 2009 JCR directed MDTA to work more closely with SHA in developing cost estimates and required a report from MDTA on the reason for the cost increases.

MDTA submitted its report in November 2009 outlining the reason for increases in each year of the project. Until fiscal 2008, the majority of cost increases related to inflation in construction materials, increases in right-of-way costs, and refinements to the project design. In fiscal 2009, SHA became more actively involved in the development of the project budget and switched the focus of the budget from a typical capital project to a mega-project, like the ICC or Woodrow Wilson Bridge. With this modified view of the project budget, an increase of \$263 million resulted from incorporating a contingency budget, adding inflation to unit costs, adding to the design and construction management budgets based on SHA's experience with other mega-projects, and adding approximately \$123 million to the project budget to account for the cost of delaying completion of the project. To mitigate further cost increases, the report noted that ongoing reviews of monthly budgets and cash flow reporting would take place, as well as other improved administrative and tracking measures.

Currently, the ETLs project involves improvements to only one section of I-95 owned by MDTA. The I-95 Master Plan divided MDTA's portion of I-95 into four sections and recommended capacity improvements to all sections over the next decade. The JCR also required MDTA to provide a rough estimate of the cost of these additional improvements. MDTA put the cost estimate for the remaining three sections from \$3.0 billion to \$3.5 billion depending on the alternative selected.

**Maryland Transportation Authority Financial Forecast**  
**Fiscal 2009-2015**  
**(\$ in Millions)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>							
Toll Revenues	\$273.1	\$307.6	\$314.2	\$431.8	\$460.7	\$545.0	\$564.4
Concessions	8.0	7.7	6.2	4.7	6.3	7.9	8.0
Investment Income and Other	42.2	17.1	15.1	19.2	19.1	19.5	19.8
Maryland Department of Transportation	39.8	39.5	37.8	39.3	34.9	36.6	38.3
<b>Total Revenues</b>	<b>\$363.11</b>	<b>\$371.9</b>	<b>\$373.3</b>	<b>\$495.0</b>	<b>\$521.1</b>	<b>\$609.0</b>	<b>\$630.5</b>
<b>Expenses</b>							
Operations	\$171.0	\$217.0	\$226.8	\$259.8	\$275.1	\$294.1	\$310.9
Debt Service	35.3	35.3	35.3	86.9	115.5	144.5	150.7
Capital Program	696.0	1,115.4	923.3	475.4	320.0	302.7	198.9
Less: GARVEE Bond Proceeds	-443.1	0.0	0.0	0.0	0.0	0.0	0.0
Less: Seagirt Proceeds	0.0	-44.1	-80.9	-15.0	0.0	0.0	0.0
Less: Revenue Bond Proceeds	0.0	-487.7	-525.0	-256.0	-175.0	-155.0	0.0
Less: MDOT PAYGO	-30.0	-30.0	0.0	0.0	0.0	0.0	0.0
Less: General Fund Transfers	0.0	-55.0	-126.9	-30.0	0	0.0	0.0
<b>Total Expenses</b>	<b>\$429.3</b>	<b>\$751.0</b>	<b>\$452.6</b>	<b>\$521.0</b>	<b>\$535.6</b>	<b>\$586.2</b>	<b>\$660.5</b>
<b>Annual Surplus/Deficit</b>	<b>-\$66.1</b>	<b>-\$379.1</b>	<b>-\$79.3</b>	<b>-\$26.0</b>	<b>-\$14.6</b>	<b>\$22.7</b>	<b>-\$30.1</b>
<b>Total Cash Balance</b>	<b>\$906.3</b>	<b>\$527.2</b>	<b>\$447.9</b>	<b>\$421.9</b>	<b>\$407.3</b>	<b>\$430.1</b>	<b>\$400.0</b>
<b>Debt</b>							
Debt Outstanding	\$1,094.1	\$1,630.1	\$2,153.2	\$2,406.8	\$2,562.6	\$2,688.7	\$2,655.9
Unencumbered Cash (Policy \$350.0 million minimum) <sup>1</sup>	\$806.3	\$428.2	\$351.5	\$354.5	\$350.9	\$383.7	\$353.6
Ratio of Total Cash to Toll Revenues (Policy 1.0) <sup>1</sup>	3.22	1.67	1.40	0.97	0.87	0.78	0.70
Debt Service Coverage (Policy 2.0)	4.94	3.95	3.80	2.56	2.07	2.13	2.07
Rate Covenant Compliance (Legal 1.0)	1.96	1.46	1.39	1.28	1.10	1.33	1.22

GARVEE: Grant Anticipation Revenue Vehicle

MDOT: Maryland Department of Transportation

PAYGO: pay-as-you-go

<sup>1</sup> In 2009, the Maryland Transportation Authority changed its policy on cash balances. The previous policy was that the ratio of total cash to toll revenues had to be at least 1.0. The new policy requires the cash balance to be the lesser of a minimum balance of \$350.0 million of unencumbered cash or a ratio of at least 1.0 of total cash to toll revenues.

Note: Includes projected average statewide toll increases of \$1.10 in fiscal 2012 and \$0.65 in fiscal 2014.

**Object/Fund Difference Report  
Maryland Transportation Authority Operating Budget**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Amended Budget</u>	<u>FY11 Budget</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1,630.50	1,626.50	1,687.50	61.00	3.8%
<b>Total Positions</b>	<b>1,630.50</b>	<b>1,626.50</b>	<b>1,687.50</b>	<b>61.00</b>	<b>3.8%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 117,889,963	\$ 129,359,102	\$ 139,004,967	\$ 9,645,865	7.5%
02 Technical and Spec. Fees	4,781,203	4,913,387	5,077,984	164,597	3.3%
03 Communication	1,092,995	1,227,264	1,227,017	-247	0%
04 Travel	63,834	157,960	148,474	-9,486	-6.0%
06 Fuel and Utilities	4,695,673	5,702,101	5,727,657	25,556	0.4%
07 Motor Vehicles	4,437,690	4,782,834	4,855,631	72,797	1.5%
08 Contractual Services	29,388,310	37,621,422	38,421,960	800,538	2.1%
09 Supplies and Materials	4,546,292	6,703,880	6,408,893	-294,987	-4.4%
10 Equipment – Replacement	6,885,505	9,102,718	7,615,532	-1,487,186	-16.3%
11 Equipment – Additional	4,136,895	9,931,847	10,843,786	911,939	9.2%
13 Fixed Charges	42,643,496	42,840,720	42,697,279	-143,441	-0.3%
<b>Total Objects</b>	<b>\$ 220,561,856</b>	<b>\$ 252,343,235</b>	<b>\$ 262,029,180</b>	<b>\$ 9,685,945</b>	<b>3.8%</b>
<b>Funds</b>					
07 Nonbudgeted Fund	\$ 220,561,856	\$ 252,343,235	\$ 262,029,180	\$ 9,685,945	3.8%
<b>Total Funds</b>	<b>\$ 220,561,856</b>	<b>\$ 252,343,235</b>	<b>\$ 262,029,180</b>	<b>\$ 9,685,945</b>	<b>3.8%</b>

Analysis of the FY 2011 Maryland Executive Budget, 2010  
47

100100 – Maryland Transportation Authority

**Fiscal Summary  
Maryland Transportation Authority**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Amended Budget</u>	<u>FY11 Budget</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
Operating Budget	\$ 220,561,856	\$ 252,343,235	\$ 262,029,180	\$ 9,685,945	3.8%
Capital Budget	723,254,612	1,115,443,000	923,311,000	-192,132,000	-17.2%
<b>Total Expenditures</b>	<b>\$ 943,816,468</b>	<b>\$ 1,367,786,235</b>	<b>\$ 1,185,340,180</b>	<b>-\$ 182,446,055</b>	<b>-13.3%</b>
Nonbudgeted Fund	\$ 943,816,468	\$ 1,367,786,235	\$ 1,185,340,180	-\$ 182,446,055	-13.3%
<b>Total Appropriations</b>	<b>\$ 943,816,468</b>	<b>\$ 1,367,786,235</b>	<b>\$ 1,185,340,180</b>	<b>-\$ 182,446,055</b>	<b>-13.3%</b>