

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues

1. Howard Street Tunnel a Damper on Port's Impact (Page 16)

MPA should comment on the status of the FASTLANE grant and discuss any alternative financing solutions should the grant not be awarded to MPA. The department should outline how the project would be accommodated as it is not now funded in the CTP.

MDOT/MPA Response:

In April 2016, MDOT/MPA submitted a FASTLANE grant request to make improvements to the Howard Street Tunnel and bridge restrictions that limit double stacked containers from reaching Seagirt Marine Terminal. Although the application had received the highest possible rankings in the seven criteria categories, it was not funded, because two other large projects were approved in the Mid-Atlantic region, and there is a mandate to disperse grants geographically around the nation.

In December 2016 this project was again submitted during the second round of FASTLANE grant requests. No awards have been announced to date, and it is assumed that the new administration in Washington will make selections after they have had significant time to review the criteria and projects.

The Howard Street Tunnel project fits the FASTLANE “projects of national and regional significance” and we are hopeful that it will be reviewed favorably. However, since the total cost of the whole project (about\$445M) is so large, MDOT will seek Federal funding to accomplish the project. When the project is approved, CTP funds will be reprogrammed to accommodate the cash flow necessary to accomplish the project.

MDOT RESPONSE TO DLS ANALYSIS

Operating Budget Recommended Actions (Continued)

- 1. Concur with the Governor's allowance.**

MDOT/MPA Response:

The MPA concurs with DLS's recommendation.

Paygo Capital Budget Recommended Actions

- 2. Concur with the Governor's allowance.**

MDOT/MPA Response:

The MPA concurs with DLS's recommendation.



Maryland Department of Transportation Maryland Port Administration (MPA)

Fiscal Year 2018 Budget Overview MPA Operating and Capital Programs Presentation to Budget Committees 2017 Session

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Progress Since Last Session

Port of Baltimore's Economic Impacts to the State of Maryland:

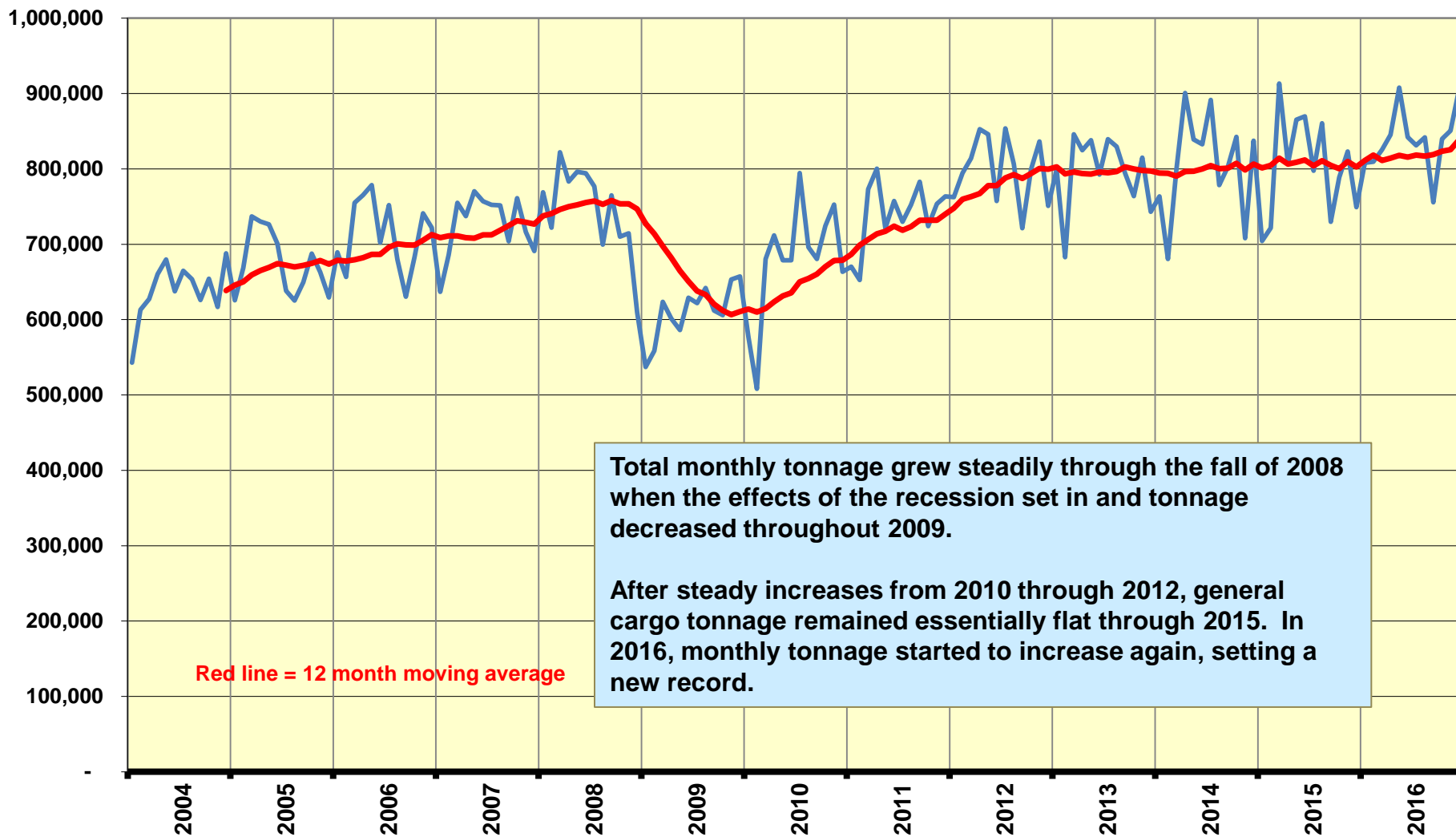
- 33,920 Direct, Induced, Indirect Jobs generated by the Port.
- \$2.9 billion in personal wages & salary income.
- \$310 million per year in State and Local Tax Revenues.
- 93,700 additional jobs in Maryland are related to Port activities.
- In total, there are **over 127,600 jobs** in Maryland linked to the Port of Baltimore.

While the USA economy is growing, other areas of the world are still struggling economically. The Port is proud of several significant achievements:

- In 2016, MPA general cargo set a new high water mark with over 10 million tons – an increase of 4.5% compared to 2015.
- International cargo tonnage in the whole Port (public and private terminals) in 2016 were 31.8 million tons or 2% less than 2015, partly due to less demand for salt due to the mild winter
- JOC ranked the Port 1st in nation for 3rd consecutive time for container berth productivity.
- Evergreen's Ever Lambent arrived in POB through the newly expanded Panama Canal.
- For the 6th consecutive year, MPA's terminals received a top rating of "Excellent" on a security assessment from the U.S. Coast Guard.
- International forest product manufacturer UPM and Carnival and Royal Caribbean cruise lines all signed extensions with the MPA to continue serving the Port of Baltimore.

Progress Since Last Session (continued)

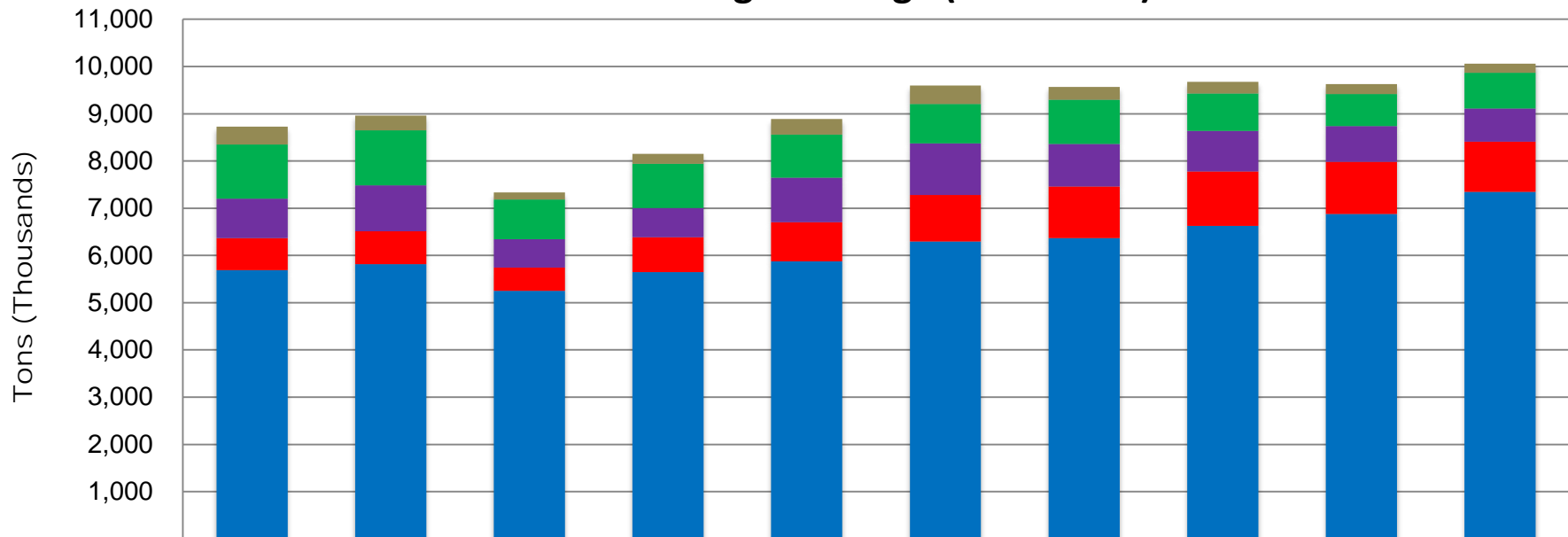
MPA Total Monthly General Cargo Tonnage



Progress Since Last Session (continued)

MPA has had steady cargo growth before and after the Recession

MPA General Cargo Tonnage (thousands)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Break Bulk/Steel	380	311	145	211	329	389	273	247	214	196
Forest	1,144	1,169	844	933	913	835	934	790	675	755
Ro/Ro	833	969	598	623	939	1,092	899	862	760	701
Autos	684	699	496	735	829	982	1,094	1,152	1,103	1,063
Container	5,686	5,814	5,248	5,648	5,877	6,297	6,369	6,625	6,878	7,347
Totals	8,726	8,962	7,331	8,150	8,887	9,594	9,568	9,676	9,630	10,062

Progress Since Last Session (continued)

The following MPA accomplishments were noteworthy in 2016:

- New MPA Cargo records for General Cargo (10.1M tons), Containers (538,848 units), and imported Auto Units (418,651).
- #1 USA port in Container Berth Productivity – by Journal of Commerce.
- Welcomed first big container ship through the new expanded Panama Canal;
- Signed top forest-product customer, UPM, to a 10-year contract extension;
- Extended contracts with Carnival Cruise Line and Royal Caribbean International;
- Receiving a nearly \$1 million federal grant to continue reducing air pollutants by upgrading diesel equipment at the Port.

The Port of Baltimore's National Rankings for 2016:

- Ranks #1 for Autos and Light Trucks
- Ranks #1 for Roll-on Roll-off Heavy Equipment
- Ranks #1 for imported Sugar
- Ranks #2 imported Salt, imported Aluminum, and exported Coal
- Ranks #9 in the U.S. in the value of international cargo, (\$49.9 billion)
- Ranks #14 in international cargo tonnage (31.8 million tons).

Progress Since Last Session (continued)

Harbor Development Program status:

- Reactivation of the **Pearce Creek DMCF** by the US Army Corps of Engineers is underway and installation of an impervious liner is nearing completion. The site will be ready to accept dredged material by Fall of 2017. Construction continues on the water transmission and distribution mains, and the community water system is expected to be complete by spring 2018.
- Demolition of buildings is nearly complete at the **Cox Creek DMCF** as part of the expansion onto adjacent State-owned property to increase capacity. Procurement for construction of the dike foundation will begin in spring of 2017. Separate negotiations to acquire the adjacent Cristal USA property continue, which would enable further expansion of the DMCF in the future.
- **Poplar Island Expansion Mid-Chesapeake Bay Islands** Construction of Poplar Island Expansion started in late 2016; when completed will provide 28 million cubic yards of capacity for MD Bay Channels. Design of the Barren Island portion of the Mid-Chesapeake Bay Islands project is expected to begin in Federal fiscal year 2018.
- Implementation of the revised strategy for the **Innovative and Beneficial Reuse** of dredged material is ongoing, and the technical screening criteria and guidance document for the reuse of dredged material are expected to be approved by MDE in Summer 2017.
- Through MPA's **community outreach** and education program, approximately 18,891 people visited DMCFs and participated in other events and programs in 2016. Students are raising 184 terrapins in schools, which will be released on Poplar Island in 2017.
- In May 2016, MPA and DNR opened the South Cell of **Hart-Miller Island** for public recreational use. Approximately 2,800 visitors came to Hart-Miller Island during the first year of public access and participated in hiking, biking, and DNR ranger-led interpretive programming.

MPA FY16 & FY17 Operating Program Financial Results

FISCAL 2016 Operating Results:

- Operating revenue generated during FY 2016 equaled \$50.3M. This amount is 6.3% higher than the \$47.2M budget estimate. The increase revenue is due to the continuation of terminal lease agreements, increase in container throughput and increase volume in Cruise passengers.
- FY 2016's total operating expenditures were \$47.5M, which was 7.6% under the \$51.4M operating budget.
- Net Income for FY 2016 was \$2.8M.

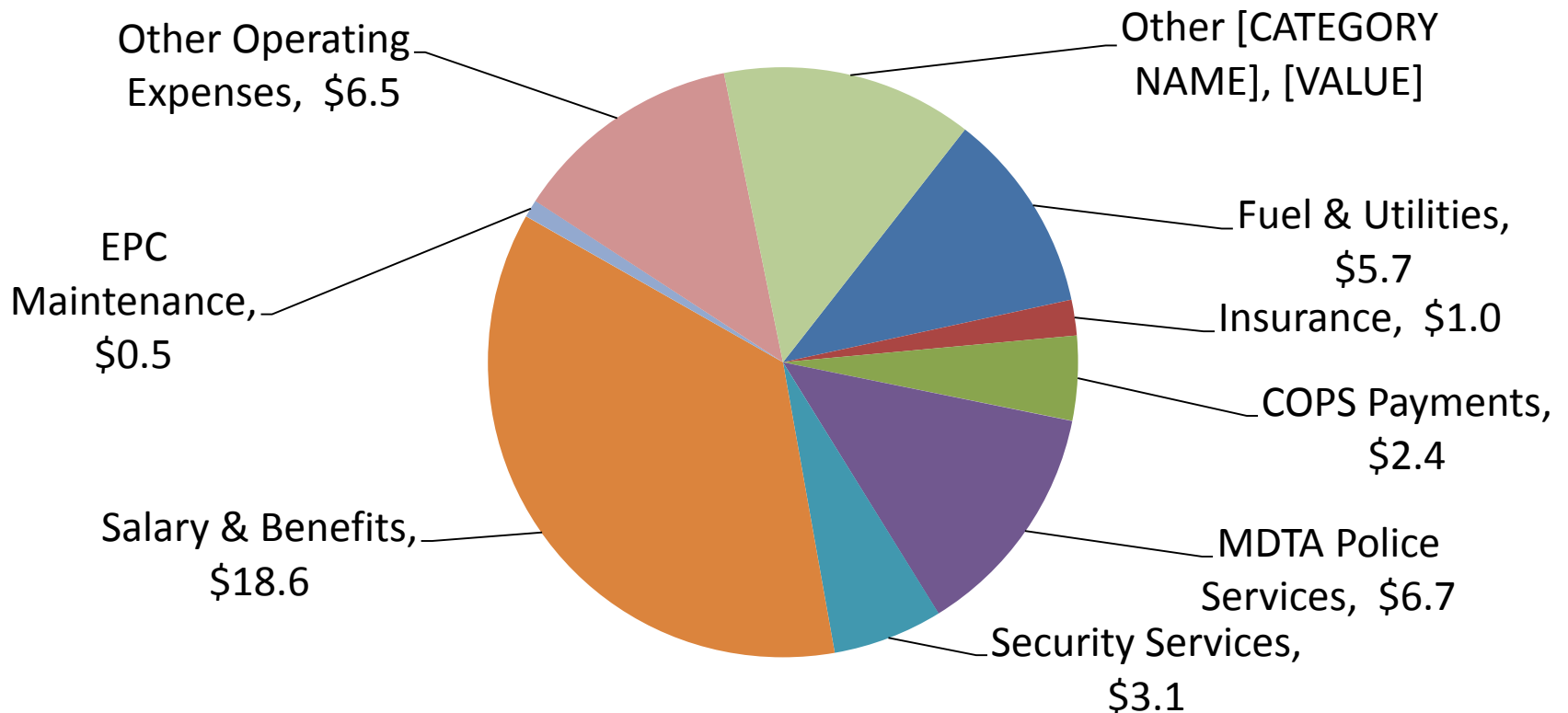
FISCAL 2017 (First Six Months):

- Net Income for FY 2017 is breakeven through December 2016.

MPA FY18 Operating Program Budget Allowance is \$51.6M.

- The \$51.6M FY 2018 budget request is funded level with the FY 2017 appropriation.
- MPA salary and benefits are 36%, and total contracted services (MDTA Police, Security and Other) are 34% of the FY 2018 allowance.
- FY 2018 operating budget includes maintenance contracts for the Energy Performance Program (\$.5M), and additional funds for MDTA Police wage increases (\$.5M).

FY 2018 Operating Budget, (\$Ms)



The 6-year Capital Program (FY17 to FY22) is \$876M.

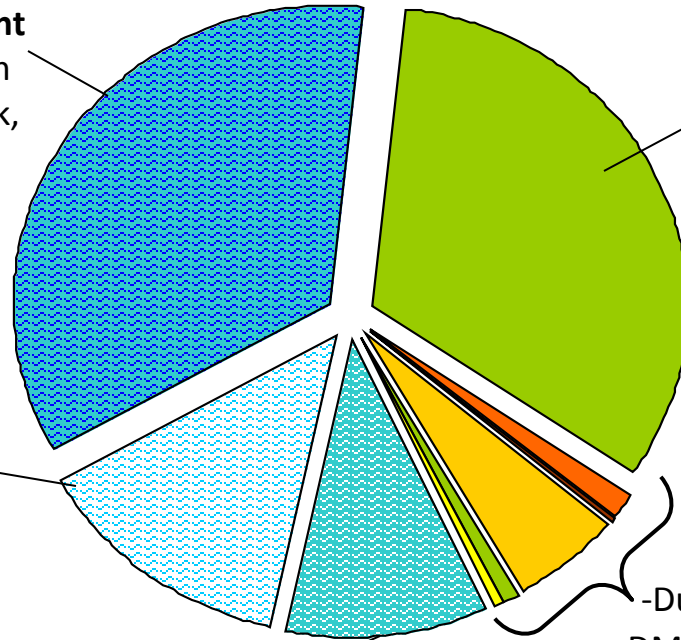
- The 6-year Capital budget includes \$10.8M Federal grants: TIGER, Security, Environmental.
- The **Harbor Development Program** is 58% of the total budget to maintain existing sites or to expand capacity.
- The **Landside Program** is 42% of the total budget. System preservation projects are 79% of this program, and enhancement projects are 21% (e.g. Dundalk Berths 3 & 4, TIGER, Inventory Control Bldg, Security).

FY17 – FY22 Capital Budget, (\$Ms)

Future Dredged Material Placement Sites – Plan, Design & Construction (Cox Creek Expansion, Pearce Creek, Poplar Island Expansion, IR, CAD, Mid-Bay Islands) \$299M

Existing Dredged Material Placement Sites - O&M and Closure (Hart-Miller Island, Poplar Island, Masonville, and Cox Creek) \$115M

Dredging Studies, Mitigation, Ballast Water, Other \$86M



Landside – System Preservation: Concrete Repairs, Paving, Sprinkler & Utility Upgrades, COPR, WTC Renovations, A/E Services, Berth substructure, Rail maintenance, Environmental Mitigation, Cruise, etc. \$274M

Landside – System Enhancements \$71M
 -TIGER FMT Redevelopment, RR \$11.6M
 -Security Projects \$1.4M
 -Dundalk Berth 3&4 Renovation \$46.1M
 -DMT Inventory Control Bldg \$7.6M
 -Other Landside Enhancements \$4.9M

The FY18 Harbor Development Capital Budget Request is \$54.4M.

Masonville Dredge Material Containment Facility (DMCF) Construction and O&M \$11.9M

Pearce Creek Waterline \$2.5M

Poplar Island Environmental Restoration O&M \$6.2M

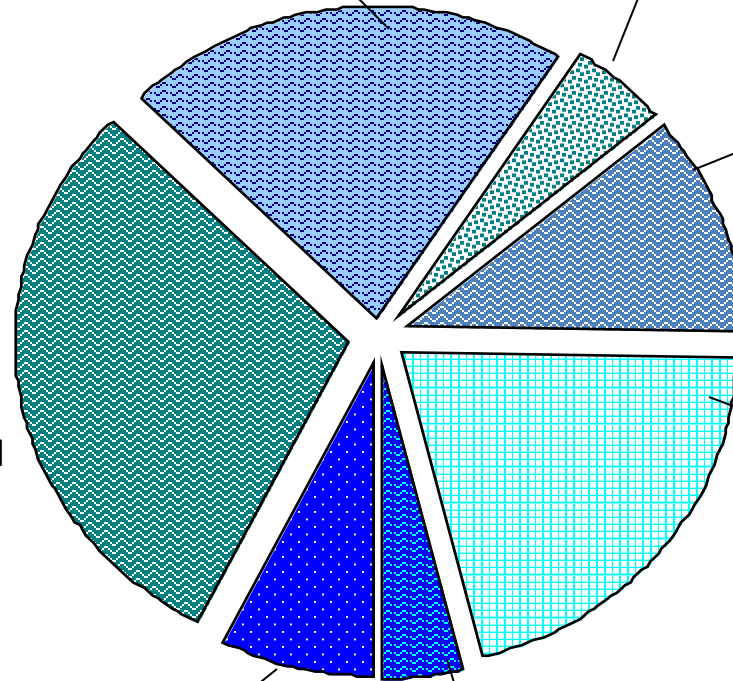
Other: \$11.3M

- A/E Services & Design
- Environmental Monitoring
- Ballast Water
- Innovative Reuse
- Oyster Restoration
- Physical Oceanography Real Time System (PORTS)
- Studies , etc.

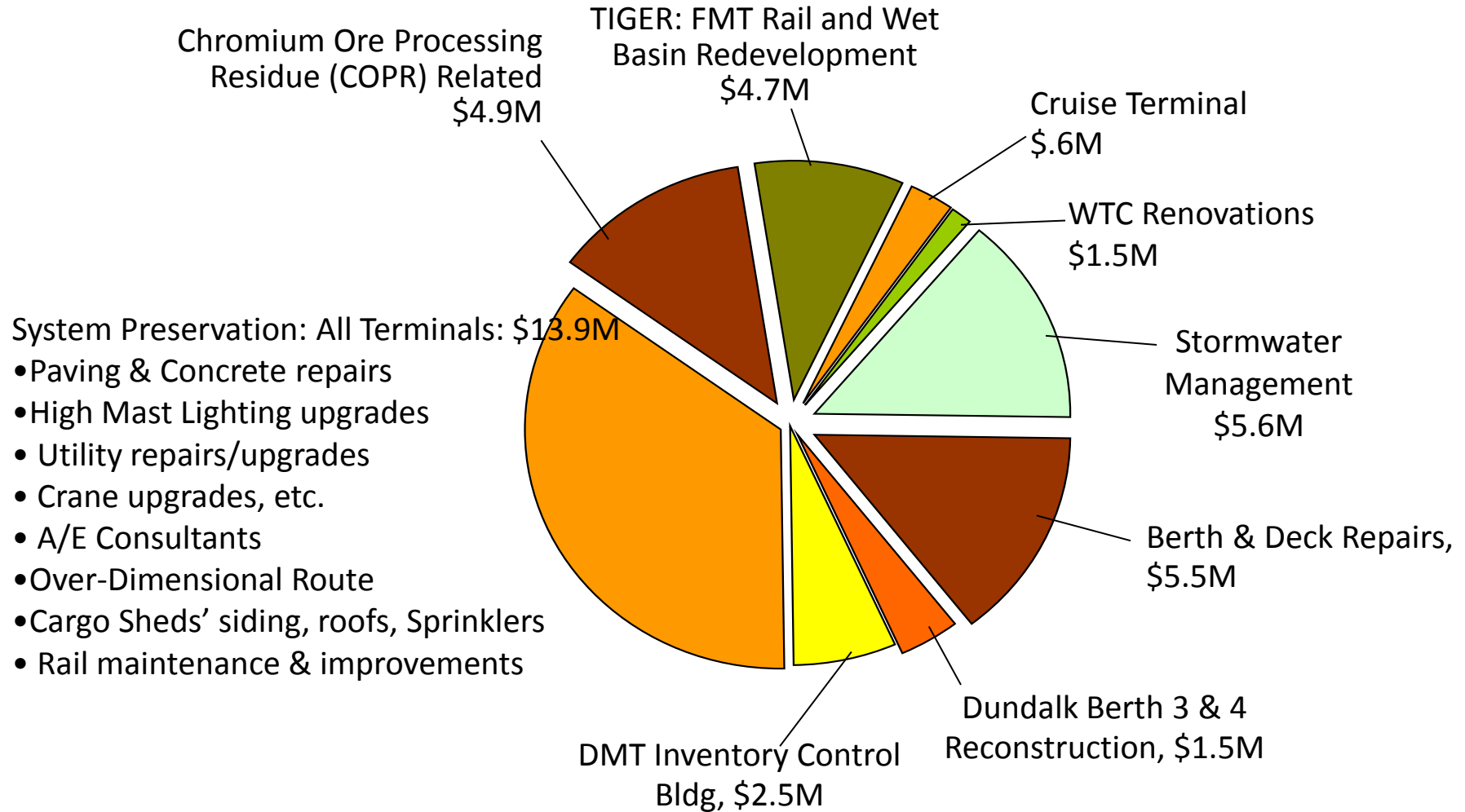
Cox Creek DMCF Expansion and O&M \$16.3M

Hart Miller Island Closure O&M \$4.0M

TIGER FMT Wet Basin, \$2.2M



The FY18 Landside Capital Budget Request is \$39.2M.



Note: \$9.3M of Hbr Dev TIGER funds are shown on this page (Wet Basin/Fruit Slip).

Emerging Issues:

Remaining globally competitive— With ongoing shifts in global trade, the Port is in a position to attract new cargo opportunities, particularly containers. Identifying and pursuing strategies to improve cargo movement to and from the Port via rail is necessary to ensure future growth. Being disconnected from the national high-cube double stack rail network is a competitive disadvantage, and the MPA continues to work toward a cost-effective solution.

Remaining competitive nationally— East Coast ports continue to modernize and expand terminals, increase channel depths, and offer lower rates and incentives to divert existing cargo from Baltimore. The MPA must maintain our competitiveness through strategic investments, partnerships, aggressive rates, outstanding quality programs, and exceptional customer service.

Growing cargo volumes with aging facilities – Cargo terminals operate in increasingly harsh marine environments. System preservation (“Fix-it-First”) efforts must continue to efficiently maintain and enhance existing Port infrastructure and facilities, while competing for limited capital funding for long-term projects that are critical to effectively serve customers and remain competitive.

Protecting freight corridors – While the MPA has worked with partners to secure the long-term protection of maritime industrial land use and zoning, regional mixed-use development pressures continue to have negative incremental impacts on the Port’s freight arterials that service the statewide economy.

(Continued)

Emerging Issues (continued)

Expanding terminal capacity – Additional land is needed to capture cargo volumes and grow Port business.

Meeting dredging and dredged material placement demand – Constraints on dredged material placement, competition for federal funds, and rising dredging costs are mission critical concerns. Current capacity is inadequate to accommodate both maintenance and “new work” dredging without overloading placement sites. As a result MPA is working to find and activate additional dredged material management solutions to ensure long-term capacity. Maintaining a cost-effective, environmentally sensitive, and community-supported dredging program is an ongoing and formidable challenge. As ships continue to grow, the Chesapeake Bay channel will need to be widened, further adding to long-term demand for placement capacity and alternative management solutions.

Being a good neighbor and continuing “Green Port” initiatives – The MPA takes pride in its record as a partner in the protection and enhancement of the Chesapeake Bay, and as a steward for air and water quality. The MPA strives to be a good neighbor to communities near the marine terminals and dredged material management sites, which is important to achieving both a regulatory and social license to operate. The need for a full range of environmental and community relations activities is expected to grow as the Port’s cargo volumes increase. As a result, more resources will need to be directed toward these efforts.