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Governor
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**J00D00 MDOT Maryland Port Administration
FY 2023 Operating Budget
Response to the Department of Legislative Services Budget Analysis**

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Cory McCray
February 25, 2022

House Appropriations Committee
Transportation and the Environment Subcommittee
Delegate Marc Korman
February 28, 2022

J00D00 MDOT – Maryland Port Administration
MDOT RESPONSE TO DLS ANALYSIS
FY 2023 BUDGET

DLS Budget Analysis Issues

1. Impact of COVID-19 on MPA (Page 20)

MPA should comment on the continuing impact of COVID-19 on its operations and if it expects revenues to return to prepandemic levels.

MDOT Maryland Port Administration Response:

The Port of Baltimore and the MDOT MPA are still recovering from the COVID-19 pandemic. While cruises have resumed sailing from the POB, they are currently sailing at a cruise-line imposed restriction of 75% of total capacity. To date, the cruise ships sailing out of Baltimore have not had any issues with COVID outbreaks onboard and we expect that the cruise lines will gradually lift restrictions on the capacity.

1. Although demand for import cargo was very high in 2021, Baltimore did not see significant increases in import volume. This was primarily due to a lack of additional capacity on our Trans-Pacific services and relay services, such as our Mediterranean and intra-Asia services. Baltimore relies on intra-Asia trans-ship cargo for one some of its Trans-Pacific volumes. As a result of regular and significant COVID-related issues and congestion in Southeast Asia with Trans-Pacific and Inter-Asia trans-shipments, some regular Baltimore cargo routings were impacted. Shutdowns in Southeast Asia as a result of COVID outbreaks have impacted volumes. However, the Port of Baltimore did see an 8.8% increase in export containers in 2021.
2. In the Fall of 2021, ports along the U.S .East Coast started experiencing significant congestion and delays. As a result of congestion, ocean carriers changed vessel schedules and cargo routings to make up time in their schedules. At one point, the Port of Savannah had over 27 container ships waiting at anchor for a berth, and the Port of Charleston currently has 30 vessels waiting at anchor for a berth. Supply chain congestion outside of ports remains a problem across the country, increasing dwell times at ports.
3. In 2021, some cargo owners and commodities shifted from containers to Breakbulk and Roll-on/Roll-off (Ro/Ro) vessels due to lack of container capacity and container ocean freight rates at all-time highs. Some cargo owners also chartered ships for the same reasons. Our Ro/Ro carriers have informed us that shipments on Mafi trailers are up 20-36% from the previous year, and breakbulk shipments of commodities such as steel and wood products have increased significantly. We have also worked with several customers to transition their cargo to Ro/Ro and Breakbulk solutions such as Mafi trailers and Bolster cargo trailers. Some of the gains in our Ro/Ro and breakbulk tonnage reflect this shift in routing.

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MDOT RESPONSE TO DLS ANALYSIS
FY 2023 BUDGET

DLS Budget Analysis Issues (continued)

4. In the latter half of 2021, container lines were not loading as many empty containers as they had in previous years. Nearly 70% of the drop in total containers for calendar year-to-date through November was because fewer empty containers were loaded.

5. Some cargo destined for inland markets in the Midwest, such as Chicago, continues to be routed to the West Coast. The Port of Baltimore's inability to double-stack containers due to the clearance issues at the Howard Street Tunnel prevents Baltimore from being a viable option for this cargo. Once the construction for the Howard Street Tunnel project is complete, Baltimore can compete for this type of cargo.

6. In 2021, Ports America Chesapeake executed a \$166M expansion project at Seagirt Marine Terminal. As part of this expansion project, we are bringing online an improved Seagirt Berth #3, which will be fully operational in March 2022 with four new neo-Panamax cranes. PAC and the MPA worked seamlessly through the project to maintain operations levels at Seagirt. In April 2022, we will receive the first shipment of 15 hybrid electric yard cranes to support additional growth at Seagirt. As a result of the new cranes arriving in September 2021, the berth and cranes have not been operational since arrival.

Overall, we are optimistic that we will see improvement in our containers' activity from the fall as congestion delays ease. We experienced our best December on record in 2021 with 55,006 container lifts. Local demand continues to be robust based on the strong performance of our region's commercial real estate and e-commerce markets in this area.

**J00D00 MDOT – Maryland Port Administration
MDOT RESPONSE TO DLS ANALYSIS
FY 2023 BUDGET**

Operating Budget Recommended Actions

1. Concur with Governor's allowance. (Page 21)

MDOT Response:

MDOT MPA concurs with the DLS recommendation.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance. (Page 21)

MDOT Response:

MDOT MPA concurs with the DLS recommendation.



Maryland Department of Transportation (MDOT)

Maryland Port Administration (MPA)

Fiscal Year 2023 Budget Overview

MPA Operating and Capital Programs

Presentation to Budget Committees

2022 Session

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Progress Since Last Session

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

- 37,300 Direct, Induced, Indirect Jobs generated by the Port.
- \$3.3 billion in personal wages & salary income.
- \$395 million per year in State and Local Tax Revenues.
- 101,880 additional jobs in Maryland are related to Port activities.
- In total, there are **over 139,180 jobs** in Maryland linked to the Port of Baltimore.

The Port of Baltimore continues to recover from the issues brought about by the COVID-19 pandemic and other supply chain issues.

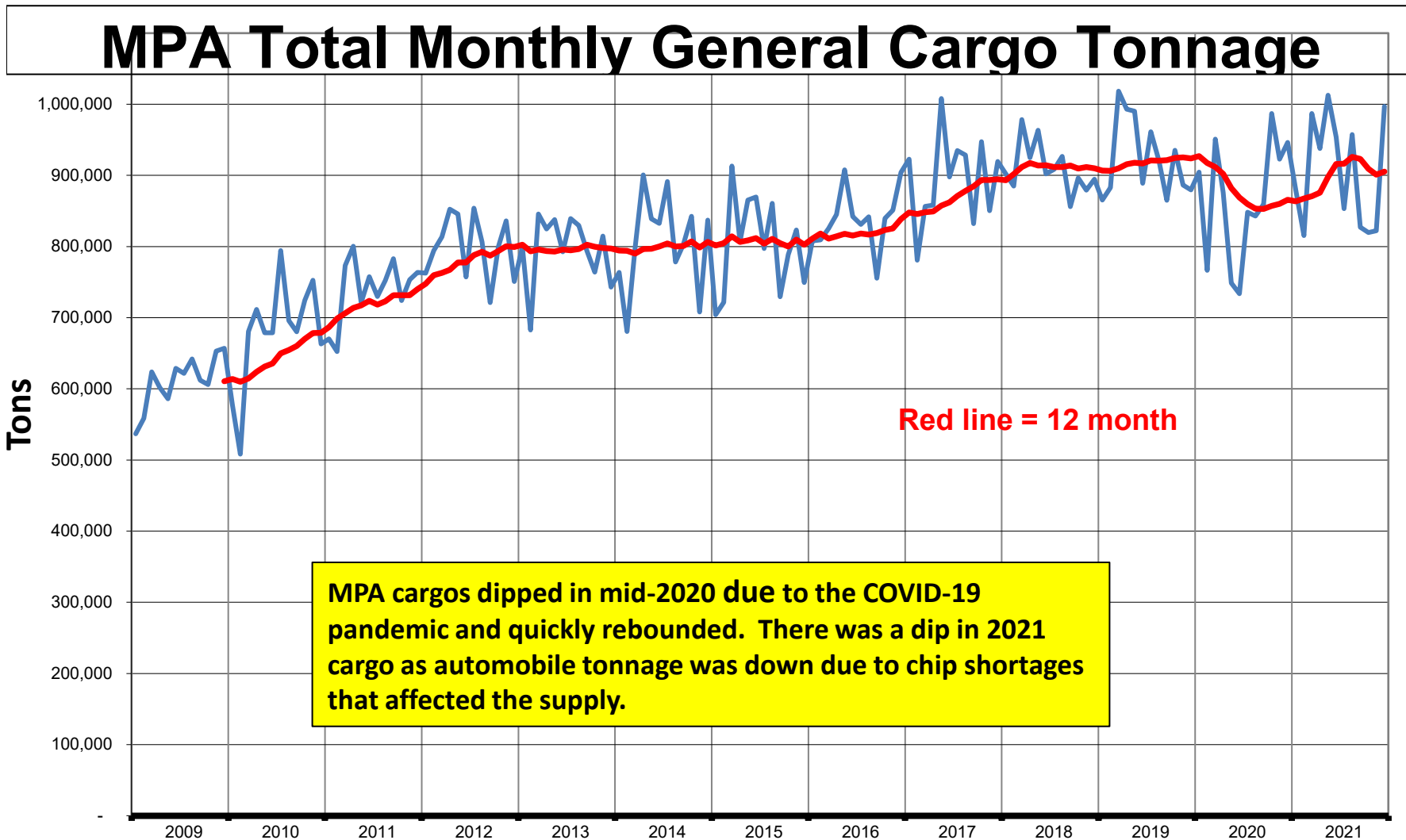
- Carnival Cruises resumed operations from Baltimore in September 2021 and Royal Caribbean started sailing again in December.

Port of Baltimore's National Rankings for 2021:

- Ranks #1 for Autos and Light Trucks, and for Roll-on, Roll-off Heavy Equipment
- Ranks #1 for imported Gypsum
- Ranks #2 for exported Coal
- Ranks #9 in the U.S. in the value of international cargo (\$61.3B)
- Ranks #11 in the U.S. for international cargo tonnage (43.6M tons)

Maryland Port Administration Operating and Capital Budget

Progress Since Last Session (continued)

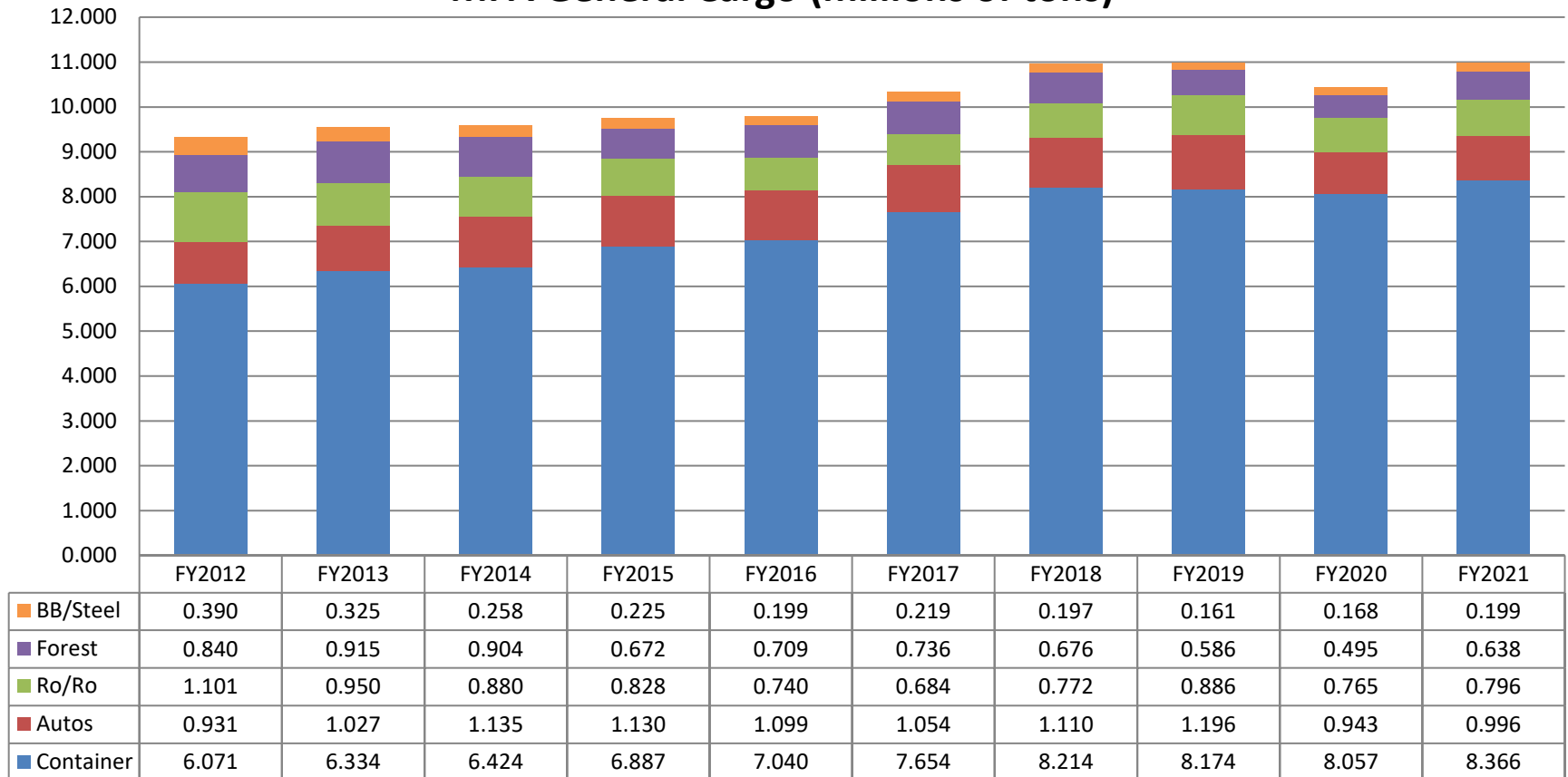


Maryland Port Administration Operating and Capital Budget

Progress Since Last Session (continued)

Despite supply constraints in the automotive sector, MPA surpassed 10 million tons for the 5th consecutive year.

MPA General Cargo (millions of tons)



Progress Since Last Session (continued)

The following MDOT-MPA accomplishments were noteworthy in 2021:

- Ground was broken on the long-awaited CSX Howard Street Tunnel Project. It will enable the Port of Baltimore to handle double stacked container trains, grow the Port's business, and generate thousands of new jobs.
- Dredging operations were completed for a second, 50-foot-deep berth at the Seagirt Marine Terminal. Four additional Neo-Panamax, ultra-large cranes arrived and will become operational during the first quarter of 2022. This will allow the Port of Baltimore to accommodate two supersized ships simultaneously.
- Working together, the MDOT MPA and the U.S. Army Corps of Engineers announced the beginning of pre-construction, engineering, and design for the Mid-Chesapeake Bay Island Ecosystem Restoration, which will rebuild James and Barren islands near Dorchester County and eventually replace Poplar Island as the state's primary receiving site for bay channel dredged sediment.
- The Port of Baltimore helped ease unprecedented levels of supply chain congestion at other U.S. ports by receiving "ad hoc" ships. These are vessels diverted to Baltimore that were not on a regularly scheduled service call.
- The MPA and Ports America Chesapeake announced two new containers services for the Port of Baltimore: an Indian Subcontinent with the Mediterranean Shipping Company and a Southeast Asia/Vietnam/China service with the Maersk Line.
- Metsä Group of Finland signed a new contract that significantly expands its operations at the Port of Baltimore. The agreement with Metsä and Logistec (as terminal operator Balterm) consolidates all Metsä Group's Mid-Atlantic volumes through Baltimore.
- The MPA and the U.S. Army Corps of Engineers, Baltimore District began a study to determine ways to address marine navigation at the Seagirt Loop channel, with goals of improving capacity, safety, and efficiency at the Seagirt Marine Terminal.

Progress Since Last Session (continued)

Harbor Development Program status:

- U.S. Army Corps of Engineers will receive \$37.5M under the federal Infrastructure Investment and Jobs Act (IIJA) to start construction of the **Mid-Chesapeake Bay Island Ecosystem Restoration Project** in Fall 2022. Project provides 90 to 95MCY of placement capacity over 30+ years for MD Bay channels; Project is cost-shared: Corps pays 65%, MPA pays 35%.
- Dredging of a **second 50-ft. deep berth at Seagirt Marine Terminal** was completed in April 2021 and 4 new cranes arrived at Seagirt in August 2021.
- In partnership with the U.S. Army Corps of Engineers, the three-year, cost-shared **Seagirt Loop Feasibility Study** continues to progress, with a public meeting scheduled in February 2022 to discuss the Tentatively Selected Plan. The Study will evaluate the need/justification for improvements to the Dundalk/Seagirt access channel system (“Loop”), the South Locust Point Channels and Turning Basin, and anchorage areas while assessing inefficiencies and safety concerns as larger vessels call on the Port of Baltimore.
- Construction of the +60’ MLLW phased dike raising at the **Cox Creek DMCF** began in August 2021 and is expected to be complete in May 2024. Separate negotiations to acquire adjacent property north of the DMCF continue; this would enable further expansion in the future.
- To date six contracts have been awarded under the **Innovative Reuse RFP for Research & Development** and several demonstration projects have been completed or are actively underway.
- Expansion to +42’ MLLW at the **Masonville DMCF** began in January 2022 with construction of a wider base dike foundation to support future incremental, vertical dike raising, and the project is expected to be completed in mid-2029.

MDOT MPA FY21 & FY22 Operating Program Financial Results

FISCAL 2021 Operating Results:

- Operating revenue generated during FY 2021 equaled \$49.3M. FY 2021's total operating expenditures were \$46.4M, which was 5.1% under the \$48.9M operating budget.
- Net Income for FY 2021 was \$2.9M

FISCAL 2022 Status (First Six Months):

- Revenues for FY 2022 through December 2021 are \$24.3M.
- Net Income for FY 2022 through December 2021 is \$3.8M.
- Operating expenditures are \$20.5M which is 40.8% of the \$50.2M FY 2022 appropriation.

FISCAL 2023 Operating Revenue Forecast:

- FY 2023 Operating Revenue is estimated to be \$53.6M. This revenue estimate includes terminal lease agreements and increases in cargo throughput.

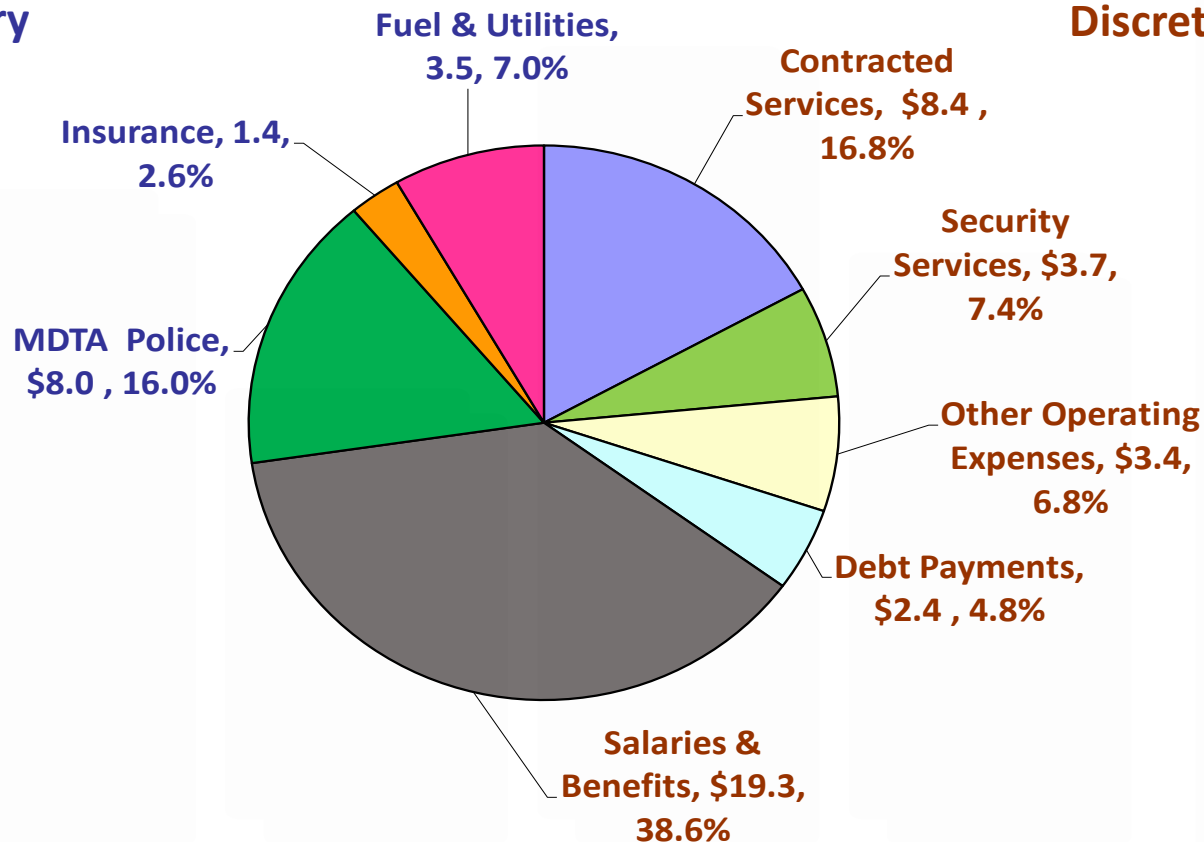
MDOT MPA FY23 Operating Program Budget Allowance is \$50.0M.

- The \$50.0M FY2023 Budget Allowance is slightly lower than the \$50.2M FY 2022 appropriation.
- MPA salary and benefits are 38.6%, and total contracted services (including MDTA Police, and Security) are 40.2% of the FY 2023 Allowance.
- The MDTA Police budget allocation remains flat \$8.0M from FY22 Appropriation.

FY 2023 Operating Budget, (\$Ms)

Non-Discretionary

Discretionary

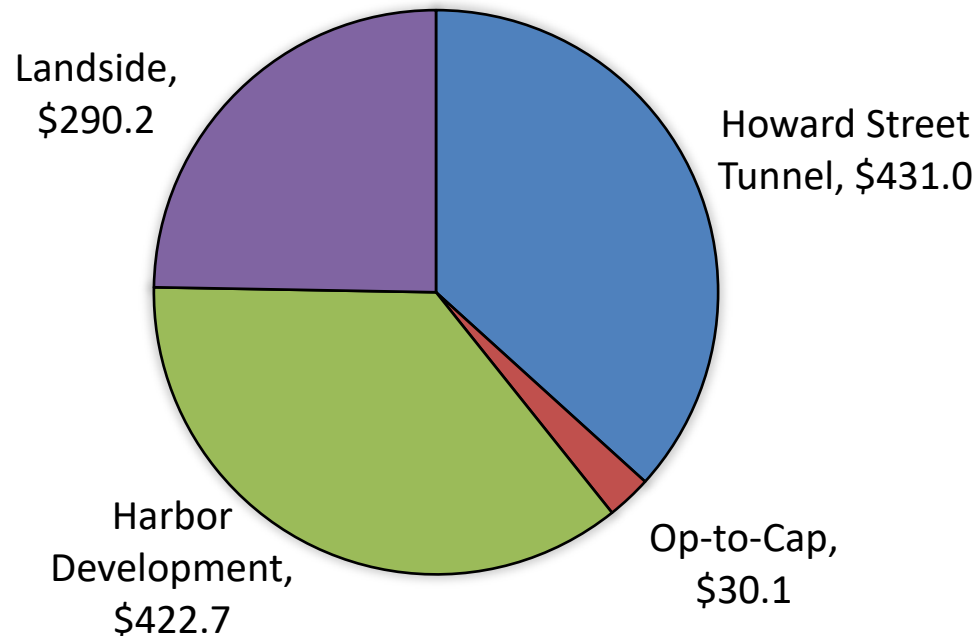


The 6-year Capital Program (FY22 to FY27) is \$1,174M.

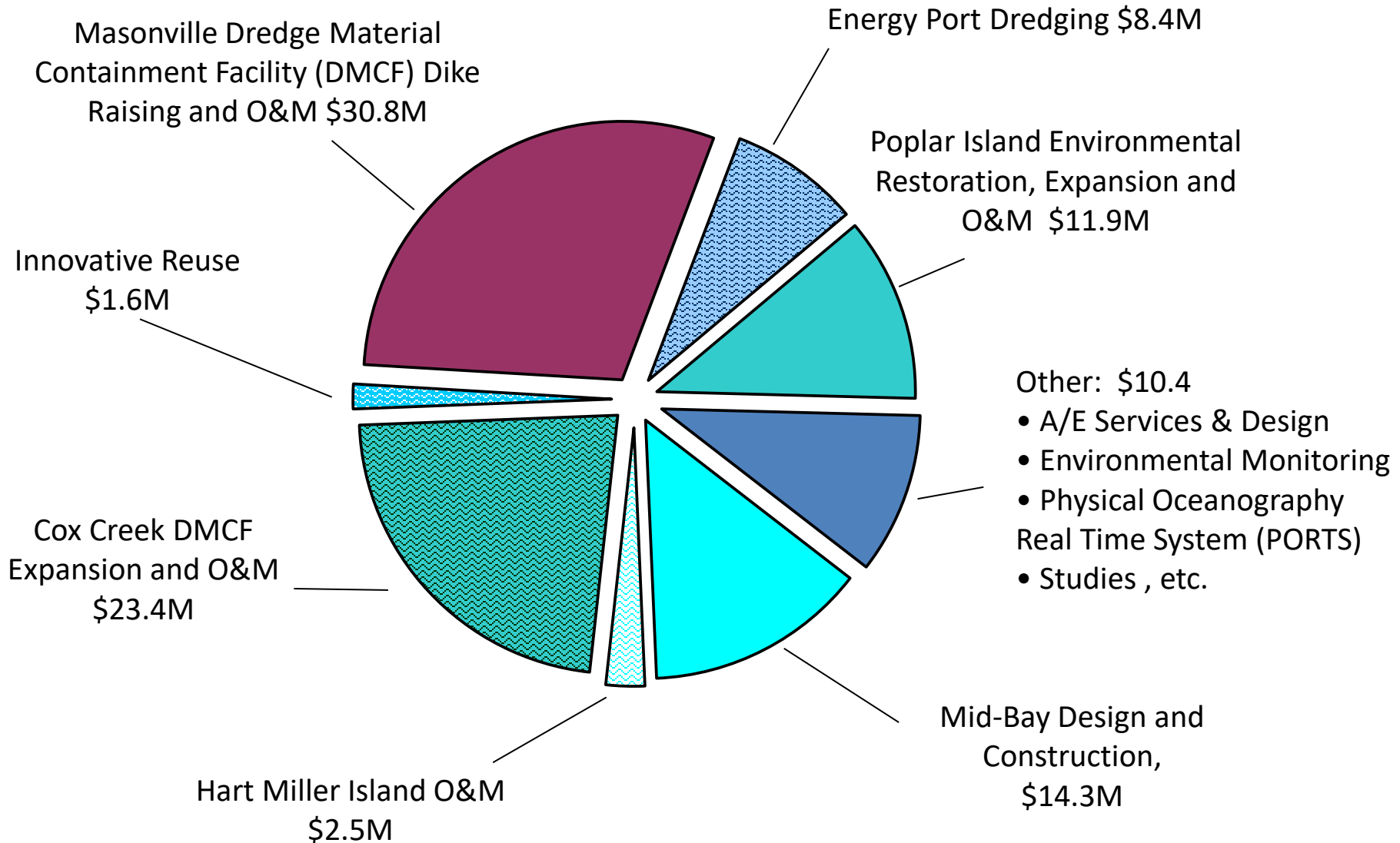
MDOT-MPA's 6-year Capital budget includes \$164M in Federal funding, \$238M from "other" sources, such as CSX and Maryland GO Bonds for the Howard Street Tunnel and Ports America Chesapeake for the Seagirt Berth 3 BUILD project.

- The **Howard Street Tunnel** clearance project is part of the 6-year program.
- The **Harbor Development Program** maintains existing dredged material placement sites and expands capacity
- **Landside Program** includes berth renovations and other system preservation projects.

FY21 – FY26 Capital Budget, (\$Ms)

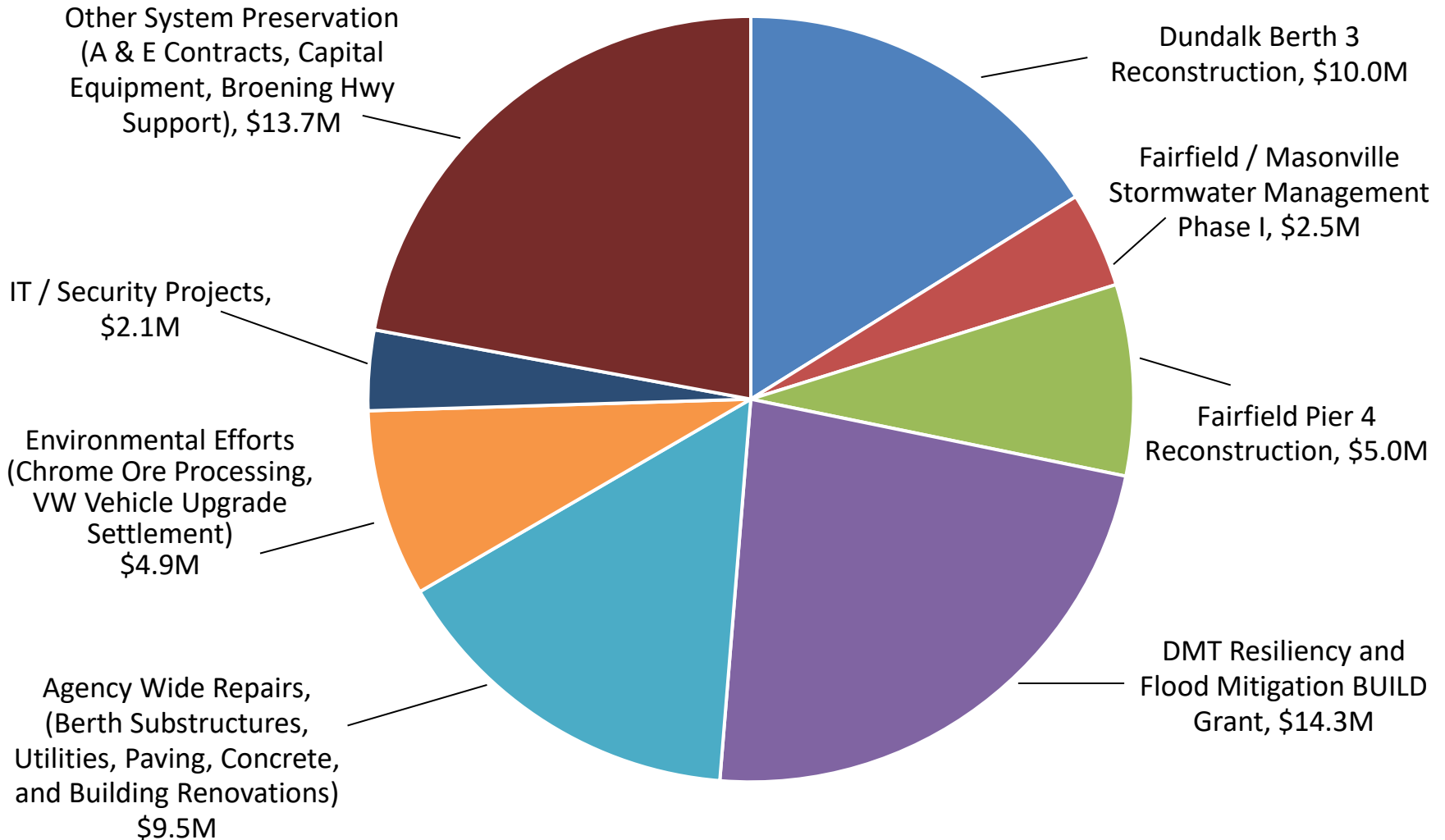


The FY23 Harbor Development Capital Budget Request is \$103M.



The FY22 Landside Capital Budget Request is \$62.0M.

The FY23 Landside Capital Program includes Dundalk Berth 3 Reconstruction and other system preservation needs.



The FY22 Howard Street Tunnel Capital Budget Request is \$160.4M.



Howard Street Tunnel North Portal



Guilford Ave Bridge Replacement

- FY22 capital budget (\$115M) includes federal, state, CSX and PennDOT funding
- Next Steps:
 - The Environmental Assessment for NEPA is expected to be available for public review and comment in March 2021. Final NEPA is expected in the Spring of 2021.
 - Once NEPA is approved, CSX will be able to finalize engineering, obtain permits and begin construction
 - CSX is expected to begin construction, in phases, later in 2021

Maryland Port Administration Operating and Capital Budget

Examples of Equipment being used in place of Containers

Mafi Trailers



Bolsters



Emerging/Continuing Issues:

- Both Carnival and Royal Caribbean have resumed cruise operations from the Port. However, they are not sailing at full capacity to ensure that cruising can be as safe as possible. They lines are slowing ramping up and are now sailing at about 75% capacity.
- The supply shortage of semiconductors has severely affected the Port's automotive numbers. Reports from manufacturers are stating that the shortages could last through 2022, but most see improvements within the year.
- The need to maintain funding for the Howard Street Tunnel remains paramount to the success and growth of the Port. The agreement with FRA was executed in November 2021 and construction is expected to start in the Spring.
- Finding placement options for the Port's dredged material – both within the Harbor and Bay and continue to develop alternative options such as Innovative Reuse.
- Maintaining competitiveness and accommodating growth, and the need for increased resiliency, since the Port operates within the flood plain;
- Maintaining adequate capital funding for terminal preservation projects for the Port's long-term growth and competitiveness;
- Operating MDOT MPA terminals and facilities in an environmentally sustainable manner that doesn't negatively impact business or the communities that are our neighbors.