

**J00D00**  
**Maryland Port Administration**  
**Maryland Department of Transportation**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 04 Actual</u>	<u>FY 05 Working</u>	<u>FY 06 Allowance</u>	<u>FY 05-06 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$97,167	\$98,300	\$96,114	-\$2,187	-2.2%
Reimbursable Fund	<u>63</u>	<u>100</u>	<u>0</u>	<u>-100</u>	<u>-100.0%</u>
<b>Total Funds</b>	<b>\$97,230</b>	<b>\$98,400</b>	<b>\$96,114</b>	<b>-\$2,287</b>	<b>-2.3%</b>
Contingent & Back of Bill Reductions			-148	-148	
<b>Adjusted Total</b>	<b>\$97,230</b>	<b>\$98,400</b>	<b>\$95,966</b>	<b>-\$2,434</b>	<b>-2.5%</b>

- The fiscal 2006 allowance reflects a decrease of \$1.1 million due to the proposed sale of the World Trade Center (WTC) in early 2006. This action will eliminate the need for a half-year of operations and maintenance.

***PAYGO Capital Budget Data***

(\$ in Thousands)

	<u>FY 04 Actual</u>	<u>FY05 Legislative</u>	<u>FY 05 Working</u>	<u>FY06 Allowance</u>
Special	\$76,455	\$88,023	\$99,188	\$77,460
Federal	415	4,017	2,178	7,543
<b>Total</b>	<b>\$76,870</b>	<b>\$92,040</b>	<b>\$101,366</b>	<b>\$85,003</b>

- The fiscal 2006 PAYGO capital program decreases by \$16.4 million from the fiscal 2005 working appropriation. This change includes a \$19.3 million decrease in the construction program and a \$3 million increase in the development and evaluation program.

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

For further information contact: Gregory W. Potts

Phone: (410) 946-5530

## Operating and PAYGO Personnel Data

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>
Regular Positions	307.00	307.00	296.00	-11.00
Contractual FTEs	<u>1.40</u>	<u>1.70</u>	<u>1.50</u>	<u>-0.20</u>
<b>Total Personnel</b>	<b>308.40</b>	<b>308.70</b>	<b>297.50</b>	<b>-11.20</b>

### *Vacancy Data: Regular Positions*

Turnover, Excluding New Positions	10.57	3.57%
Positions Vacant as of 12/31/04	16.0	5.19%

- Eleven positions are abolished from fiscal 2005 to 2006 at a total of \$762,000. The Marketing Division is reduced by 5 positions, 4 positions are reduced at the Dundalk Marine Terminal, and 2 administrative positions are reduced. Of the 11 abolished positions, 8 are filled.
- Full-time equivalent contractuels were reduced by 0.20 due to a position that was transferred to the Transportation Secretary's Office.

## Analysis in Brief

### Major Trends

**Transportation Trust Fund Continues to Subsidize MPA:** The Maryland Port Administration (MPA) projects an operating loss of \$11.3 million in fiscal 2005 and \$10.6 million in fiscal 2006. MPA has historically included a list of operational expense exclusions. The exclusions include lease payments to the Maryland Transportation Authority, payments for Baltimore City Fire Suppression, and payments in lieu of taxes. When these exclusions are removed, MPA shows a surplus of \$2.4 million in fiscal 2005 and \$2.7 million in fiscal 2006.

**Total Cargo Volume Growing by 1.2%:** Total cargo volume at MPA's terminals is expected to grow by 1.2% from fiscal 2003 to 2006. MPA expects particularly strong growth in Steel/Metals (20.3%); Roll On/Roll Off (13.5%); and liquid bulk (16.6%). Other cargo areas are expected to achieve moderate growth or slight losses.

## Issues

**Status of the World Trade Center:** MPA has recently experienced a number of problems related to the WTC. MPA incurred an extensive amount of damage from Hurricane Isabel in September 2003; several WTC tenants have filed lawsuits against MPA; and building occupancy rates are down significantly. MPA has recently proposed selling the WTC. The Maryland Department of Transportation plans to put the WTC on the market in November 2005 and sell it by spring 2006. **The Department of Legislative Services (DLS) recommends that MPA brief the committees on the status of repairs related to Hurricane Isabel; the status of current lawsuits; and the proposal to sell the WTC. MPA should demonstrate to the General Assembly what sales price for the WTC would justify the estimated annual net loss in cash flow.**

**New Cruise Terminal at South Locust Point:** MPA is moving forward with a proposal to relocate its existing cruise terminal at Dundalk Marine Terminal to a new location at South Locust Point. MPA believes that the current location creates a conflict between passengers and cargo activity. The new location at South Locust Point would provide a dedicated cruise facility with adjacent parking. The MPA capital program includes \$13.2 million for the new South Locust Point Cruise Terminal. **The General Assembly has two options: (1) to allow funds for the proposed cruise terminal to remain in the budget; or (2) to delete funds for the project, add language restricting funds, and add language requiring MPA to submit a report to the General Assembly.**

## Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete funds for one vacant PIN.	\$ 61,367	1.0
2. Reduce funds for cruise shuttle bus service.	50,000	
3. Reduce funds for Port of Baltimore promotions.	50,000	
4. Delete Ocean Race Chesapeake grant.	35,000	
5. Reduce funds for subscriptions.	15,536	
<b>Total Reductions</b>	<b>\$ 211,903</b>	<b>1.0</b>

## PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

## **Updates**

***Dredged Material Management:*** The Maryland General Assembly passed a dredged material management law during the 2001 legislative session (Chapter 627, Acts of 2001). The law created an Executive Committee to provide oversight in the development of Maryland's plans for dredged material management. The changes have increased the urgency to identify and implement future placement options. MPA is considering a number of options in the Chesapeake Bay and Baltimore Harbor channel to help address the problem.

***Security at the Port of Baltimore:*** Chapter 78, Acts of 2004 requires MPA to submit an annual report to the General Assembly based on vulnerability assessment information concerning public terminals submitted to the U.S. Coast Guard under the Federal Maritime Transportation Security Act of 2002. The report is required on December 1 of each year. MPA submitted a report in December 2004 providing a security update. MPA has a number of security projects completed or underway and has received federal grants from the U.S. Department of Homeland Security.

**J00D00**  
**Maryland Port Administration**  
**Maryland Department of Transportation**

## ***Budget Analysis***

---

### **Program Description**

The Maryland Port Administration (MPA) functions under Title 6 of the Transportation Article of the Annotated Code of Maryland. Through its efforts to increase waterborne commerce, MPA promotes the economic well being of the State of Maryland and manages the State-owned facilities (roughly half of the Port's terminals). Activities include developing, marketing, maintaining, and stewardship of the State's port facilities; improving access channels; developing and promoting international and domestic trade by promoting cargoes and economic expansion in the State; and coordinating the delivery of services to the maritime community, such as dredging.

The administration has identified the following key goals:

- maximize the economic benefit generated by the Port of Baltimore to the State in a cost effective manner;
- operate MPA to ensure revenues exceed operating expenses;
- preserve and enhance the port's infrastructure to maintain cargo capacities, while ensuring adequate security; and
- maintain and improve the shipping channels for safe, unimpeded access to the port.

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

Unlike most other Maryland Department of Transportation (MDOT) modes, MPA operates as a business. The profitability of MPA determines how much the Transportation Trust Fund (TTF) must subsidize the agency. When strictly looking at operating revenue and total operating expenses, MPA has not achieved an annual operating surplus from fiscal 2003 to 2006. MPA is projecting a loss of \$11.3 million in fiscal 2005 and \$10.6 million in fiscal 2006. MPA has historically included a list of operational expense exclusions. The exclusions include lease payments to the Maryland Transportation Authority (MdTA) for the Seagirt Marine Terminal and the Masonville Auto Terminal, payments for Baltimore City Fire Suppression, and payments in lieu of taxes (PILOTS). When these exclusions are removed, MPA shows a surplus of \$2.4 million in fiscal 2005 and \$2.7 million in fiscal 2006.

*J00D00 – MDOT – Maryland Port Administration*

**Exhibit 1** provides financial data for MPA. The data shows that operating expenses are outpacing operating revenues. Operating revenues are incurring an average annual change of -1.3% from fiscal 2003 to 2006. The loss of revenue from fiscal 2005 to 2006 is mainly due to the proposed sale of the WTC. Fiscal 2006 reflects a half-year of lost revenue from the building (\$1.9 million). Total operating expenses are achieving average annual growth of 1.2% from fiscal 2003 to 2006. The decrease in expenses from fiscal 2005 to 2006 is mainly due to the proposed sale of the WTC. Fiscal 2006 reflects a half-year of reduced expenses due to the sale of the building (\$1.1 million).

---

**Exhibit 1**  
**MPA Actual and Projected Operating Expenses and Revenues**  
**Fiscal 2003 – 2006**

	<u>Actual</u> <u>FY 2003</u>	<u>Actual</u> <u>FY 2004</u>	<u>Projected</u> <u>FY 2005</u>	<u>Projected</u> <u>FY 2006</u>	<u>Avg. Annual</u> <u>Change</u> <u>FY 03-06</u>
Operating Revenue	\$91,901	\$90,600*	\$90,123	\$88,480	-1.3%
Total Operating Expenses**	95,608	100,234	101,404	99,118	1.2%
<b>Operating Income (TTF Subsidy)</b>	<b>-\$3,707</b>	<b>-\$9,634</b>	<b>-\$11,281</b>	<b>-\$10,638</b>	42.1%
Total Exclusions***	-12,046	-13,646	-13,684	-13,356	3.5%
Net MPA Operating Expenses	83,562	86,588	87,720	85,762	0.9%
<b>Adjusted Operating Income</b>	<b>\$8,339</b>	<b>\$4,012</b>	<b>\$2,403</b>	<b>\$2,718</b>	-31.2%

\* Includes \$1.5 million in prior year adjustment.

\*\* Includes \$1.4 million to Baltimore City Fire Suppression and \$1.6 million in PILOTS. These amounts are paid by MDOT.

\*\*\* Excluded expenditures include Baltimore City Fire Suppression, PILOTS, certain capital equipment, all lease payments to MdTA, and the contribution made by MPA to the Pride of Baltimore on behalf of MdTA.

Source: Maryland Port Administration

---

## **Cargo Volume**

**Exhibit 2** provides data on total cargo volume at MPA's public terminals from fiscal 2003 to 2006. MPA expects total cargo to grow by 1.2% from fiscal 2003 to 2006. The data does not include any private terminals at the Port of Baltimore (POB). Total cargo shows growth in all areas except containers and forest products. Container volume achieved higher than usual results in fiscal 2004, affecting the annual growth rate. Similarly, forest products achieved higher than usual results in fiscal 2003, affecting the annual growth rate.

**Exhibit 2**  
**Total Cargo Volume at Public Terminals**  
**Fiscal 2003 – 2006**  
**(Tonnage in Thousands)**

	<u>Actual</u> <u>FY 2003</u>	<u>Actual</u> <u>FY 2004</u>	<u>Proj.</u> <u>FY 2005</u>	<u>Proj.</u> <u>FY 2006</u>	<u>Annual %</u> <u>Change</u> <u>FY 03-06</u>
<b>General Cargo</b>					
Containers*	4,557	4,725	4,567	4,543	-0.1%
Breakbulk	242	258	260	265	3.1%
Ro/Ro	411	586	589	601	13.5%
Steel/Metals	77	131	131	134	20.3%
Forest Products	1,264	1,130	1,135	1,158	-2.9%
Automobiles	504	530	532	543	2.5%
<b>Total General Cargo</b>	<b>7,055</b>	<b>7,360</b>	<b>7,214</b>	<b>7,244</b>	<b>0.9%</b>
<b>Bulk Cargo</b>					
Liquid Bulk	123	190	191	195	16.6%
<b>Total</b>	<b>7,178</b>	<b>7,550</b>	<b>7,405</b>	<b>7,439</b>	<b>1.2%</b>

\*\$4.5 million in anticipated stevedore costs, offset by port revenues, is not reflected in the MPA budget submission. This action reduces the container tonnage anticipated for fiscal 2005 and 2006.

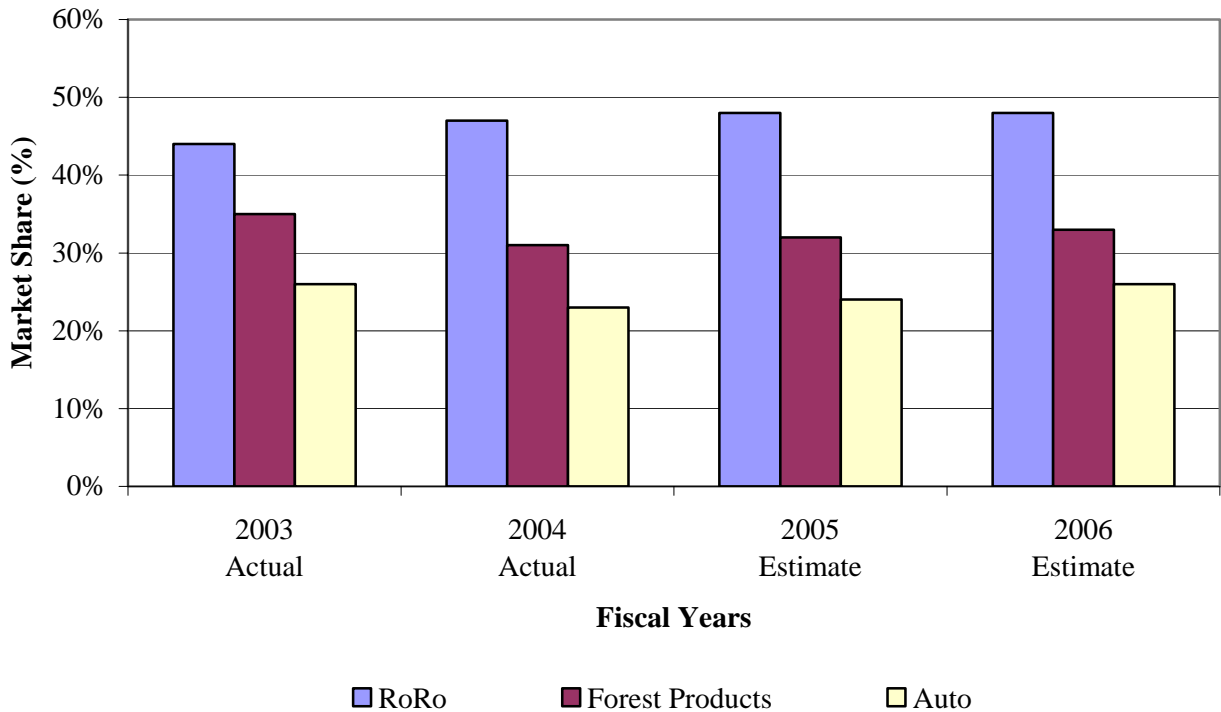
Ro/Ro=Roll-on, Roll-off

Source: Maryland Port Administration

One of MPA's goals is to "maximize the economic benefit generated by the port to the State in a cost effective manner. Three cargo areas that MPA handles are Roll-on, Roll-off (Ro/Ro), forest products, and automobiles. Ro/Ro includes trucks, tractors, agriculture machinery, construction equipment, trailers, boats, planes, and railroad equipment. Forest products include pulp, paper, lumber, and logs. Automobile cargo includes passenger automobiles and light trucks (less than five tons). On the east coast, the port has maintained a very high market share for these three cargo areas. In particular, Ro/Ro has performed very well; the port has nearly half of the market share for the east coast.

**Exhibit 3** shows market share data for Ro/Ro, forest products, and autos for all terminals at the port, including MPA’s public terminals and all private terminals. These measures utilize data reported by the U.S. Maritime Administration. Market share for Ro/Ro is compared to other east coast ports from Miami to Maine<sup>1</sup>; forest products are compared to north Atlantic ports north of and including Norfolk<sup>2</sup>; and autos are compared to other east coast ports from Miami to Maine.<sup>3</sup> Ro/Ro has performed well against other east coast ports. Forest products and autos show declines in fiscal 2004 compared with 2003.

**Exhibit 3**  
**Market Share at the Port of Baltimore**  
**Fiscal 2003 – 2006**



Source: Maryland Port Administration

<sup>1</sup> Baltimore’s primary competition in Ro/Ro is Savannah and Charleston.

<sup>2</sup> Baltimore’s primary competition in forest products is Philadelphia.

<sup>3</sup> Baltimore’s primary competition in automobiles is New York, Jacksonville, Brunswick, GA, and Wilmington, DE.

## **Governor's Proposed Budget**

The fiscal 2006 allowance decreases by \$2.4 million from the fiscal 2005 working appropriation. The largest change is a \$1.1 million decrease due to the proposed sale of the World Trade Center (WTC) in early 2006. This action eliminates the need for a half year of operations and maintenance. The change includes:

- -\$509,500 for property management;
- -\$452,241 for utilities;
- -\$296,000 for janitorial services;
- -\$113,500 for security services;
- -\$75,759 for communications and other contract services; and
- \$300,000 increase in rent to pay new owner of WTC.
- **-\$1,147,000 Total**

Other changes include a \$500,000 decrease for advertising and promotions, a \$373,000 decrease for crane supplies and other materials, and a \$321,000 net increase in utilities. Personnel costs decrease by \$562,000. The largest component of this change is a \$762,000 decrease due to 11 abolished positions. **Exhibit 4** provides a detailed explanation of major changes in the fiscal 2006 allowance.

**Exhibit 4**  
**Governor's Proposed Budget**  
**Maryland Port Administration**  
 (\$ in Thousands)

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Reimbursable Fund</b>	<b>Total</b>
2005 Working Appropriation	\$98,300	\$100	\$98,400
2006 Governor's Allowance	96,114	0	96,114
Contingent & Back of Bill Reductions	<u>-148</u>	<u>0</u>	<u>-148</u>
<b>Adjusted Allowance</b>	<b>\$95,966</b>	<b>\$0</b>	<b>\$95,966</b>
Amount Change	-\$2,334	-\$100	-\$2,434
Percent Change	-2.4%	-100.0%	-2.5%

*J00D00 – MDOT – Maryland Port Administration*

**Where It Goes:**

**Personnel Expenses**

Abolished/transferred positions .....	-\$762
Increments and other compensation .....	254
Employee and retiree health insurance .....	-138
Workers' compensation premium assessment .....	187
Retirement .....	145
Overtime and additional assistance .....	-157
Turnover adjustments .....	-90
Other fringe benefit adjustments .....	-1

**Other Changes**

Proposed sale of the WTC – eliminates the need for a half-year of operations and maintenance .....	-1,147
Elimination of external advertising/promotions .....	-500
Decrease for crane supplies and other materials.....	-373
Increase for utilities .....	321
Decrease for vehicle replacements .....	-177
Increase for cruise operations .....	165
Increase for security.....	162
Reduction in distribution of the Port of Baltimore magazine .....	-150
Decrease for travel.....	-100
Decrease for legal support .....	-50
Other adjustments .....	-23

**Total** **-\$2,434**

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

---

**Personnel**

Eleven positions were abolished from fiscal 2005 to 2006 at a total of \$762,000. The abolished positions were part of the Governor's strategic budget initiative.

- Five positions were abolished in the Marketing Division. This includes four filled positions and one vacant position. MPA will redistribute work among the remaining marketing staff.
- Four filled positions were abolished at the Dundalk Marine Terminal Truck Plaza. Responsibilities of the positions include checking identification, issuing and collecting passes, and maintaining a gate computer program. The administration plans to establish and maintain a contract to perform this function.

*J00D00 – MDOT – Maryland Port Administration*

- Two vacant positions were abolished. One position is an administrative assistant in the budget unit and another is an Executive Director for Operations/Marketing.

**The Department of Legislative Services (DLS) recommends that MPA comment on the abolished positions in the Marketing Division and at the Dundalk Marine Terminal Truck Plaza. MPA should discuss the impact of closing two Midwest sales offices and how abolishing five positions will redistribute work in the Marketing Division. MPA should also comment on the decision to abolish four positions at Dundalk and replace the function with a contract.**

### **Contingent Actions**

The fiscal 2006 allowance reflects the elimination of \$147,644, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

### **Fiscal 2006 Cost Containment**

MPA estimates fiscal 2006 savings of over \$4 million compared to fiscal 2005. **Appendix 6** provides a complete list of the estimated cost savings.

## PAYGO Capital Program

### Program Description

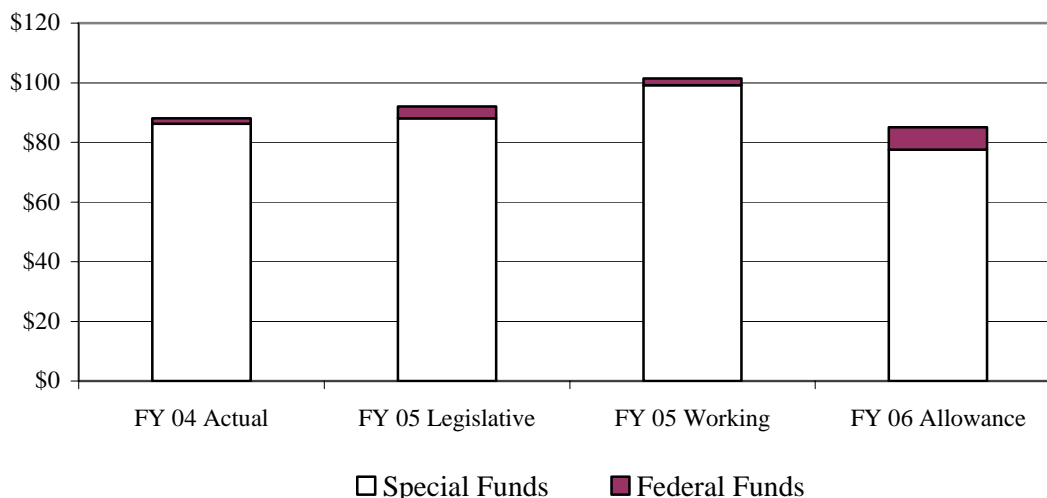
MPA’s capital program identifies and manages projects and funding for port facilities that provide increased capacity for existing cargo and promote the shipment of new cargo. Current projects focus on improving and modernizing existing State capital facilities, developing new facilities, and supporting the improvement of shipping channels through dredging activities conducted in cooperation with the U.S. Army Corps of Engineers.

### Fiscal 2005 to 2010 Consolidated Transportation Program (CTP)

The fiscal 2006 PAYGO capital program decreases by \$16.36 million from the fiscal 2005 working appropriation. This change includes a \$19.3 million decrease in the construction program and a \$3 million increase in the development and evaluation (D&E) program. Two major changes in the construction program include an \$11.6 million decrease for the Dredge Material Placement and Monitoring project due to routine cash flow fluctuations and a \$13.8 million decrease for the North American Paper Hub project due to completion.

**Exhibit 5** provides cash flow changes for the MPA capital program from fiscal 2004 to 2006. The cash flow almost entirely consists of special funds. Federal funds are no more than 3% of total funds from fiscal 2004 to 2006.

**Exhibit 5**  
**Fiscal 2004 to 2006 Cash Flow Changes**  
 (\$ in Millions)



Source: Maryland Port Administration, January 2005 *Consolidated Transportation Program*

**Exhibit 6** provides a list of MPA major CTP construction projects funded in fiscal 2006. The five projects listed account for 95% of all major projects in the construction program for fiscal 2006.

---

**Exhibit 6**  
**MPA Major CTP Construction Projects Funded in Fiscal 2006**  
**(\$ in Thousands)**

<u>Project</u>	<u>FY 2006</u>	<u>Total \$</u>	<u>Completion of Fiscal Cashflow</u>
Dredge Material Placement and Monitoring – involves the placement and monitoring of dredge material for enhancement and maintenance dredging of Baltimore Port channels.	\$11,540	\$330,452	2010
Hart-Miller Island Related Projects – provides for operation of the dredge disposal site.	4,808	78,830	2010
Niche Cargo Warehouse Shed 6B, Dundalk Marine Terminal – warehouse to provide covered storage of niche cargoes at MPA terminals.	6,100	7,590	2007
Terminal Security Program – uses technologies to secure MPA terminal facilities against unauthorized intrusions.	9,787	17,178	2007
South Locust Point Cruise Terminal – includes dredging; conversion of the existing cargo shed into a new cruise terminal; demolition of structures, paving, striping, fencing, and lighting to create a 637 space surface parking lot; security enhancements; and relocation of the existing fixed gangway from Dundalk Marine Terminal.	10,500	13,200	2007
<b>Total</b>	<b>\$42,735</b>	<b>\$447,250</b>	

Source: Maryland Port Administration, January 2005 *Consolidated Transportation Program*

---

**Projects Added to the Construction Program**

As shown in **Exhibit 7**, two projects were added to the construction program with the fiscal 2005 through 2010 CTP. Construction will begin on the Wallenius Wilhelmsen hub at the Dundalk Marine Terminal in fiscal 2006. The new South Locust Point cruise terminal is anticipated to be operational for the 2006 cruise season.

---

**Exhibit 7**  
**MPA CTP Projects Added to the Construction Program**  
**(\$ in Thousands)**

<u>Project</u>	<u>FY 2006</u>	<u>Total \$</u>	<u>Completion of Fiscal Cashflow</u>
Wallenius Wilhelmsen Improvements, Phase II – improvements to the Wallenius Wilhelmsen hub facility located at the Dundalk Marine Terminal. The improvements will pay for expenditures such as paving, fencing, lighting, and expansion of the existing storage area.	\$1,742	\$4,000	2007
South Locust Point Cruise Terminal – includes dredging; conversion of the existing cargo shed into a new cruise terminal; demolition of structures, paving, striping, fencing, and lighting to create a 637 space surface parking lot; security enhancements; and relocation of the existing fixed gangway from Dundalk Marine Terminal.	10,500	13,200	2007
<b>Total</b>	<b>\$12,242</b>	<b>\$17,200</b>	

Source: Maryland Port Administration, January 2005 *Consolidated Transportation Program*

---

### **Construction Schedule Delays**

One MPA project was delayed with the fiscal 2005 through 2010 CTP. The Niche Cargo Warehouse, Shed 6B project was delayed from fiscal 2005 to 2006 due to operational issues delaying the demolition of Shed 3B. The delay of the demolition of Shed 3B has, in turn, delayed the start of Shed 6B. The purpose of Shed 6B is to provide covered storage of niche cargoes at MPA terminals. The facility will be approximately 108,000 square feet. The warehouse will be located at the Dundalk Marine Terminal.

## ***Issues***

---

### **1. Status of the World Trade Center**

The World Trade Center, currently owned and managed by MPA, is a 423 foot office tower located at the Inner Harbor of Baltimore. The WTC was originally purchased at a cost of \$21.3 million. MPA has managed the WTC since construction was completed in 1977. MPA has recently experienced a number of problems related to the WTC.

#### **Hurricane Isabel**

MPA incurred an extensive amount of damage from Hurricane Isabel in September 2003. There was almost \$7.2 million in damage due to the hurricane's storm surge, which dumped nearly three million gallons of water into the WTC's basement, destroying most of its electrical, mechanical, and telecommunications systems and equipment and rendering the building unfit for occupancy for more than one month. By December 2004, all major repairs to the WTC's electrical, security, and mechanical systems were completed. Additional flood protection measures are over 90% complete. Remaining enhancements include increasing the height of various flood barriers another foot and retrofitting an existing Baltimore City storm drain manhole. To date, MPA has received nearly \$4.2 million in insurance reimbursements. MPA could receive an additional \$1 million from insurance claims. As a result, MPA will likely receive approximately \$5.2 million in reimbursements from some source for damage to the WTC, leaving the TTF to bear approximately \$2.0 million in hurricane-related repair costs.

#### **Lawsuits**

Two WTC tenants have filed lawsuits against MPA. One tenant is seeking \$680,000 in damages and termination of the lease. Trial is set for April 2005. Another tenant seeks approximately \$236,000 in damages. To the extent that damages are attributable to the hurricane and flooding, MPA believes that damages should be paid by MPA's commercial insurance carrier. Four other tenants have filed tort claims with the State Treasurer but have not yet filed suit.

#### **Occupancy**

The occupancy rate of the WTC has been declining over the past three years. Occupancy was 93.2% in November 2002, 89% in November 2003, and 79% in November 2004. One tenant left the WTC in 2004 as a result of the damage caused by the hurricane, one tenant was lost due to default, and another tenant went bankrupt. One new tenant has signed a lease with the WTC after Hurricane Isabel. Occupancy at the WTC has been declining in recent years due to the abundance of office space available in Baltimore City and the provision by other properties of incentives that MPA cannot match.

## **Proposed Sale of WTC**

MDOT has proposed selling the WTC. MDOT plans to put the WTC on the market in November 2005 and sell it by spring 2006. MPA has estimated that it will save \$1.1 million in fiscal 2006 due to the proposed sale of the WTC. The sale eliminates the need for roughly a half-year of operations and maintenance. The savings includes a half-year of increased rent (\$300,000) for MPA staff currently housed at the WTC (MPA plans to rent from the new WTC owner). The savings of \$1.1 million is offset by a \$1.9 million reduction in revenue associated with the WTC. When taking a full year into consideration, MPA estimates it would receive \$3.8 million less in revenue, save \$2.9 million in operations, and be required to pay \$600,000 in rent for the MPA staff housed at the WTC. Therefore, it is estimated that MPA would incur a \$1.5 million net annual cash flow loss after the WTC is sold. This situation could, of course, be significantly offset by the revenue obtained from the sale of the building. **Exhibit 8** shows the impact of selling the WTC.

---

**Exhibit 8**  
**Sale of the WTC**  
**Estimated Revenue/Expenditures for a Full Year**

	<u>MPA Owned WTC</u>	<u>WTC Is Sold</u>
Revenue	\$3,778,000	-\$3,778,000
Expenditures	-2,894,200	2,894,200
New Rent Payment		-600,000
<b>Net Gain/Loss</b>	<b>\$883,800</b>	<b>-\$1,483,000</b>

Source: Maryland Port Administration

---

**DLS recommends that MPA brief the committees on (1) the status of repairs and enhancements related to the WTC due to Hurricane Isabel; (2) the status of tenant lawsuits related to Hurricane Isabel; (3) the proposal to sell the WTC including revenue expectations and a proposed timeline; what will happen if the WTC does not sell; and why MPA plans to still rent at the WTC after it is sold given the availability of less expensive office space.**

**In addition, MPA should demonstrate to the General Assembly what sales price for the WTC would justify the estimated \$1.5 million annual net loss in cash flow.**

## 2. New Cruise Terminal at South Locust Point

Over the past three years, MPA has provided a limited amount of cruise service from the Dundalk Marine Terminal. The business is small relative to other major ports, but MPA is attempting to improve and expand the cruise service industry. **Exhibit 9** provides information on the top 15 ports in the U.S.

**Exhibit 9**  
**Top 15 Cruise Ship Ports by Port of Departure**  
**Fiscal 2002 and 2003**

<u>Port</u>	<u>Rank in 2003</u>	<u>2002</u>		<u>2003</u>	
		<u>Passengers (Thousands)</u>	<u>Cruises</u>	<u>Passengers (Thousands)</u>	<u>Cruises</u>
Miami, FL	1	1,899	776	1,865	735
Port Canaveral, FL	2	1,036	423	1,116	451
Fort Lauderdale, FL	3	1,065	544	1,078	544
San Juan, PR	4	582	239	571	225
Los Angeles, CA	5	538	236	515	225
New York, NY	6	293	177	424	212
Tampa, FL	7	323	174	418	213
Galveston, TX	8	271	149	377	203
New Orleans, LA	9	256	126	297	143
Honolulu, HI	10	182	86	172	79
Long Beach, CA	11	U	U	171	70
Seattle, WA	12	118	62	165	78
Seward, AK	13	151	78	147	83
San Diego, CA	14	140	82	93	65
Boston, MA	15	69	42	69	43
All other ports		722	412	805	471
<b>Top 15, Total</b>		<b>U</b>	<b>U</b>	<b>7,478</b>	<b>3,369</b>
<b>Total</b>		<b>7,645</b>	<b>3,606</b>	<b>8,283</b>	<b>3,840</b>
<b>Top 15 as Percent of Total</b>		<b>U</b>	<b>U</b>	<b>90.3%</b>	<b>87.7%</b>

U = data not available.

Note: Cruise passenger statistics for this table are based on the passenger data provided by the 10 major North American cruise brands. Those brands are as follows, listed in order of passenger volume for 2003: Carnival Cruise Line, Royal Caribbean International, Norwegian Cruise Line, Princess Cruises, Celebrity Cruises, Holland America Line, Disney Cruise Line, Costa Cruise Lines, Cunard Cruise Line, and Crystal Cruises. Vancouver, Canada, the fourth largest North American point of passenger embarkment, is not listed on this table.

Source: U.S. Department of Transportation, Maritime Administration, Cruise Passenger Statistics, available at [http://www.marad.dot.gov/Marad\\_Statistics/index.html](http://www.marad.dot.gov/Marad_Statistics/index.html) as of Aug. 26, 2004.

*J00D00 – MDOT – Maryland Port Administration*

**Exhibit 10** provides total port calls for cruise ships and operating profit from fiscal 2003 to 2006. MPA significantly improved its operating profit from the cruise industry from fiscal 2003 to 2004. MPA hopes to maintain fiscal 2004 profit levels in fiscal 2005.

---

**Exhibit 10**  
**Cruise Service at the Port of Baltimore**  
**(\$ in Thousands)**

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Projected</u>
Total Port Calls	42	49	52-55
Total Passengers	59,734	74,893	84,785
Cruise-related Revenues	\$1,072	\$1,573	\$1,570
Cruise-related Expenses	891	1,145	1,147
<b>Profit from Cruise Industry</b>	<b>\$181</b>	<b>\$428</b>	<b>\$423</b>

Source: Maryland Port Administration

---

MPA is moving forward with a proposal to relocate the existing cruise terminal at Dundalk Marine Terminal to a new location at South Locust Point. MPA believes that the current location creates a conflict between passengers and cargo activity. The new location at South Locust Point would provide a dedicated cruise facility with adjacent parking, separated from the existing paper warehouse operation currently conducting business at this location. The facility is comprised of a 55,000 square foot building situated on 14 acres of land just off I-95. South Locust Point is approximately 10 minutes and 2.7 miles from the Inner Harbor. MPA has also stated that moving the cruise terminal will create much needed cargo handling storage space at Dundalk.

The MPA PAYGO capital program includes \$13.2 million for the new South Locust Point Cruise Terminal with \$10.5 million included for fiscal 2006. MPA has laid out a four-phase plan for the new terminal. Only Phases I and II are included in the current capital program. Phase I and II in the plan listed below, does not include \$1.2 million to \$1.8 million for land acquisition and nearly \$5 million for dredging. However, land acquisition and dredging is included in the \$13.2 million budgeted in the CTP.

- **Phase I – Summer 2005:** Includes conversion of the existing cargo shed; demolition of ancillary structures, paving, striping, fencing, and lighting to create 637 surface parking spaces; security enhancements; and relocation of the existing fixed gangway from Dundalk. MPA estimates the cost for Phase I at \$3.7 million.
- **Phase II – 2006:** Provides additional surface parking on the 8-acre grass area currently owned by Tyco. Costs for grading, paving, fencing, lighting, and off-site environmental mitigation are

*J00D00 – MDOT – Maryland Port Administration*

estimated at \$1.8 million. This does not include the cost of land acquisition, which is estimated to be \$1.2 million to \$1.8 million for purchase, or an annual lease payment based on this land value. MPA estimates the cost for Phase II at \$3.4 million.

- **Phase III – 2007:** Involves construction of a new covered walkway and mobile gangway system. MPA estimates the cost for Phase III at \$2.5 million.
- **Phase IV – 2010:** Consists of several alternatives for expansion of cruise and cargo capacity at South Locust Point. In general, these include construction of a new, two-story, 70,000 square foot cruise terminal building and the development of additional surface parking. The bulkhead of the terminal would be extended across the “fruit slip,” which would then be filled and paved for additional parking or expansion of cargo sheds. MPA estimates the cost for Phase IV at \$15 million to \$20 million.

From the period of fiscal 2003 through 2005, MPA expects to receive no more than \$428,000 annually in profit from the cruise industry. The proposed South Locust Point Cruise Terminal will require a total investment of \$13.2 million for Phase I and II, including land acquisition and dredging. The amount of \$13.2 million does not include Phase III and IV, which have a potential combined cost of up to \$22.5 million. Total cost for all phases is expected at anywhere from \$30.7 to \$35.7 million. The expected revenue received from the cruise industry does not seem proportional to the expected capital investment cost of a new cruise terminal. It is unclear how the new cruise terminal at South Locust Point would impact total profit from the cruise industry. It is also unclear whether the proposed location at South Locust Point will provide a significant economic impact for other locations in the Baltimore Harbor.

The Board of Public Works (BPW) Action Agenda for February 2, 2005 included a \$4.5 million contract to begin work on the South Locust Point Cruise Terminal. The legislature believed that the project should have been removed from the agenda because there had been inadequate information about the proposed cruise terminal provided to the budget committees. After discussing the situation with MDOT, the legislature agreed to recommend that the item stay on the BPW agenda. The item was approved at the BPW meeting on February 2, 2005, and the project is moving forward.

**The General Assembly has two options.**

- **Allow fiscal 2006 funds for the proposed South Locust Point Cruise Terminal to remain in the budget and encourage MPA to move forward with the project.**
- **Delete fiscal 2006 funds for the proposed South Locust Point Cruise Terminal project; add language restricting funds from being spent on the project; and add language requiring MPA to submit a report to the General Assembly providing a cost benefit analysis of the proposed cruise terminal, giving a review of all potential locations for a new cruise terminal in Baltimore Harbor, and soliciting the input of cruise lines.**

***Operating Budget Recommended Actions***

---

	<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
1. Delete funds for one vacant PIN (889795). The position is a World Trade Center (WTC) Maintenance Services Manager. The Maryland Port Administration (MPA) plans to sell the WTC in early 2006. Therefore, this position will not be necessary after that time. MPA should plan to use existing personnel to cover the duties of the vacant position from the present time until the WTC is sold.	\$ 61,367	SF	1.0
2. Reduce funds for cruise shuttle bus service. The Maryland Port Administration (MPA) is expecting to build a new, dedicated cruise terminal by May 2006. The terminal is expected to have an adjacent parking facility. MPA currently provides shuttle bus service to the Dundalk cruise facility because there is no parking nearby. Therefore, cruise shuttle bus service is only needed on a limited basis for 10 months in fiscal 2006. This action reduces funds for shuttle bus service for the last two months of fiscal 2006.	50,000	SF	
3. Reduce funds for Port of Baltimore promotions. This action reduces funds for promotion activities such as public relations, Pride of Baltimore host events, and other promotional meals and events.	50,000	SF	
4. Delete Ocean Race Chesapeake grant. The Maryland Port Administration provides an annual grant of \$35,000 to the Ocean Race Chesapeake, an international boat race that has a stopover in the Baltimore/Annapolis area.	35,000	SF	
5. Reduce funds for subscriptions. This action reduces funds to fiscal 2005 working appropriation levels.	15,536	SF	
<b>Total Special Fund Reductions</b>	<b>\$ 211,903</b>		<b>1.0</b>

***PAYGO Budget Recommended Actions***

---

1. Concur with Governor's allowance.

## Updates

---

### 1. Dredged Material Management

The Maryland General Assembly passed a dredged material management law during the 2001 legislative session (Chapter 627, Acts of 2001). The law created an Executive Committee to provide oversight in the development of Maryland's plans for dredged material management. The changes have increased the urgency to identify and implement future placement options. Without modification, remaining capacity at Poplar Island will be consumed by the end of the decade. Hart-Miller Island is required by State law to close at the end of 2009. Options under consideration are:

- **Bay Channel Options**

- ***Poplar Island Expansion:*** A Poplar Island Expansion study is being conducted jointly with the U.S. Army Corps of Engineers and is scheduled for completion in December 2005. Without modification, Poplar Island will have insufficient capacity to meet dredging needs in bay channels beginning around 2010.
- ***James and Barren Island:*** A Mid-Bay Island study of James and Barren Islands is being conducted jointly with the U.S. Army Corps of Engineers and is scheduled for completion in December 2005. Construction will be scheduled to ensure there is always sufficient capacity to meet Chesapeake Bay channel dredging needs.

- **Harbor Channels Options**

- ***Cox Creek:*** The Cox Creek site, located at the foot of the Key Bridge, is being reactivated and has limited capacity that will last until about 2014. The site will be available beginning October 1, 2005.
- ***Studies of Inner Harbor Sites:*** MPA is studying multiple sites in the Inner Harbor that could potentially serve as placement sites for dredged material. MPA is currently studying three sites located in the port, including Masonville, Sparrows Point, and the Fairfield tank farm facility. Studies on the Masonville and Sparrows Point site began in 2003 while studies on the Fairfield site began in 2004. Studies on all three sites are expected to be completed by December 2005 or January 2006. MPA hopes to begin construction on the first site by 2006 and hopes to make it operational by 2008.

Another issue MPA is dealing with is the potential reuse of dredged materials. On December 9, 2004, the MPA held a forum to explore innovative reuse of dredged material technologies. Approximately 160 people attended the forum including federal, state, and local agency representatives. The forum resulted in the following recommendations and observations:

### *J00D00 – MDOT – Maryland Port Administration*

- MPA needs to develop a long-term strategy for innovative reuse of dredged material technologies that provides a site or sites guaranteeing steady sources of dredged material.
- The technology exists to use dredged material to create products such as bricks, glass, topsoil, and landfill cover, but these options are not cost competitive at this time.
- The next steps for Maryland are to identify policy and regulatory changes that could facilitate the establishment of an innovative reuse program.

## **2. Security at the Port of Baltimore**

Chapter 78, Acts of 2004 requires MPA to submit an annual report to the General Assembly based on vulnerability assessment information concerning public terminals submitted to the U.S. Coast Guard under the Federal Maritime Transportation Security Act of 2002. The report is required on December 1 of each year. MPA submitted a report in December 2004 providing a security update. Highlights from the report include:

- MPA's fiscal 2005 operating budget totals \$5.8 million for security related items such as Port Security Officer, MdTA Police and equipment, and contractual security employees. Initial security training has been completed for all terminal employees. Ongoing requirements for training, drills, and exercise scenarios are being developed.
- The MPA has several security projects completed or underway.
  - Dundalk Marine Terminal Perimeter Security (\$650,000 – completed);
  - Dundalk Marine Terminal High Mast Lighting, Phase I (\$2,394,000 – completed);
  - World Trade Center initial waterside and landside physical barriers (\$50,000 – completed);
  - North and South Locust Point Perimeter Fencing (\$100,000 – completed);
  - Dundalk Marine Terminal High Mast Lighting, Phase II (\$1,308,000 – completed); and
  - World Trade Center Building Security (\$1,320,000 – underway, planned completion in fiscal 2005).
- MPA has received \$11.1 million in federal fund grants through the U.S. Department of Homeland Security. This includes funds for security projects at Dundalk Marine Terminal and Seagirt Marine Terminal and for a patrol boat.

*J00D00 – MDOT – Maryland Port Administration*

- There are no pending requests for federal grants. However, MPA anticipates that there will be solicitations for a fifth round of security grants in calendar 2005. MPA has identified three additional capital funding requirements, which are not funded. The projects include terminal access control at North and South Locust Point, Fairfield, and Masonville Marine Terminals; Dundalk gate resolution area to provide vehicle inspections and identification checks (there is currently no area to conduct these functions at the gate); and a badging center to issue or enroll personnel with new identification cards for terminal access.
- MPA is working very closely with MDOT and the Governor's Office of Homeland Security on security initiatives. The efforts are in the areas of funding, logistics, and vulnerability assessment to keep public terminals secure from acts of terrorism.

***Current and Prior Year Budgets***

---

**Current and Prior Year Budgets  
Maryland Port Administration  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$0	\$94,045	\$0	\$0	\$94,045
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	3,427	0	63	3,490
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-304	0	0	-305
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$97,167</b>	<b>\$0</b>	<b>\$63</b>	<b>\$97,230</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$0	\$98,030	\$0	\$0	\$98,030
Budget Amendments	0	271	0	100	371
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$98,300</b>	<b>\$0</b>	<b>\$100</b>	<b>\$98,400</b>

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

## **Fiscal 2004**

Budget amendments added a net total of \$3,426,515 to the MPA's fiscal 2004 special fund operating appropriation. The appropriation for the stevedoring contract was increased by \$4,000,000 in response to increased cargo volumes. Smaller increases were seen in the operating allowance for costs associated with the repairs and contractual services required at the WTC following Hurricane Isabel. These increases were offset by \$867,000 in cost containment initiatives, including elimination of extended gate hours at the Seagirt Terminal, and reductions in travel and contractual services such as advertising.

There was a \$304,000 reduction in special funds due to health insurance and retirement health insurance cancellations.

A budget amendment also added \$63,000 in reimbursable funds from the Maryland Emergency Management Administration (MEMA) to fund the purchase of seven 800 MHz radios to improve communications capabilities and to relocate the databases and applications supporting operations at the Seagirt Marine Terminal.

## **Fiscal 2005**

The fiscal 2005 operating working appropriation increased by \$370,697 over the fiscal 2005 legislative appropriation. This occurs with (1) a \$270,697 special fund increase to fund the cost-of-living adjustment (COLA) granted to all eligible State employees; and (2) a \$100,000 reimbursable fund amendment that is a federal grant through MEMA to install a digital microwave link at MPA's Point Breeze facility. **Appendix 5** provides a detailed description of all fiscal 2005 MPA amendments.

## ***Audit Findings***

---

Audit Period for Last Audit:	August 1, 1999 – October 9, 2001
Issue Date:	July 2002
Number of Findings:	1
Number of Repeat Findings:	1
% of Repeat Findings:	100%
Rating: (if applicable)	

***Finding 1:*** **The administration had not established proper internal control over disbursement transactions.**

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

**Object/Fund Difference Report  
MDOT – Maryland Port Administration  
Operating Budget**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	262.00	264.00	253.00	-11.00	-4.2%
02 Contractual	1.00	1.20	1.00	-0.20	-16.7%
<b>Total Positions</b>	<b>263.00</b>	<b>265.20</b>	<b>254.00</b>	<b>-11.20</b>	<b>-4.2%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 17,627,981	\$ 18,867,857	\$ 18,453,101	-\$ 414,756	-2.2%
02 Technical & Spec Fees	1,983,937	372,167	277,050	-95,117	-25.6%
03 Communication	519,748	532,216	525,514	-6,702	-1.3%
04 Travel	208,895	324,408	224,408	-100,000	-30.8%
06 Fuel & Utilities	3,157,968	3,008,356	3,236,417	228,061	7.6%
07 Motor Vehicles	1,009,301	907,694	847,420	-60,274	-6.6%
08 Contractual Services	58,327,491	58,992,445	57,051,843	-1,940,602	-3.3%
09 Supplies & Materials	1,533,372	2,270,098	1,922,836	-347,262	-15.3%
10 Equip - Replacement	332,487	250,553	221,415	-29,138	-11.6%
11 Equip - Additional	402,410	357,983	238,003	-119,980	-33.5%
12 Grants, Subsidies, and Contributions	438,000	260,000	260,000	0	0%
13 Fixed Charges	11,568,003	11,963,274	12,576,495	613,221	5.1%
14 Land & Structures	120,032	293,276	279,276	-14,000	-4.8%
<b>Total Objects</b>	<b>\$ 97,229,625</b>	<b>\$ 98,400,327</b>	<b>\$ 96,113,778</b>	<b>-\$ 2,286,549</b>	<b>-2.3%</b>
<b>Funds</b>					
03 Special Fund	\$ 97,166,722	\$ 98,300,327	\$ 96,113,778	-\$ 2,186,549	-2.2%
09 Reimbursable Fund	62,903	100,000	0	-100,000	-100.0%
<b>Total Funds</b>	<b>\$ 97,229,625</b>	<b>\$ 98,400,327</b>	<b>\$ 96,113,778</b>	<b>-\$ 2,286,549</b>	<b>-2.3%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary**  
**MDOT – Maryland Port Administration**  
**Operating and Capital Budget**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
2010 Port Operations	97,229,625	98,400,327	96,113,778	-2,286,549	-2.3%
2020 Port Facilities and Capital Equipment	76,869,793	101,365,557	85,003,036	-16,362,521	-16.1%
<b>Total Expenditures</b>	<b>\$ 174,099,418</b>	<b>\$ 199,765,884</b>	<b>\$ 181,116,814</b>	<b>-\$ 18,649,070</b>	<b>-9.3%</b>
Special Fund	\$ 173,621,935	\$ 197,487,884	\$ 173,573,814	-\$ 23,914,070	-12.1%
Federal Fund	414,580	2,178,000	7,543,000	5,365,000	246.3%
<b>Total Appropriations</b>	<b>\$ 174,036,515</b>	<b>\$ 199,665,884</b>	<b>\$ 181,116,814</b>	<b>-\$ 18,549,070</b>	<b>-9.3%</b>
Reimbursable Fund	\$ 62,903	\$ 100,000	\$ 0	-\$ 100,000	-100.0%
<b>Total Funds</b>	<b>\$ 174,099,418</b>	<b>\$ 199,765,884</b>	<b>\$ 181,116,814</b>	<b>-\$ 18,649,070</b>	<b>-9.3%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Budget Amendments for Fiscal 2005  
Maryland Department of Transportation  
Maryland Port Administration – Operating**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$272,697	Special	Fund the COLA of \$752 granted to all eligible State employees. MDOT estimates the total cost to be \$843 per employee, when benefits are included.
Approved	100,000	Reimb.	Federal grant through MEMA to install a digital microwave link at MPA’s Point Breeze facility that will connect the MPA, MdTA, and MTA to the Public Safety and Emergency backbone. This will allow MPA, MdTA, and MTA to share and connect to the high speed digital infrastructure.
Projected	716,810	Special	Due to utility deregulation, the statewide contract for fuel and utilities will increase significantly. Electricity is expected to increase 26% and the fuel increase is projected at 10%.
Projected	4,765,000	Special	Stevedoring costs due to increase volume (\$4,500,000), for increased insurance costs (\$100,000) and for increased costs related to cruise operations (\$165,000).

**Maryland Port Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$36,660	Special	Fund the COLA of \$752 granted to all eligible State employees. MDOT estimates the total cost to be \$843 per employee, when benefits are included.
Proposed	11,128,211	Special	Realigns the current year appropriation to agree with the expected cash flow for capital projects in MDOT’s CTP for fiscal 2005 through 2010.
	<u>-1,839,000</u>	Federal	
	<b>\$9,289,211</b>	<b>Total</b>	

Source: Maryland Port Administration

**Fiscal 2006 Cost Containment Actions**  
**As Submitted by the Agency**  
**Estimated Fiscal 2006 Savings**  
**Compared to Fiscal 2005**  
**(\$ in Thousands)**

<u>Cost Saving Action/Efficiency Measure</u>	<u>Program Code</u>	<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
World Trade Center Operating and Maintenance Costs	J03 D0001	-\$1,147		-\$1,147		The WTC is anticipated to be sold in mid fiscal 2006 – eliminates need for a half-year of operating and maintenance costs.
Reduce Marketing and Promotion	J03 D0001	-438		-438		Moderate impact on attracting new business and revenues to the State – \$313K for DBED Grant; \$75K for Preakness; and \$50K for Promotional Merchandise.
Defer Vehicle Replacements	J03 D0001	-177		-177		Moderate negative impact – one-year moratorium on vehicle and heavy equipment replacement – expenses will eventually be incurred as vehicles become unreliable/unusable for operations.
Reduce distribution of the POB magazine	J03 D0001	-150		-150		Currently, the POB Magazine is issued monthly – reducing the number of issues will have a negative impact on attracting new business and revenues to the State.
Reduce Travel and Training	J03 D0001	-150		-150		\$100K cut in travel (moderate negative impact) and \$50K cut in training (minor negative impact in the short-term, high impact over time). Reductions in travel will have the greatest impact on Marketing Division's ability to reach new customers. Reduction in the training budget will impact all divisions' ability to continue the professional training/education necessary in today's workforce.

<u>Cost Saving Action/Efficiency Measure</u>	<u>Program Code</u>	<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
Reduce Overtime/Miscellaneous Operating Reductions	J03 D0001	-208		-208		<p>\$100K for overtime (moderate negative impact) – greatest impact on Operations Division's ability to be flexible in reacting to customer needs and staff shortages.</p> <p>\$50K for Attorney General consultant fees (no negative impact) – possible due to pending resolution of the Ceres case. No negative impact.</p> <p>\$45K contractual employee. No negative impact.</p> <p>\$10,000 for Information Technology efficiencies. Minimal impact.</p> <p>\$3K – Reduce WTC catering, slight reduction in customer service.</p>
Miscellaneous Maintenance Deferrals	J03 D0001	-14		-14		Minor negative impact.
Reduce Crane Supplies and Materials	J03 D0001	-500		-500		Minor negative impact anticipated in the short-term, due to effective use of inventory and preventative maintenance. Long-term reduction will diminish MPA's ability to maintain cranes at required functional levels, resulting in more crane downtime.
Eliminate external advertising/promotions	J03 D0001	-500		-500		Moderate negative impact – eliminates external paid advertising for the port and virtually eliminates the POB presence in worldwide publications.
Reduce Marketing staff by five PINs	J03 D0001	-526		-526	-5	The work load will be redistributed among remaining Marketing staff.
Eliminate two vacant positions	J03 D0001	-118		-118	-2	Eliminates Administrative Assistant III (budget) and Deputy Executive Director for Operations/Marketing.
Eliminate four PINs at Dundalk Marine Terminal Truck Plaza	J03 D0001	-118		-118	-4	MPA will need to establish and manage a contract to perform this function.
<b>Total</b>		<b>-\$4,046</b>		<b>-\$4,046</b>	<b>-\$11</b>	