

J00J00
Maryland Transportation Authority

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>
Non-budgeted Fund	\$232,140	\$200,350	\$211,990	\$11,640	5.8%
Total Funds	\$232,140	\$200,350	\$211,990	\$11,640	5.8%
Adjusted Total	\$232,140	\$200,350	\$211,990	\$11,640	5.8%

- The fiscal 2006 operating allowance reflects an increase of \$5.5 million due to an increase in debt service payments.¹
- Other changes in the 2006 allowance include a \$3.1 million increase for personnel costs and a \$2.2 million increase for contractual services related to E-ZPass.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2004 Actual</u>	<u>Fiscal 2005</u>		<u>Fiscal 2006 Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Nonbudgeted	\$137,580	\$262,794	\$198,300	\$535,100
Total²	\$137,580	\$262,794	\$198,300	\$535,100

- The fiscal 2006 PAYGO capital budget increases by \$336.8 million from the fiscal 2005 working budget. The change includes two large projects added to the construction program, the Intercounty Connector (ICC) and improvements on the John F. Kennedy (JFK) Memorial Highway.

¹ The Maryland Transportation Authority (MdTA) advises that the current estimate for an increase in debt service is \$3.6 million. The MdTA forecast has changed since submission to the Department of Budget and Management, and MdTA no longer plans to issue debt in fiscal 2005.

² The fiscal 2006 budget book lists \$180.4 million as the fiscal 2005 working budget; however, the correct amount is \$198.3 million. The fiscal 2006 budget book also lists \$489.5 million as the fiscal 2006 allowance; however, the correct amount is \$535.1 million.

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	1,534.50	1,576.00	1,592.50	16.50
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	1,534.50	1,576.00	1,592.50	16.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	43.00	2.70%
Positions Vacant as of 12/31/04	161.00	10.11%

- The Maryland Transportation Authority (MdTA) fiscal 2006 budget includes a net increase of 16.5 regular positions. The positions include 6 positions in the capital program, 5.5 toll collector positions, 3 positions in facility maintenance, 2 police officer positions at the William Preston Lane, Jr. Memorial Bridge (Chesapeake Bay Bridge), 1 position in customer relations, and a reduction of 1 position in motor carrier inspection.
- MdTA also reduced the number of temporary toll collector positions from 75 to 35.

Analysis in Brief

Major Trends

Electronic Tolling Expected to Rise: There has been a recent rise in the use of electronic tolling. MdTA reported that 44% of all tolled traffic used electronic tolling in fiscal 2004, and the goal is to increase the percentage to 55% by fiscal 2006. E-ZPass electronic toll collection is available at all seven toll facilities of MdTA.

Issues

Law Enforcement on the JFK Memorial Highway: Since MdTA was established in 1971, law enforcement services on the JFK Memorial Highway (I-95 from Baltimore City to the Delaware state line) have been provided by the Department of State Police (DSP) through a contract agreement. MdTA has indicated that the MdTA Police has the ability to provide law enforcement services on the JFK Highway. MdTA estimates it would take two years to take over operations. **The Department of Legislative Services (DLS) recommends that MdTA, in consultation with DSP and the Department of Budget and Management, conduct a study to examine the possibility of transferring law enforcement services on the JFK Highway from DSP to MdTA.**

J00J00 – Maryland Transportation Authority

MdTA Forecast: Even with the recent acquisition of the ICC project, MdTA is projecting a positive cash balance from fiscal 2004 to 2010 and an annual surplus in all years except fiscal 2005 and 2006. However, there is a significant rise in the amount of debt it is planning to issue. Total bonds outstanding rise from \$305.0 million in fiscal 2004 to \$1.7 billion in fiscal 2010. **DLS recommends that MdTA comment on the large increase in bonds outstanding from fiscal 2004 to 2010, discussing how the trend will affect MdTA’s operating and capital programs.**

Operating Budget Recommended Actions

1. Adopt committee narrative requesting the Maryland Transportation Authority, in consultation with the Department of State Police and the Department of Budget and Management, to conduct a report on the John F. Kennedy Memorial Highway law enforcement.
2. Adopt committee narrative requesting the Maryland Transportation Authority to eliminate the deferred compensation match if the match is eliminated for other State employees in fiscal 2006.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

MdTA Legislative Oversight: During the 2004 legislative session, the Maryland General Assembly sought to increase its oversight of MdTA by adopting provisions that change MdTA’s authority to issue bonds. A provision was added to the Budget Reconciliation and Financing Act of 2004 (Chapter 430, Acts of 2004) to prohibit MdTA from issuing debt to finance a project until the legislature has approved the project and the maximum amount of bonds to finance the project. Chapter 432, Acts of 2004 (Maryland Consolidated Capital Bond Loan of 2004) modified the effective date of the provision until July 1, 2005. There are concerns that these provisions may be overly restrictive and the General Assembly will be considering several bills this session that address the issue.

Maryland Transportation Authority Police Jurisdiction: Executive Order 01.01.2004.28, titled “Terrorism Protection – Law Enforcement Services – Expanded Jurisdiction for Maryland Transportation Authority Police” was signed on May 18, 2004. The executive order provides expanded jurisdiction and authority for the MdTA Police to protect MdTA facilities and other areas of primary jurisdiction and to enhance the protection and safety of transportation assets throughout the State. Since the executive order has been implemented, there have been no instances of conflicts

J00J00 – Maryland Transportation Authority

between law enforcement jurisdictions attributable to the order. MdTA has used powers granted by the executive order to provide patrol services on the waterways (particularly at Baltimore's Inner and Outer Harbors and the Chesapeake Bay in the vicinity of the Chesapeake Bay Bridge); dispatch security and law enforcement services on the Maryland Rail Commuter rail lines; and dispatch security and law enforcement at previously non-jurisdictional areas surrounding Baltimore/Washington International Airport.

Annapolis Parking Garage: MdTA is moving forward with a proposed project to finance a parking garage in Annapolis on the northeast corner of Bladen Street and Calvert Street between the Lowe House Office Building and the new public housing units along Rowe Boulevard. Construction on the facility is expected to begin in July 2005 and open for use by fall 2006. It is estimated that the facility will have 725 parking spaces in five different levels; four of the levels will be above-ground and one level will be below-ground. The preliminary cost estimate is \$24 million. MdTA's role in the construction of the parking facility will be limited to issuing bonds to finance the facility. MdTA anticipates issuing revenue bonds in spring 2005 to finance the project.

Chesapeake Bay Bridge Repairs on the Westbound Span: MdTA is in the process of rehabilitating the westbound span of the Chesapeake Bay Bridge. A total of \$87 million is included in the January 2005 *Consolidated Transportation Program* for this project. In December 2003 MdTA inspectors noted minor cracking in the westbound resurfacing, and by March 2004 the cracking was more widespread. Since that time, numerous modifications to the original scope of work, recommended by consultants, have been implemented to eliminate the concrete overlay de-lamination problem. A portion of the cracked surface was replaced in fall 2004, and MdTA plans to resurface the remainder in spring 2005.

J00J00
Maryland Transportation Authority

Budget Analysis

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:

- the Northern Region, including the John F. Kennedy (JFK) Memorial Highway (I-95) and the Thomas J. Hatem Memorial (Susquehanna River) Bridge;
- the Central Region, including 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
- the Southern Region, including the Harry W. Nice Memorial Bridge (U.S. 301) and the William Preston Lane, Jr. Memorial Bridge (Chesapeake Bay Bridge). The Seagirt Marine Terminal, developed by MdTA, is leased to the Maryland Port Administration (MPA).

The authority is comprised of six members appointed by the Governor and the Secretary of the Maryland Department of Transportation (MDOT), who serves as chairman. MdTA's revenues are held separately from the Transportation Trust Fund (TTF), and the agency operates off-budget.

In addition, MdTA's police force is responsible for security and law enforcement services at the authority's toll facilities and for law enforcement services at Baltimore/Washington International Airport (BWI) and MDOT-operated facilities at the Port of Baltimore.

The authority has identified the following key goals:

- move people and goods conveniently;
- preserve and improve authority facilities;
- reduce the fatalities and injuries resulting from vehicle collisions;
- reduce workplace accidents;
- protect people and property from unlawful activity; and

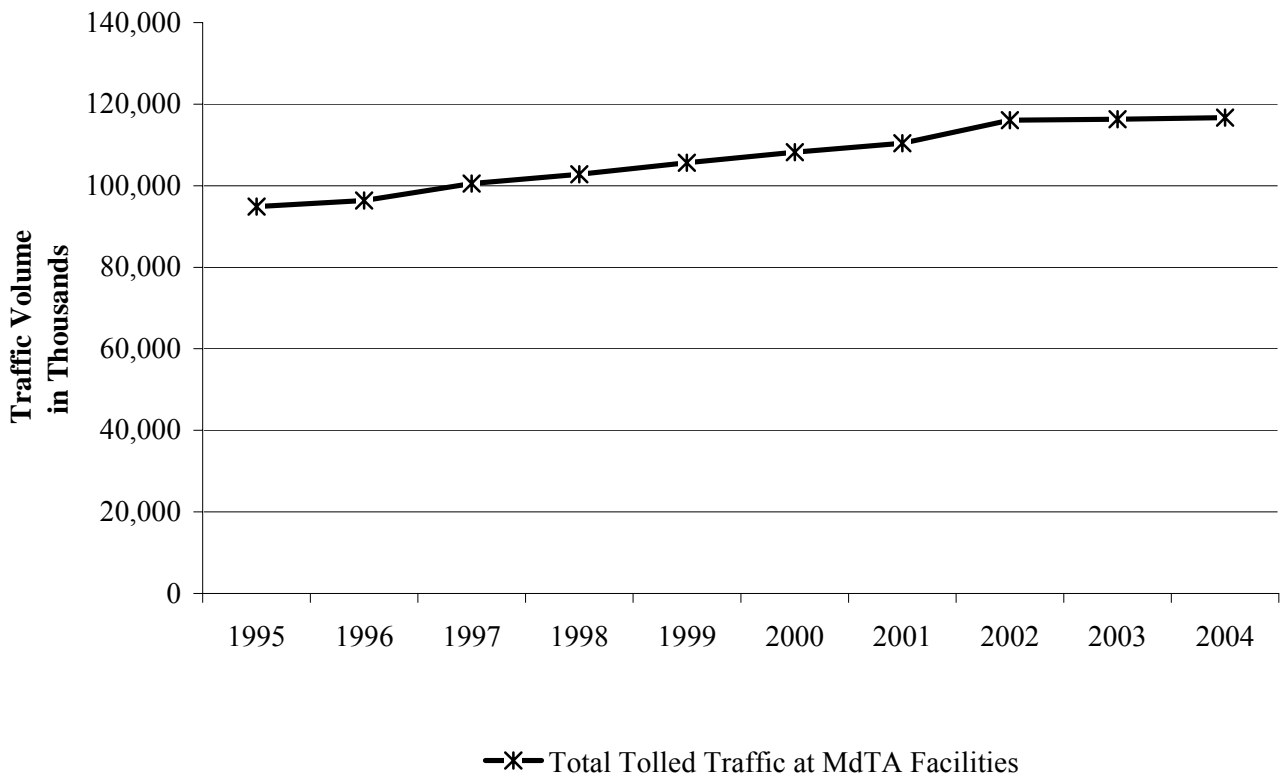
J00J00 – Maryland Transportation Authority

- finance and build new transportation facilities with MDOT to meet Maryland’s transportation needs.

Performance Analysis: Managing for Results

From the period of fiscal 1995 through 2004, tolled traffic at MdTA facilities has increased by an annual average of 2.3%. **Exhibit 1** shows the increase in traffic at all MdTA facilities from fiscal 1995 through 2004. Total tolled traffic volume in fiscal 2004 was 116.7 million.

Exhibit 1
Maryland Transportation Authority
Annual Tolled Traffic
Fiscal 1995 – 2004

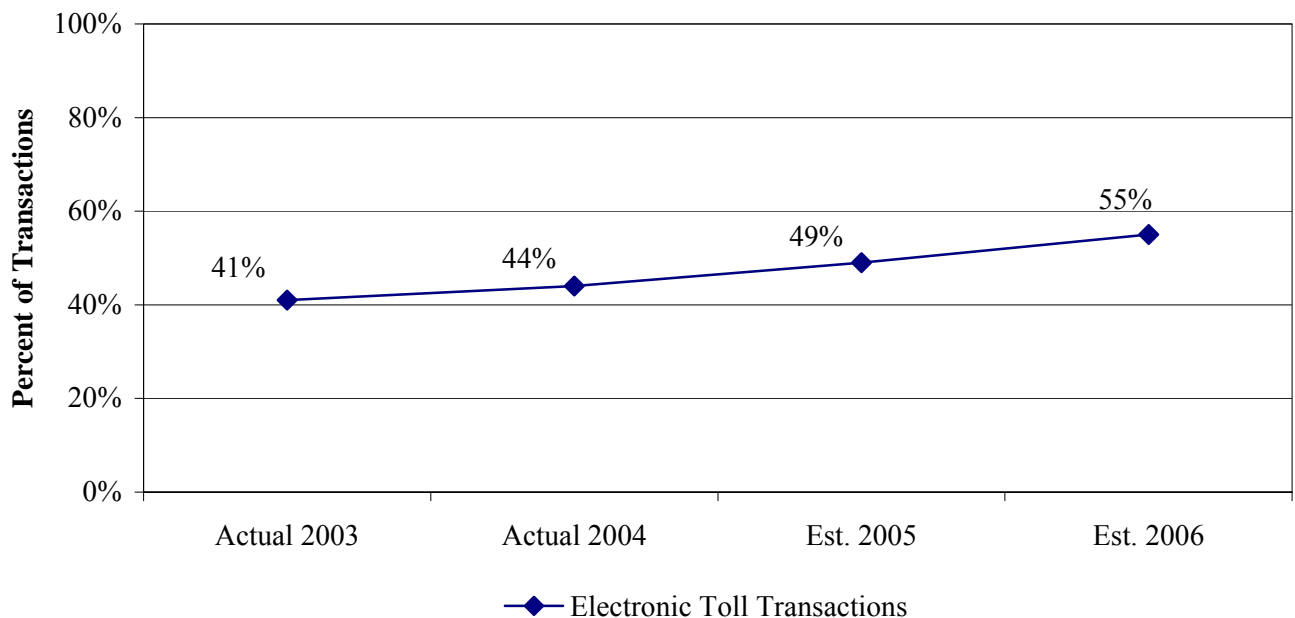


Source: Maryland Transportation Authority

Electronic Tolling

There has been a recent rise in the use of electronic tolling. MdTA reported that 44% of all tolled traffic used electronic tolling in fiscal 2004, and the goal is to increase the percentage to 55% by fiscal 2006. The number of vehicle transactions using electronic tolling is currently around 51.7 million, and MdTA hopes to reach 65.6 million by fiscal 2006. E-ZPass electronic toll collection is available at all seven toll facilities of MdTA. MdTA continues to expand E-ZPass marketing initiatives, including billboards, radio advertisements, brochures, and printed advertisements in regional magazines. **Exhibit 2** provides data on electronic toll transactions at MdTA facilities from fiscal 2003 through 2006.

Exhibit 2
Maryland Transportation Authority
Percentage of Electronic Toll Transactions
Fiscal 2003 – 2006



Source: Maryland Transportation Authority

J00J00 – Maryland Transportation Authority

The following plans are available with a Maryland E-ZPass account:

- **Baltimore Regional Commuter Plan** – for two-axle vehicles – 50 trips for \$20, valid for 60 days (two trips are deducted at the JFK Memorial Highway).
- **Bay Bridge Commuter Plan** – for two-axle vehicles – 25 trips for \$25, valid for 60 days.
- **Harry W. Nice Memorial Bridge Commuter Plan** – for two-axle vehicles – 25 trips for \$15, valid for 60 days.
- **Standard Plan** – full-fare plan, funds do not expire.
- **Business Plan** – for vehicles with three or more axles or for accounts with five or more transponders; post-purchase discounts of 5, 10, 15, or 20% are available for commercial vehicle operators who qualify, based on volume of trips taken each month.

Governor's Proposed Budget

The fiscal 2006 operating allowance increases by \$11.6 million over fiscal 2005. The largest change is a \$5.5 million increase in debt service costs largely due to an increase in payments on 1992 and 1998 series bonds. Personnel costs increase by \$3.1 million with most of the change due to a \$1.5 million increase in pension costs and a \$730,000 increase for new positions and step increases. Other changes include a \$2 million increase due to an escalated contract cost for E-ZPass operations and other fees associated with E-ZPass. Cost for the service is directly tied to the number of E-ZPass accounts, and electronic tolling continues to rise. **Exhibit 3** provides additional detail regarding changes in the budget.

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

How Much It Grows:	Nonbudgeted Fund	Total
2005 Working Budget	\$200,350	\$200,350
2006 Governor's Allowance	<u>211,990</u>	<u>211,990</u>
Adjusted Allowance	\$211,990	\$211,990
Amount Change	\$11,640	\$11,640
Percent Change	5.8%	5.8%

J00J00 – Maryland Transportation Authority

Where It Goes:

Personnel Expenses

Increased pension costs due to an increase in the Law Enforcement Officers Pension System	\$1,450
New positions and step increases	730
Increase in overtime to accurately reflect actual levels	500
Deferred compensation match	300
Unemployment	100

Other Changes

Increase in debt service costs due to payments on 1992 and 1998 series bonds	5,543
Increase in contract cost for E-ZPass operations and other fees associated with E-ZPass	2,000
Increase in credit card fees MdTA must pay for E-ZPass usage	466
Increase for motor vehicles including replacements for MdTA Police at BWI.....	465
Increase in payment to Maryland State Police for law enforcement services on the JFK Memorial Highway (I-95 from Baltimore City to Delaware).....	200
Other adjustments	-114

Total **\$11,640**

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

Debt Service Payments

Exhibit 4 provides the schedule of debt service payments and total debt outstanding for MdTA debt (backed by MdTA facilities). MdTA currently has three bonds outstanding: (1) the 1992 series bonds were issued in August 1992 for \$162.1 million and advance refunded a portion of the outstanding 1985 series bonds, funded a deposit to the 1992 series Reserve Subaccount, and paid bond issuance costs; (2) the 1998 series bonds were issued in April 1998 for \$16.3 million and advance refunded a portion of the outstanding Transportation Facilities Projects Revenue Bonds, 1991 series, and funded the 1998 series Reserve Subaccount; and (3) the 2004 series bonds were issued in June 2004 and fund MdTA’s capital program. Total MdTA debt outstanding is expected to fall from \$305 million in fiscal 2004 to \$261.5 million in fiscal 2006. The decrease is due to payments made on the 1992 and 1998 series bonds.

Exhibit 4
Maryland Transportation Authority
Debt Service Payments and Debt Outstanding (MdTA Debt)
Fiscal 2004 – 2006
(\$ in Thousands)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Debt Service Payments</u>			
Interest on Bonds — 1991 Series	\$748	\$0	\$0
Interest on Bonds — 1992 Series	10,827	1,632	845
Interest on Bonds — 1998 Series	741	730	475
Interest on Bonds — 2004 Series	0	8,033	8,030
Payments of Serial Bonds — 1991 Series	11,515	0	0
Payments of Serial Bonds — 1992 Series	47,539	13,790	14,570
Payments of Serial Bonds — 1998 Series	220	5,675	9,510
Payments of Serial Bonds — 2004 Series	0	0	0
Total Debt Service Payments	\$71,590	\$29,860	\$33,430
 <u>Debt Outstanding</u>			
1991 Series	\$0	\$0	\$0
1992 Series	129,855	116,065	101,495
1998 Series	15,185	9,510	0
2004 Series	160,000	160,000	160,000
Total Debt Outstanding	\$305,040	\$285,575	\$261,495

Note: These debt service numbers were provided by MdTA. The numbers differ slightly from the fiscal 2006 State Budget Books and are actual numbers based on the latest financial statements.

Source: Maryland Transportation Authority

Besides MdTA debt, MdTA also issues debt on behalf of other entities. Most of the recent stand-alone debt issued has related to the \$1.8 billion expansion project at BWI. Debt issued has helped finance the new Concourse A, parking facilities, pedestrian bridges, and a new consolidated rental car facility. This debt includes 2002 A&B Series, 2002 Series, and 2003 A&B Series and is backed by fees at BWI. MdTA has also issued debt on behalf of the Washington Metropolitan Area Transit Authority (WMATA) to finance three parking facilities at Largo, New Carrollton, and College Park. This debt, 2004 series bonds, was recently issued for \$40 million and is backed by lease payments from WMATA. **Exhibit 5** shows debt outstanding on MdTA stand-alone projects.

Exhibit 5
Maryland Transportation Authority
Debt Outstanding on Stand-Alone Projects
Fiscal 2004 – 2006
(\$ in Thousands)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Debt Service Payments</u>			
Interest on Bonds – 2002 A&B Series – BWI Elm Road garage	\$13,243	\$17,558	\$18,955
Interest on Bonds – 2002 Series – BWI rental car facility	8,050	9,042	9,037
Interest on Bonds – 2003 A&B Series – various BWI projects	313	1,924	2,947
Interest on Bonds – 2004 Series – WMATA parking garages	0	2,001	2,001
Payments of Serial Bonds – 2002 A&B Series	0	4,315	5,885
Payments of Serial Bonds – 2002 Series	600	1,630	1,690
Payments of Serial Bonds – 2003 A&B Series	0	0	0
Payments of Serial Bonds – 2004 Series	0	0	0
Total Debt Service Payments	\$22,206	\$36,470	\$40,515
<u>Debt Outstanding</u>			
2002 A&B Series	\$264,075	\$259,760	\$253,875
2002 Series	116,745	115,115	113,425
2003 A&B Series	69,700	69,700	69,700
2004 Series	40,000	40,000	40,000
Total Debt Outstanding	\$490,520	\$484,575	\$477,000

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. In addition to the seven toll facilities for which it is responsible, MdTA finances construction of certain facilities at BWI and the Port of Baltimore. Projects at BWI are repaid through a passenger facility charge (PFC) assessed on airplane tickets for enplaning passengers and a customer facility charge (CFC) assessed on rental cars. MdTA also constructed the Seagirt Marine Terminal, for which the MPA provides a revenue-based lease payment for operating the terminal. Most recently, MdTA has acquired the Intercounty Connector (ICC) project, a proposed east-west road connecting I-270 and I-95.

Fiscal 2005 to 2010 Consolidated Transportation Program (CTP)

The MdTA PAYGO capital program increases by \$336.8 million from the fiscal 2005 working budget to the fiscal 2006 allowance. Most of this change includes projects added or moved to the construction program. The majority of the total increase is due to the addition of \$246.8 million for the ICC over fiscal 2005 levels. In last year's CTP, the ICC project was included in the development and evaluation (D&E) program, and only funds for planning and engineering were budgeted. With this year's CTP, the project is moved to the construction program, and funds are now budgeted for all stages of the project. The change in the MdTA capital program also includes a \$53.5 million increase for the system preservation minor projects program which includes routine work on all of MdTA's facilities, such as sign replacement, road resurfacing, and painting. The Baltimore Harbor Tunnel and Francis Scott Key Bridge account for much of the increase.

Major Projects Added to the Construction Program

As shown in **Exhibit 6**, MdTA has added five new projects to the construction program. The five projects combine for \$23.9 million in spending for fiscal 2006. The projects are either new to the MdTA capital program or were moved from the System Preservation Minor Projects Program.

Major Projects Moved from D&E to the Construction Program

As shown in **Exhibit 7**, three projects were moved from the D&E program to the construction program. This includes \$291.9 million budgeted for the ICC in fiscal 2006. A final decision is expected for the ICC in summer 2006. If the "build alternative" is selected, then construction would begin by 2006. The three projects moved to the construction program combine for \$332 million in spending for fiscal 2006.

Exhibit 6
MdTA CTP Projects Added to the Construction Program
 (\$ in Thousands)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>Total FY 05 - 06</u>	<u>Total Project Cost</u>
JFK Memorial Highway – replace the Rossville Boulevard Bridge over I-95	\$523	\$2,573	\$3,096	\$9,969
JFK Memorial Highway – replace Cowenton Avenue Bridge	200	472	672	3,130
Fort McHenry Tunnel – rehabilitate all of I-95 and I-395 south of the Tunnel	5,219	4,550	9,769	106,335
Fort McHenry Tunnel – rehabilitate all of I-95 north of the Tunnel to I-895	6,534	15,285	21,819	61,675
Baltimore Harbor Tunnel Thruway – replace the deck on the Canton Viaduct	460	990	1,450	21,132
Total	\$12,936	\$23,870	\$36,806	\$202,241

Source: Maryland Transportation Authority, January 2005 *Consolidated Transportation Program*

Exhibit 7
MdTA CTP Projects Moved from D&E to the Construction Program
 (\$ in Thousands)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>Total FY 05 - 06</u>	<u>Total Project Cost</u>
JFK Memorial Highway, Section 100 – improvements to interchanges at I-895, I-695, and MD 43 and construct two managed lanes in each direction from I-895 to north of MD 43	\$16,373	\$35,916	\$52,289	\$830,215
JFK Memorial Highway – improvements to the I-95/MD 24 interchange	450	4,175	4,625	85,634
ICC – construction of a new east-west toll highway in Montgomery and Prince George’s counties between I-270 and I-95/U.S. 1	45,107	291,915	337,022	2,446,306
Total	\$61,930	\$332,006	\$393,936	\$3,362,155

Source: Maryland Transportation Authority, January 2005 *Consolidated Transportation Program*

Projects Added to the D&E Program

One project was added to the MdTA D&E program. The project added is a traffic capacity study of the Chesapeake Bay Bridge. MdTA plans to form a task force in spring 2005 that will review capacity needs across the Chesapeake Bay Bridge. There is \$250,000 budgeted for planning in fiscal 2006 for this project.

Issues

1. Law Enforcement on the JFK Memorial Highway

Since MdTA was established in 1971, law enforcement services on the JFK Memorial Highway (I-95 from Baltimore City to the Delaware state line) have been provided by the Department of State Police (DSP) through a contract agreement. When MdTA was first established, it did not have the capacity to provide these services. MdTA has indicated that the MdTA Police, comprised of nearly 500 sworn officers, now has the ability to provide law enforcement services on the JFK Memorial Highway. The contract between DSP and MdTA requires a two-year notification before the agreement is broken. MdTA estimates it would take two years to take over operations.

The Department of Legislative Services (DLS) estimates that if MdTA ended its agreement with DSP and provided law enforcement services on the JFK Memorial Highway, MdTA could save nearly \$700,000 per year in indirect recovery costs.

The effect on MdTA would be:

- MdTA would no longer provide a payment to DSP and could use the same funds to have the MdTA Police provide the service (\$4.2 million in fiscal 2006);
- MdTA would no longer pay indirect cost recovery to DSP because it would provide the law enforcement services in-house (\$677,586 in fiscal 2006); and
- MdTA Police would have to recruit and train additional personnel.

The effect on DSP would be:

- DSP would lose special fund income from MdTA (total of \$4.9 million in fiscal 2006, including indirect cost recovery); and
- the transfer of law enforcement services to MdTA would free up DSP personnel to be used for other law enforcement purposes around the State, assuming general funds are provided.

DLS recommends that MdTA, in consultation with DSP and the Department of Budget and Management, conduct a study to examine the possibility of transferring law enforcement services on the JFK Memorial Highway from DSP to MdTA. The study should include a discussion of indirect cost recovery savings, steps necessary for MdTA to take over operations, and the overall impact on MdTA and DSP.

2. MdTA Forecast

Even with the recent acquisition of the ICC project, MdTA is projecting a positive cash balance from fiscal 2004 to 2010 and an annual surplus in all years except fiscal 2005 and 2006. After a \$117.4 million drop in unencumbered cash from fiscal 2004 to 2006, the unencumbered cash balance achieves average annual growth of 5.0% from fiscal 2006 through 2010.

While MdTA is projecting a positive cash balance from fiscal 2004 to 2010, there is a significant rise in the amount of debt it is planning to issue. Total bonds outstanding rise from \$305.0 million in fiscal 2004 to \$1.7 billion in fiscal 2010. The rise in bond sales reflects MdTA’s plan to sell \$1.2 billion in bonds to help finance the ICC as well as over \$500 million in bonds to help support its capital program for other projects. As bond sales rise, debt service coverage levels drop. Debt service payments steadily increase from fiscal 2004 to 2010 and thus require a higher percentage of available cash to cover debt. **Exhibit 8** summarizes the MdTA forecast from fiscal 2004 to 2010. A more detailed forecast is provided in **Appendix 1**.

DLS recommends that MdTA comment on the large increase in bonds outstanding from fiscal 2004 to 2010, discussing how the trend will affect MdTA’s operating and capital programs.

Exhibit 8
MdTA Forecast
Fiscal 2004 – 2010
(\$ in Millions)

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>
Opening Cash Balance	\$330.0	\$415.9	\$356.6	\$290.0	\$319.6	\$326.8	\$335.8
Ending Cash Balance	415.9	356.6	290.0	319.6	326.8	335.8	344.0
Unencumbered Cash Balance	\$341.7	\$292.3	\$224.3	\$252.5	\$258.2	\$265.7	\$272.2
Revenues	293.7	354.3	362.1	371.6	382.6	393.7	405.1
Expenses	207.8	413.5	428.7	342.0	375.4	384.7	396.9
Annual Surplus/Deficit	85.9	-59.3	-66.6	29.6	7.2	9.0	8.2
Total Bonds Outstanding	\$305.0	\$285.6	\$261.5	\$511.7	\$708.8	\$1,373.7	\$1,693.7

Source: Maryland Transportation Authority

Operating Budget Recommended Actions

1. Adopt the following narrative:

Report on the John F. Kennedy (JFK) Memorial Highway Law Enforcement: The committees support an effort by the Maryland Transportation Authority (MdTA), in consultation with the Department of State Police (DSP) and the Department of Budget and Management, to provide a report on the transfer of law enforcement services on the JFK Memorial Highway from DSP to MdTA. MdTA should provide a discussion of indirect cost recovery savings, steps necessary for MdTA to take over operations, and the overall impact on MdTA and DSP.

Information Request	Author	Due Date
Report on the JFK Memorial Highway Law Enforcement	MdTA	October 1, 2005

2. Adopt the following narrative:

Payment of Deferred Compensation Match: It is the intent of the committees that the Maryland Transportation Authority eliminates the deferred compensation match if the State eliminates deferred compensation match funding for all other State employees for fiscal 2006.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

1. MdTA Legislative Oversight

During the 2004 legislative session, the Maryland General Assembly sought to increase its oversight of MdTA by adopting provisions that change MdTA's authority to issue bonds. A provision was added to the Budget Reconciliation and Financing Act of 2004 (Chapter 430, Acts of 2004) to prohibit MdTA from issuing debt to finance a project until the legislature has approved the project and the maximum amount of bonds to finance the project. Chapter 432, Acts of 2004 (Maryland Consolidated Capital Bond Loan of 2004) modified the effective date of the provision until July 1, 2005. There are concerns that these provisions may be overly restrictive, and the General Assembly will be considering several bills this session that address the issue.

At the present time, the General Assembly has very limited oversight of MdTA. No approval is required for MdTA to issue any type of debt, and there is no control over MdTA's budget. The General Assembly:

- reviews MdTA's operating and capital spending plans; and
- receives notice when MdTA enters a contract for a new revenue-producing facility and may review and comment upon such notices but may not approve or disapprove of the contract or the new project;

The provisions adopted during the 2004 legislative session, if they take effect on July 1, 2005, would:

- require MdTA to obtain the approval of the General Assembly to issue bonds to finance not only new revenue-producing projects but also regular maintenance;
- require MdTA to present an annual bond bill to the General Assembly for approval during the regular session; and
- make no distinction between bonds issued by MdTA to fund its own projects and bonds issued by MdTA on behalf of other parties (such as bonds issued by MdTA for construction projects at BWI).

The following options are possible:

- Repeal the provisions enacted in 2004 and impose no new limits.
- Repeal the provisions enacted in 2004 and impose a statutory limit on the total amount of debt that MdTA may have outstanding at any one time and require the legislature to set an annual debt

J00J00 – Maryland Transportation Authority

limit. This approach is consistent with what is currently imposed on MDOT's issuance of consolidated transportation bonds. This option would impose no limitations on the purposes for which MdTA could issue debt.

- Repeal the provisions enacted in 2004 and pass a law requiring approval of the construction of new revenue-producing transportation facilities projects. The passage of such a provision would give the General Assembly control over new projects undertaken by MdTA.
- Bring MdTA on-budget, thus requiring the Governor to provide an annual allowance and the General Assembly to approve an annual appropriation. By bringing MdTA on-budget, the General Assembly would greatly expand its oversight of all aspects of MdTA's operations and capital projects.

2. Maryland Transportation Authority Police Jurisdiction

Executive Order 01.01.2004.28, titled "Terrorism Protection – Law Enforcement Services – Expanded Jurisdiction for Maryland Transportation Authority Police" was signed on May 18, 2004. The executive order provides expanded jurisdiction and authority for the MdTA Police:

- to protect MdTA facilities and other areas of primary jurisdiction; and
- to enhance the protection and safety of transportation assets throughout the State.

The expanded jurisdiction in relation to MdTA facilities and other areas of primary jurisdiction refers to (1) geographic areas that are adjacent to MdTA, the Maryland Aviation Administration, and MPA properties; (2) geographic areas for which permissive jurisdiction exists pursuant to Memoranda of Understanding with neighboring political sub-divisions or jurisdictions; and (3) specific locations to which MdTA Police are dispatched for a particular purpose including security patrols on land and water, serious accident scenes, and serious crime scenes.

A "transportation asset" is defined as any facility, building, vehicle, real or personal property, conveyance, railroad, highway, street, or any other transportation resource – public or private, including those described in Transportation Article 21-101. Examples of activities that would serve to enhance the protection and safety of transportation assets include routine security patrols, criminal investigation, employee misconduct investigation, accident scene investigation, and intelligence gathering. The new authority to enhance the protection and safety of transportation assets throughout the State is limited to when MdTA Police officers are on duty. Officers must be able to explain how the enforcement action taken was necessary to or contributed to the protection and safety of a transportation asset. The expanded jurisdiction shall not be used as a basis to take action in response to (1) minor traffic violations; (2) misdemeanor crimes not committed in the presence of an officer; (3) service of summons or warrants; or (4) low level crimes involving controlled dangerous substances.

J00J00 – Maryland Transportation Authority

On May 24, 2004, the MdTA Police Chief issued General Order #04-20 to all MdTA Police personnel. This document serves as the agency's Standard Operating Procedure in implementing the executive order. The powers granted by the order do not impact the functions or jurisdictional authority of other law enforcement agencies in the State of Maryland. Since Executive Order 01.01.2004.28 has been implemented, there have been no instances of conflicts between law enforcement jurisdictions attributable to the order. Because of the authority granted by the order, MdTA Police have been able to:

- provide patrol services on the waterways, particularly at Baltimore's Inner and Outer Harbors and the Chesapeake Bay in the vicinity of the Chesapeake Bay Bridge;
- dispatch security and law enforcement services on the Maryland Rail Commuter (MARC) rail lines; and
- dispatch security and law enforcement at previously non-jurisdictional areas surrounding BWI airport.

MdTA believes that these activities have not yet resulted in significant new costs. However, because toll revenues may not be used for non-toll security expenses, MdTA and the Maryland Transit Administration are developing an agreement to establish a method of compensation for the MARC rail security services. MdTA has stated that there have been fewer than a dozen instances of MdTA officers relying on the jurisdictional authority of the order to conduct traffic stops. From those few instances, there have been no discernable negative effects. MdTA advises that most of the stops resulted in criminal arrests. MdTA Police has stated that there are no "thoughts on future expansion" of jurisdictional authority as long as the order remains in effect.

3. Annapolis Parking Garage

MdTA has the authority to finance revenue-generating transportation facilities projects such as the authority's own bridges, highways, toll facilities, and projects at the Port of Baltimore or BWI. Chapter 569, Acts of 2001 gave MdTA the added authority to finance, construct, operate, maintain, and repair vehicle parking facilities in priority funding areas. Previously, MdTA only participated in financing construction or improvements for transportation facilities projects proposed by MDOT.

MdTA is moving forward with a proposed project to finance a parking garage in Annapolis on the northeast corner of Bladen Street and Calvert Street between the Lowe House Office Building and the new public housing units along Rowe Boulevard. Bids are expected to be received in March 2005, and the contract is expected to be awarded in May 2005. Construction on the facility is expected to begin in July 2005 and be open for use by fall 2006. It is estimated that the facility will have 725 parking spaces in five different levels; four of the levels will be above-ground and one level will be below-ground. The preliminary cost estimate is \$24 million.

J00J00 – Maryland Transportation Authority

MdTA's role in the construction of the parking facility will be limited to issuing bonds to finance the facility. The Department of General Services will manage all aspects of the construction of the facility, including the procurement of the construction contractor. MdTA anticipates issuing revenue bonds in spring 2005 to finance the project. Rather than a parking revenue stream, the bonds will be backed by annual lease payments appropriated in the budget. The State has financed a number of buildings using this approach, including some of the State's multi-service centers. Appropriation based financing is normally rated at one notch below general obligation bond ratings.

4. Chesapeake Bay Bridge Repairs on the Westbound Span

MdTA is in the process of rehabilitating the westbound span of the Chesapeake Bay Bridge. A total of \$87 million is included in the January 2005 CTP for this project. The project consists of the following two phases: (1) the Phase I contract is focused on resurfacing major portions of the bridge deck and includes some full-depth poured-in-place replacement for portions of the deck; and (2) Phase II of the project, which will complete the rehabilitation of the deck, is to use full-depth pre-cast deck replacement on the two spans with steel grating. A total of \$56.3 million is budgeted for Phase I, and \$30.7 million is budgeted for Phase II.

Phase I

In December 2003, MdTA inspectors noted minor cracking in the westbound resurfacing and by March 2004, the cracking was more widespread. In March 2004, MdTA asked a consultant to investigate the road condition and offer a solution. A preliminary report was issued in early September and the consultants recommended removing the failed concrete and applying more traditional road surface. Since that time, numerous modifications to the original scope of work, provided by the consultants, have been implemented to eliminate the concrete overlay de-lamination problem. The Bay Bridge Overview Team, which was appointed by the chairman, has also provided guidance on the revised specifications. The Overview Team completed their "Bay Bridge Deck Investigation" in January 2005. Among the major changes are:

- enhanced surface preparation methods;
- new type of concrete overlay material (latex modified concrete); and
- strict adherence to weather condition requirements relating to concrete placement and curing procedures.

The left lane of the westbound span of the bridge (lane 3) had all the original deck overlay work replaced during the months of September and November 2004. Ongoing testing and inspection of this work is underway. Portions of the center lane resurfacing (lane 2) that has de-laminated will be resurfaced this spring. Defining the extent of the areas of original deck overlays that must be repaired depends on engineering analysis that will be completed this March. This analysis is consistent with recommendations of the Overview Team. The right lane (lane 1) of the original resurfacing work

J00J00 – Maryland Transportation Authority

shows virtually no concrete de-lamination at this time. Following the recommendation of the Overview Team, this lane is being inspected daily and will be evaluated again in March to assure it is performing well. No work is currently planned in this lane.

Additional costs associated with cracking on the westbound resurfacing include \$5.6 million for work completed for lane 3. The amount for lane 2 is expected to be less, but is undetermined as of yet, because not all testing has been completed. Lane 1 may not receive any repairs but that determination will be made in March 2005.

Liability Issues

The Overview Team report is one of the elements to be used in the analysis of allocation of responsibility. MdTA, with the assistance of the Office of the Attorney General, is conducting an analysis of the allocation of responsibility among the various parties. MdTA has approved retaining confidential expert consultants to assist in that effort. If these efforts lead MdTA and the Office of the Attorney General to conclude that a third party, or parties, bears a responsibility for these problems, MdTA will take appropriate action to recover its costs from the responsible parties.

Phase II

Phase II of the project is undergoing a review to study the scope and construction options. An annual bid for the Phase II work was rejected by the authority in January 2005 and the project will be re-advertised in summer 2005. The re-advertised contract will incorporate results of ongoing deck analysis, recommendations of the Overview Team, and peer review efforts. MdTA hopes to begin deck replacement work on Phase II in November 2006.

MdTA Financial Forecast
Fiscal 2004 – 2010
(\$ in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Opening Cash Balance	\$330.0	\$415.9	\$356.6	\$290.0	\$319.6	\$326.8	\$335.8
Encumbered Cash	90.2	74.2	64.4	65.7	67.1	68.6	70.1
Unencumbered Cash	239.8	341.7	292.3	224.3	252.5	258.2	265.7
Revenues							
Toll Revenues	249.0	293.0	301.5	310.1	319.0	328.2	337.7
Concessions	8.1	8.3	8.5	8.7	8.9	9.1	9.3
Investment Income and Other	10.6	18.6	16.7	16.2	16.7	17.0	17.2
Maryland Department of Transportation	26.0	34.4	35.3	36.7	38.0	39.4	40.9
Total Revenues	\$293.7	\$354.3	\$362.1	\$371.6	\$382.6	\$393.7	\$405.1
Expenses							
Operations	100.3	108.3	113.5	119.1	125.1	131.3	137.9
BWI and Port Police	17.3	19.2	19.9	20.9	22.0	23.1	24.2
MDOT Transfer	43.0	43.0	43.0	43.0	0.0	0.0	0.0
Debt Service	71.6	29.9	33.4	24.5	44.1	60.0	103.2
Capital Program	137.6	183.2	510.8	622.6	844.3	900.2	721.6
Less: GARVEE Bond Proceeds	0.0	0.0	-251.9	-148.1	-400.0		-200.0
Less: MDOT/Special Federal Funds			-40.0	-40.0	-40.0	-40.0	-40.0
Less: Revenue Bond Proceeds	-161.9	0.0	0.0	-270.0	-220.0	-690.0	-350.0
Reserves	0.0	30.0	0.0	-30.0	0.0	0.0	0.0
Total Expenses	\$207.8	\$413.5	\$428.7	\$342.0	\$375.4	\$384.7	\$396.9
Annual Surplus/Deficit	85.8	-59.3	-66.6	29.6	7.2	9.0	8.2
Ending Cash Balance	\$415.9	\$356.6	\$290.0	\$319.6	\$326.8	\$335.8	\$344.0
Encumbered Cash	74.2	64.4	65.7	67.1	68.6	70.1	71.7
Unencumbered Cash	341.7	292.3	224.3	252.5	258.2	265.7	272.2
Total Bonds Outstanding	\$305.0	\$285.6	\$261.5	\$511.7	\$708.8	\$1,373.7	\$1,693.7

Audit Findings

Audit Period for Last Audit:	October 11, 2000 – December 31, 2003
Issue Date:	October, 2004
Number of Findings:	7
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

- Finding 1:** The authority’s method for awarding three construction contracts totaling \$636,283 did not ensure that competitive bids were solicited and/or that Board of Public Works approvals were obtained.
- Finding 2:** The authority lost toll revenues totaling approximately \$1.45 million due to certain malfunctions with the *E-ZPass* electronic toll collection system.
- Finding 3:** An independent audit of the electronic toll collection system was not performed.
- Finding 4:** Certain cash receipts collected by the *E-ZPass* system contractor were not adequately controlled.
- Finding 5:** The authority did not verify the propriety of certain checking account transactions or prepare monthly account reconciliations.
- Finding 6:** The authority did not verify all fuel service station commissions received applicable to calendar 2000 through 2002.
- Finding 7:** Required physical inventories of motor vehicles and maintenance equipment were not conducted, and certain related inventory records were not adequately maintained.

Object/Fund Difference Report
MDOT – Maryland Transportation Authority
Operating Budget

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Budget</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1464.50	1491.00	1501.50	10.50	0.7%
Total Positions	1464.50	1491.00	1501.50	10.50	0.7%
Objects					
01 Salaries and Wages	\$ 85,284,457	\$ 92,928,311	\$ 96,012,597	\$ 3,084,286	3.3%
02 Technical & Spec Fees	2,704,428	2,764,350	3,229,800	465,450	16.8%
03 Communication	693,094	704,600	754,850	50,250	7.1%
04 Travel	70,284	101,978	93,850	-8,128	-8.0%
06 Fuel & Utilities	2,455,333	2,569,300	2,578,940	9,640	0.4%
07 Motor Vehicles	2,105,579	1,793,500	2,132,000	338,500	18.9%
08 Contractual Services	18,356,268	21,134,874	23,353,889	2,219,015	10.5%
09 Supplies & Materials	5,660,821	5,139,948	5,078,191	-61,757	-1.2%
12 Grants, Subsidies, and Contributions	43,000,000	43,000,000	43,000,000	0	0%
13 Fixed Charges	71,809,736	30,213,139	35,755,883	5,542,744	18.3%
Total Objects	\$ 232,140,000	\$ 200,350,000	\$ 211,990,000	\$ 11,640,000	5.8%
Funds					
07 Non-budgeted Fund	\$ 232,140,000	\$ 200,350,000	\$ 211,990,000	\$ 11,640,000	5.8%
Total Funds	\$ 232,140,000	\$ 200,350,000	\$ 211,990,000	\$ 11,640,000	5.8%

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

Fiscal Summary
MDOT – Maryland Transportation Authority
Operating and Capital Budget

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk. Budget</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
0041 Operating Program	\$ 232,140,000	\$ 200,350,000	\$ 211,990,000	\$ 11,640,000	5.8%
0042 Capital Program	137,580,000	198,300,000	535,100,000	336,800,000	169.9%
Total Expenditures	\$ 369,720,000	\$ 398,650,000	\$ 747,090,000	\$ 348,440,000	87.4%
Non-budgeted Fund	\$ 369,720,000	\$ 398,650,000	\$ 747,090,000	\$ 348,440,000	87.4%
Total Appropriations	\$ 369,720,000	\$ 398,650,000	\$ 747,090,000	\$ 348,440,000	87.4%

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