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Maryland Port Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$98,992	\$96,637	\$97,705	\$1,068	1.1%
Reimbursable Fund	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Funds	\$99,092	\$96,637	\$97,705	\$1,068	1.1%

- The fiscal 2007 allowance increases \$1.1 million. Some of the larger changes include a \$1.3 million increase for personnel, a \$0.8 million increase in fuel and utilities, a \$1.8 million increase in management studies and consultants, and a \$1.3 million increase in fixed charges. These increases were offset by a \$4.3 million decrease in contractual services for stevedoring costs and a \$1.1 million decrease due to the pending sale of the World Trade Center (WTC). Without these large decreases, the Maryland Port Administration's (MPA) fiscal 2007 allowance would have increased \$5.5 million (6.8%).

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2005</u> <u>Actual</u>	<u>Fiscal 2006</u>		<u>Fiscal 2007</u> <u>Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$72,308	\$77,460	\$87,195	\$112,539
Federal	\$308	\$7,543	\$7,371	\$2,517
Total	\$72,616	\$85,003	\$94,566	\$115,056
Other¹			\$2,045	\$11,581

- The fiscal 2007 PAYGO capital program increases by \$30.0 million from the fiscal 2006 working appropriation. This change includes a \$30.5 increase in the construction program and a \$0.8 decrease in the development and evaluation program.

¹ Other funds include Certificates of Participation (COPs) and Urban Area Security Initiative (UASI) funding.

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

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- The increase in the PAYGO capital program is largely due to an increase of \$30.4 million from fiscal 2006 to 2007 for the Dredge Material Placement and Monitoring Program as a result of the Masonville Dredge Placement Facility construction.

Operating and PAYGO Personnel Data

	FY 05 <u>Actual</u>	FY 06 <u>Working</u>	FY 07 <u>Allowance</u>	FY 06-07 <u>Change</u>
Regular Positions	308.00	292.00	292.00	0.00
Contractual FTEs	<u>1.70</u>	<u>1.50</u>	<u>1.50</u>	<u>0.00</u>
Total Personnel	309.70	293.50	293.50	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	9.31	3.19%
Positions Vacant as of 12/31/05	16.00	5.48%

- Personnel levels for fiscal 2007 remain the same as fiscal 2006.
- Sixteen positions were vacant as of January 1, 2006. Two of these positions have been vacant for 12 months or longer, although MPA reports that one position has already been filled and the other is undergoing the interview process.

Analysis in Brief

Major Trends

Port of Baltimore Marks 300th Year by Reaching Highest Value of Port Cargo in History: In 1706, Maryland’s colonial legislators designated Whetstone Point, near where Fort McHenry now sits, as an official port of entry for the State’s tobacco trade with England – the basis of the Port’s 300th anniversary celebration in 2006. Since that time, the Port has continued to grow, and it is now stronger than ever. Foreign cargo increased 28% over 2003, from 24.7 million tons to 31.8 million tons, boosting the Port’s national ranking from nineteenth in 2003 to fourteenth in 2004 in cargo volume among U.S. ports. Total foreign cargo value in 2004 was \$31.2 billion, the Port’s highest level in history. This improved the Port from eighth to seventh for total cargo value among major U.S. ports.

Transportation Trust Fund Continues to Subsidize MPA: MPA projects a surplus of \$2.5 million in fiscal 2006 and \$4.5 million in fiscal 2007. However, 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 payment in lieu of taxes. When these exclusions are added, MPA shows an operating loss of \$10.9 million in fiscal 2006 and \$9.1 million in fiscal 2007. **Given the ongoing questions regarding what the MPA considers “operating**

exclusions”, the Department of Legislative Services (DLS) recommends the adoption of committee narrative to direct the Office of Legislative Audits to review these exclusions in the context of Generally Accepted Accounting Principles.

Issues

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 2005 providing a security update. MPA has renewed the security contract with Securitas and created a director of security that reports directly to the executive director. MPA also has a number of security projects completed or underway and has received federal grant funds from the U.S. Department of Homeland Security. **DLS recommends that MPA brief the committees on the security contract with Securitas and their performance; current and future spending plans for improving security at the Port; the status of the Port’s security; and collaboration amongst security forces at the Port.**

Joint Legislative Committee on Port Governance: During the 2005 interim, the Joint Legislative Committee on Port Governance met to discuss issues surrounding governance; the adequacy of resources for sustained operations; security and vulnerability; infrastructure; the sale of the World Trade Center; and the development of a new cruise terminal in South Locust Point. Although a final report has not yet been issued, issues that will likely be addressed include the Maryland Port Commission, procurement, and personnel. **DLS recommends that the Secretary comment on the findings of the joint commission and what actions the department plans to take in regards to them.**

Sale of the World Trade Center: MPA has begun the process of selling the WTC, a 423-foot office tower it owns at the Inner Harbor. The WTC has been placed on the market and investors have expressed interest. Settlement on the sale of the WTC is expected just prior to fiscal 2007. Language in the fiscal 2006 budget restricted \$250,000 of MPA’s special fund appropriation pending the submission of a cost-benefit analysis and a preliminary plan for staff relocation. Neither of these conditions has been met. Furthermore, the Maryland Department of Transportation (MDOT) is prohibited from selling the WTC until it has provided two independent appraisals of the WTC. This condition also has not been met. Additionally, preliminary estimates project that the proceeds from the sale of the WTC will be between \$30 million and \$45 million. **DLS recommends that MDOT comment on the status of the cost-benefit analysis and the appraisals. Also, DLS recommends that budget bill language be added to restrict a portion of MPA’s budget until a report is received from MDOT on the amount of the proceeds from the sale and how MDOT proposes to use the proceeds.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Add budget bill language to restrict the allocation of \$1 million in special funds until a report is received from the Maryland Department of Transportation regarding the sale of the World Trade Center.	
2. Reduce funds for replacement of motor vehicles.	\$ 48,210
3. Reduce funds for out-of-state travel by \$75,000.	75,000
4. Reduce funding for in-state travel to the fiscal 2006 appropriation.	3,900
5. Reduce funding for education and training contracts to the fiscal 2005 actual.	18,981
6. Reduce funds for replacement equipment.	100,000
7. Reduce funds for medical care by \$15,000 to reflect actual usage.	15,000
8. Reduce funds for contracts for portable restrooms and heating and air conditioning equipment no longer needed as the result of the opening of the new cruise terminal.	255,344
9. Adopt committee narrative to request the Office of Legislative Audits to review conformity of the Maryland Port Administration operating exclusions with Generally Accepted Accounting Principles.	
Total Reductions	\$ 516,435

PAYGO Budget Recommended Actions

	<u>Funds</u>
1. Reduce funds for travel to the fiscal 2005 actual.	\$ 25,112
2. Reduce funds for office equipment to the fiscal 2005 level.	6,240
3. Delete funding for the fruit slip fill at South Locust Point Terminal.	2,250,000
Total Reductions	\$ 2,281,352

Updates

New Cruise Terminal at South Locust Point: MPA has begun conversion of the existing cargo shed into the new cruise terminal. It is expected to be open for the start of the cruise season in May 2006. The new cruise terminal was necessary to eliminate the conflict between passenger and cargo activity at the Seagirt and Dundalk Marine terminals. Increased visibility and access to I-95 were also important factors in the relocation.

New Storage Shed for M-real at South Locust Point: In conjunction with the signing of a long-term contract with M-real USA Corporation, MPA has begun designing a 215,000 square foot shed at South Locust Point with construction expected to begin in fiscal 2007. The M-real contract is a six-year contract with two six-year renewal options that commits M-real to tripling the amount of paper imported to the Port of Baltimore annually. Over the first six years of the initial contract, MPA expects to see \$12 million in revenues. The total cost of the project will be \$27.2 million, funded by Certificates of Participation.

J00D00 – MDOT – Maryland Port Administration

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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 waterborne 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:

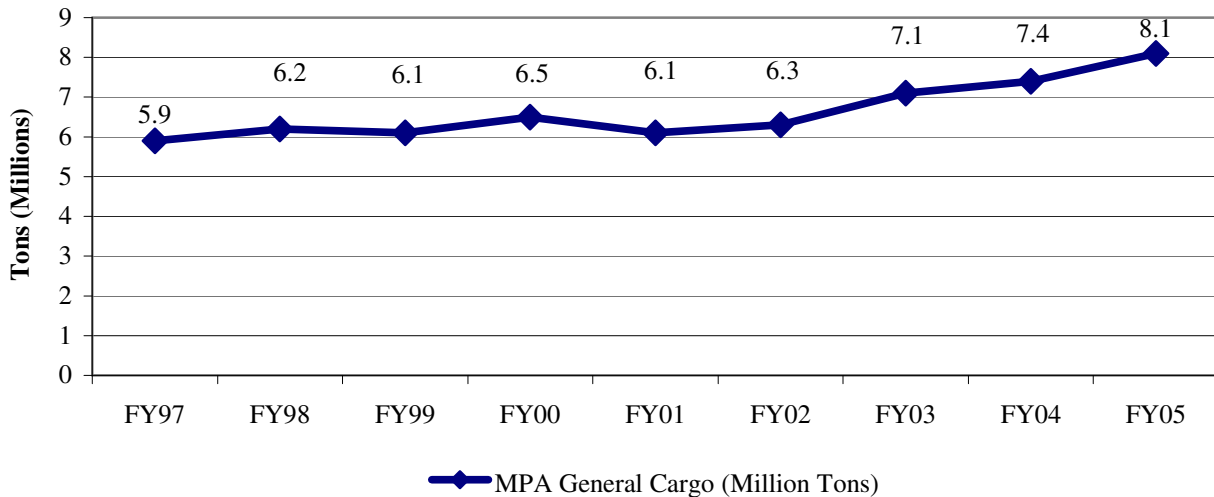
- maximize the economic benefit generated by the Port of Baltimore to the State in a cost effective manner;
- operate MPA to ensure that revenues exceed operating expenses;
- preserve and enhance the Port's infrastructure to maintain cargo capacities, while ensuring adequate security; and
- maintain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

Performance Analysis: Managing for Results

The mission of the Maryland Port Administration is to stimulate the flow of waterborne commerce through the State in a manner that brings economic benefit to the citizens. One of the key ways to look at the flow of waterborne commerce is to examine the total tonnage that comes in to the Port. From 2004 to 2005, there were increases in the total tonnage of Roll-On, Roll-Off (Ro/Ro), forest products, and containers. Ro/Ro includes trucks, tractors, agriculture machinery, construction equipment, trailers, boats, planes, and railroad equipment. Forest products include pulp, paper, and lumber. There was a slight decline in the total tonnage of automobiles that came through the Port.

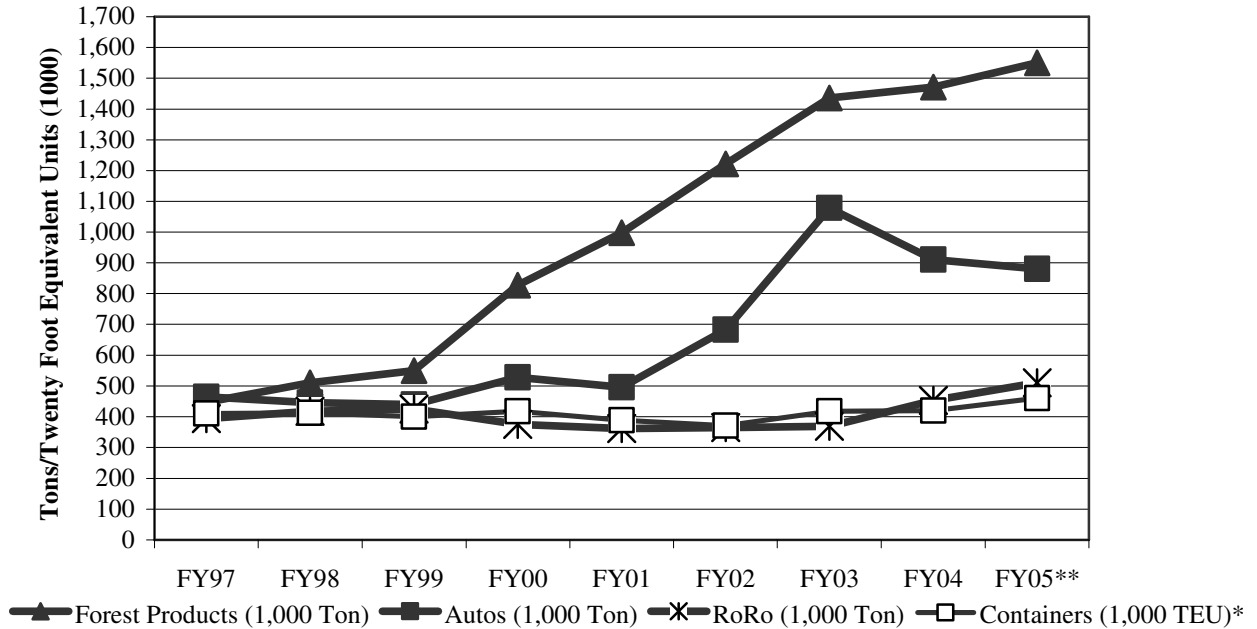
Tonnage numbers are expected to increase as a result of several important transactions that have taken place over the last few months. Port officials have announced that the Mediterranean Shipping Co. has named Baltimore its first port of call and is projected to increase business in Baltimore by diverting container shipments that had been going to other ports. Additionally, M-real, a leading paper company, has signed a six-year contract, with two six-year renewal options, which will bring an additional 300,000 tons of paper into the Port. **Exhibit 1** shows that general cargo continues to increase and exceeded eight million tons in fiscal 2005 for the first time in history. Total general cargo tonnage increased from 7.4 million to 8.1 million from fiscal 2004 to 2005, an 11% increase. **Exhibit 2** provides data on total foreign cargo volume at the Port of Baltimore from fiscal 1997 to 2005. The Port continues to increase the tonnage in each of the areas except for automobiles, which has been decreasing since fiscal 2003.

Exhibit 1
MPA General Cargo
Fiscal 1997 – 2005



Source: Governor's Managing for Results Final Report, January 2006

Exhibit 2
Total Foreign Cargo at the Port of Baltimore
Fiscal 1997 – 2005



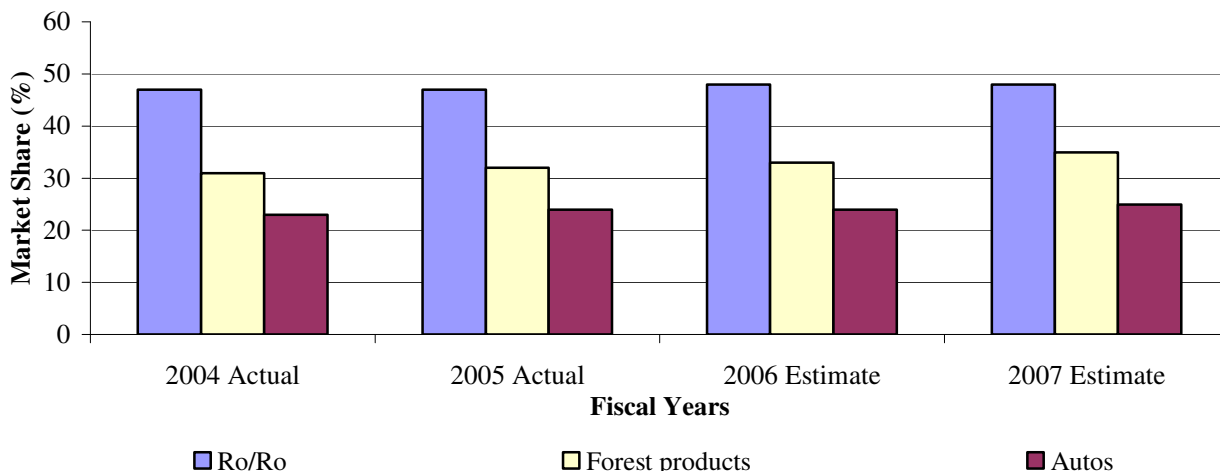
*Also includes domestic waterborne containers.

**Fiscal 2005 is estimated.

Source: Governor’s Managing for Results Final Report, January 2006

Unlike many State entities, the Port operates in a highly competitive market, with direct competition not only with private industry but also with other ports up and down the East Coast. Although the Port handles container traffic, it also places special emphasis on niche cargoes such as automobiles and forest products. In this regard, the Port has done very well. It remains number one in the nation in Ro/Ro, second in automobile, and is among the top forest product ports in the nation. **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 by the U.S. Maritime Administration. Market share for Ro/Ro and automobiles is compared to other east coast ports from Miami to Maine, and market share for forest products is compared to other U.S. North Atlantic ports (north of and including Norfolk).

Exhibit 3
% Market Share at the Port of Baltimore
Fiscal 2004 – 2007



Source: Maryland Port Administration

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. MPA is projecting a surplus of \$2.5 million in fiscal 2006 and \$4.5 million in fiscal 2007. However, MPA has historically included a list of operational expense exclusions. The exclusions include lease payments to the Maryland Transportation Authority (MdTA), payments for Baltimore City Fire Suppression, and payments in lieu of taxes (PILOTS). When these exclusions are added, MPA shows an operating loss of \$10.9 million in fiscal 2006 and \$9.1 million in fiscal 2007. When strictly looking at operating revenue and total operating expenses, MPA has not achieved an operating surplus from fiscal 2003 to 2007, creating the need for annual TTF subsidies.

Exhibit 4 provides financial data for MPA. Operating revenues are achieving an annual growth of 0.15% from fiscal 2004 to 2007. Future increases in revenues are likely as MPA continues to attract and retain more business. Operating expenses are incurring an average annual decrease of 0.04% from fiscal 2004 to 2007. The decrease in expenses is due primarily to the proposed sale of the World Trade Center (WTC). **Given the ongoing questions regarding what the MPA considers “operating exclusions”, the Department of Legislative Services (DLS) recommends the adoption of committee narrative to direct the Office of Legislative Audits to review these exclusions in the context of Generally Accepted Accounting Principles.**

Exhibit 4
MPA Actual and Projected Operating Expenses and Revenues
Fiscal 2004 – 2007

	<u>Actual</u> <u>FY 2004</u>	<u>Actual</u> <u>FY 2005</u>	<u>Projected</u> <u>FY 2006</u>	<u>Projected</u> <u>FY 2007</u>	<u>Avg. Annual %</u> <u>Change FY 04-07</u>
Operating Revenue	\$90,600	\$93,717*	\$88,782	\$91,013	0.15%
Total Operating Expenses**	100,234	102,097	99,641	100,110	-0.04%
Operating Income (TTF Subsidy)	-\$9,634	-\$8,380	-\$10,859	-\$9,097	-1.89%
Total Exclusions***	-13,646	-13,709	-13,356	-13,622	-0.06%
Net MPA Operating Expenses	86,588	88,388	86,285	86,488	-0.04%
Adjusted Operating Income	\$4,012	\$5,329	\$2,497	\$4,525	4.09%

*Includes \$788,000 in prior year adjustment.

**Includes \$1.4 million to Baltimore City Fire Suppression in fiscal 2004 – 2007, \$1.6 million in fiscal 2004 – 2006 in PILOTS, and \$1.0 million in fiscal 2007 PILOTS.

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

Source: Maryland Port Administration

Governor's Proposed Budget

The fiscal 2007 operating budget allowance increases by \$1.1 million, or 1.1%, from the fiscal 2006 working appropriation. The largest change is a \$4.3 million decrease in stevedoring costs. This large decrease is due to a restructuring of the stevedoring contract related to the Maryland International Terminal at the Dundalk Marine Terminal. Although stevedoring costs and payments are historically routed through the MPA to the stevedoring company or the shipping line, its largest customer recently decided to pay the stevedoring costs directly rather than going through MPA.

There is also a large decrease of \$1.1 million due to the pending sale of the WTC prior to the start of fiscal 2007. This action eliminates all remaining funding for operations and maintenance of the building. This decrease includes:

- -\$509,500 for property management;
- -\$452,241 for utilities;
- -\$296,000 for janitorial services;

J00D00 – MDOT – Maryland Port Administration

- -\$132,429 miscellaneous operating expenses;
- -\$56,830 for communications and other contract services; and
- \$300,000 increase in rent to pay new owner of WTC.
- **-\$1,147,000 Total**

If these two large decreases in stevedoring costs and operating expenses of the WTC had not taken place, MPA’s fiscal 2007 allowance would have increased 6.8% over the previous year’s working appropriation.

These large decreases were offset by a \$1.3 million increase in personnel costs, a \$1.8 million increase in security services, and a \$1.3 million increase in fixed charges such as rent and insurance. The increase in fixed charges is due primarily to a \$400,000 increase for the Seagirt lease payment, an increase of more than \$600,000 for insurance, and the \$300,000 increase in rent for the WTC mentioned above.

Exhibit 5 provides details on the major changes occurring in the fiscal 2007 allowance.

Exhibit 5
Governor’s Proposed Budget
Maryland Port Administration
(\$ in Thousands)

How Much It Grows:	<u>Special Fund</u>	<u>Total</u>
2006 Working Appropriation	\$96,637	\$96,637
2007 Governor's Allowance	<u>97,705</u>	<u>97,705</u>
Amount Change	\$1,068	\$1,068
Percent Change	1.1%	1.1%

Where It Goes:

Personnel Expenses

Increments	\$245
Retirement	187
Deferred Compensation.....	50
Employee and Retiree Health Insurance	441

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Where It Goes:

Turnover	303
Other fringe benefit adjustments	69

Other Changes

Reduced stevedoring costs	-4,333
Decreases in operating expenses due to the pending sale of the WTC	-1,147
Decrease for crane supplies and materials.....	-189
Increase for security services	1,774
Increase for fuel and utilities.....	753
Increase in insurance coverage costs.....	612
Increase in replacement equipment	460
Increase in Seagirt lease payment	400
Increase in vehicle maintenance and operating costs.....	257
Increase in advertising costs, public relations, and port promotions.....	242
Increase in travel	150
Increase in replacement automobile purchases	140
Addition of MIT Consultant for marketing services to support MIT operations and other MPA business lines.....	137
Increase in maintenance of applications software	103
Increase in computer usage and consulting services	93
Increase in maintenance repair projects	75
Increase for line striping and road markers	50
Increase for painting of building interiors	47
Increase in education and training costs.....	28
Increase in additional maintenance and building equipment.....	25
Increase in cell phone expenditures.....	23
Increase in fire alarm maintenance.....	18
Increase in postage	14
Other adjustments.....	41
Total	\$1,068

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

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.

The fiscal 2007 PAYGO capital program increases by \$30.0 million from the fiscal 2006 working appropriation. This overall increase includes a \$30.5 million increase in the construction program and a \$0.8 decrease in the development and evaluation (D&E) program. As shown in **Exhibit 6**, the net change in the construction program is caused by a \$44.5 million increase in major projects and a \$14.0 million decrease in system preservation minor projects. The largest increases among major projects are a \$30.4 million increase for the Dredge Material Placement and Monitoring Projects as a result of the Masonville Dredge Placement Facility construction, a \$9.8 million increase due to the start of construction of the South Locust Point (SLP) paper shed for M-real, and a \$13.0 million increase for the 50-foot deep access channel to Seagirt Marine Terminal Berth 4. These increases are offset by a \$7.3 million decrease in the South Locust Point cruise terminal project due to completion, as well as various smaller changes in other projects.

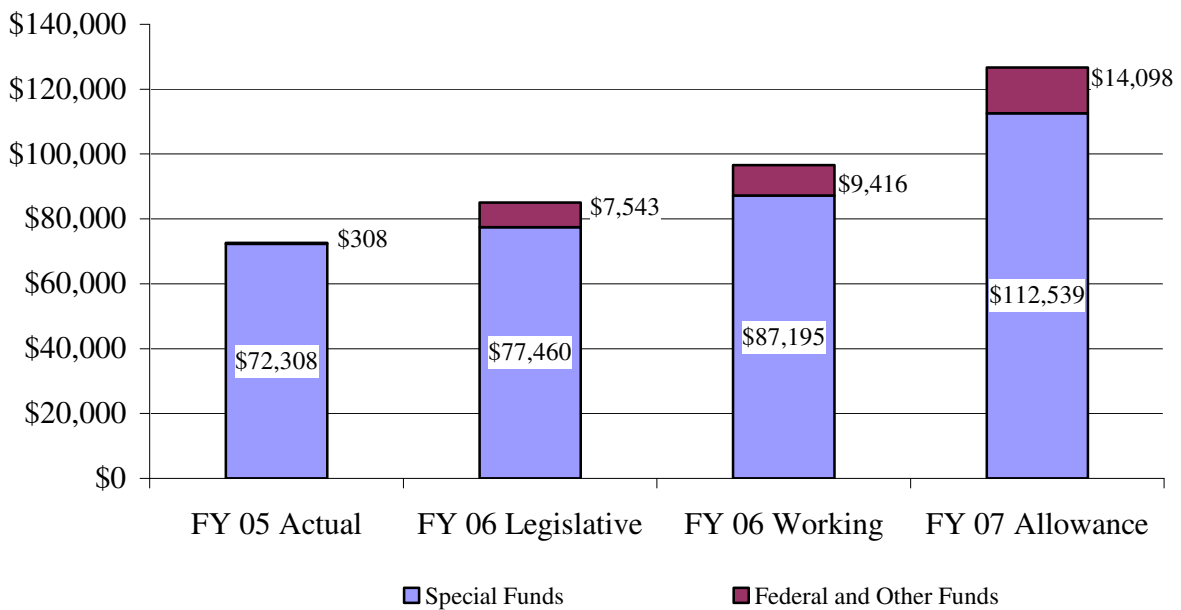
Exhibit 6
Major Changes to the Construction Program
(\$ in Millions)

<u>Construction Program</u>	<u>Change From FY 2006 – 2007</u>
Major Projects (includes items not shown here)	44.5
Dredge Material Placement and Monitoring	30.4
Seagirt Marine Terminal Deep Berth 4 Dredging	13.0
SLP Paper Shed	9.8
Cruise Terminal	-7.3
System Preservation Minor Projects	-14.0
Total Change in Construction Program	30.5

Source: Maryland Department of Transportation, January 2006 *Consolidated Transportation Program*

Exhibit 7 presents the cash flow changes between MPA’s fiscal 2006 and 2007 capital budgets. The cash flow consists almost entirely of special funds, but there is a portion of federal funds and other funds. Federal funds are only used for terminal security. The “other” funding included in fiscal 2007 is \$11.6 million of Certificates of Participation (COPs), which are to be issued in May 2006 for construction of the South Locust Point paper shed.

Exhibit 7
Cash Flow Changes
Fiscal 2005 to 2007
(\$ in Thousands)



Note: Fiscal 2006 working appropriation includes \$1.7 million worth of COPs financing and \$0.3 million worth of Urban Area Security Initiative (UASI) funding. Fiscal 2007 allowance includes \$11.6 million worth of COPs.

Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

Exhibit 8 provides a list of MPA major *Consolidated Transportation Program* (CTP) construction projects funded in fiscal 2007. The seven projects listed account for 97% of all major projects in the construction program for fiscal 2007.

Exhibit 8
MPA Major CTP Construction Projects Funded in Fiscal 2007
(\$ in Thousands)

<u>Project</u>	<u>FY 2007</u>	<u>Total \$</u>	<u>Completion of Fiscal Cash Flow</u>
Hart-Miller Island Related Projects – provides for the operation and monitoring of the quality of water released from this dredge disposal site.	\$3,924	\$83,980	Ongoing
Dredge Material Placement and Monitoring – involves the placement and monitoring of dredge material for enhancement and maintenance dredging of Baltimore Port channels.	49,040	377,250	Ongoing
Seagirt Marine Terminal Deep Berth 4 Dredging – involves the dredging of a deep 50-foot access channel to allow for the new fleet of larger container vessels. The berth will be the same level as the main channel which accesses the Port. Phase II of the project will involve construction of a marginal wharf, and Phase III involves the purchase and installation of three Post-Panamax cranes.	13,000	35,000	2011
Niche Cargo Shed 6B, Dundalk Marine Terminal – warehouse to provide covered storage of niche cargoes at MPA terminals.	4,090	7,590	2008
Fruit Slip Fill, South Locust Point – involves the filling of the unused Fruit Slip to prevent further bulkhead deterioration and paving for an additional 3.6 acres of cargo storage.	2,250	3,923	2008
South Locust Point Paper Shed – construction of a 215,000 square foot shed to accommodate the importing of Northern European forest products previously imported through the Port of Philadelphia. Project will also include demolition work, railroad track work, and Ro/Ro ramp installation. This project will be funded by 18-year Certificates of Participation (COPs).	11,581	27,184	2008
Terminal Security Program – uses technologies to secure MPA terminal facilities against unauthorized intrusions.	7,720	21,050	2007
Total	\$91,605	\$555,977	

Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

Projects Added to the Construction Program

As shown in **Exhibit 9**, three projects were added to the construction program in the fiscal 2006 through 2011 CTP. The filling of the fruit slip will begin in late fiscal 2006. Construction of the South Locust Point Paper Shed and the dredging of Seagirt Marine Terminal Berth 4 will begin in fiscal 2007.

Exhibit 9
MPA CTP Projects Added to the Construction Program
(\$ in Thousands)

<u>Project</u>	<u>FY 2007</u>	<u>Total \$</u>	<u>Completion of Fiscal Cash Flow</u>
Fruit Slip Fill, South Locust Point – involves the filling of the unused Fruit Slip to prevent further bulkhead deterioration and paving for an additional 3.6 acres of cargo storage.	\$2,250	\$3,923	2008
South Locust Point Paper Shed – construction of a 215,000 square foot shed to accommodate the importing of Northern European forest products previously imported through the Port of Philadelphia. Project will also include demolition work, railroad track work, and Ro/Ro ramp installation. This project will be funded by 18-year Certificates of Participation (COPs).	11,581	27,184	2008
Seagirt Marine Terminal Deep Berth 4 Dredging – involves the dredging of a deep 50-foot access channel to allow for the new fleet of larger container vessels. The berth will be the same level as the main channel which accesses the Port. Phase II of the project will involve construction of a marginal wharf, and Phase III involves the purchase and installation of three Post-Panamax cranes.	13,000	35,000	2011
Total	\$26,831	\$66,107	

Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

Projects Removed from the D&E Program

One project was removed from the D&E program: C&D Canal Deepening. This project involved planning for modifications to the C&D Canal to allow the passage of larger vessels requiring deeper drafts. The project is currently on hold until further notice.

Construction Schedule Delays

There are two MPA projects that have been delayed from the schedule published in the fiscal 2005 through 2010 CTP. The construction of the Niche Cargo Shed 6B was delayed from fiscal 2006 to 2007 because of operational issues. The purpose of Shed 6B is to provide covered storage of niche cargoes at MPA terminals. The facility will be located at the Dundalk Marine Terminal and will be approximately 108,000 square feet.

The other project that has been delayed is the Wallenius Wilhelmsen Improvements – Phase II. This project has been delayed from fiscal 2006 to 2007 in order to meet the tenant’s future needs. The improvements to the hub facility at Dundalk Marine Terminal will include paving, fencing, lighting, and expansion of the existing storage area.

Issues

1. 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 2005 providing a security update. Highlights from the report include:

- MPA’s fiscal 2006 operating budget totals \$6 million for security related items such as a Port Security Officer, MdTA Police and equipment, and contractual security employees. A badging station and more stringent requirements for terminal access for tenants and employees have been established.
- Recent security changes at MPA include the renewal of the contract with Securitas, the company that replaced the previous security company due to poor performance, and the addition of a Director of Security.
- MPA has received \$11.3 million in federal funds through the U.S. Department of Homeland Security. These funds, along with State matching funds, will be used for several high priority security projects:
 - Projects that address perimeter surveillance along the perimeter of five port terminals – \$6.9 million
 - Gate projects that include improved physical security, computer security and improved control and tracking of cargo, drivers and trucks on Dundalk and Seagirt Marine terminals – \$14.5 million
 - Other federal funds to address Explosive Detection Equipment, Portable Side-scan Sonar for Patrol Boats, and purchase of a Patrol Boat – \$0.8 million
- MPA has identified three additional capital projects to mitigate additional lesser vulnerability projects based on perceived risks. MPA hopes to receive funding for these projects in future rounds of Federal Port Security Grants. These projects are:
 - Terminal Access Control at North & South Locust Point, Fairfield, and Masonville Marine Terminals (\$2.4 million)
 - Dundalk Privately Owned Vehicle Gate Trouble Resolution Area (\$0.4 million)
 - Vehicle Barriers for Terminal Entrance Gates (\$2.5 million)

- MPA continues to work closely with MDOT and the Governor’s Office of Homeland Security on security funding and the assessment of vulnerability and emerging threats to keep the public terminals secure from acts of terrorism.

DLS recommends that MPA brief the committees on the security contract with Securitas and its performance, current and future spending plans for improving security at the Port, and the status of the Port’s security. MPA should also speak on collaboration in regards to port security between MPA, the private security company, the Maryland Transportation Port Police Detachment, the Coast Guard, and the Baltimore City Police Department. Areas of discussion should include overlapping jurisdictions, collaboration and communication between security forces, chain of command, and whether or not clear guidelines are in place to coordinate efforts and communication in the event of an emergency.

2. Joint Legislative Committee on Port Governance

During the 2005 session, the General Assembly became concerned with issues relating to the Port of Baltimore, including the resignation of MPA’s executive director, security issues, and governance issues. In addition, early in the 2005 interim, Mercer Management Consulting completed a report (the Mercer report) regarding port governance and other relevant port issues. Consequently, the Presiding Officers established the Joint Commission on the Maryland Port Administration (the joint commission) to conduct a comprehensive study of these issues. The joint commission was specifically charged with examining Port issues related to governance (including structure and personnel), the adequacy of resources for sustained operations, security and vulnerability, infrastructure (including dredging and dredge material management), the sale of the World Trade Center, and the development of a new cruise terminal in South Locust Point.

In conjunction with the creation of the joint commission, the Secretary of Transportation established the Private Sector Port Governance Committee (Port committee). The Port committee was formed to seek the opinion of private sector users of public port terminals in regards to the effects that Port governance changes would have on them, as well as their reactions to the Mercer report. The joint commission has taken the recommendations of both the Mercer report and the Port committee into consideration.

Although the joint commission has not yet issued a final report, key discussions revolved around issues concerning the Maryland Port Commission (MPC), procurement, and personnel.

Maryland Port Commission

The Maryland Port Commission is a seven-member body consisting of the Secretary of Transportation who chairs the commission and six members appointed by the Governor. Although the Governor is required to take geographic consideration into account when appointing members, there is no requirement that certain regions of the State be represented. The six appointed members may not be (1) an officer or employee of the State, (2) a representative or employee of any entity whose principal activities are port-related, or (3) a member of the General Assembly. The MPC

adopts regulations for the operation of MPA and the procedures for approval and control of MPA expenditures. As chairman of the MPC, the Secretary has final approval over all actions of the MPC which, in the judgment of the chairman, impact the TTF. The Secretary/chairman also has authority over the appointment (subject to approval by the Governor) and removal of the Executive Director of MPA.

As a member of the MPC, the Secretary is also on the Board of Directors of the Maryland International Terminals, Inc. (MIT), which is the operating arm of the MPA. MIT consists of 12 management employees of the Port appointed by the MPC who are not governed by the State personnel system.

Possible changes to the MPC include adding two members, making the removal of the executive director subject to unanimous or majority vote by the MPC, removing the restriction against individuals engaged in port-related activities from serving on the MPC, removing the Secretary as chairman of the commission, or removing the Secretary from the MPC completely and establishing it as an independent commission.

Procurement

MPA operates under the same system of checks and balances that applies to most other State entities, although MPA is somewhat unique in that it is a State Procurement Authority and not subject to review by the Department of Budget and Management (DBM) (for service and IT contracts) and the Department of General Services (for commodity procurements). The guideline and procedures for handling procurement are codified in the Annotated Code, State Finance and Procurement Article, and further promulgated in Title 21 of the Code of Maryland Regulations. Some of the key provisions include:

- most procurements under \$25,000 must be awarded through a competitive method, and
- procurements over \$25,000 must be advertised and the winning bid is based on the lowest bid.

The Mercer report indicates that the major difficulties with procurement and sourcing in Maryland stem less from the legally defined bid process than from the multiple layers of review, oversight, and approval involved in the process. The departments and agencies typically involved in the procurement process include various departments within MPA, MPC, MDOT, and the Board of Public Works. The Mercer report states that benchmarked ports can handle solicitations in 30 to 90 days, while Baltimore takes roughly 200 days.

Senate Bill 834 and House Bill 1293 were introduced after consultation with the Port committee, MPA, and MDOT. The bill would exempt “maritime enterprise procurements” from the State procurement process. “Maritime enterprise procurements” are defined as procurements necessary to attract, retain, support, or secure maritime business as defined by MPC. Under the proposed legislation, after MPC adopts a procurement process, it would join other State agencies that are totally or partially exempt from the General Procurement Law, such as the University System of Maryland, the Maryland Food Center Authority, and the Maryland Public Broadcasting Commission.

Personnel

The MPC currently has the authority to appoint up to 12 management personnel positions that are exempt from MDOT's Transportation Service Human Resource System. These 12 positions constitute MIT. MPC can determine the qualifications, appointment, compensation, and leave for MIT employees. These exempt positions were created so that their compensation could be brought more in line with port industry norms. MIT positions are not identified by name in statute, and the MPC can add or remove positions from MIT, as long as the number remains at or below 12. Prior to any changes in salaries of these employees, MPC must notify DBM of the proposed change. DBM then has 10 days to advise if the change would have an adverse effect on special fund expenditures. Legislative oversight involves a yearly report to the General Assembly of the changes that MPC made over the previous fiscal year in regards to these employees.

At the suggestion of the Mercer report and the Port committee, MDOT is currently undertaking a study to determine how many additional positions it would like included in MIT. Based on this report, it is possible that the joint commission may suggest an increase in the number of MIT positions.

The other major personnel decision discussed was MDOT's request to exempt both MPA and the Maryland Aviation Administration (MAA) from the position ceiling recently applied across all Executive Branch agencies excluding higher education. Instead, MDOT would request that these two modes be able to "hire to their budgets." MDOT's rationale is that both the Port and the airport are enterprise agencies that are able to recover much of their operating expenses from revenues. Furthermore, MDOT argues that because of the nature of its businesses, both MAA and MPA lose profits as the result of a reduced workforce. Necessary services are contracted out, which results in greater cost and less reliability.

DLS recommends that the Secretary comment on the findings of the joint commission and what actions the department plans to take in regards to them.

3. Sale of the World Trade Center

The WTC, 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. After a number of recent problems involving the WTC, including lawsuits, low occupancy, and damage by Hurricane Isabel, MPA made the decision to sell the WTC. As a result of the sale, MPA estimates that it will 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 could of course be significantly offset by revenue from the sale of the building, which has an estimated value between \$30 million and \$45 million.

Initial outreach regarding the pending sale of the WTC by the company handling the sale went out to 3,000 possible investors. As interest is expressed, investors will submit a letter of intent, and

J00D00 – MDOT – Maryland Port Administration

the WTC Advisory Committee will have time to review and comment on these letters. Briefing of the appropriate concerned bodies – Board of Public Works members, legislative committees, and the Maryland Port Commission – are expected to take place in April and May 2006, with the sale expected to be completed by the start of fiscal 2007.

Language in the fiscal 2006 budget restricted \$250,000 of MPA's special fund appropriation pending the submission by MPA of a cost-benefit analysis of the sale of the WTC and a preliminary plan for relocating MPA staff after the WTC is sold. MPA reports that a cost-benefit analysis has been drafted and is being reviewed by MDOT for publication. Language in the fiscal 2006 budget also prohibited MDOT from selling the WTC until it provides the budget committees with two independent appraisals of the WTC. These appraisals are expected to take place in early March, which is when the bids are expected. Although progress appears to have been made, neither of the budget provisions have been met.

DLS recommends that the Secretary comment on the status of the cost-benefit analysis and the appraisals. Furthermore, DLS also recommends that budget bill language be added to restrict a portion of MPA's fiscal 2007 allowance pending the review and comment of a report by MDOT on the amount of proceeds from the sale of the WTC and how MDOT proposes to use those funds.

Operating Budget Recommended Actions

1. Add the following language to the special fund appropriation:

, provided that \$1,000,000 of this appropriation may not be expended until the Maryland Department of Transportation (MDOT) submits a report to the budget committees concerning the sale of the World Trade Center (WTC). This report shall include the sale price of the WTC, the proceeds received, and a plan for how MDOT proposes to allocate the funds. The committees shall have 45 days to review and comment following receipt of the report.

Explanation: MDOT expects to sell the WTC just prior to fiscal 2007. Preliminary estimates project that the building may sell for \$30 million to \$45 million. This would be a large source of one time revenues for the Transportation Trust Fund. This language restricts \$1 million until MDOT submits a report concerning the sale price, profit realized, and a plan for allocation of the proceeds.

Information Request	Author	Due Date
Report on the sale of the World Trade Center	MDOT	45 days prior to expenditure

- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 2. Reduce funds for the replacement of motor vehicles. Three of the replacement vehicles are sport utility vehicles (SUVs) that are part of the Maryland Port Administration's Executive Vehicle Program. These vehicles should be replaced by Executive Sedans instead. Additionally, this replaces a maintenance vehicle with the same type of vehicle, an ethanol fueled ½ ton pick-up truck rather than replacing it with a compressed natural gas fueled ¾ ton pick-up truck. | \$ 48,210 SF |
| 3. Reduce funds for out-of-state travel. The fiscal 2007 allowance increases funding for out-of-state travel by \$120,000, or 500%. This action would reduce the allowance to a more appropriate level based on past year actuals. This still allows the Maryland Port Administration additional money for travel due to the competitive nature of its business and the closing of its Midwest office. | 75,000 SF |

J00D00 – MDOT – Maryland Port Administration

- | | | | |
|----|--|---------|----|
| 4. | Reduce funds for in-state travel. This action would maintain the appropriation for in-state travel at the fiscal 2006 level. This would eliminate the 13% increase in the allowance. This action is based on historical travel expenditures. | 3,900 | SF |
| 5. | Reduce funding for education and training contracts to the fiscal 2005 actual. | 18,981 | SF |
| 6. | Reduce the allowance to replace equipment by \$100,000. The allowance reflects nearly a \$400,000 increase over the fiscal 2006 appropriation. This action would still allow for a substantial increase. | 100,000 | SF |
| 7. | Reduce funds for medical care to reflect actual usage levels. Medical care ranges from drug screens to psychological tests to chest X-rays. The actual expenditure in fiscal 2004 was \$12,863 and \$15,444 in fiscal 2005. This action would reduce the fiscal 2007 allowance to \$26,117, which is more consistent with actual expenditures. | 15,000 | SF |
| 8. | Reduce funds for contractual expenses. This action would eliminate funding for three contracts. Two of these contracts are for portable restrooms for cruise operations, and the third contract is for heating and air conditioning equipment rental for cruise operations. As a result of the opening of the new \$13.2 million cruise terminal at South Locust Point, these contracts are no longer necessary. | 255,344 | SF |
| 9. | Adopt the following narrative: | | |

Maryland Port Administration Operating Exclusions: The committees direct that the Office of Legislative Audits review the operating exclusions utilized by the Maryland Port Administration (MPA) to see if they conform to Generally Accepted Accounting Principles (GAAP). A report should be submitted to the budget committees by November 1, 2006.

Information Request	Author	Due Date
Review of MPA’s operating exclusions for conformity to GAAP	OLA	November 1, 2006
Total Special Fund Reductions		\$ 516,435

PAYGO Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding for travel expenditures to the fiscal 2005 level.	\$ 25,112	SF
2. Reduce funds for office equipment to the fiscal 2005 actual level.	6,240	SF
3. Delete funding for the fruit slip fill at South Locust Point Terminal. This reduction is necessary to address the reallocation of \$29.3 million for legally restricted appropriations for one-time local grants in the fiscal 2006 budget that the department has not accounted for in its capital program or forecast.	2,250,000	SF
Total Special Fund Reductions	\$ 2,281,352	

Updates

1. New Cruise Terminal at South Locust Point

MPA has begun conversion of the existing cargo shed into the new cruise terminal. It is expected to be operational at the start of the cruise season in May 2006. The new cruise terminal was necessary to eliminate the conflict between passenger and cargo activity at the Seagirt and Dundalk Marine Terminals. Increased visibility and access to I-95 were also important factors in the relocation.

The new location at South Locust Point will provide a dedicated cruise facility with adjacent parking. The facility is composed 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.

The MPA PAYGO capital program includes \$13.2 million for the new South Locust Point Cruise Terminal with \$2.2 million included for fiscal 2007. There have been slight adjustments in the timing of funds due to when invoices become due as well as built-in time for contingencies, but the total funding remains the same. This amount includes:

- **Dredging** – Dredging of the loop access channel to allow for more maneuverability.
- **Facility** – Conversion of the existing cargo shed; demolition of ancillary structures; paving, striping, fencing, and lighting for parking; a new covered walkway; and, the relocation of the existing fixed gangway from Dundalk.
- **Additional parking** – Acquisition of adjacent property for parking, grading, paving, fencing, lighting, and off-site environmental mitigation.

These projects constitute the current plan for the cruise terminal. If an evaluation of the cruise market business in future years warrants, a request for additional facility investments may follow. Future projects may include the expansion of cruise operations at South Locust Point, which could include the construction of a new, two-story, 70,000 square foot cruise terminal building with additional parking. Specific plans would develop as the cruise business develops. **Exhibit 10** shows actual and estimated revenues from the cruise industry. Projections show cruise revenues down slightly, but intensive marketing efforts are continually being conducted to increase the number of port calls. These efforts include an increase of \$181,050 in the fiscal 2007 allowance for cruise marketing, exhibition in trade shows, and memberships in organizations.

Exhibit 10
Cruise Service at the Port of Baltimore

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 05</u>	<u>FY 06</u>
	<u>Actual</u>	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Total Port Calls	42	49	52 – 55	45	36
Total Passengers	59,734	74,893	84,785	167,000	129,600
Total Revenues	\$1,072	\$1,573	\$1,570	\$1,485	\$1,381

Source: Maryland Port Administration

2. New Storage Shed for M-real at South Locust Point

M-real USA Corporation, the U.S. arm of a Finnish forest products shipper who specializes in coated paper, is in the process of consolidating its operations at one North American port. The Port of Baltimore competed with Philadelphia for this distinction. In November, MPA entered into an agreement with M-real for a long-term contract consisting of a six-year term with two six-year renewal options. In 2004, M-real imported about 120,000 tons of paper. According to the agreement, that will increase to 360,000 tons in 2006 and grow to approximately 485,000 by 2011. Over the first six years of the initial contract, MPA expects to see \$12 million in revenues. These increases should move the Port of Baltimore up to number seven in the nation for the value of cargo carried through the Port, and enable it to reclaim its position as the number one port in the U. S. for imported paper products.

MPA is currently designing a 215,000 square foot shed for M-real at South Locust Point (SLP). The project includes construction of a new shed with rail and truck loading docks, as well as a stern ramp at the berth to assist in unloading the vessels. A small amount of site work and demolition may occur in fiscal 2006. Construction will begin in fiscal 2007 and is expected to be completed by fiscal 2008. At that time, M-real will move its current operations from North Locust Point (NLP) to SLP, allowing for new business opportunities at NLP, such as steel, plywood, coca beans, and other cargo. M-real will also relocate a converter facility to Maryland, which will result in approximately 100 additional off-port jobs. MPA will have no responsibility for that facility.

The MPA PAYGO capital program includes \$27.2 million for the new shed at SLP, with \$11.6 million included for fiscal 2007. The project will be funded through 18-year Certificates of Participation which will likely be issued in May 2006.

In response to concerns that the committees had with the project, the contract stipulates that 18-year debt will be used instead of 20-year debt to coincide with the length of the contract with M-real. Additionally, the agreement states that MPA will provide perimeter security and Balterm (M-real's stevedore and terminal operator) will provide premises security for M-real. This will result in a security credit for MPA since it would have otherwise had to finance premises security if Balterm did not.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2005					
Legislative Appropriation	\$0	\$98,030	\$0	\$0	\$98,030
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	5,728	0	100	5,828
Reversions and Cancellations	0	-4,766	0	0	-4,766
Actual Expenditures	\$0	\$98,992	\$0	\$100	\$99,092
Fiscal 2006					
Legislative Appropriation	\$0	\$95,973	\$0	\$0	\$95,973
Budget Amendments	0	664	0	0	664
Working Appropriation	\$0	\$96,637	\$0	\$0	\$96,637

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

Fiscal 2005

Fiscal 2005 expenditures at MPA totaled \$99.1 million, which is \$1.1 million more than the legislative appropriation. The \$1.1 million increase reflects a net increase of nearly \$1 million in special funds and an increase of \$100,000 in reimbursable funds.

Special funds increased by a net of \$962,674 due to \$5,728,313 in budget amendments and \$4,765,639 in cancellations. The amendments were (1) \$4.5 million for stevedoring costs based on an increased volume of business; (2) \$957,616 for increased costs in fuel and electricity; and (3) \$270,697 to fund the cost-of-living adjustment granted to all eligible State employees. The \$4,765,639 in cancellations occurred due to (1) \$4,400,000 in stevedoring costs because major customers at Dundalk Marine Terminal are now dealing directly with the stevedore company and (2) \$365,639 in unspent advertising, maintenance, and contractual services costs.

A budget amendment also added \$100,000 in reimbursable funds from the Maryland Emergency Management Administration to install a digital microwave link at MPA's Point Breeze facility that will connect the MPA, MdTA, and the Maryland Transit Administration to the Public Safety and Emergency backbone.

Fiscal 2006

The fiscal 2006 working appropriation increased by \$664,151 over the fiscal 2006 legislative appropriation. This net special fund increase occurs as the result of several increases and decreases. Increases totaling \$743,575 were the result of a 1.5% cost-of-living adjustment (COLA) to all eligible State employees and the increased cost of health insurance. A deduction of \$52,595 was made to reallocate funds as the result of PIN transfers within MDOT. Finally, a \$26,769 decrease consolidated all funds for State telecommunications at the Secretary's Office. There are also two projected amendments totaling \$1.7 million. **Appendix 5** provides a detailed description of all fiscal 2006 MPA operating budget amendments.

Audit Findings

Audit Period for Last Audit:	October 10, 2001 – December 26, 2004
Issue Date:	August 2005
Number of Findings:	7
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: Procedures had not been established to properly monitor a janitorial services contract.

Finding 2: Internal control over corporate purchasing cards was inadequate.

Finding 3: Documentation used to prepare billings for certain services was not always independently verified.

Finding 4: The controls for authenticating users of the MPA’s Marine Terminal Operations application were inadequate.

Finding 5: Data security events pertaining to the MPA’s Marine Terminal Operations application were not monitored.

Finding 6: A critical firewall was not properly configured or monitored.

Finding 7: State vehicle usage was not adequately monitored and certain mileage discrepancies could not be readily explained.

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	265.00	250.00	250.00	0	0%
02 Contractual	1.30	1.00	1.00	0	0%
Total Positions	266.30	251.00	251.00	0	0%
Objects					
01 Salaries and Wages	\$18,514,651	\$19,062,361	\$20,357,527	\$1,295,166	6.8%
02 Technical & Spec Fees	2,403,395	279,384	279,245	-139	0%
03 Communication	410,856	498,745	483,404	-15,341	-3.1%
04 Travel	283,951	224,408	374,407	149,999	66.8%
06 Fuel & Utilities	4,290,734	3,236,417	3,989,240	752,823	23.3%
07 Motor Vehicles	1,260,735	766,205	1,163,078	396,873	51.8%
08 Contractual Services	56,859,920	57,086,838	54,032,747	-3,054,091	-5.3%
09 Supplies & Materials	1,616,726	1,922,836	1,755,291	-167,545	-8.7%
10 Equip - Replacement	256,599	221,415	681,885	460,470	208.0%
11 Equip - Additional	325,516	238,003	101,666	-136,337	-57.3%
12 Grants, Subsidies, and Contributions	260,000	260,000	260,000	0	0%
13 Fixed Charges	12,390,165	12,560,959	13,889,464	1,328,505	10.6%
14 Land & Structures	219,056	279,276	337,276	58,000	20.8%
Total Objects	\$99,092,304	\$96,636,847	\$97,705,230	\$1,068,383	1.1%
Funds					
03 Special Fund	\$98,992,304	\$96,636,847	\$97,705,230	\$1,068,383	1.1%
09 Reimbursable Fund	100,000	0	0	0	0.0%
Total Funds	\$99,092,304	\$96,636,847	\$97,705,230	\$1,068,383	1.1%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

Fiscal Summary
MDOT – Maryland Port Administration

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
2010 Port Operations	\$99,092,304	\$96,636,847	\$97,705,230	\$1,068,383	1.1%
2020 Port Facilities and Capital Equipment	72,616,375	94,566,136	115,056,343	20,490,207	21.7%
Total Expenditures	\$171,708,679	\$191,202,983	\$212,761,573	\$21,558,590	11.3%
Special Fund	\$171,300,469	\$183,831,983	\$210,244,573	\$26,412,590	14.4%
Federal Fund	308,210	7,371,000	2,517,000	-4,854,000	-65.9%
Total Appropriations	\$171,608,679	\$191,202,983	\$212,761,573	\$21,558,590	11.3%
Reimbursable Fund	\$100,000	\$0	\$0	\$0	0.0%
Total Funds	\$171,708,679	\$191,202,983	\$212,761,573	\$21,558,590	11.3%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

Budget Amendments for Fiscal 2006
Maryland Department of Transportation
Maryland Port Administration – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$386,059	Special	Funds the 1.5% COLA to all eligible State employees.
Approved	\$357,456	Special	Funds the increased cost for health insurance for active and retired employees.
Approved	-\$52,595	Special	Reallocates funds between MDOT modes for PIN transfers completed after submission of the budget.
Approved	-\$26,769	Special	Consolidates all funds for State telecommunications under the Secretary’s Office – Office of Transportation Technology Services
Projected	-\$620,635	Special	Increases funds for 12 months of World Trade Center operations (\$1.1 million); 3 rd party insurance and security (\$1.7 million); travel and MIT funds (\$0.3 million); Seagirt debt service (\$0.2 million); and reduce funds for privatized stevedoring (-\$3.9 million)
Projected	\$1,054,000	Special	Increases funds for utilities based on increased cost and usage

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2006
Maryland Department of Transportation
Maryland Port Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$51,471	Special	Funds the 1.5% COLA adjustment to all eligible State employees.
Approved	\$17,235	Special	Funds the increased cost for health insurance for active and retired employees.
Projected	\$9,735,214	Special	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2006 – 2011 final CTP.
	<u>-\$172,000</u>	Federal	
	\$9,563,214	Total	

Source: Maryland Department of Transportation
