

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

***Operating Budget Data***

(\$ in Thousands)

|                    | <u>FY 07</u><br><u>Actual</u> | <u>FY 08</u><br><u>Working</u> | <u>FY 09</u><br><u>Allowance</u> | <u>FY 08-09</u><br><u>Change</u> | <u>% Change</u><br><u>Prior Year</u> |
|--------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| Special Fund       | \$98,716                      | \$110,054                      | \$112,628                        | \$2,574                          | 2.3%                                 |
| <b>Total Funds</b> | <b>\$98,716</b>               | <b>\$110,054</b>               | <b>\$112,628</b>                 | <b>\$2,574</b>                   | <b>2.3%</b>                          |

- The fiscal 2009 allowance increases by \$2.6 million, or 2.3%, over the fiscal 2008 working appropriation. The underlying fiscal 2009 budget change for this agency, excluding health insurance and Other Post Employment Benefits funding which distorts year-to-year spending, is \$1.6 million, or 1.5%.
- The largest increases are for utilities, replacement equipment, property management at the World Trade Center, and debt service. These increases are offset by a large decrease in security.

***PAYGO Capital Budget Data***

(\$ in Thousands)

|                 | <u>Fiscal 2007</u><br><u>Actual</u> | <u>Fiscal 2008</u> |                  | <u>Fiscal 2009</u><br><u>Allowance</u> |
|-----------------|-------------------------------------|--------------------|------------------|--|
|                 |                                     | <u>Legislative</u> | <u>Working</u>   |  |
| Special         | \$72,158                            | \$123,858          | \$128,748        | \$127,881                              |
| Federal         | \$3,034                             | \$0                | \$2,463          | \$754                                  |
| Reimbursable    | \$49                                | \$0                | \$0              | \$0                                    |
| <b>Subtotal</b> | <b>\$75,241</b>                     | <b>\$123,858</b>   | <b>\$131,211</b> | <b>\$128,635</b>                       |
| Other Funds     | \$18,030                            | \$13,015           | \$8,777          | \$0                                    |
| <b>Total</b>    | <b>\$93,271</b>                     | <b>\$136,873</b>   | <b>\$139,988</b> | <b>\$128,635</b>                       |

- The pay-as-you-go capital fiscal 2009 allowance (includes special and federal funds only) decreases by \$2.6 million, or 2.0%, from the fiscal 2008 working appropriation.

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

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- Total funding, including other funds, decreases \$11.4 million, or 8.1%, from the fiscal 2008 working appropriation.
- The decrease in the capital program is primarily attributed to a \$10.9 million decrease in the Dredged Material Placement and Monitoring program.

***Operating and PAYGO Personnel Data***

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|                                    | <b><u>FY 07</u></b>  | <b><u>FY 08</u></b>   | <b><u>FY 09</u></b>     | <b><u>FY 08-09</u></b> |
|------------------------------------|----------------------|-----------------------|-------------------------|------------------------|
|                                    | <b><u>Actual</u></b> | <b><u>Working</u></b> | <b><u>Allowance</u></b> | <b><u>Change</u></b>   |
| Regular Operating Budget Positions | 251.00               | 251.00                | 249.00                  | -2.00                  |
| Regular PAYGO Budget Positions     | <u>42.00</u>         | <u>43.00</u>          | <u>42.00</u>            | <u>-1.00</u>           |
| <b>Total Regular Positions</b>     | <b>293.00</b>        | <b>294.00</b>         | <b>291.00</b>           | <b>-3.00</b>           |
| Operating Budget Contractual FTEs  | 1.00                 | 1.00                  | 1.00                    | 0.00                   |
| PAYGO Budget Contractual FTEs      | <u>0.00</u>          | <u>0.50</u>           | <u>0.50</u>             | <u>0.00</u>            |
| <b>Total Contractual FTEs</b>      | <b>1.00</b>          | <b>1.50</b>           | <b>1.50</b>             | <b>0.00</b>            |
| <b>Total Personnel</b>             | <b>294.00</b>        | <b>295.50</b>         | <b>292.50</b>           | <b>-3.00</b>           |

**Vacancy Data: Regular Positions**

|                                   |       |       |
|-----------------------------------|-------|-------|
| Turnover, Excluding New Positions | 10.45 | 3.59% |
| Positions Vacant as of 12/31/07   | 17.00 | 5.78% |

- The fiscal 2009 allowance includes 291 regular positions, a 3 position net decrease from the fiscal 2008 working appropriation. This net decrease was the result of 4 positions abolished as part of the Governor’s effort to abolish 500 positions statewide. These abolitions were offset by the addition of 1 position to the operating program.
- The Maryland Port Administration’s (MPA) vacancy rate as of December 31, 2007, was 5.78% and does not include any positions that have been vacant for more than 12 months.

## *Analysis in Brief*

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### Major Trends

***Cargo Volumes Continue to Reach Record Levels:*** In 2006, the Helen Delich Bentley Port of Baltimore (Port) handled 30.6 million tons of foreign cargo at its private and public terminals, ranking it fourteenth among all U.S. Port districts. In that same year, the value of foreign cargo handled at the Port was \$36.7 billion, ranking it twelfth among all U.S. Port districts. In fiscal 2007, general cargo at the MPA-owned terminals reached 8.5 million tons.

***MSC Michaela, the Largest Container Ship to Ever Visit the Port, Comes to Town:*** In November 2007, *MSC Michaela*, a 997-foot Mediterranean Shipping Company container ship, was the largest container ship to ever call on the Port. The ship is 191 feet high, 131 feet wide, and can carry more than 6,700 twenty-foot equivalent unit containers. The ship came in only one-third full and, due to a lack of a 50-foot berth at Seagirt Marine Terminal, would not have been able to dock at the Port if fully loaded.

### Issues

***Operations at Seagirt Marine Terminal:*** MPA has decided to move forward with a long-term lease of Seagirt Marine Terminal. The lease will likely be in place for 25 to 50 years and may involve MPA relinquishing its operational control of the terminal to a private entity. In return, MPA hopes to achieve private investment in the construction of a 50-foot berth at Seagirt. **The Department of Legislative Services (DLS) recommends the Secretary discuss decisions regarding the funding of a 50-foot berth, ownership of the facility, and when the signing of a long-term lease could take place. In addition, DLS recommends that budget bill language be added to require reports from MPA prior to the issuance of a notice of procurement and prior to entering into a long-term lease.**

***Security at the Port:*** Since the terrorist attacks of September 11, 2001, the security of our nation's ports and airports has held national attention. Chapter 78 of 2004 requires MPA to submit an annual report entitled *Funding to Address Vulnerability Concerns at the Port of Baltimore*. This year's submission focused on security projects that have been funded since 2002, unfunded security needs, and implementation of the Transportation Worker Identification Credential (TWIC). **DLS recommends that the Secretary discuss security at the Port, the benefits of security improvements over the past year, security concerns that need to be addressed, and implementation of TWIC.**

***Dredged Material Placement and Innovative Re-use:*** The dredged material placement program faces severe shortfalls in annual capacity beginning in 2010 for Harbor Channel sediment and 2011 for Bay Channel sediment. Inadequate annual capacity will lead to overloading of existing sites, which shortens the sites' operational life. **DLS recommends that the Secretary discuss the overloading of dredged material placement sites, the shortening of operational life of the placement sites that result, and why a greater effort to identify new sites or modify existing sites has not been made. The Secretary should also discuss future options for dredged material placement sites.**

**Chromium Ore Remediation:** From 1918 to 1975, chromium ore processing residue (COPR) was dumped at sites around the Baltimore Harbor. Two million cubic yards of COPR was used to fill in wetlands that now comprise about 138 acres of Dundalk Marine Terminal. In the 1970s, the carcinogenic properties of chromium waste were discovered. In 2006, MPA, Honeywell International, and the Maryland Department of the Environment signed a consent decree that allows Honeywell up to 17 years for remediation. In a separate contract, the State agreed to pay 23% of remediation costs. Depending on the method of remediation utilized, the total cost of remediation could be \$100 million to \$2.5 billion, of which the State’s share could be \$20 million to \$600 million. **DLS recommends that the Secretary discuss chromium waste remediation at Dundalk Marine Terminal. In addition, DLS recommends the adoption of committee narrative to require a report from MPA regarding the status and preliminary costs of remediation.**

### **Operating Budget Recommended Actions**

|   | <u><b>Funds</b></u> |
|---|---------------------|
| 1. Add budget bill language requiring legislative notice of the issuance of a public notice of procurement and prior to entering into a long-term lease at Seagirt Marine Terminal. |                     |
| 2. Reduce funding for travel based on actual spending.  | \$ 37,918           |
| 3. Reduce funding for gas and oil based on actual expenditures.   | 110,993             |
| 4. Reduce funding for advertising based on actual spending.   | 35,557              |
| 5. Delete funding for a grant to Ocean Race Chesapeake, Inc.  | 35,000              |
| 6. Reduce funding for five replacement vehicles to purchase sedans instead of 4-wheel drive utility vehicles.   | 28,405              |
| 7. Reduce funding for the replacement of five motor vehicles.   | 98,546              |
| 8. Adopt committee narrative requiring a report on remediation.   |                     |
| 9. Adopt committee narrative prohibiting the use of employment contracts for management positions.  |                     |
| <b>Total Reductions</b>   | <b>\$ 346,419</b>   |

## PAYGO Budget Recommended Actions

|  | <u>Funds</u>      |
|--|-------------------|
| 1. Reduce additional assistance to reflect actual usage. | \$ 150,000        |
| <b>Total Reductions</b>                                  | <b>\$ 150,000</b> |

## Updates

**Status of the World Trade Center:** In 2003, MPA made a decision to sell the World Trade Center and use the funding for other priorities. Expecting the sale of the building, MPA refrained from making capital improvements and turned down offers for long-term leases. Following the 2007 decision to retain ownership, MPA has been working to increase occupancy and identify and prioritize capital needs.

**Annual Report from the Maryland Port Commission Received:** Section 6.201.2 of the Transportation Article requires an annual report from the Maryland Port Commission (MPC). MPC was created to establish policies to improve the competitiveness of Maryland's ports, adopt regulations for MPA, and serve as the board of directors for MPA's private operating company. The January 2008 report from MPC summarized fiscal 2007 cargo and business accomplishments.

**Port of Baltimore Has Significant Economic Impact for the State:** The 2002 *Joint Chairmen's Report* requires a comprehensive study by MPA every five years concerning the economic impact that the Port has on the State. To fulfill this requirement, MPA submitted a report in January 2008 that attributed 50,200 jobs in Maryland to port activity, as well as \$388 million in State and local tax revenues.

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## ***Budget Analysis***

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### **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 at the Helen Delich Bentley Port of Baltimore (Port or POB). Activities include developing, marketing, maintaining, and stewardship of the State's port facilities; improving access channels and dredging berths; 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 developing dredged material placement sites.

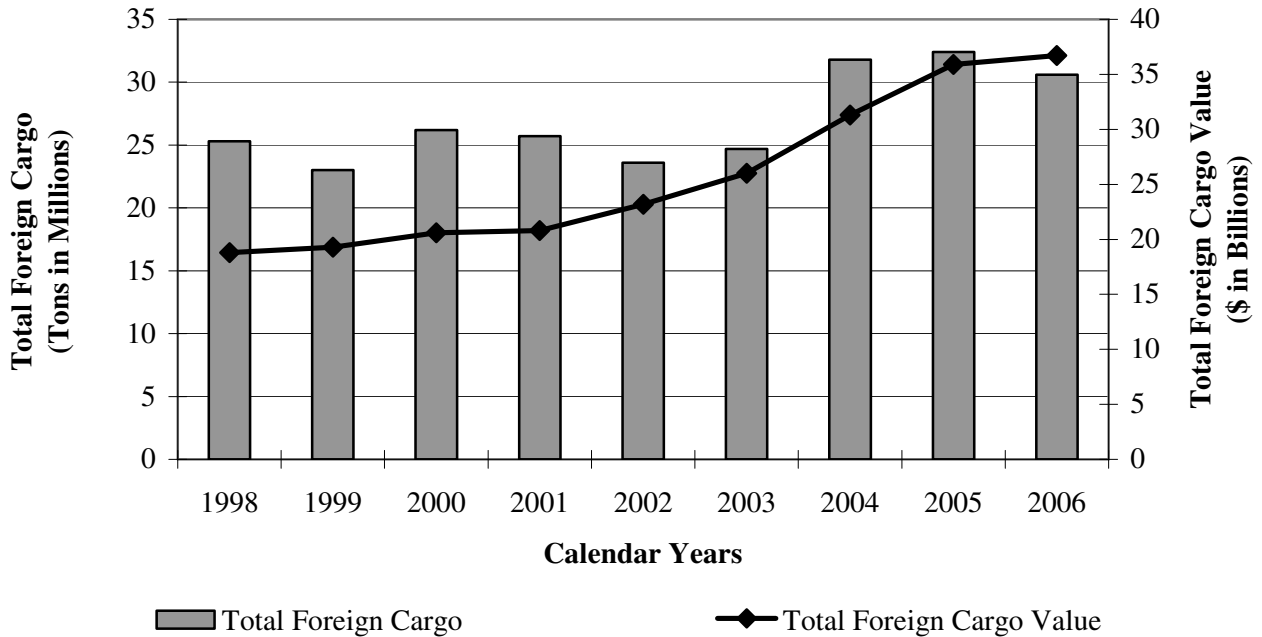
To pursue its mission of stimulating the flow of waterborne commerce through the ports of the State of Maryland in a manner that provides economic benefit to the citizens of the State, MPA has identified the following key goals:

- maximize cargo throughput, terminal efficiency, and the economic benefit generated by the Port;
- operate MPA to ensure revenue enhancements and to optimize 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 Port is a vast industrial complex that encompasses 45 miles of shoreline and 3,403 waterfront acres. It includes 7 public terminals owned and operated by MPA, as well as 23 private terminals. Unlike many State entities, the Port operates in a highly competitive market, with direct competition not only from the private industry, but also from other ports up and down the east coast, as well as some Canadian ports. As shown in **Exhibit 1**, in 2006, the Port handled 30.6 million tons of foreign cargo at its private and public terminals, ranking it fourteenth among all U.S. port districts. In that same year, the value of foreign cargo handled at the Port was \$36.7 billion, ranking it twelfth among all U.S. port districts.

**Exhibit 1**  
**Total Foreign Cargo Handled and Cargo Value**  
**Helen Delich Bentley Port of Baltimore**  
**Calendar 1998-2006**



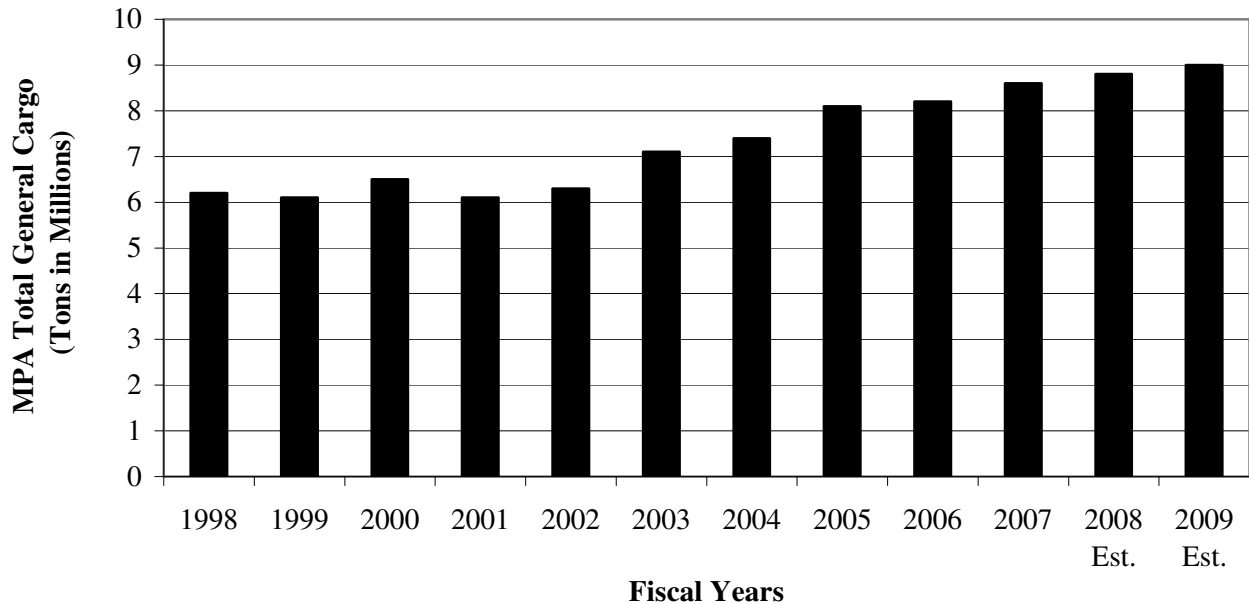
Note: Includes public and private terminals.

Source: Maryland Port Administration

## Cargo Handling

In terms of MPA's seven public terminals, one of the key measures to determine if MPA is fulfilling its mission to stimulate the flow of waterborne commerce through the State is to examine the total tonnage that is handled through the public terminals. From fiscal 2006 to 2007, total general cargo tonnage at the Port increased from 8.2 million to 8.5 million, an increase of 3.7%. As shown in **Exhibit 2**, steady increases are expected over the next two fiscal years.

**Exhibit 2**  
**MPA Total General Cargo Tonnage**  
**Fiscal 1998-2007 Actual, Fiscal 2008-2009 Estimated**

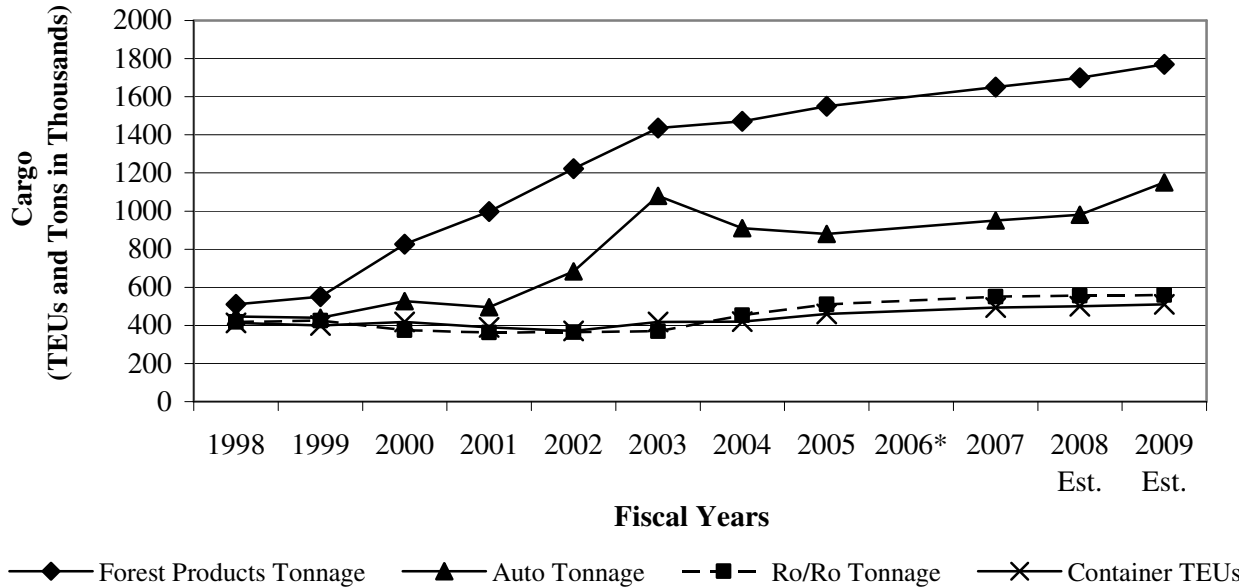


Source: *Governor's Managing for Results Final Report*, January 2008

Four major types of cargo flow through MPA's public terminals. These are roll-on/roll-off (Ro/Ro), forest products, autos, and containers. Ro/Ro includes construction and farm equipment, as well as other cargo that is driven on or off a ship, excluding autos. **Exhibit 3** provides data on total general cargo by type that is handled at the Port.

Cargo volumes for all cargo types continue to show an upward trend. Growth in forest products has been particularly robust following a 2005 agreement with M-real, a Finnish paper company, to build a new paper shed in exchange for M-real's commitment to bring 300,000 tons of paper to the Port annually. This six-year agreement, which includes two six-year renewal options, cements the Port's ranking as the number one port in the nation for handling imported forest products. In addition to being number one in imported forest products, the Port is also number one in handling Ro/Ro cargo and the import of gypsum and ore. POB also ranks second in the United States in the export of cars and trucks, as well as the import of sugar, wood pulp, and aluminum.

**Exhibit 3**  
**Port of Baltimore Cargo Tonnage, by Cargo Type**  
**Fiscal 1998-2007 Actual, Fiscal 2008-2009 Estimated**



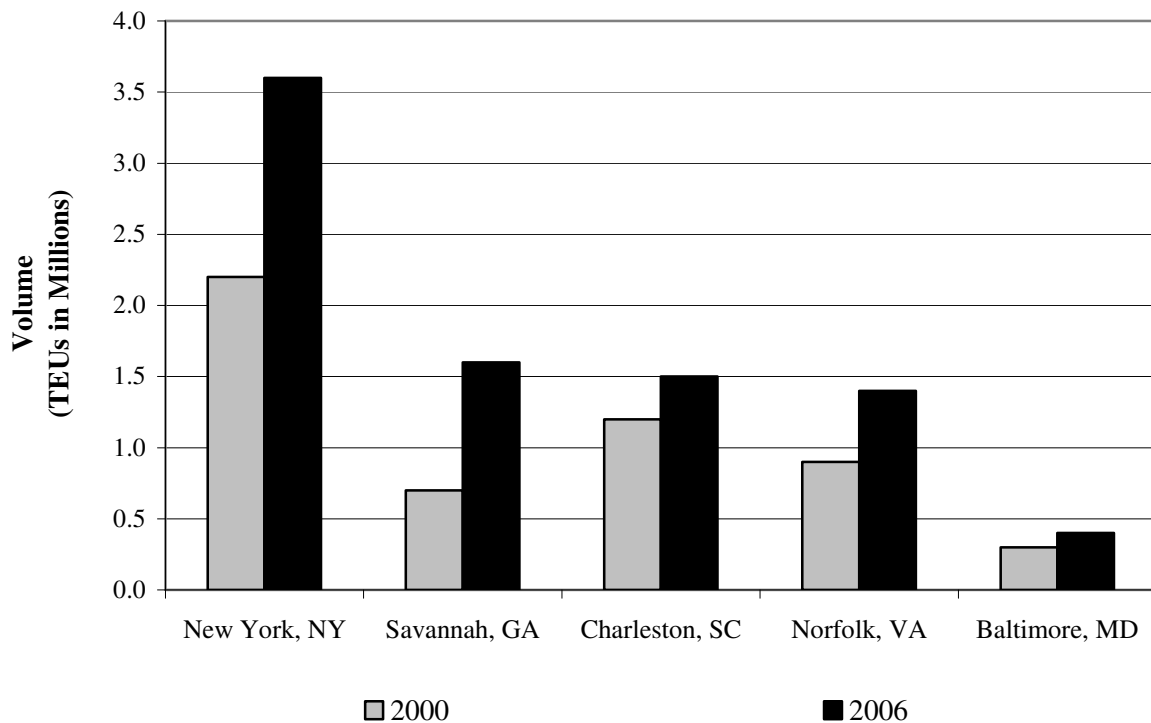
\* 2006 data is interpolated. Data for this year is unavailable due to Hurricane Katrina damage to the U.S. Army Corps of Engineers' Data Center in New Orleans that compiles this information.

Ro/Ro: Roll-on/roll-off  
 TEUs: Twenty-foot equivalent units

Source: *Governor's Managing for Results Final Report*, January 2008

As Exhibit 3 suggests, MPA continues to focus its attention on niche cargoes such as autos and Ro/Ro in addition to containerized cargo. Although containers are the primary cargo for most ports, attracting that type of cargo at POB has always been an uphill battle due to the fact that ships must spend an additional eight hours of travel coming up the Chesapeake Bay to reach POB. Although growth in containers has taken place at POB since 2003, the rate of growth cannot compete with the growth seen at many other ports up and down the East Coast. **Exhibit 4** shows container volumes at several ports on the East Coast. In 2006, the Port Authority of New York and New Jersey handled container volume of 3.6 million twenty-foot equivalent unit (TEUs), up 63.6% from 2000. This port ranks third in the nation and first on the East Coast in container trade. The Port of Savannah witnessed the highest level of growth, 128.6% from 2000 to 2006. It moved up in national port rankings from ninth in 2000 to fourth in 2006 with container volume of 1.6 million TEUs in 2006. At POB, foreign-loaded container volume in 2006 was 0.4 million TEUs, an increase of 47% since 2000. POB has been able to maintain its national ranking of thirteenth in containerized cargo, but with slower growth than many other ports, it continues to distance itself from the twelfth spot.

**Exhibit 4**  
**Container Volumes by Port**



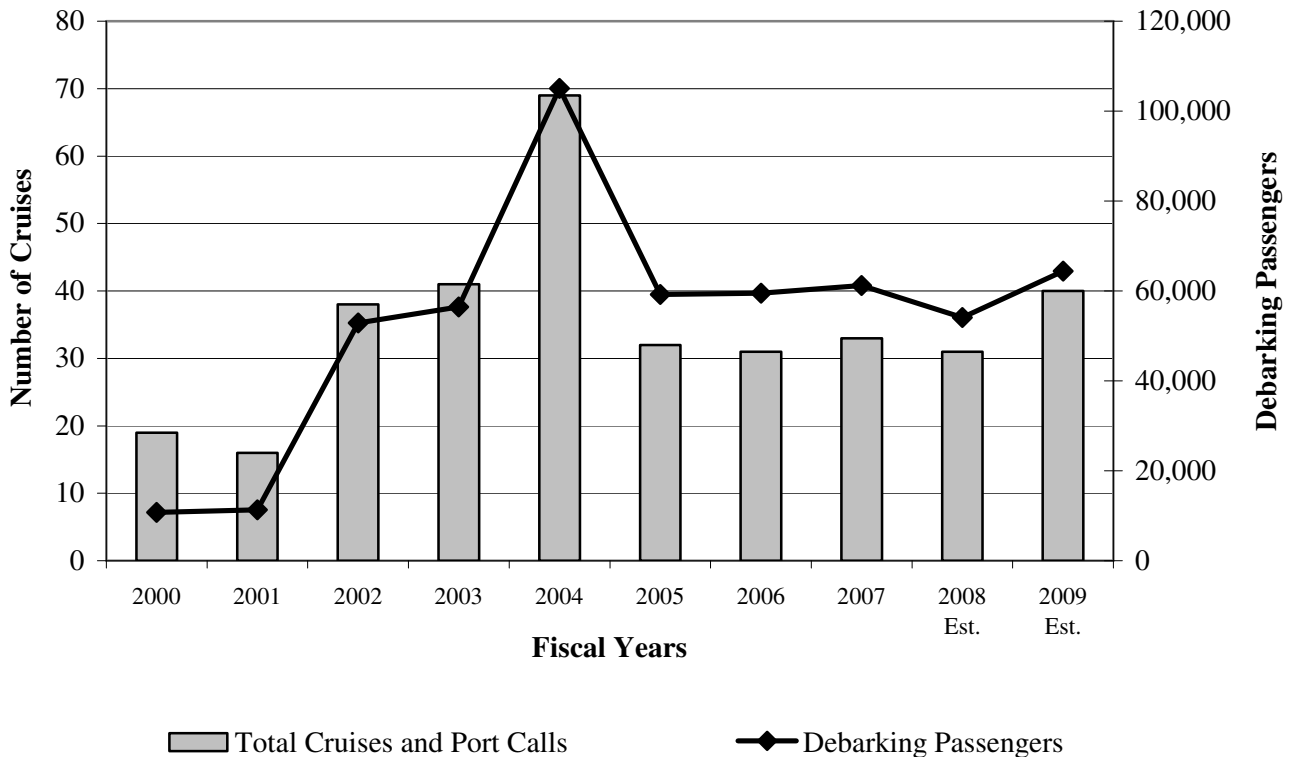
TEUs: Twenty-foot equivalent units

Source: United States Department of Transportation Maritime Administration

Besides handling cargo, another activity at the Port is the cruise ship business. During the 2007 legislative session, the committees adopted narrative requesting performance measures concerning cruise ship operations. In its 2009 submission of Managing for Results (MFR) data, MPA included the requested information. **Exhibit 5** shows the total number of cruises and port calls and passengers that utilized the Port’s new cruise terminal that opened in 2006.

The cruise business at POB peaked in 2004 as the result of two factors related to the terrorist attacks of September 11, 2001. First, air travel dropped sharply following the attacks as people planning discretionary travel, such as vacations, decided to stay closer to home. Many people in the Maryland region took cruises departing from Baltimore rather than to fly to New York or Florida, which both have a large cruise business. Second, one of the cruise ship lines that typically operates year-round cruising from New York decided to come to Baltimore. Therefore, rather than POB’s typical cruise season from May to September, it lasted from April to December. The following year, that cruise line went back to New York and air travel increased, resulting in fewer cruise ships and passengers at POB in subsequent years.

**Exhibit 5**  
**Cruise Ship Operations**  
**Calendar 2000-2007 Actual, Calendar 2008-2009 Estimated**

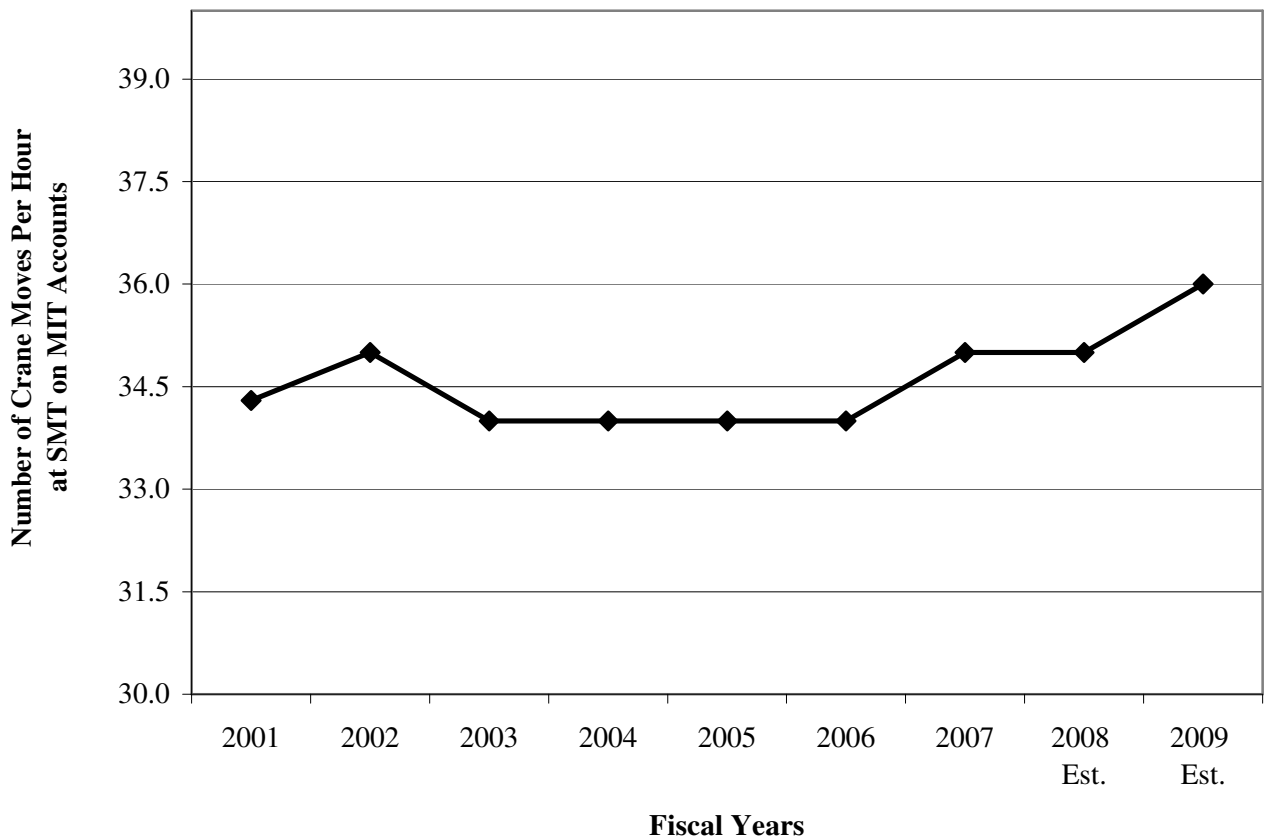


Source: Maryland Port Administration

## Efficiency Measures

As the amount of cargo that moves through the Port continues to increase, efficiency plays a greater role. MPA's MFR measures include two measures of efficiency for handling containers. **Exhibit 6** shows the number of crane moves per hour at Seagirt Marine Terminal for all Maryland International Terminals, Inc. accounts. A crane move refers to the loading or unloading of a container on or off a ship. Crane moves demonstrate efficiency because the greater the number of crane moves per hour, the faster that a ship can be loaded or unloaded. MPA's goal is to reach 37 crane moves per hour, which is higher (more efficient) than its fiscal 2007 average of 35 moves per hour. However, it should be noted that some factors affecting this measure are beyond the control of MPA, including the way that cargo is stored on the ship.

**Exhibit 6**  
**Number of Crane Moves Per Hour**  
Fiscal 2001-2007 Actual, Fiscal 2008-2009 Estimated

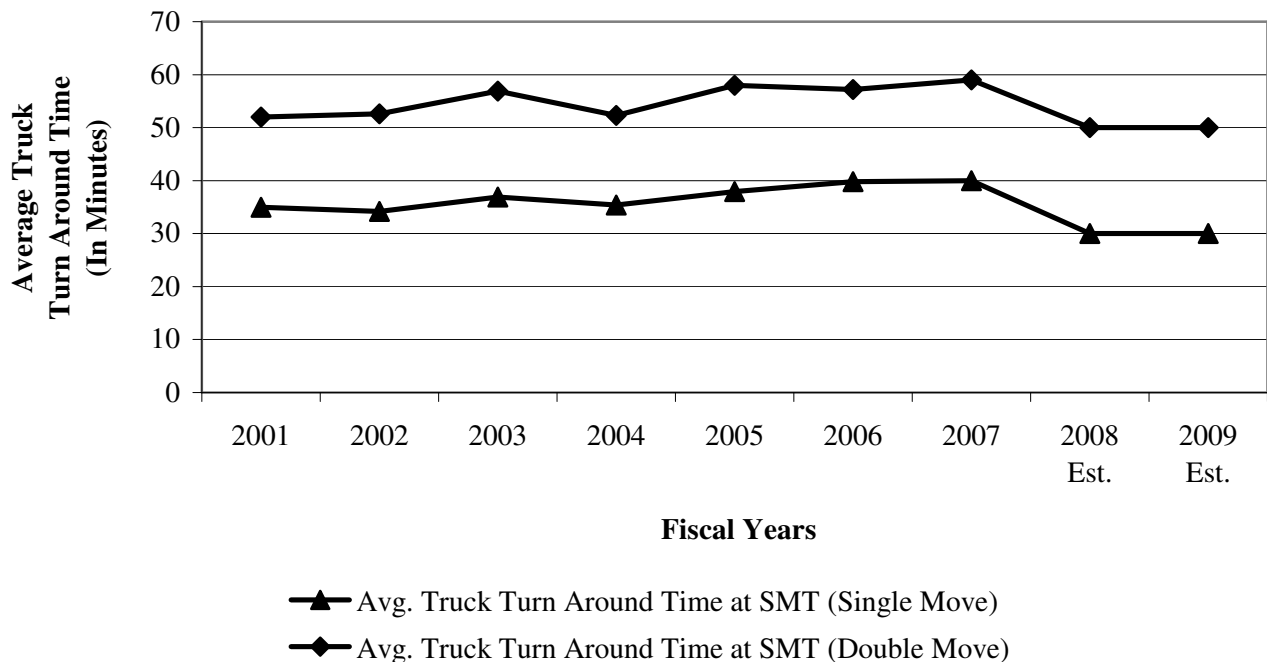


MIT: Maryland International Terminal  
SMT: Seagirt Marine Terminal

Source: *Governor's Managing for Results Final Report*, January 2008

The other cargo handling efficiency measure relates to truck turnaround time. Truck turnaround time is the average time elapsed between when a truck arrives at the terminal and when it departs. Just as the crane move measure looks at how quickly a ship can be unloaded or loaded, the truck turnaround time looks at how quickly trucks can be loaded or unloaded and get back on the road. **Exhibit 7** shows the average truck turnaround time for single and double moves. Single moves are when a truck comes in and only loads or unloads a container. Double moves are when a truck brings a container in and then loads up and takes one out. MPA’s goal for truck turnaround time is 30 minutes for single moves and 60 minutes for double moves. For the years shown, MPA consistently meets the goal for double moves; however, it has not reached this goal for single moves. This is likely due to the fact that certain actions included in the truck processing time take place no matter if a truck is just unloading or loading, or if they are doing both.

**Exhibit 7**  
**Truck Turnaround Time**  
 Fiscal 2001-2007 Actual, Fiscal 2008-2009 Estimated



SMT: Seagirt Marine Terminal

Source: *Governor’s Managing for Results Final Report*, January 2008

## Revenues and Expenditures

Unlike most other State agencies that rely solely on the State for all support, MPA receives revenues that help to offset its expenditures. Its profitability determines how much the Transportation Trust Fund (TTF) must provide as a subsidy. The subsidy for operating expenses has

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grown steadily over the past 10 years, and the projected operating subsidy in fiscal 2009 is \$9.9 million. Revenues also do not cover MPA's capital expenditures. MPA relies on the TTF or other non-MPA financing mechanisms, such as Certificates of Participation, for all capital investments.

**Exhibit 8** shows that MPA projects a net operating loss of \$9.9 million in fiscal 2009. This loss, representing 9.0% of operating expenditures, will be provided as a subsidy from the TTF. When coupled with the capital program, MPA requires a \$143.8 million subsidy from the TTF in fiscal 2009. This subsidy totals 59.0% of total expenditures for MPA, and 3.5% of expenditures of the TTF.

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**Exhibit 8**  
**MPA Special Fund Expenses and Revenues**  
**Fiscal 2006-2009**  
**(\$ in Thousands)**

|   | <u>Actual</u><br><u>2006</u> | <u>Actual</u><br><u>2007</u> | <u>Estimated</u><br><u>2008</u> | <u>Estimated</u><br><u>2009</u> | <u>Percentage</u><br><u>Change</u><br><u>2008-2009</u> |
|---|------------------------------|------------------------------|---------------------------------|---------------------------------|--|
| <b>Operating Revenue<sup>1</sup></b>    | \$90,904                     | \$94,624                     | \$97,818                        | \$99,917                        | 2.15%  |
| Total Operating Expenses <sup>2</sup>   | 97,646                       | 100,935                      | 112,459                         | 115,033                         | 2.29%  |
| Total Exclusions <sup>3</sup>           | -2,588                       | -4,363                       | -5,009                          | -5,180                          | -3.41%   |
| <b>Net Operating Expenses</b>           | <b>\$95,058</b>              | <b>\$96,572</b>              | <b>\$107,450</b>                | <b>\$109,853</b>                | <b>2.24%</b>   |
| <b>Net Operating Income</b>             | <b>-\$4,154</b>              | <b>-\$1,948</b>              | <b>-\$9,632</b>                 | <b>-\$9,936</b>                 | <b>-3.16%</b>  |
| <b>Capital Expenditures<sup>4</sup></b> | <b>\$70,967</b>              | <b>\$79,603</b>              | <b>\$136,220</b>                | <b>\$133,815</b>                | <b>1.77%</b>   |
| <b>Total TTF Subsidy of MPA</b>         | <b>-\$75,121</b>             | <b>-\$81,551</b>             | <b>-\$145,852</b>               | <b>-\$143,751</b>               | <b>1.44%</b>   |

<sup>1</sup> Includes \$90,000 in fiscal 2006 for prior year adjustments.

<sup>2</sup> Includes the following expenses paid by the Maryland Department of Transportation: \$1.4 million for Baltimore City Fire Suppression and PILOTS payments in the amount of \$823,000 in fiscal 2006, \$819,000 in fiscal 2007, and \$1.0 million budgeted for fiscal 2008 and 2009.

<sup>3</sup> Excluded expenditures include payments to the Maryland Transportation Authority for Masonville, COPs debt service payments, and certain capital equipment.

<sup>4</sup> Includes special fund capital allowance as well as the capital expense exclusions that were removed from the operating budget above.

COPS: Certificates of Participation  
PILOTS: Payments in Lieu of Taxes  
TTF: Transportation Trust Fund

Source: Maryland Port Administration

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It is important to note that in looking at MPA capital expenditures in a business manner, consideration should be given to the fact that at MPA, capital expenditures are often paid for in a single year, or over multiple years, but depreciation over the life of the asset does not take place, meaning that revenues and capital expenditures would not match in a year-to-year comparison. However, this is not true of operating expenditures, which, if MPA were operating as a business, would be lower than revenues.

## **Fiscal 2008 Actions**

### **Impact of Cost Containment**

MPA has indicated that it has taken cost containment actions totaling \$1.0 million in fiscal 2008; however, rather than removing this money through budget amendment, the money remains appropriated to MPA to offset budget amendments in other areas that may arise during the fiscal year. If no offset is needed, this money will revert to the TTF at the end of the fiscal year. These cost containment actions have been removed from the fiscal 2009 allowance.

Cost containment actions identified by MPA include:

- \$300,000 reduction in information technology;
- \$300,000 reduction in security costs;
- \$200,000 reduction in vehicle and equipment purchases;
- \$120,000 reduction in marketing and travel; and
- \$100,000 reduction in maintenance.

## **Governor's Proposed Budget**

The fiscal 2009 operating allowance increases by \$2.6 million, or 2.3%, over the fiscal 2008 working appropriation. The underlying fiscal 2009 budget change for this agency, excluding health insurance and Other Post Employment Benefits (OPEB) funding which distorts year-to-year spending, is \$1.6 million, or 1.5%. **Exhibit 9** provides a short summary of the changes taking place from the fiscal 2008 working appropriation to the fiscal 2009 allowance.

Personnel costs increase by \$1.4 million. The largest increase, \$1.0 million, takes place in health insurance, both costs for current employees and retirees, as well as the long-term OPEB liability. The large increases in health insurance at MPA mirror large increases for these purposes across all State agencies. Other large increases are for increments (\$256,731) workers' compensation and Social Security (\$168,057), and overtime (\$103,872).

**Exhibit 9**  
**Governor’s Proposed Budget**  
**Maryland Port Administration**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>  | <b>Special<br/>Fund</b> | <b>Total</b>   |
|----------------------------|-------------------------|----------------|
| 2008 Working Appropriation | \$110,054               | \$110,054      |
| 2009 Governor’s Allowance  | <u>112,628</u>          | <u>112,628</u> |
| Amount Change              | \$2,574                 | \$2,574        |
| Percent Change             | 2.3%                    | 2.3%           |

**Where It Goes:**

**Personnel Expenses**

|  |       |
|--|-------|
| Health insurance – reduce long term Other Post Employment Benefits liability ..... | \$842 |
| Increments.....  | 257   |
| Workers' Compensation and Social Security .....                                    | 168   |
| Health insurance – pay-as-you-go costs.....  | 163   |
| Overtime .....   | 104   |
| Other fringe benefit adjustments.....  | 53    |
| New position.....  | 43    |
| Retirement.....  | 13    |
| Increase turnover rate from 3.26% to 3.52% .....                                   | -29   |
| Abolished positions.....   | -198  |

**Other Changes**

|   |     |
|---|-----|
| Fuel and utilities.....   | 299 |
| Replacement equipment.....  | 250 |
| Property management of the World Trade Center .....                 | 244 |
| Debt service (including operating payment to MdTA for Seagirt)..... | 239 |
| Insurance .....   | 234 |
| Purchase of supplies and materials .....                            | 227 |
| General maintenance of buildings and terminal grounds.....          | 225 |
| Janitorial services.....  | 218 |
| Information technology associated with the CTIPP.....               | 197 |
| Maintenance and repair of motor vehicles and equipment .....        | 128 |
| Additional equipment.....   | 100 |
| Trade shows and hosting Portfest .....                              | 91  |
| Office assistance .....   | -56 |
| Contract with Media Two for Port of Baltimore magazine .....        | -78 |

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|  |                |
|--|----------------|
| Equipment rental.....  | -86            |
| Communications (includes postage, phone, and cell phone expenses).....       | -107           |
| Purchase cost of new and replacement vehicles (cost containment action)..... | -200           |
| Security .....   | -842           |
| Other changes.....   | 75             |
| <b>Total</b>   | <b>\$2,574</b> |

CTIPP: Consolidated Transportation Information Processing Plan  
MdTA: Maryland Transportation Authority

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

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These increases were offset by decreases for abolished positions and an increase in the turnover rate from 3.26% to 3.52%. As part of the Governor’s effort to abolish 500 positions statewide, 4 positions from MPA were abolished. Offsetting these position abolitions was one new position created as a result of the transportation revenue increase associated with the 2007 special session.

Outside of personnel expenses, several other large changes took place. These include:

- \$299,016 for utilities;
- \$250,055 for replacement equipment;
- \$243,862 for property management at the World Trade Center (WTC);
- \$239,484 for debt service and the operating lease with the MdTA for Seagirt;
- \$233,793 for insurance;
- \$226,542 for the purchase of supplies and materials;
- \$225,000 for general maintenance of buildings and terminals grounds; and
- \$217,586 for janitorial services.

These increases were offset by large decreases in security (\$841,915) and the purchase of new and replacement vehicles (\$200,000). The reduction in vehicle purchases was the result of a cost containment measure taken by MPA. Even with this cost containment action in place, MPA retains funding to replace seven sedans, five 4-wheel drive utility vehicles, and two pick-up trucks in fiscal 2009. Currently, MPA’s vehicle fleet (excludes trailers, snow removal equipment, etc.) includes 124 vehicles in an agency with only 291 positions. Furthermore, 27 of these vehicles are

4-wheel drive utility vehicles, which is over 20% of the fleet. In May 2007, the Governor issued a directive to all State agencies to reduce the size of its vehicle fleet. **The Department of Legislative Services (DLS) recommends that the Secretary address the size of MPA’s vehicle fleet, the justification for having such a large percentage of utility vehicles, and what actions have been taken to attempt to downsize the fleet.**

### **Impact of Cost Containment**

As noted above in the section on fiscal 2008 cost containment actions, MPA identified \$1.0 million of cost containment actions for fiscal 2008; however, this amount was not removed by budget amendment and remains in the fiscal 2008 working appropriation. In fiscal 2009, MPA reports that these items are deducted from the allowance; however, many of the reductions did not seem apparent comparing the fiscal 2008 working appropriation to the fiscal 2009 allowance and may be masked by other offsetting increases. All together, MPA identified \$1.0 million in fiscal 2009 cost containment actions.

Although it may not be noted as a cost containment action by MPA, nor does it seem obvious examining Exhibit 9 because of offsetting increases, in reviewing MPA’s budget, it is readily apparent that MPA has made a concerted effort to thoroughly review its budget and to reduce its allowance where appropriate. In many categories of spending, the fiscal 2009 allowance is less, sometimes substantially so, than the fiscal 2008 working appropriation. MPA makes every effort to reduce spending to the fiscal 2007 actual or to an average of fiscal 2005 through 2007 actual spending in its fiscal 2009 allowance.

## **PAYGO Capital Program**

### **Program Description**

MPA's pay-as-you-go (PAYGO) 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 (ACOE).

### ***Fiscal 2008-2013 Consolidated Transportation Program***

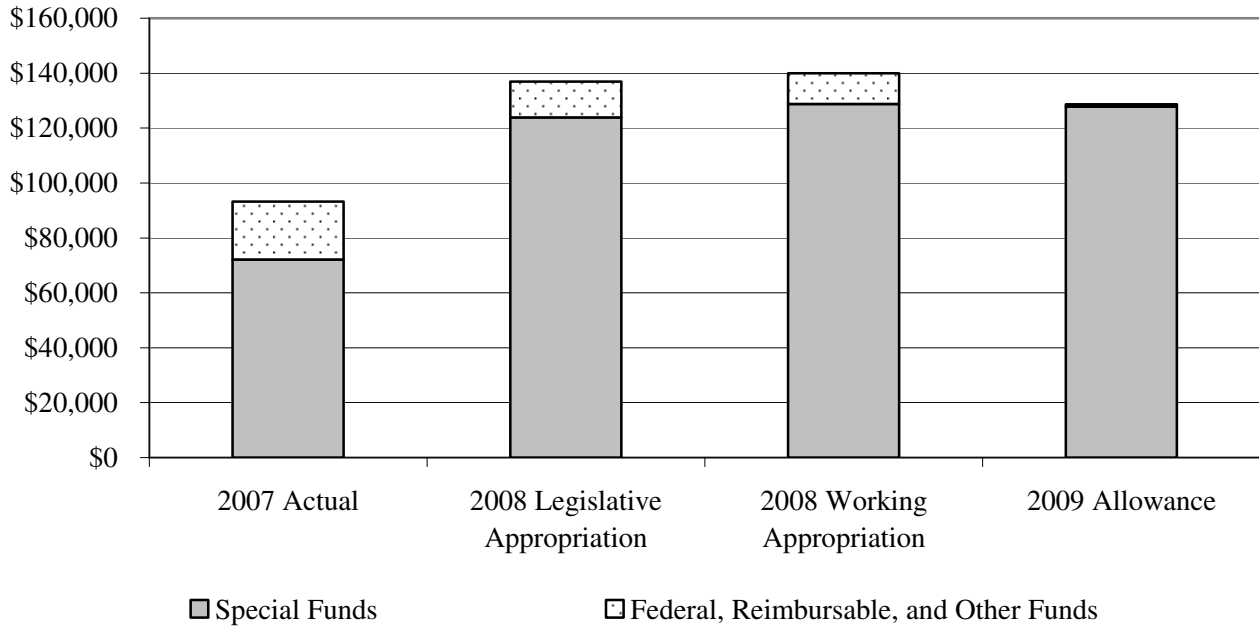
The fiscal 2009 PAYGO capital allowance (special and federal funds only) for the capital program decreases \$2.6 million, or 2.0%, from the fiscal 2008 working appropriation. Total funding for the capital program, including other funds, decreases \$11.4 million, or 8.1%. This overall decrease includes a \$20.5 million decrease in the construction program for major projects, \$3.7 million increase in the development and evaluation program, and a \$5.2 million increase in system preservation projects. In total, 65.8% of funding in MPA's six-year capital program is for projects related to dredging.

Large construction decreases from fiscal 2008 to 2009 in major projects include a \$10.9 million decrease for the Dredged Material Placement and Monitoring program due to cash flow changes and an \$8.8 million decrease in the South Locust Point terminal paper shed due to completion.

### **Fiscal 2008 and 2009 Cash Flow Analysis**

**Exhibit 10** presents cash flow changes from MPA's fiscal 2007 to 2009 PAYGO capital budgets. The total PAYGO capital program, including all fund sources, decreases to \$128.6 million in the fiscal 2009 allowance, a decrease of \$11.4 million from the fiscal 2008 working appropriation. The funding 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 refers to Certificates of Participation that were issued to fund construction of the new paper shed at South Locust Point terminal.

**Exhibit 10**  
**Cash Flow Changes**  
**Fiscal 2007-2009**  
**(\$ in Thousands)**



Source: Maryland Department of Transportation, 2008-2013 *Consolidated Transportation Program*

Exhibit 11 provides a list of all MPA major construction projects funded in fiscal 2009.

**Exhibit 11**  
**Major Construction Projects**  
**Funded in Fiscal 2009**  
**(\$ in Thousands)**

| <u>Project</u>  | <u>Fiscal 2009</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 dredged material disposal site. Hart-Miller Island will be closed to accepting dredged material after 2009, but costs will continue to close the site. | \$3,900            | \$94,516         | Ongoing                               |
| Dredged Material Placement and Monitoring – involves the placement and monitoring of dredged material for enhancement and maintenance dredging of channels.   | 60,917             | 452,168          | Ongoing                               |
| Terminal Security Program – involves state-of-the-art technologies to secure terminal facilities from unauthorized intrusions.  | 4,409              | 30,100           | 2010                                  |
| South Locust Point Cruise Terminal – includes conversion of an existing cargo shed for use as a cruise terminal. Also includes the acquisition and development of adjacent land for additional parking.   | 4,129              | 17,972           | 2010                                  |
| Canton Warehouse Facility – involves the purchase of land adjacent to Seagirt Marine Terminal from the Maryland Transportation Authority and development of the site as a 17-acre container storage facility.   | 4,000              | 10,590           | 2010                                  |
| <b>Total</b>  | <b>\$77,355</b>    | <b>\$605,346</b> |                                       |

Source: Maryland Department of Transportation, 2008-2013 *Consolidated Transportation Program*

During the 2007 special session, transportation revenues were increased by \$418 million in fiscal 2009. Revenue increases took place in the titling tax (increased from 5% to 6%), sales tax (6.5% of total receipts), and the title certificate fee (increased from \$23 to \$50). In addition, certain transfers from the TTF to the general fund were discontinued.

Exhibit 12 shows the projects that were added to MPA’s capital program as a result of this revenue increase.

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**Exhibit 12**  
**Projects Added as a Result of the Revenue Increase**  
**Funding in Fiscal 2009 and Total Funding**  
**(\$ in Thousands)**

| <u>Project</u>  | <u>2009</u>    | <u>Total \$</u> | <u>Completion of Fiscal Cash Flow</u> |
|---|----------------|-----------------|---------------------------------------|
| <b>Major Projects</b>   |                |                 |                                       |
| Additional funding for the Terminal Security Program  | \$2,000        | \$2,500         | 2009                                  |
| Additional funding for Dredged Material Management Program (for a University of Maryland Ballast Study) | 700            | 700             | 2009                                  |
| Additional funding for Cruise Terminal  | 2,500          | 5,000           | 2010                                  |
| Additional funding for Dredged Material Placement and Monitoring  | 0              | 7,300           | 2013                                  |
| <b>System Preservation</b>  |                |                 |                                       |
| Landside Preservation   | 0              | 5,920           | 2013                                  |
| World Trade Center Capital Improvements   | 0              | 3,500           | 2013                                  |
| <b>Total</b>  | <b>\$5,200</b> | <b>\$24,920</b> |                                       |

Source: Maryland Department of Transportation, 2008-2013 *Consolidated Transportation Program*

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**Projects Removed from the *Consolidated Transportation Program***

Although the Niche Cargo Shed 6B was not technically removed from the *Consolidated Transportation Program* (CTP), all funding was removed from the project and reprogrammed to higher priority needs. MPA reports that the cargo shed will be removed in next year’s CTP. The cargo shed was intended to provide covered storage space for niche cargoes at Dundalk Marine Terminal (DMT). Niche cargoes such as forest products, steel, and Ro/Ro sometimes require covered storage. Due to the recent completion of the new paper shed at South Locust Point terminal, the need for covered storage in the short term has been satisfied. In addition, rather than building an additional cargo shed, MPA can make better use of this piece of property by satisfying the growing need for open storage of autos and Ro/Ro equipment. The funding that had been associated with the cargo shed was reprogrammed to the development of a 17-acre container storage facility adjacent to Seagirt Marine Terminal.

## ***Issues***

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### **1. Operations at Seagirt Marine Terminal**

In 1990, Seagirt Marine Terminal opened as a pure container facility, meaning that it only handles containers. The terminal is built on material dredged from the Fort McHenry Tunnel construction project. It is owned by the Maryland Transportation Authority (MdTA), which funded the \$218 million project, and is operated by MPA. In fiscal 2009, MPA's annual operating lease payment to MdTA is \$8.0 million.

#### **Current Operations**

MPA contracts the vessel stevedoring and other marine and landside services to Ports America. The six-year contract with Ports America commenced in 2001. In March 2007, MPA attained Board of Public Works approval of a one-year extension of the contract, thereby extending the end date to October 31, 2008. In addition, there is an option for extending the contract for two additional terms of six months each, if needed.

In this arrangement, MPA collects all fees at Seagirt, estimated at \$60.1 million in fiscal 2009, and then pays Ports America its contract cost. In fiscal 2009, the contract is estimated at \$43.6 million.

#### **Future Options**

The reason that the renewal contract with Ports America was structured as only a one-year renewal was to allow MPA and the Maryland Port Commission (MPC) additional time to determine the best way to handle future operations at Seagirt. Options available include:

- renew the current stevedoring contract with Ports America;
- re-bid the stevedoring contract; and
- utilize a public-private partnership and lease the facility to a private entity.

The general term of 'private entity' is used since a lease could take several forms. The lease could be with a private terminal operating company, an ocean carrier, an investment company, or any other private entity. If the facility was leased to a private entity, the private entity would directly collect all container and dockage fees from the customers, rather than MPA serving as a middle man as it does now. Like with other public-private partnerships, the long-term lease of the facility would be attractive to an investor because it guarantees steady income year over year. In return, the State would likely see a capital investment in the Port.

The most pressing capital need at this time is construction of a 50-foot berth at Seagirt Marine Terminal, a project which will cost approximately \$100 million. The Port currently has a 50-foot access channel, but lacks a 50-foot berth that would be able to accommodate the larger container ships that are currently in operation. In November 2007, *MSC Michaela*, a 997-foot Mediterranean Shipping Company container ship, was the largest container ship to ever call on the POB. The ship

has the capacity of more than 6,700 TEUs; however, it came into POB only one-third full due to the lack of a 50-foot berth to accommodate the ship. Unfortunately, this ship is not even the largest being used today. Ships with a 14,000 TEU capacity are being used elsewhere in the world. Although it will be many years before the largest ships make their way to the East Coast, it is surely a sign of times to come.

In the 2007 *Joint Chairmen's Report* (JCR), the budget committees expressed their interest in being kept aware of the decisionmaking process regarding a possible public-private partnership of Seagirt. Additionally, the committees requested a report from MPA explaining what options are available and what impact each option may have. In September 2007, MPA submitted the first of two reports. The second report is expected in March 2008.

There are two options for operations at Seagirt. The first is to enter into an operating agreement, and the second is a long-term lease. Each of these will be discussed in turn.

### **Operating Agreement**

The first option is to enter into an operating agreement with Ports America or another stevedoring company. This would most likely follow the same operating procedure as is currently done at Seagirt. In this arrangement, MPA will continue to pay all operating, overhead, security, and capital costs associated with Seagirt. It would also collect all revenue, yet the majority of the revenue would pay the stevedore. Seagirt would remain a common user facility and would continue to serve a number of different shipping lines. The advantage of this operating structure is that MPA would retain operational control of Seagirt. The disadvantage is that MPA must compete against the other modes of transportation for funding of the \$100 million capital project to construct a deep water berth at Seagirt.

### **Long-term Lease**

The second option is a 25- to 50-year long-term lease of Seagirt to a private entity. MPA would relinquish majority control of operation of the terminal to a private entity that would pay all operating, security, and capital costs, the operating lease to MdTA, and a portion of overhead. The private entity would make all decisions about which customers to attract and would likely be bound by performance measures contained in the contract. In exchange, MPA could receive a fixed long-term lease payment, a concession fee based on business levels, and private sector investment to expand and upgrade the facility.

The advantage of a long-term lease is that costs would go down; however, this would also mean revenues would go down, since currently MPA collects the money and then pays it to Ports America. Additionally, another advantage is that a private entity may be able to fund construction of a deep berth at Seagirt more quickly than the State could. The disadvantage is that MPA would lack control and the risk that the facility could be operated as a single-user facility. For example, an ocean carrier could lease the facility for its sole use. Other disadvantages include the impact on the State workforce for the employees who currently maintain the facility and its equipment, as well as for backroom operations. Along these same lines, crane maintenance, currently handled by State employees, could be performed in the future by union workers, which may raise costs to customers.

## **Decision to Move Forward with a Public-private Partnership**

In its October 2007 report to the budget committees, MPA indicated that it intends to move forward with a long-term lease of Seagirt. A working draft of a Request for Proposals (RFP) has already been developed for a long-term lease that would include operation, maintenance, and investment in infrastructure for Seagirt. It is unclear exactly when this RFP will be issued, but it is notable that the current stevedoring contract with Ports America ends in October 2008. MPA needs to have something in place before then or utilize an option for a six-month renewal contract.

DLS raises the following issues in connection with the decision to move forward with a public-private partnership for Seagirt.

***MPA Focuses Its Analysis More on Construction of a 50-foot Berth Than on the Effect of a Long-term Lease:*** MPA's justification for this decision seems to focus more on funding construction of a 50-foot berth at Seagirt than on whether a long-term lease is actually a good idea. MPA lists the advantages as a decrease in costs and timely private investment in a State asset. However, the decrease in costs is a moot point, since the decrease in revenues will be greater than the decrease in costs. The disadvantages MPA identifies include MPA relinquishing control of the facility; the risk that the facility could become a single-user facility, which would cause existing container customers to leave POB; higher costs for customers that may result from the use of more union labor; and the effect on the State workforce that currently work at Seagirt. Each of these matters would need to be addressed in any concession agreement.

***Other Funding Options Are Available for Construction of a 50-foot Berth:*** Although DLS does not dispute the need for a 50-foot berth, leasing a State asset for 25 to 50 years is not the only avenue to fund this project. Although MPA has stressed the importance of a 50-foot berth for several years, the 2007 special session increased revenues to the Maryland Department of Transportation (MDOT) by over \$400 million per year, yet none of it was designated for construction of a 50-foot berth. The 2008-2013 CTP includes \$2.1 billion in additional money for the capital program. Over \$1.0 billion of this additional money went to the State Highway Administration. Over six years, only \$24.9 million is directed to MPA, and none of this money is for Seagirt.

Aside from the additional revenues now accruing in the TTF, MPA also has the option of utilizing the conduit financing power of MdTA to construct this project. MdTA already owns Seagirt, and MPA pays an operating lease to MdTA each year. The agreement between MPA and MdTA states that MdTA will consider financing major capital improvements at Seagirt if the projects are supported by commitments from tenants and/or a guaranteed revenue stream. Therefore, construction of the 50-foot berth could be funded by MdTA, either through MdTA debt or through its conduit financing ability, in return for a larger annual operating lease payment.

***MPA Does Not Own the Facility and Therefore Cannot Lease It:*** Aside from the fundamental questions of how and why related to a long-term lease, there is a much more basic question of why MPA would be involved in the leasing of the facility. MdTA is the owner of the facility. Since its opening in 1990, MdTA has designated MPC as its agent for the management and operations of Seagirt. The agreement establishing MPA's annual operating lease payment to MdTA states that

“neither the Department [MDOT] nor the MPA may sell or otherwise dispose of or encumber any part of the Seagirt Marine Terminal or the Intermodal Container Transfer Facility without the express written consent of the Authority [MdTA] or an authorized agent of the Authority.”

***Regardless of Who Is Operating Seagirt, Significant Hurdles Impede a Growth in Container Traffic:*** In fiscal 2006, POB handled just under 500,000 container TEUs, which is about 6.5% of the North Atlantic market share. As was shown in Exhibit 4, other ports up and down the East Coast handle a significantly higher number of containers than POB. The container business at POB faces numerous hurdles, which is why MPA has focused on niche cargoes, such as Ro/Ro and autos, to increase business. Although POB has the advantage of being the closest port to the Midwest, it requires an additional eight-hour trip up the Chesapeake Bay. Moreover, although POB has double-stack clearance available to the west, it lacks double-stack clearance on north and south railroad lines. Double-stack clearance is important for shippers because it can significantly reduce costs. Given these impediments to increasing container traffic, is it uncertain whether or not a private entity could secure enough container business to make a long-term lease financially viable.

***The Current Statutory Definition of Public-private Partnerships Does Not Include Port Facilities:*** The current statutory definition of a public-private partnership, as established in Section 4-205 of the Transportation Article, refers only to revenue-producing highways, bridges, tunnels, or transit facilities. This definition does not include airport or port facilities. Therefore, there would be no legal requirement for review and comment on the proposed lease agreement by the legislature.

**DLS recommends the Secretary discuss:**

- **why the construction of a 50-foot berth at Seagirt was not funded with the revenue increase associated with the 2007 special session if it is such a high priority;**
- **why other funding options, including MdTA financing of the project, are not fully considered;**
- **given questions about whether a private entity could increase container traffic enough to make a capital investment at Seagirt worthwhile, what contingency plans are in place for MDOT to fund construction of a 50-foot berth, if necessary;**
- **why MPA is involved in the leasing of an MdTA-owned facility; and**
- **when an RFP for a long-term lease is expected to be issued.**

**Furthermore, DLS recommends the addition of budget bill language to require:**

- **legislative notice prior to the issuance of a notice of procurement; and**
- **legislative notice prior to entering into a long-term lease.**

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

Since the terrorist attacks of September 11, 2001, security at our nation's ports and airports has received national attention. Chapter 78 of 2004, borne out of concerns about security at the Port, requires MPA to submit an annual report on port security. The December 2007 report, entitled *Funding to Address Vulnerability Concerns at the Port of Baltimore*, is summarized below.

The nation's seaports handle over 95% of the nation's foreign trade by weight and 75% by value. According to the U.S. Customs Border and Protection (CBP), the volume of imported cargo will triple by 2020. At POB, 30.6 million tons of foreign cargo, with a value of \$36.7 billion, was handled in 2006.

### **Security Projects That Are Completed or Underway**

Since its creation in 2002, the federal Department of Homeland Security has awarded port security grants for projects relating to security. Since 2002, MPA has been awarded \$13 million from this funding source. In 2007, MPA was awarded \$1.8 million to construct Security Access Control Centers at DMT and South Locust Point. **Exhibit 13** shows this and other security improvements that have been completed or are budgeted.

**Exhibit 13**  
**Security Improvements at the Port**  
**Includes Projects Funded or Budgeted Since 2001**

| <u>Project</u>                                       | <u>Cost</u><br><u>(\$ in Millions)</u> | <u>Status</u> |
|--|--|---------------|
| DMT Perimeter Security                               | \$0.7                                  | Completed     |
| DMT High Mast Lighting, Phase I and II               | 3.7                                    | Completed     |
| WTC Initial Waterside and Landside Physical Barriers | 0.1                                    | Completed     |
| North and South Locust Point Perimeter Fencing       | 0.1                                    | Completed     |
| WTC Building Security                                | 1.3                                    | Completed     |
| Patrol Boat  | 0.3                                    | Completed     |
| Explosive Detection Equipment                        | 0.5                                    | Completed     |
| Portable Side-scan Sonar for Patrol Boat             | 0.04                                   | Completed     |
| DMT 330-foot Tower Connection                        | 0.2                                    | Completed     |
| 800 MHz Radios                                       | 0.02                                   | Completed     |
| Microwave Link at Point Breeze for Interoperability  | 0.1                                    | Completed     |
| WTC Antenna for Interoperability                     | 0.5                                    | Completed     |
| DMT and Seagirt Terminal Access Control Gates        | 15.7                                   | Completed     |
| Cargo and Information System Security                | 0.2                                    | Underway      |
| Area-wide Remote Video Surveillance System           | 7.2                                    | Underway      |
| South Locust Point Gate Improvements                 | 0.7                                    | Budgeted      |
| TWIC Interface                                       | 0.3                                    | Budgeted      |
| DMT and Seagirt Access Control Center                | 0.9                                    | Budgeted      |
| North and South Locust Point Access Control Center   | 1.6                                    | Budgeted      |
| <b>Total</b>   | <b>\$33.9</b>                          |               |

DMT: Dundalk Marine Terminal  
TWIC: Transportation Worker Identification Credential  
WTC: World Trade Center

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

Source: *Report on Funding to Address Vulnerability Concerns*, submitted by the Maryland Port Administration in December 2007

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Other security accomplishments in 2007 include:

- In January 2007, MPA began issuing identification credentials to all port employees and other individuals with a valid purpose to enter the terminals. The credentials are color coded to signify employee status and contain an electronic chip housing employee data. These

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credentials are compatible with the electronic control devices that have been installed at DMT and Seagirt access gates in preparation for use with the Transportation Worker Identification Credential (TWIC).

- Facility Security Plans were developed and approved by the United States Coast Guard (USCG) for each of MPA's six public restricted marine terminals.
- In September 2007, MPA participated in a USCG sponsored marine exercise called Nautical Shield 2007. The exercise included a series of maritime security alert level changes to test MPA's security and emergency contingency plans.
- In June 2007, fixed radiation portal monitors were installed at DMT. These monitors allow CBP to screen containers leaving the port for weapons of mass destruction and containers carrying radioactive material, and were installed at Seagirt in 2006.
- Also in June 2007, eModal, a computerized trucker identification system, was installed at DMT. The eModal system verifies truck driver and company information for trucks entering the terminal and became operational at Seagirt in 2006.
- MPA implemented security fees to help offset security costs. The fee is paid for passengers on cruise vessels, containers, and non-containerized cargo.

### **Unfunded Security Needs**

Even though the above list of funded security projects is lengthy, MPA still has many unfunded security needs. These include:

- the State is developing a statewide interoperability plan utilizing 700 MHz communication frequencies to achieve a seamless voice and data communication network;
- a terminal monitoring center to monitor the remote video surveillance system and intrusion detection system 24 hours a day and 365 days a year;
- land for development of off-terminal parking for terminal workers and visitors, security access control centers, and the terminal monitoring center mentioned above; and
- installation of terminal gate access control systems, camera systems, and perimeter intrusion detection systems at Fairfield and Masonville marine terminals, South Locust Point cruise terminal, and North Locust Point marine terminal.

## **Transportation Worker Identification Credential**

TWIC was federally mandated by the federal Maritime Transportation Security Act of 2002 and is administered by the Transportation Security Administration (TSA) and USCG. TWICs are biometric credentials that will be issued to all workers who require unescorted access to secure areas of ports and vessels. It is anticipated that at least 750,000 workers nationwide will be required to obtain a TWIC. After many delays in the program's implementation, TWIC issuances began in October 2007.

TWIC applicants must undergo a security threat assessment, criminal history check, legal status check, and a terrorist watch list check. It is estimated that the issuance of a TWIC will take about 60 days provided that no appeals or waivers are required for the issuance. TWICs cost enrollees \$132.50, or \$105.25 for workers who have already had a comparable background check. Employees of MPA will receive a one-time use credit card to pay for enrollment.

TWIC issuance at POB began on November 21, 2007. It is estimated that 25,000 workers will need a TWIC at POB. As of January 18, 2008, 1,525 workers had enrolled in TWIC, and 367 of these enrollees had their TWIC activated and issued. There have been some complaints about enrollees having to make several trips to the enrollment centers because of issues with information technology problems that TSA has experienced.

**As port security is of both local and national importance, DLS recommends that the Secretary discuss security at the Port, the benefits of security improvements over the past year, and security concerns that need to be addressed. Additionally, the Secretary should discuss the implementation of TWIC in Baltimore, including the timeline for implementation and problems that may have arisen over the enrollment period.**

### **3. Dredged Material Placement and Innovative Re-use**

The Dredged Material Management Act of 2001 (Chapter 627 of 2001) changed the way that MPA manages dredged material placement by emphasizing beneficial re-use and by phasing out the practice of open water placement of dredged material. It also created an executive committee responsible for reviewing and recommending Dredged Material Management Program (DMMP) options to meet both short- and long-term dredged material placement capacity requirements as well as establishing a hierarchy of dredged material placement options to be considered. This hierarchy is:

- beneficial use and innovative re-use of dredged material;
- upland sites and other environmentally sound confined capacity;
- expansion of existing dredged material placement capacity other than Hart-Miller Island or Pooles Island; and

- other dredged material placement options to meet long-term placement needs, except for redepositing dredged material in an unconfined manner.

In accordance with these components of DMMP, a range of options are being considered for the short- and long-term placement of material dredged from the Baltimore Harbor channels and the Chesapeake Bay channels. Section 5-1101 of the Environment Article establishes the Baltimore Harbor as all points of the Patapsco River westward of a line extending from Rock Point in Anne Arundel County to North Point in Baltimore County. According to statute, material dredged from the Baltimore Harbor channels is contaminated and must be held separately from the Chesapeake Bay channel material. Therefore, options for dredged material placement must include locations for both the Harbor channels and the Chesapeake Bay channels.

### **Bay Channel Options**

The current options for placement of dredged material from the Bay Channels are at Poplar Island or at the Pooles Island Open Water Placement Site. However, statute requires the closure of Pooles Island by the end of 2010. At that time, the only facility accepting Bay Channel dredged material will be Poplar Island. On its own, Poplar Island does not have sufficient annual dredged material capacity to accommodate the annual 3.2 million cubic yards (mcy) of maintenance material volume from the Bay channels. Therefore, the additional capacity will go to Poplar Island, resulting in overloading and a shortened operational life.

***Poplar Island Expansion:*** In conjunction with ACOE, MPA has developed a plan to expand capacity at Poplar Island by 50%. The plan was approved by DMMP's Executive Committee and ACOE and was enacted in the 2007 version of the federal Water Resources Development Act (WRDA). The expansion project will have a total capacity of 28 mcy and will extend the life of the facility by seven years. Pending the availability of funds, the preconstruction engineering and design phase of the expansion should begin in 2010.

***Mid-Bay Islands:*** In conjunction with ACOE, MPA is studying the restoration of James Island and the creation of additional protection at Barren Island, both in Dorchester County. Public meetings on this project were held in October 2006. Release of the final report, expected in early 2007, was delayed as ACOE headquarters implemented new requirements for external peer review and cost risk evaluation for the project. The final report is now expected in June 2008, followed by the Chief of Engineer's Report in September 2008. After approval of the Chief of Engineer's Report, the project will need to be included in the next WRDA and then receive federal funding.

***Chesapeake Bay Marshlands (Blackwater) Restoration Project:*** This project is looking at possible marshland restoration using dredged material. Although there is interest in utilizing Bay channel sediments to restore the Blackwater National Wildlife Refuge in Dorchester County, funding is a major issue.

## **Harbor Channel Options**

Currently, Hart-Miller Island can accommodate all of the sediment dredged from the Baltimore Harbor channels. However, legislative mandate requires that Hart-Miller Island cease receiving dredged material by the end of 2009. The only other site currently receiving Harbor Channel sediment is the reactivated Cox Creek site, which has an annual placement capacity of only 0.5 mcy. The average annual Harbor need is 1.5 mcy for maintenance and new work dredging. Thus, there is an urgent need for additional placement capacity for Harbor material by 2010.

After working its way through the approval process, construction of a dredged material containment facility at Masonville, as well as associated community enhancements, began in September 2007. The facility is expected to be completed and begin receiving dredged material in late 2009. The facility will have an annual capacity of 0.5 mcy and a total capacity of 16 mcy.

Together, Cox Creek and Masonville will have an annual capacity of 1.0 mcy; however, this is not enough to meet the average annual Harbor need of 1.5 mcy. The additional capacity will likely come from overloading Cox Creek and Masonville, but this will shorten their operational life. Other options currently being reviewed are outlined below.

***Sparrows Point:*** MPA continues to conduct feasibility studies and discussions with stakeholders regarding the possibility of a dredged material placement site at Sparrows Point. However, the site still faces several challenges as the ownership of the site has been in flux; stakeholders want to minimize in-water placement, which reduces capacity; and legislative modifications to State law prohibiting dredged placement sites within five miles of Hart-Miller Island would be necessary.

***BP-Fairfield:*** Following the identification of BP-Fairfield as a potential dredged material placement site, MPA conducted feasibility studies. However, due to a new owner who has plans for the site incompatible with a dredged material placement site, BP-Fairfield is no longer being considered as an option.

## **Innovative Re-use**

Annual maintenance dredging and dredging for new projects is an ongoing necessity; however, limitations on the disposal of dredged material leave few future options. Therefore, one of the key goals of the Dredged Material Disposal Alternatives Act of 2004 (Chapter 552 of 2004) is to facilitate the re-use of at least 500,000 cubic yards of dredged material each year. To support this effort, MPA created an Innovative Re-use committee to explore the re-use options available. In April 2007, the committee issued its final report which found that flowable fill, reclamation of sand, gravel, and coal mines, and land amendment are the most highly favored technologies for re-use. Based on other recommendations from the committee's final report, in 2007, MPA:

- issued a request for proposals seeking approaches to re-using material dredged from the Baltimore Harbor;

- initiated a study of the use of the Cox Creek Dredged Material Containment Facility as a possible processing center for re-use; and
- developed a strategy to study the sediment quality of the Baltimore Harbor to determine levels and types of contamination.

Beginning in 2010, annual capacity for Harbor Channel dredged material will exceed existing annual capacity, resulting in the overloading of Cox Creek and Masonville. Beginning in 2011, annual capacity for dredged material from the Bay Channels will exceed existing annual capacity, resulting in the overloading of Poplar Island. The overloading of Masonville, Cox Creek, and Poplar Island will shorten the operational life of each of these facilities. The federal process of authorization and appropriation of money to study and construct future placement sites averages 12 years, and the construction of placement sites costs millions of dollars. Over time, overloading placement sites requires greater placement capacity than if existing sites are not overloaded and alternative sites are developed. Therefore, every effort should be made to extend, not shorten, the operational life and capacity of placement sites. **DLS recommends that the Secretary discuss the overloading of dredged material placement sites, the shortening of operational life of the sites that result, and why a greater effort to identify new sites or modify existing sites has not been made. The Secretary should also discuss options beyond those presented above that are being examined.**

#### **4. Chromium Ore Remediation**

From 1918 until 1975, the predecessor companies of Honeywell International Inc. disposed of chromium ore processing residue (COPR) from its manufacturing process at several locations around the Baltimore Harbor. At the time, COPR was considered good fill material, and it is believed that about 2 mcy was used to fill in wetlands that now comprise approximately 138 acres of the 570-acre DMT.

The State bought this property in 1967, and the purchase agreement for the property required that COPR generated from the chrome manufacturing plant continue to be disposed of at DMT. In 1975, the placement of COPR stopped when the carcinogenic properties of the chromium waste were discovered. In addition to the carcinogenic properties, COPR also causes “heaving.” “Heaving” refers to the large bumps and ridges that appear on the surface of the property as a result of a chemical reaction that causes the expansion of COPR beneath the property surface. Portions of paved areas at DMT are unusable because of bubbling and cracking that has taken place.

In 1991, MPA and the Maryland Department of the Environment (MDE) entered into an administrative Consent Order that was amended in 1992 to address the release of, or threatened release of, hazardous substances from DMT. Under the 1992 Consent Order, MPA was required to undertake a wide variety of remedial measures. Shortly thereafter, MPA entered into a Settlement Agreement with Honeywell’s predecessor, Allied Signal, whereby Allied Signal was required to pay MPA 52.5% of all environmental remediation costs incurred at DMT. Prior to 2006, MPA and Honeywell spent about \$42 million on chromium containment, groundwater maintenance, and monitoring the health of terminal workers.

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In April 2006, MPA and Honeywell executed two new agreements designed to resolve all matters related to the presence of chromium in and around DMT. The first agreement was a long-term settlement, which was approved by the Board of Public Works, that allocates the work and financial responsibilities for the remediation of DMT. Under the new Settlement Agreement, Honeywell pays for 77% of the remediation costs, while MPA pays for 23%.

The second agreement was a Consent Decree with MDE and Honeywell that is designed to provide a final remedy to address, treat, control, prevent, or mitigate the presence and/or release of chromium from DMT. Conservative estimates of the cost of remediation range from \$100 million to \$2.5 billion over 5 to 18 years, of which the State's share could be \$20 million to \$600 million. MPA and Honeywell anticipate submitting to MDE a Corrective Measures Alternate Analysis of the remediation actions that can be taken at DMT by the end of 2008, or early in 2009. MDE will then decide which remediation measure(s) will be implemented. Better cost estimates will be available once that decision is made.

**DLS recommends that the Secretary discuss chromium waste remediation at DMT. In addition, DLS recommends the adoption of committee narrative to require a report from MPA regarding the status and preliminary costs of remediation.**

## ***Operating Budget Recommended Actions***

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

, provided that the Maryland Port Administration (MPA) shall not enter into a long-term lease of Seagirt Marine Terminal without providing the General Assembly with ample time to review the proposed lease. Therefore, the General Assembly requires a report from MPA:

- (1) not less than 45 days before issuing a public notice of procurement related to a public-private partnership arrangement, subject to Section 2-1246 of the State Government Article. The report shall include a summary of the proposed procurement document to be used for solicitation of the public-private partnership arrangement.
- (2) not less than 45 days before entering into any public-private partnership arrangement, subject to Section 2-1246 of the State Government Article, MPA shall provide a description of the proposed lease agreement and a financing plan, including:
  - (A) the length of the proposed lease;
  - (B) the scope of payments to MPA from the proposed public-private partnership arrangement;
  - (C) a cost-benefit analysis of the proposed public-private partnership arrangement;
  - (D) the source of funding that the private partner will utilize to fund this agreement;
  - (E) evidence of the financial stability of the private partner;
  - (F) requirements pertaining to the ongoing operation and maintenance of the facility and contract oversight;
  - (G) requirements pertaining to capital investment in the facility and timeline for completion of that investment;
  - (H) a description of performance measures utilized in the contract, as well as actions that may be taken if performance goals are not met;
  - (I) the impact of the proposed agreement on revenues received, debt issued, and land owned by the State, Maryland Department of Transportation, or Maryland Transportation Authority; and
  - (J) the impact, if any, on federal funds.

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These reports shall be submitted to the Senate Budget and Taxation Committee, the House Committee on Ways and Means, the House Committee on Appropriations, and to the Department of Legislative Services. Upon submission, the budget committees shall have 45 days to review and comment on each report.

**Explanation:** MPA has decided to move forward with a long-term lease of Seagirt Marine Terminal. The current statutory framework for legislative notice of public-private partnerships does not include port facilities. This language requires MPA to follow the same legislative notice requirements as if the current statutory requirements applied. The language requests two reports, one prior to issuance of a public notice of procurement of a long-term lease, and one prior to entering into an agreement.

| <b>Information Request</b>                                       | <b>Author</b> | <b>Due Date</b>                          |
|--|---------------|--|
| Report summarizing the notice of procurement that will be issued | MPA           | 45 days prior to issuance                |
| Report providing a description of the proposed agreement         | MPA           | 45 days prior to entering into agreement |

|    |  | <b><u>Amount<br/>Reduction</u></b> |
|----|--|------------------------------------|
| 2. | Reduce funding for travel based on a three-year average of actual spending. This action also allows for 10% growth over the three-year actual.   | \$ 37,918 SF                       |
| 3. | Reduce funding for gas and oil based on actual fiscal 2007 expenditures. This action still allows for 25% growth over fiscal 2007 actual spending.   | 110,993 SF                         |
| 4. | Reduce funding for advertising based on actual spending. This action provides level funding from the fiscal 2008 working appropriation. Fiscal 2007 actual spending was 20% less than the fiscal 2008 working appropriation, making an increase unnecessary. | 35,557 SF                          |
| 5. | Delete funding for a grant to Ocean Race Chesapeake, Inc. Ocean Race Chesapeake is an international boat race that has historically included a stop in Baltimore. However, the organizers of the boat race have announced that beginning in the 2008         | 35,000 SF                          |

sailing season, they will no longer stop in Baltimore. Without the promotional opportunities that have existed in the past as a result of this stop in Baltimore, there is no reason for the Maryland Port Administration to provide funding to this organization.

6. Reduce funding for five replacement vehicles to purchase five hybrid sedans instead of five hybrid 4-wheel drive utility vehicles. While the justification for utility vehicles is acceptable, over 20% of the Maryland Port Administration's (MPA) vehicle fleet is comprised of utility vehicles. MPA should prioritize usage of utility vehicles and attempt to reduce the number of utility vehicles in its fleet. If necessary, utility vehicles should be reassigned to those individuals most in need of utility vehicles for emergency response purposes or visiting undeveloped marine terminals. 28,405 SF

7. Reduce funding for the replacement of five motor vehicles. These five vehicles include two sedans and three 4-wheel drive utility vehicles. All five of these vehicles are model year 2004 and are only four years old. The vehicles are all expected to exceed 100,000 miles by February 2009. However, in setting the 100,000-mile threshold, the Department of Budget and Management stresses that it is an indicator for possible replacement only, and not a benchmark that requires replacement. Given that the vehicles are only four years old, it is likely they are in very good shape except for the high mileage, and therefore should not be replaced. 98,546 SF

8. Adopt the following narrative:

**Chromium Waste Remediation:** The committees are concerned about chromium ore processing residue (COPR) contained at Dundalk Marine Terminal. The Maryland Port Administration and Honeywell International are currently reviewing options for remediation of the COPR. In addition to the obvious concerns about the health of terminal workers due to the carcinogenic properties of the COPR, the committees are concerned about the significant cost of remediation and how it will be funded. Therefore, the committees request a report summarizing:

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- the remediation options available;
- the advantages and disadvantages of each option;
- the timeline for completion of remediation; and
- proposed funding of the remediation.

This report shall be submitted by December 15, 2008, and the committees shall have 45 days to review and comment.

| <b>Information Request</b>              | <b>Author</b>                | <b>Due Date</b>   |
|---|------------------------------|-------------------|
| Report on remediation of chromium waste | Maryland Port Administration | December 15, 2008 |

9. Adopt the following narrative:

**Prohibition on the Use of Employment Contracts:** The committees are concerned about the use of employment contracts for management personnel. In May 2005, Brooks Royster was appointed as Executive Director of the Maryland Port Administration. Royster signed a five-year employment contract guaranteeing that if he were terminated at any time during the agreement for a reason other than conviction of a crime, he would receive severance pay of one year's salary (\$225,000) plus benefits and relocation costs of up to \$25,000. In addition, if he were terminated for any reason other than good cause, he would receive a payment each year of the five-year contract of \$225,000, less any money received from subsequent employment. In June 2007, the Secretary of the Maryland Department of Transportation (MDOT) announced that Royster would step down from his position. Subsequently, in August 2007, the Board of Public Works approved the payment of a \$289,203 settlement to Royster. As the Executive Director of MPA is an Executive Service position that serves at the pleasure of the Secretary of MDOT, employment contracts should not be made because it hampers the ability of the Secretary to make necessary personnel changes. It is the intent of the committees that MDOT shall not enter into, or renew existing, employment contracts with management personnel.

**Total Special Fund Reductions** **\$ 346,419**

## ***PAYGO Budget Recommended Actions***

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|   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 1. Reduce additional assistance to reflect actual usage. The three-year average of actual spending is \$166,586. This action reduces the appropriation to \$175,920, which still allows adequate funding for prior year actual spending as well as increases in spending. | \$ 150,000 SF                      |
| <b>Total Special Fund Reductions</b>  | <b>\$ 150,000</b>                  |

## ***Updates***

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

In 2003, MPA made the decision to sell the WTC as part of a larger strategy to divest itself of real estate assets to provide additional funding for its core mission. At the advice of its broker, MPA negotiated only short-term leases and, therefore, did not renew certain leases and turned away new tenants interested in long-term leases. In 2006, the State received offers to purchase the building; however, after an administration change in 2007, the decision was made to retain ownership of the building.

Due to the previous decision not to renew leases and to turn away prospective clients, the building's occupancy has fallen to approximately 50%. In addition, decisions not to make capital improvements in the building since it was on the market has left the building half empty and in need of capital improvements.

In response to a request in the 2007 JCR, MPA submitted a report in September 2007 to update the committees on actions that have been taken following the decision to retain ownership of the building and documenting the capital improvement projects that were necessary. The report outlined \$4.5 million of capital improvements that are necessary in fiscal 2009 to begin investment in the building. Over the period from fiscal 2008 to 2015, \$32.2 million worth of necessary capital improvements have been identified. To begin to chip away at this backlog of projects, MPA has included \$1.7 million in fiscal 2009 in capital spending for the WTC. Over the six years that the CTP covers, \$7.9 million was included – \$3.5 million of this was added as a result of the 2007 special session increase.

In December 2007, MPA issued an RFP for building operations, management, and leasing services for the WTC. Award of the contract is expected to take place in June 2008. It is assumed that hiring a property management company will aid in leasing the building up to levels seen in the past. Announcement was made in July 2007 of a lease agreement between MPA and the Department of Business and Economic Development (DBED). Once DBED moves to the WTC in October 2008, the occupancy rate will be 70%.

### **2. Annual Report from Maryland Port Commission Received**

Section 6-201.2 of the Transportation Article requires an annual report from MPC. MPC consists of seven voting members, including the Secretary of MDOT as chairman as well as six members appointed by the Governor with the advice and consent of the Senate. Additionally, the Secretary of DBED serves as a non-voting ex officio member.

MPC was created to:

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- establish policies directed toward improving the competitive position of the ports of Maryland within the port industry;
- adopt regulations for the operation of MPA; and
- serve as the board of directors of Maryland International Terminals, Inc., MPA's private operating company.

The January 2008 report of MPC contained a summary of fiscal 2007 cargo activities and business accomplishments at the Port. These include:

- general cargo tonnage at MPA terminals set a new record of 8.6 million tons, a growth of 3.8% over fiscal 2006;
- fiscal 2007 was MPA's fifth consecutive record-breaking fiscal year in terms of general cargo;
- in May 2007, Pasha Automotive Services formally opened its new vehicle processing center at DMT, which is expected to handle approximately 15,000 Porsche vehicles in 2007;
- the Port began handling Miles ZX40 and Miles ZX40S, electric cars from China, and was selected as the exclusive East Coast port for these cars;
- the Port began handling shipments of wind turbines, which weigh 290 tons and reach a height of 250 feet when fully constructed;
- Norwegian Cruise Lines announced that it would offer 10 seven-day cruises from Baltimore to Bermuda beginning in 2008; and
- in April 2007, the Port received its largest rail shipment in history, a 96-car load train hauling combines.

Under Section 6-204 of the Transportation Article, MPC is also required to report on changes made to the 12 management personnel positions that MPC is authorized to appoint and set salaries. This report was received in December 2007 and stated that 5 of the 12 positions received 6.0% salary increases.

The annual MPC report also identified several challenges that MPA will face in fiscal 2008. These include:

- obtaining the capacity necessary for future cargo storage and dredged material placement;
- acquiring additional property adjacent to existing marine terminals when possible, as well as operational changes to improve the productivity and expand capacity of existing terminals;

- maintaining an environmentally sensitive and cost-effective dredging program; and
- ongoing and changing needs in port security.

### 3. Port of Baltimore Has Significant Economic Impact for the State

As required in the 2002 JCR, MPA submitted a comprehensive study entitled *The Economic Impact of the Port of Baltimore* in 2003. The study documented the economic impacts of port activity in 2002 by conducting extensive surveys of the port community to determine relationships with the region's economy. The 2002 JCR also required MPA to submit annual updates of the comprehensive study and to conduct a comprehensive study every five years.

In January 2008, MPA submitted its five-year comprehensive study of impact based on Port activity in 2006. In 2006, the Port handled more than 30 million tons of foreign cargo with an estimated value of \$36.7 billion. **Exhibit 14** shows the economic impact of this Port activity.

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#### Exhibit 14 Economic Impact of the Port Based on 2006 Port Activity

##### Jobs

|               |        |
|---------------|--------|
| Direct Jobs   | 16,500 |
| Induced Jobs  | 19,500 |
| Indirect Jobs | 14,200 |

**Total Jobs** **50,200**

##### Economic Impact

|   |               |
|---|---------------|
| Personal Wage and Salary Income                                   | \$3.6 billion |
| Business Revenues   | \$1.9 billion |
| Local Purchases by Businesses Directly Dependent on Port Activity | \$1.3 billion |
| State, County, and Municipal Taxes Generated                      | \$388 million |

Source: Maryland Port Administration

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***Current and Prior Year Budgets***

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

|                                  | <b><u>General<br/>Fund</u></b> | <b><u>Special<br/>Fund</u></b> | <b><u>Federal<br/>Fund</u></b> | <b><u>Reimb.<br/>Fund</u></b> | <b><u>Total</u></b> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| <b>Fiscal 2007</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$0                            | \$97,357                       | \$0                            | \$0                           | \$97,357            |
| Deficiency<br>Appropriation      | 0                              | 1,128                          | 0                              | 0                             | 1,128               |
| Budget<br>Amendments             | 0                              | 5,187                          | 0                              | 0                             | 5,187               |
| Reversions and<br>Cancellations  | 0                              | -4,955                         | 0                              | 0                             | -4,955              |
| <b>Actual<br/>Expenditures</b>   | <b>\$0</b>                     | <b>\$98,716</b>                | <b>\$0</b>                     | <b>\$0</b>                    | <b>\$98,716</b>     |
| <b>Fiscal 2008</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$0                            | \$109,693                      | \$0                            | \$0                           | \$109,693           |
| Cost<br>Containment              | 0                              | 0                              | 0                              | 0                             | 0                   |
| Budget<br>Amendments             | 0                              | 361                            | 0                              | 0                             | 361                 |
| <b>Working<br/>Appropriation</b> | <b>\$0</b>                     | <b>\$110,054</b>               | <b>\$0</b>                     | <b>\$0</b>                    | <b>\$110,054</b>    |

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

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## **Fiscal 2007**

Fiscal 2007 operating expenditures at MPA totaled \$98.7 million, which is \$1.4 million higher than the legislative appropriation. The net increase was the result of a \$6.3 million increase for deficiencies and budget amendments and \$5.0 million in cancellations.

Fiscal 2007 deficiencies include:

- \$766,989 for overtime payments to the Maryland Transportation Authority Police for police services during cruise ship operations and for fire safety compliance regulations; and
- \$360,872 for fuel and utility expenses.

Fiscal 2007 budget amendments include:

- \$4.8 million increase for debt service for the Certificates of Participation issued for construction of a new paper shed (\$1.7 million) and operating expenses for the World Trade Center (\$3.1 million); and
- \$342,651 increase for the cost-of-living adjustment (COLA) granted to all State employees.

In addition to these changes, nearly \$5 million in operating funds was cancelled. The amount and category of spending for these cancellations include:

- \$2.0 million overbudgeted for health insurance and various contractual services, including security;
- \$1.6 million in stevedoring costs resulting from slower than expected business;
- \$729,000 for consultants and information technology contract costs and equipment acquisition deferred until fiscal 2008;
- \$326,000 for rental equipment expected to be needed for the cruise terminal that turned out to be unnecessary; and
- \$129,000 savings resulting from consolidating wireless services and maintenance agreements.

## **Fiscal 2008**

The fiscal 2008 legislative appropriation for MPA's operating program increased \$361,125 to reflect the COLA granted to all State employees.

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

| <u>Object/Fund</u>                      | <u>FY07<br/>Actual</u> | <u>FY08<br/>Working<br/>Appropriation</u> | <u>FY09<br/>Allowance</u> | <u>FY08-FY09<br/>Amount Change</u> | <u>Percent<br/>Change</u> |
|---|------------------------|---|---------------------------|------------------------------------|---------------------------|
| <b>Positions</b>                        |                        |   |                           |                                    |                           |
| 01 Regular                              | 251.00                 | 251.00                                    | 249.00                    | -2.00                              | -0.8%                     |
| 02 Contractual                          | 1.00                   | 1.00                                      | 1.00                      | 0                                  | 0%                        |
| <b>Total Positions</b>                  | <b>252.00</b>          | <b>252.00</b>                             | <b>250.00</b>             | <b>-2.00</b>                       | <b>-0.8%</b>              |
| <b>Objects</b>                          |                        |   |                           |                                    |                           |
| 01 Salaries and Wages                   | \$ 20,487,282          | \$ 20,427,492                             | \$ 21,843,414             | \$ 1,415,922                       | 6.9%                      |
| 02 Technical and Spec. Fees             | 215,021                | 317,395                                   | 317,446                   | 51                                 | 0%                        |
| 03 Communication                        | 283,026                | 503,270                                   | 396,473                   | -106,797                           | -21.2%                    |
| 04 Travel                               | 302,724                | 512,584                                   | 492,584                   | -20,000                            | -3.9%                     |
| 06 Fuel and Utilities                   | 6,377,052              | 6,397,949                                 | 6,696,965                 | 299,016                            | 4.7%                      |
| 07 Motor Vehicles                       | 1,497,148              | 2,113,456                                 | 1,982,998                 | -130,458                           | -6.2%                     |
| 08 Contractual Services                 | 51,701,426             | 61,229,461                                | 61,059,984                | -169,477                           | -0.3%                     |
| 09 Supplies and Materials               | 1,849,314              | 1,945,151                                 | 2,171,693                 | 226,542                            | 11.6%                     |
| 10 Equip. – Replacement                 | 624,328                | 551,029                                   | 801,084                   | 250,055                            | 45.4%                     |
| 11 Equip – Additional                   | 207,445                | 374,679                                   | 474,825                   | 100,146                            | 26.7%                     |
| 12 Grants, Subsidies, and Contributions | 234,000                | 260,000                                   | 260,000                   | 0                                  | 0%                        |
| 13 Fixed Charges                        | 14,534,536             | 15,071,543                                | 15,555,248                | 483,705                            | 3.2%                      |
| 14 Land and Structures                  | 403,106                | 349,975                                   | 574,975                   | 225,000                            | 64.3%                     |
| <b>Total Objects</b>                    | <b>\$ 98,716,408</b>   | <b>\$ 110,053,984</b>                     | <b>\$ 112,627,689</b>     | <b>\$ 2,573,705</b>                | <b>2.3%</b>               |
| <b>Funds</b>                            |                        |   |                           |                                    |                           |
| 03 Special Fund                         | \$ 98,716,408          | \$ 110,053,984                            | \$ 112,627,689            | \$ 2,573,705                       | 2.3%                      |
| <b>Total Funds</b>                      | <b>\$ 98,716,408</b>   | <b>\$ 110,053,984</b>                     | <b>\$ 112,627,689</b>     | <b>\$ 2,573,705</b>                | <b>2.3%</b>               |

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary**  
**MDOT Maryland Port Administration**

| <u>Program/Unit</u>                        | <u>FY07<br/>Actual</u> | <u>FY08<br/>Wrk Approp</u> | <u>FY09<br/>Allowance</u> | <u>Change</u>    | <u>FY08-FY09<br/>% Change</u> |
|--|------------------------|----------------------------|---------------------------|------------------|-------------------------------|
| 2010 Port Operations                       | \$ 98,716,408          | \$ 110,053,984             | \$ 112,627,689            | \$ 2,573,705     | 2.3%                          |
| 2020 Port Facilities and Capital Equipment | 75,240,149             | 131,211,000                | 128,635,000               | -2,576,000       | -2.0%                         |
| <b>Total Expenditures</b>                  | <b>\$ 173,956,557</b>  | <b>\$ 241,264,984</b>      | <b>\$ 241,262,689</b>     | <b>-\$ 2,295</b> | <b>0%</b>                     |
| Special Fund                               | \$ 170,874,534         | \$ 238,801,984             | \$ 240,508,689            | \$ 1,706,705     | 0.7%                          |
| Federal Fund                               | 3,033,523              | 2,463,000                  | 754,000                   | -1,709,000       | -69.4%                        |
| <b>Total Appropriations</b>                | <b>\$ 173,908,057</b>  | <b>\$ 241,264,984</b>      | <b>\$ 241,262,689</b>     | <b>-\$ 2,295</b> | <b>0%</b>                     |
| Reimbursable Fund                          | \$ 48,500              | \$ 0                       | \$ 0                      | \$ 0             | 0.0%                          |
| <b>Total Funds</b>                         | <b>\$ 173,956,557</b>  | <b>\$ 241,264,984</b>      | <b>\$ 241,262,689</b>     | <b>-\$ 2,295</b> | <b>0%</b>                     |

Note: The fiscal 2008 appropriation does not include deficiencies.

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**Budget Amendments for Fiscal 2008**  
**Maryland Department of Transportation**  
**Maryland Port Administration – Operating**

| <u>Status</u> | <u>Amendment</u> | <u>Fund</u> | <u>Justification</u>   |
|---------------|------------------|-------------|--|
| Pending       | \$361,125        | Special     | Funds the cost-of-living adjustment granted to all eligible State employees. |

Source: Maryland Department of Transportation

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**Budget Amendments for Fiscal 2008**  
**Maryland Department of Transportation**  
**Maryland Port Administration – Capital**

| <u>Status</u> | <u>Amendment</u> | <u>Fund</u> | <u>Justification</u>   |
|---------------|------------------|-------------|--|
| Pending       | \$76,921         | Special     | Funds the cost-of-living adjustment granted to all eligible State employees.   |
| Projected     | 4,812,785        | Special     | Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the 2008-2013 <i>Consolidated Transportation Program</i> . |
|               | <u>2,463,000</u> | Federal     |  |
|               | \$7,275,785      |             |  |

Source: Maryland Department of Transportation

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