

**MDOT RESPONSE TO DLS ANALYSIS**

***DLS Budget Analysis Issues***

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**1. Intermodal Facility Plans Derailed (Page 17)**

*The Department of Legislative Services (DLS) recommends that MDOT and MPA provide an update to the budget committees about the status of the B&P Tunnel, the potential impact on the Transportation Trust Fund, the impact on the business of the Port due to the cancellation of the intermodal facility, and if other alternatives are being pursued.*

**MDOT/MPA Response:**

As noted in DLS's analysis, MDOT is currently using a \$60 million federal grant to complete planning activities for improvements to Amtrak's Baltimore and Potomac (B&P) Tunnel, which was built in 1873. As part of the planning study, MDOT and MPA have been meeting with CSX, Norfolk Southern, and Baltimore City on a regular basis and have a unified position on the importance of freight needs associated with the B&P Tunnel project. Sixteen build alternatives were originally considered to improve the current tunnel which is currently one of the slowest sections of Amtrak's Northeast Corridor. From the original sixteen build alternatives, two build alternatives that both require a new tunnel on new alignment are being carried forward. In addition, the project team is also evaluating a No Build Alternative and an alternative that would rehabilitate the existing tunnel. Community outreach meetings are being planned for the city neighborhoods within the project limits of the alternatives. The planning study, which culminates with the Federal Railroad Administration's (FRA) approval of a preferred alternative (or combination of alternatives), will be completed in mid-2017.

The planning study is fully funded by the \$60 million federal grant. Additional funding will be required to complete final design, right-of-way acquisition and construction. Since many aspects of the study need to be completed and a preferred alternative has yet to be approved by FRA, it is unknown how much funding will be required for each additional phase of the project. MDOT expects that a significant portion of the funding for future phases will come from federal sources; however, all users of the tunnel will likely be required to contribute matching funds. At this point in the process, it is too early to know how much MDOT may be expected to contribute towards a new or rehabilitated tunnel.

The Port's container business is the main commodity that is affected by lack of double stack capability. Container volumes continue to grow and be strong. These volumes are anticipated to grow further after the start of a rail incentive program. The incentive will motivate ship owners to see Maryland as a means of handling their discretionary container business. The incentive program is expected to have a positive effect on the Port's container volume. However, a permanent infrastructure improvement for double stack capability is needed.

The MPA feels the best course forward is on-Dock Doublestack. Our focus will be on infrastructure enhancements, primarily B&P tunnel, as the best way to secure doublestack and grow additional container business opportunities.

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***DLS Budget Analysis Issues***

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**2. Search for Dredging Capacity (Page 19)**

*DLS recommends that MPA discuss the status of its negotiations with the owners of Coke Point, the status of increasing capacity for harbor and Bay dredged materials, and the difference in need between harbor sites and Bay sites.*

**MPA Response:**

**Negotiations with Owners of Coke Point** – MPA has met with the current owners, Sparrows Point Terminal LLC (SPT), and has exchanged information regarding plans for use of the property by MPA. MPA has scheduled a meeting with SPT to advance the efforts to control the property for a dredged material containment facility. The information below addresses increases in dredge placement capacity, and does not address capacity that already exists.

**Ways to increase capacity for Harbor material:**

**Cox Creek Dredged Material Containment Facility (DMCF)** – The MPA plans to expand the existing Cox Creek DMCF. Stage 1 of the expansion will expand the DMCF onto the MPA-owned upland area by demolishing existing industrial buildings, constructing new containment dikes, and raising the dikes at the current DMCF. It is estimated that Stage 1 will provide 12.5 million cubic yards of additional capacity when fully operational.

**Confined Aquatic Disposal (CAD)** – Confined aquatic disposal is the placement of dredged material into excavated cells, from which a valuable material has been mined, (usually sand). MPA commenced a pilot CAD project at Masonville with construction anticipated in mid-2015.

**Innovative Reuse (IR)** - MPA is investigating ways to use dredged material for innovative and beneficial reuse projects that can be accomplished in a technically feasible, cost-effective, and environmentally appropriate manner. The goal is to find ways to recover or save capacity in DMCFs.

**Ways to increase capacity for Bay material:**

**Poplar Island** - MPA and the Corps of Engineers are currently coordinating approvals for the proposed vertical and horizontal expansion of Poplar Island to increase available capacity. The Poplar Island Expansion will provide 28 million cubic yards of dredged placement capacity.

**Pearce Creek** - The planned reactivation of the Pearce Creek dredged material containment facility, located in Cecil County, would assume the placement of material from the Chesapeake & Delaware Canal that is currently placed at Poplar Island and further extend the operational life of Poplar Island.

**Mid Bay** - The proposed Eastern Shore Mid-Chesapeake Bay Island Ecosystem Restoration project, which would be located in Dorchester County, was authorized by Congress in 2014. This future project is anticipated to provide long-term capacity for Chesapeake Bay dredged material.

**Difference in need between harbor sites and Bay sites** - While greater options for long-term capacity exist for Bay channel material than Harbor material, both remain priorities due to the need to keep the Port's navigational channels maintained and competitive.

**MDOT RESPONSE TO DLS ANALYSIS**

***DLS Budget Analysis Issues***

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**3. Sparrows Point Redevelopment Sees Port as Catalyst (Page 20)**

*MPA should comment on the status of the Coke Point portion of the Sparrows Point redevelopment, any collaboration with Baltimore County, and the need for State funding for any projects beyond the CTP period.*

**MPA Response:**

Sparrows Point has had five owners in the past seven years. MPA has met with the current owners, Sparrows Point Terminal LLC (SPT) and has exchanged information regarding plans for the use of the property by MPA. MPA has scheduled a meeting to continue negotiations with SPT to advance the efforts to acquire the property for a dredged material containment facility and a possible Automobile and Roll-on/Roll-off terminal (Terminal) in the near future.

MPA desires to acquire approximately 317 acres known as Coke Point for a DMCF and 245 acres on Sparrows Point for an Automobile and Roll-on/Roll-off terminal. The current CTP has partial funding for Coke Point as a DMCF.

In order for MPA to continue growth, additional land for a terminal at Sparrows Point is required. MPA will need funding for two berths and to construct the necessary infrastructure for the Terminal. It is possible that a P3 can be used as a vehicle to attract a major tenant willing to fund final development. MPA will resume negotiations with the new owners of Sparrow Point, Sparrow Point Terminal, LLC on March 3, 2015.

The MPA was part of Baltimore County's Sparrows Point Partnership and is in constant communication with the County Executive and staff.

**MDOT RESPONSE TO DLS ANALYSIS**

***DLS Budget Analysis Issues***

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**4. Delinquent Accounts and Tenant Incentives (Page 21)**

*MPA should comment on actions taken to correct the audit findings. MPA should also comment on whether debt forgiveness is used as an incentive for other Port tenants. DLS recommends that committee narrative requesting a report be adopted.*

**MPA Response:**

This was an isolated event at the World Trade Center, and it was not an incentive program.

MPA agreed with the audit recommendations and immediately updated its collection procedures to adequately document all collection efforts beyond 90 days of delinquency, and to ensure that all efforts are exhausted before forwarding an account to Central Collection Unit (CCU) within the 180-day extension period.

Additionally, a comprehensive review hierarchy that includes a monthly review by the Chief Financial Officer and a quarterly review by the MPA Executive Director is being utilized to ensure that delinquent accounts do not reach the 180-day delinquent period. After 180 days, delinquent accounts are forwarded to the CCU.

The MPA does not provide debt forgiveness. As mentioned, the MPA will forward all delinquent accounts to CCU for further collections efforts.

**MDOT RESPONSE TO DLS ANALYSIS**

***Operating Budget Recommended Actions***

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Adopt the following narrative (Page 22):

**Debt Forgiveness and Tenant Incentives:** An Office of Legislative Audits report found that the Maryland Port Administration (MPA) did not refer a delinquent account of a tenant to the Central Collection Unit despite a long period of nonpayment. As an incentive to get the tenant to renew its lease, MPA forgave approximately \$227,000 in unpaid rent and operating expenses. MPA should report on other instances of using debt forgiveness as an incentive and any other tenant incentive programs it uses.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Debt forgiveness and tenant incentives	MPA	November 1, 2015

**MPA Response:**

MPA concurs with DLS’s recommendation as it relates to tenants at the World Trade Center; however, for business purposes, MPA does not want to identify, in a public document, any of its cargo incentive programs. Competing ports could get access to the public document and offer better incentives resulting in loss of business, jobs and economic impact to Maryland.

MPA proposes that the following alternative narrative be adopted:

**Debt Forgiveness and Rent Abatement:** An Office of Legislative Audits report found that the Maryland Port Administration (MPA) did not refer a delinquent account of a World Trade Center (WTC) tenant to the Central Collection Unit within the 180 days requirement, despite a long period of nonpayment. As an incentive to get the tenant to renew its lease, MPA offered a rent abatement of approximately \$227,000 in unpaid rent and operating expenses. MPA should report on other instances of using debt forgiveness as a tool to keep WTC tenants.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Delinquent Accounts	MPA	November 1, 2015

**MDOT RESPONSE TO DLS ANALYSIS**

***Paygo Capital Budget Recommended Actions***

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- 1. Concur with the Governor's allowance.**

**MPA Response:**

The MPA concurs with DLS's recommendation.



**Maryland Department of Transportation  
Maryland Port Administration (MPA)**

**Fiscal Year 2016 Budget Overview  
MPA Operating and Capital Programs  
Presentation to Budget Committees  
2015 Session**

Peter K. Rahn, Secretary MDOT, Acting

James J. White, Executive Director, MPA  
M. Kathleen Broadwater, Deputy Executive Director, MPA

## Table of Contents

	Page
Progress Since Last Session	1
FY14 & FY15 Operating Program Financial Results	6
FY16 Operating Program Budget Request	7
FY15-FY20 Capital Budget Overview	8
FY16 Capital Program Budget Request	9
Emerging Issues	11

## Maryland Port Administration Operating and Capital Budgets

### **Progress Since Last Session**

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

- 40,040 Direct, Induced, Indirect Jobs generated by the Port.
- \$3.0 billion in personal wages & salary income.
- \$304 million per year in State and Local Taxes.
- 68,300 additional jobs in Maryland are related to Port activities.
- In total, there are **over 108,000 jobs** in Maryland linked to the Port of Baltimore.

While the USA economy is growing, other areas of the world are still struggling economically. The Port is proud of several significant achievements:

- For calendar year 2014, MPA general cargo totaled 9.7 million tons - up 1.5% compared to CY2013. MPA's FY2014 general cargo was 9.6 million tons and flat with the prior fiscal year.
- MPA set new commodity records for: Overall General Cargo tons, Container TEUs and Automobile units.
- International cargo volumes for the whole Port (public and private terminals) in 2014 are projected to be about 29 million tons or 4% lower than 2013, due in part to coal's decline.
- The transfer of Seagirt to Ports America Chesapeake was seamless to the shipping lines and cargo volumes are up again for 2013. Construction of the 50' deep vessel berth is complete; cranes are installed and the Port is ready for the expanded Panama Canal (3<sup>rd</sup> set of locks are scheduled to open in 2016).
- Our Cruise business is strong in 2015 with Carnival and Royal Caribbean Cruise Lines. Carnival Pride will return to Baltimore in March 2015 after installing exhaust scrubbers.

# Maryland Port Administration Operating and Capital Budget Progress Since Last Session (continued)

MPA total general cargo volumes in 2014 set a new record at 9.7 million tons.

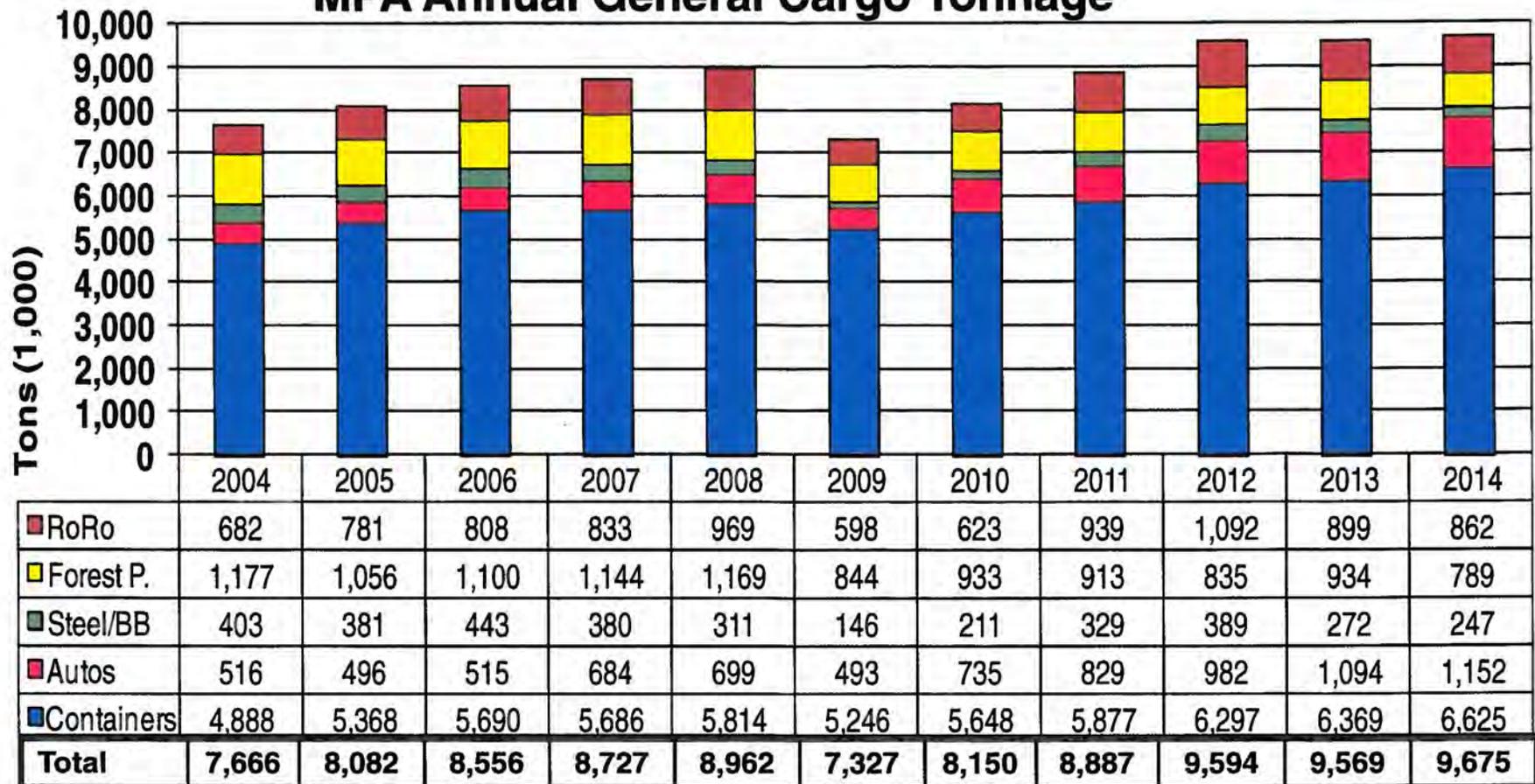
## MPA Total Monthly General Cargo Tonnage



Maryland Port Administration Operating and Capital Budget  
**Progress Since Last Session (continued)**

Nearly all of MPA's commodities have recovered from the Recession.

**MPA Annual General Cargo Tonnage**



## Maryland Port Administration Operating and Capital Budget **Progress Since Last Session (continued)**

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### **The following MPA accomplishments were noteworthy in 2014:**

- New MPA Cargo records set in 2014 for:
  - MPA total General Cargo, (9.7 million tons)
  - Autos and light Trucks, (591,068 units)
  - Containers, (770,139 TEU's)
- Constructed a new Vessel Berth Masonville Auto Terminal
- Recipient of the prestigious Presidential E Star Award for exports
- BMW Opened New Vehicle Distribution Center at Dundalk
- Over 90 cruises and port calls (Baltimore ranks #5 on the U.S. East Coast in number of Cruise Passengers)

### **The Port of Baltimore's National Rankings for 2014:**

- The Port ranks #1 for Autos and Light Trucks
- The Port ranks #1 for Roll-on Roll-off Heavy Equipment
- The Port ranks #1 for imported Sugar, and imported Aluminum; #2 imported Salt
- The Port ranks #9 in the U.S. in the value of foreign cargo, (\$52.3 billion)
- The Port ranks #13 in international cargo tonnage (29.5 million tons).

## Maryland Port Administration Operating and Capital Budget

### **Progress Since Last Session (continued)**

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#### **Harbor Development Program status:**

- The **Pearce Creek** Dredged Material Containment Facility (DMCF) Project passed an important milestone with MDE approving the issuance of a Water Quality Certificate. MPA and the US Army Corps of Engineers are taking steps necessary to implement actions required to reactivate the facility.
- Plans are being developed to expand the existing **Cox Creek** DMCF onto adjacent State-owned property to increase capacity. Separate negotiations to acquire the adjacent Cristal USA property are also underway, which would enable further expansion of the DMCF in the future. Innovative use of dredged material is still being considered as part of the expansion projects.
- Congress Passed and the President signed the new WRRDA Law in 2014 which authorized the **Poplar Island Expansion and Mid-Bay** projects. Federal Funding is being pursued for the Expansion.
- The DMMP Executive Committee approved a revised Strategy for the **Innovative** and Beneficial Reuse of dredged material, which established new short-term goals to advance the recycling of Harbor material.
- Through MPA's **community outreach** and education program, over 20,000 citizens had the opportunity to learn about the Port of Baltimore by visiting DMCFs and participating in other events in 2014.
- MPA received an overlay permit from MDE that will help to achieve **TMDL** compliance for Baltimore Harbor DMCFs.
- US EPA awarded \$75,000 to the stakeholders at the Masonville Cove Environmental Education Center to provide watershed educational experiences to 600 elementary students from Baltimore City schools.
- MPA is coordinating with DNR and expect to have an agreement in place by 2015 concerning infrastructure for wildlife habitat development at the **Hart Miller** Island DMCF.
- Studies and design of the **Coke Point** DMCF are on hold while land acquisition matters are resolved.

## Maryland Port Administration Operating and Capital Budgets

# MPA FY14 & FY15 Operating Program Financial Results

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### **FISCAL 2014 Operating Results:**

- Operating **revenues** of \$52.8M were 0.9% above budget projections of \$47.7M and reflect stability in port activity for the fiscal year. Billable cargo handled at all MPA marine terminals totaled 11.5M tons which was consistent with previous year of 11.4M .
- Operating **costs** totaled \$45.5M which were 9.4% or \$2.4M below budgeted appropriations of \$47.9M . A majority of these lower expenses were the result of non-discretionary items such as salaries, utilities and insurance along with the reversion of the legal contingency totaling over \$1.3M. The remaining \$1.1M reflects that MPA had successfully controlled operating costs throughout the fiscal year.
- **Net income** was for FY14 \$2.3M.
- Payments of \$1.7M were made to MdTA for the Masonville Terminal, and \$2.3M in COPS payments were made for the Paper Facility at South Locust Point Marine Terminal.

### **FISCAL 2015 (First Six Months):**

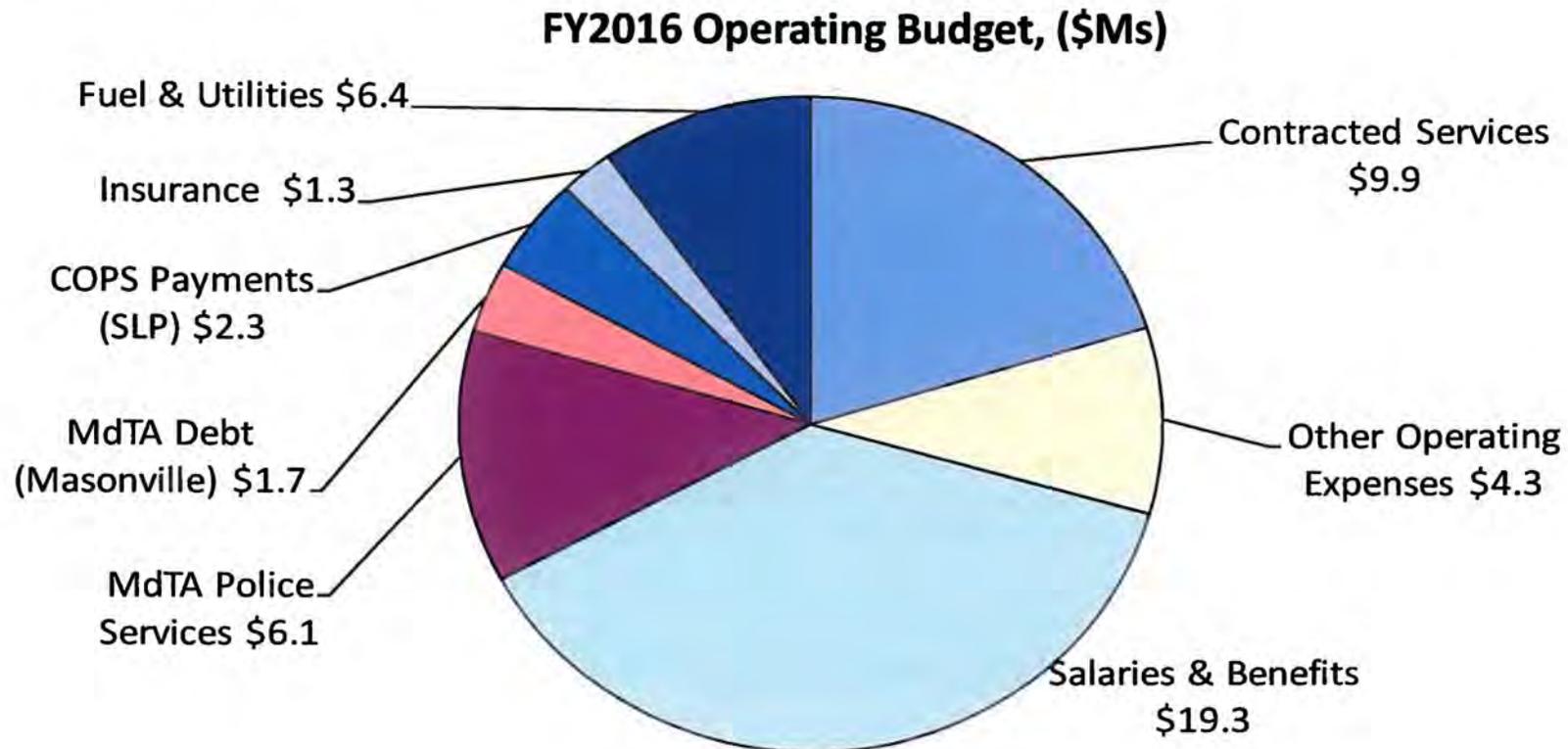
- Billable cargo volumes increased by 7%, during the first half of FY15 compared to the same period in FY14.
- Revenues - Through December 2014, FY15 actual Operating revenues of \$33.6. This amount includes \$8.4 M in non-recurring income.
- Expenses - Through December 2014, FY15 Operating costs of \$21.2M are \$1.1M more than FY14 for the same period. FY14 Operating costs are also below budgeted levels for the fiscal year by \$0.5M.

## Maryland Port Administration Operating and Capital Budget

### **Fiscal 2016 Operating Program Budget Allowance is \$51.3M.**

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- MPA contractual obligations are approximately 30% of the FY16 allowance.
- The FY16 allowance is \$2.6M higher than the FY15 appropriation primarily due to additional funding allowed for salary, benefits and storm water management.
- FY16 operating costs still include the annual expenses associated with payments to MdTA for the Masonville Auto Facility (\$1.7M). Also included are COPS payments for the South Locust Point Paper Facility (\$2.3M).

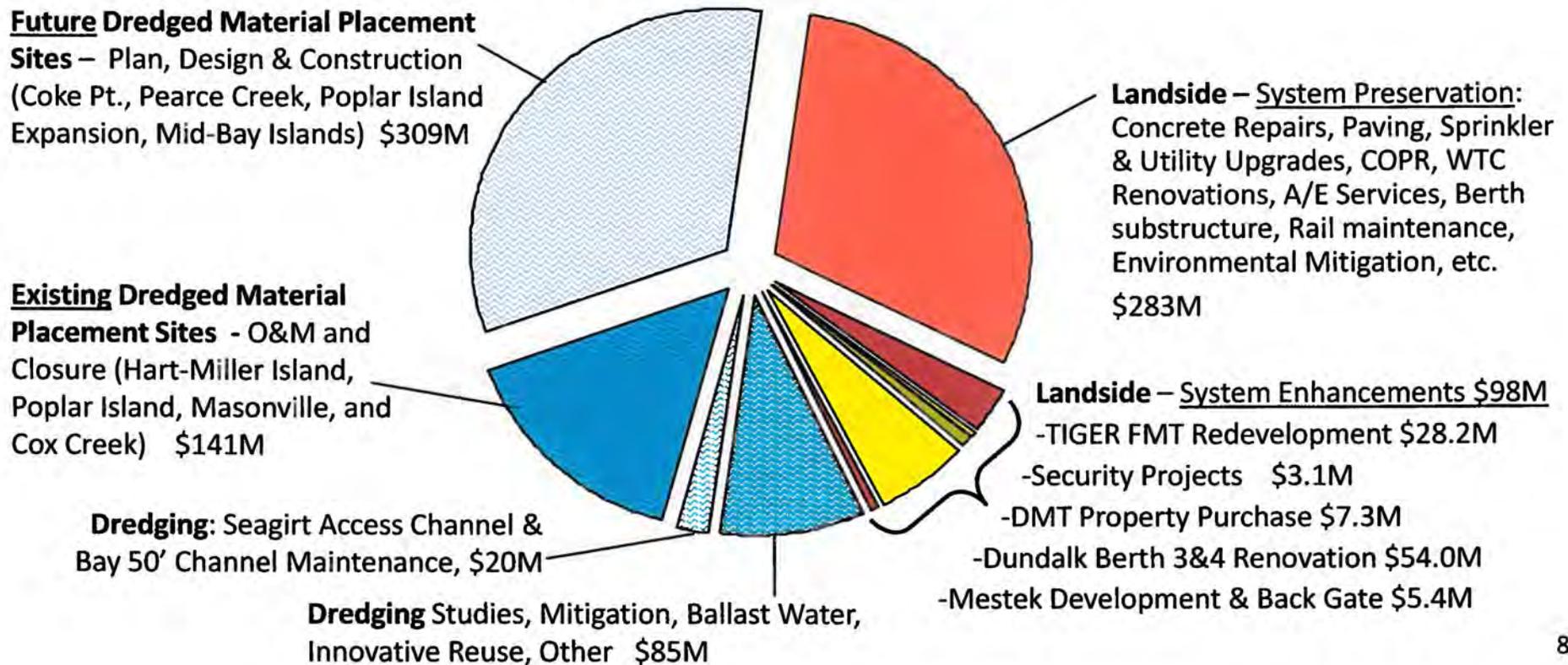


## Maryland Port Administration Operating and Capital Budget

### The 6-year Capital Program (FY15 to FY20) is \$971M.

- The 6-year Capital budget includes \$11.8M Federal grants: TIGER, Port Security and Environmental.
- The **Harbor Development Program** is 60% of the total budget. Dredged material placement sites are 96.6% of this program due to O&M of existing sites or construction for new capacity. Dredging is 3.4% (i.e. Seagirt Access Channel widening, Dundalk Berth 1 and the Bay's 50' deep channel maintenance).
- The **Landside Program** is 40% of the total budget. System preservation projects are 76% of this program, and enhancement projects are 24% (e.g. Dundalk Berths 3&4, TIGER, and Security).
- MPA's capital budget for FY16 is \$159.5M, and is detailed on the following pages.

### FY15 – FY20 Capital Budget, (\$Ms)



# Maryland Port Administration Operating and Capital Budget

## The FY16 Harbor Development Capital Budget Request is \$97.3M.

Masonville Dredge Material Containment Facility (DMCF) Construction and O&M \$15.6M

Pearce Creek Waterline \$3.5M

Mid-Bay Island \$1.1M

Poplar Island Environmental Restoration O&M \$5.9M

Other: \$15.8M

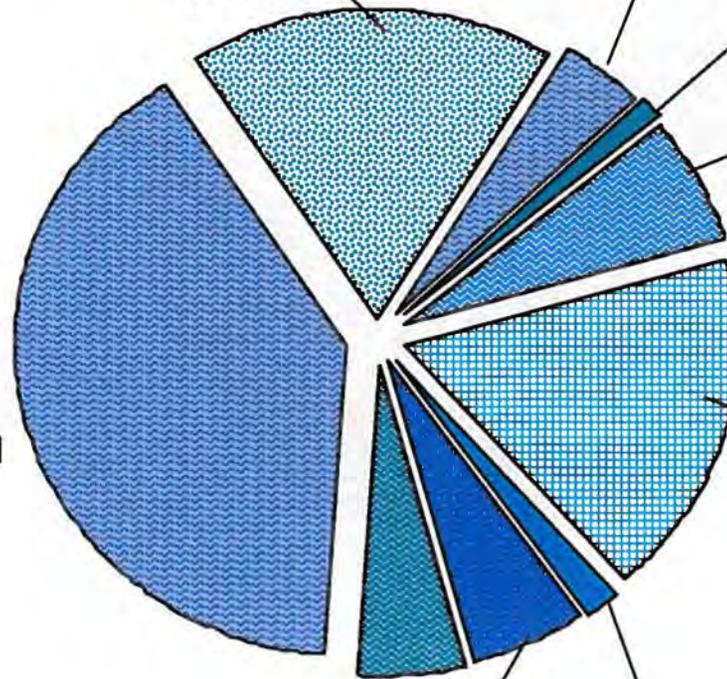
- A/E Services & Design
- Environmental Monitoring
- Ballast Water
- Innovative Reuse
- Oyster Restoration
- Physical Oceanography Real Time System (PORTS)
- Studies , etc.

Cox Creek DMCF Expansion and O&M \$35M

Hart Miller Island Closure O&M \$4.7M

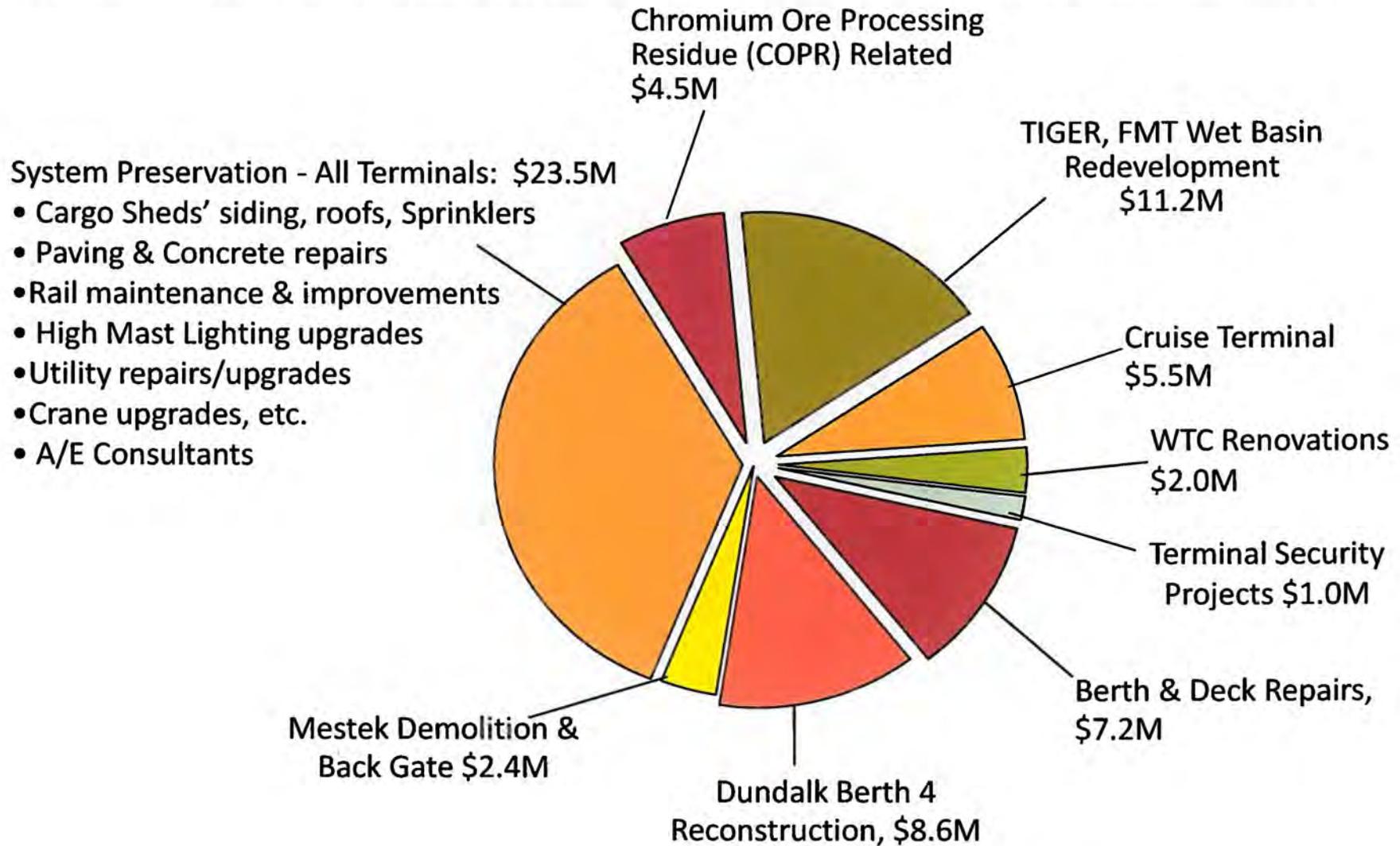
Coke Point DMCF Studies \$4.9M

Bay 50' Channel Maintenance Dredging, \$10.8M



## Maryland Port Administration Operating and Capital Budget

# The FY16 Landside Capital Budget Request is \$56.6M.



Note: \$9.3M of Hbr Dev TIGER funds are shown on this page (Wet Basin/Fruit Slip).

## **Emerging Issues:**

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**Terminal Capacity** – More land is needed to capture cargo volumes and grow Port business.

**Panama Canal expansion** – The expanded Panama Canal is scheduled to be operational by 2016. Shifts in trade patterns to the East Coast created by improvements to the Panama Canal may result in new cargo opportunities, particularly for containers. Identifying and pursuing cost-effective cargo movement through the Port on rail will be necessary to ensure greater opportunities for future cargo growth. Since the Port is not connected to the national high-cube double stack rail network, the MPA will investigate the viability of an inventive program to resolve this issue.

**Cost of dredging and dredged material placement solutions** – Constraints on dredged material placement solutions, the cost of dredging, and increasing constraints on federal funding remain serious concerns. Current capacity is inadequate to perform both maintenance dredging and new dredging projects without overloading the Harbor or Bay dredged material placement sites. The need remains to activate additional dredged material containment facilities to address long-term capacity. Maintaining an affordable cost-effective, environmentally sensitive, and community-supported dredging program will be an ongoing and formidable challenge. In light of the continual evolution of ship sizes, the fifty-foot deep Chesapeake Bay navigation channel will eventually need to be widened.

(Continued)

## **Emerging Issues (continued)**

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**Maintaining a competitive advantage**— Several East Coast ports are making investments to modernize terminals, increase channel depth and cargo capacity, and offer low rates and cargo incentives to entice existing POB cargo to divert to their ports. The MPA must remain competitive through strategic partnerships and investments, aggressive rates, an outstanding Quality program, and exceptional customer relationships and services.

**Growing cargo volumes with aging facilities** – System preservation (“Fix-it-First”) efforts need to continue to maintain waterfront facilities due to the harsh marine environment. MPA competes for limited capital funds for terminals projects to maintain its competitive position.

**Continuing “Green Port” and community initiatives** – MPA has been widely recognized as an important partner in the protection and enhancement of the Chesapeake Bay, and air and water quality in Maryland. MPA is also generally regarded as a good neighbor to the communities located near the marine terminals and dredged material management sites. These efforts are necessary to achieve both a regulatory and social license to operate. The need for continued and broader coordination with local communities to educate and inform can be expected to increase in the future as the Port grows and increases cargo volumes. Thus, the resources needed to undertake these efforts will also increase.