



Maryland
Transportation
Authority

Legislative Presentation

FY 2017 Budget Overview

MARYLAND TRANSPORTATION AUTHORITY

FY 2017 BUDGET OVERVIEW

FY 2017 Operating Budget

Summary of Major Changes (\$ in millions)

FY 2017 Operating Budget Request	\$284.8
FY 2016 Operating Budget	\$276.4
\$ Increase FY 2017 over FY 2016	\$8.4
% Increase FY 2017 over FY 2016	3.0%

The Maryland Transportation Authority's (MDTA) FY 2017 Preliminary Operating Budget totals \$284,809,381. This represents an increase of \$8,420,238, or 3.0%, over the FY 2016 operating budget of \$276,389,143.

Personnel Expenditures

Personnel expenditures increase by \$3.7 million, or 2.3%, compared to the FY 2016 operating budget. Salaries increase by \$2.3 million primarily due to (1) the annualization of collectively bargained for step increases for the MDTA Police; and (2) a change in the budgeting methodology for the police academy class. Employee and retiree health insurance increases by \$3.3 million primarily due to inflation and an increase in the contribution rate for employee and retiree health insurance. Employee pension expenses increase by \$1.7 million due to an increase to the pension contribution rate. These increases are partially offset by a reduction of 12 positions totaling \$450,000.

Other Expenditures

Other significant increases/decreases in FY 2017 operating expenditures include the following:

- \$6.0 million increase for the facilities renewal fund as part of the MDTA's commitment to maintaining and preserving its roadways and bridges. This includes an increase to building and road repairs and engineer contractual services expenses.
- \$2.6 million increase for information technology contractual services needed for project management and development and implementation of the operations system (Maximo replacement).
- \$0.9 million increase for replacement vehicles, which reflects a restoration of funding for motor vehicles following reduced levels in FY 2016.
- \$0.7 million increase in salt expenses which brings the budget in line with the three-year average salt usage.
- \$1.6 million reduction in insurance to more accurately reflect FY 2015 actual expenses.
- \$1.5 million reduction in E-ZPass service center costs and reciprocity credit card fees primarily due to the anticipated reduction in video toll citations following the implementation of Motor Vehicle Administration referrals for suspension and denial of motor vehicle registrations.

MARYLAND TRANSPORTATION AUTHORITY

FY 2017 BUDGET OVERVIEW

- \$0.7 million reduction in replacement and additional equipment due to the timing of equipment replacement cycles.

Reimbursable Expenditures

MDTA is under contract with the Maryland Aviation Administration (MAA) to provide law enforcement services at the Baltimore/Washington International Thurgood Marshall (BWI Marshall) Airport and with the Maryland Port Administration (MPA) to provide law enforcement services at MPA-owned facilities at the Port of Baltimore. MDTA is reimbursed by MAA and MPA for the costs of providing these services. The FY 2017 budget includes \$24,706,328 for these services.

FY 2017 Summary of Permanent Positions

<i>Personnel Budget Data</i>			
FY 2015	FY 2016	FY 2017	FY 2016-2017
<u>Approved Budget</u>	<u>Approved Budget</u>	<u>Proposed Budget</u>	<u>Change</u>
1789.5	1761.0	1749.0	-12.0

The MDTA's position complement declines by 12.0 positions in FY 2017. Nine toll collector positions are eliminated in response to the additional E-ZPass penetration expected as a result of the toll reductions. Additionally, three police officer positions (the Visible Intermodal Protection and Response Team) are abolished due to the discontinuation of grant funding from the Maryland Transit Administration.

Debt Service

Debt service payments from the Bond Service Sub-Account on the MDTA's outstanding revenue bonds total \$138,465,664 in FY 2017. Pursuant to Budget Reconciliation and Financing Act of 2015 (Chapter 489), MDTA remains below the statutory bond cap of \$2.325 billion bond for FY 2016-2020. In FY 2021, the debt outstanding limit reverts to the previously enacted statutory bond cap of \$3 billion.

Capital Budget and Program

The six-year Consolidated Transportation Program (CTP) for FY 2016 through 2021 totals \$1.9 billion. Of this amount, \$363.5 million is programmed to be spent in FY 2017. Capital spending in FY 2017 is focused on system preservation projects such as roadway improvements and reconstruction, bridge deck rehabilitation, and cleaning and painting of bridges. Planned spending by facility is as follows:

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FY 2017 BUDGET OVERVIEW

- Baltimore Harbor Tunnel – \$54.9 million;
- Fort McHenry Tunnel – \$41.9 million;
- Francis Scott Key Bridge – \$5.1 million;
- Chesapeake Bay Bridge – \$37.4 million;
- Harry W. Nice Memorial Bridge – \$12.4 million;
- John F. Kennedy Highway (includes Express Toll Lanes) – \$54.7 million;
- Thomas J. Hatem Bridge – \$2.8 million;
- Intercounty Connector (ICC) – \$5.5 million; and
- Multi-area and other projects – \$148.7 million.

Financial Forecast

The MDTA's financial forecast for the FY 2016 – FY 2021 period incorporates projected toll revenues, concession income, investment income, and other sources of income. Operating and debt service expenditures are projected for the six years and the forecast includes the capital program cash flow projections. The MDTA will meet or exceed its financial policy standards (debt service coverage ratios and unencumbered cash balance) and legal requirements in the forecast period.

NOTE: MDTA's budget is submitted for information purposes by the Secretary of Transportation in accordance with Title 7 of the State Finance and Procurement Article of the Annotated Code of the State of Maryland. In accordance with the Amended and Restated Trust Agreement between MDTA and the Bank of New York (Trustee), MDTA must approve a final FY 2017 budget on or before July 1, 2016.

CASH FLOW FORECAST FY 2015 - FY 2021
MARYLAND TRANSPORTATION AUTHORITY
(millions \$)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
REVENUES							
Toll Revenues	\$ 694.1	\$ 652.9	\$ 659.8	\$ 663.8	\$ 668.5	\$ 673.8	\$ 678.8
Concession Income	5.1	5.7	5.8	5.9	5.9	6.0	6.1
Investment Income & Other	7.6	10.2	9.9	9.2	8.3	13.3	13.0
Masonville Auto Terminal Lease	1.7	1.7	1.7	1.7	1.7	1.7	-
BWV/Port Police Reimbursement	24.9	24.8	24.7	25.7	26.7	27.8	28.9
TOTAL REVENUES	\$ 733.3	\$ 695.3	\$ 702.0	\$ 706.2	\$ 711.2	\$ 722.6	\$ 726.9
EXPENSES							
Operating Expenses							
Operating Account Budget	\$ 275.1	\$ 276.4	\$ 284.8	\$ 296.2	\$ 308.1	\$ 320.5	\$ 333.3
Debt Service	107.8	127.0	138.5	138.5	138.6	138.6	141.2
Total Operating Expenses	\$ 382.9	\$ 403.4	\$ 423.3	\$ 434.8	\$ 446.7	\$ 459.1	\$ 474.5
Capital Expenses							
2016-2021 Total CTP	\$ 308.1	\$ 279.5	\$ 363.5	\$ 354.2	\$ 358.3	\$ 309.5	\$ 230.8
Total Expenses (Operating and Capital)	\$ 691.0	\$ 682.8	\$ 786.8	\$ 789.0	\$ 805.0	\$ 768.6	\$ 705.3
Capital Funding Sources:							
Revenue Bonds	\$ 132.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Seagirt / ICTF Proceeds	-	14.2	-	-	-	-	-
Revenue Bond Defeasance	-	-	-	-	-	-	-
Accrual Accounting Reconciliation	(19.3)	-	-	-	-	-	-
Total Current Year Sources Available	112.7	14.2	-	-	-	-	-
Other Funding Required (Current Year)	195.4	265.3	363.5	354.2	358.3	309.5	230.8
Total Capital Funding Sources	308.1	279.5	363.5	354.2	358.3	309.5	230.8
Annual Cash Requirements	\$ 578.3	\$ 668.6	\$ 786.8	\$ 789.0	\$ 805.0	\$ 768.6	\$ 705.3
Annual Cash Surplus/Deficit	155.0	26.7	(84.8)	(82.7)	(93.7)	(46.1)	21.6
Total Cash Balance	\$ 823.4	\$ 850.1	\$ 765.2	\$ 682.5	\$ 588.8	\$ 542.7	\$ 564.3
Bonds Outstanding (≤\$2.325 b. FY16-FY20; then ≤\$3.0 b.)	\$ 2,318.3	\$ 2,299.6	\$ 2,264.2	\$ 2,216.0	\$ 2,165.7	\$ 2,113.2	\$ 2,058.4
FINANCIAL COVERAGE RATIOS							
Unencumbered Cash (\$350 mm minimum)	\$742.7	\$770.9	\$686.1	\$603.4	\$509.6	\$463.5	\$495.1
Debt Service Coverage (≥2.5x thru FY20; then ≥2.0x)	4.24	3.29	3.00	2.95	2.90	2.89	2.79
Rate Covenant Compliance (Legal - 1.0x)	3.42	2.65	2.42	2.37	2.33	2.30	2.22

PROJECTED FUTURE AVERAGE TOLL INCREASES:

(FY 12 and FY 14 increases are included)

\$0 IN FY 2016

\$0 IN FY 2018

\$0 IN FY 2020

- Does not show toll increases beyond FY16-21 period.

- Regardless of timing and need for system wide toll increases, tolls on ICC and I-95 ETL could be revised to manage congestion

MDTA Finance and Davenport
January 12, 2016

Scenario 2015-19 v2.4.5

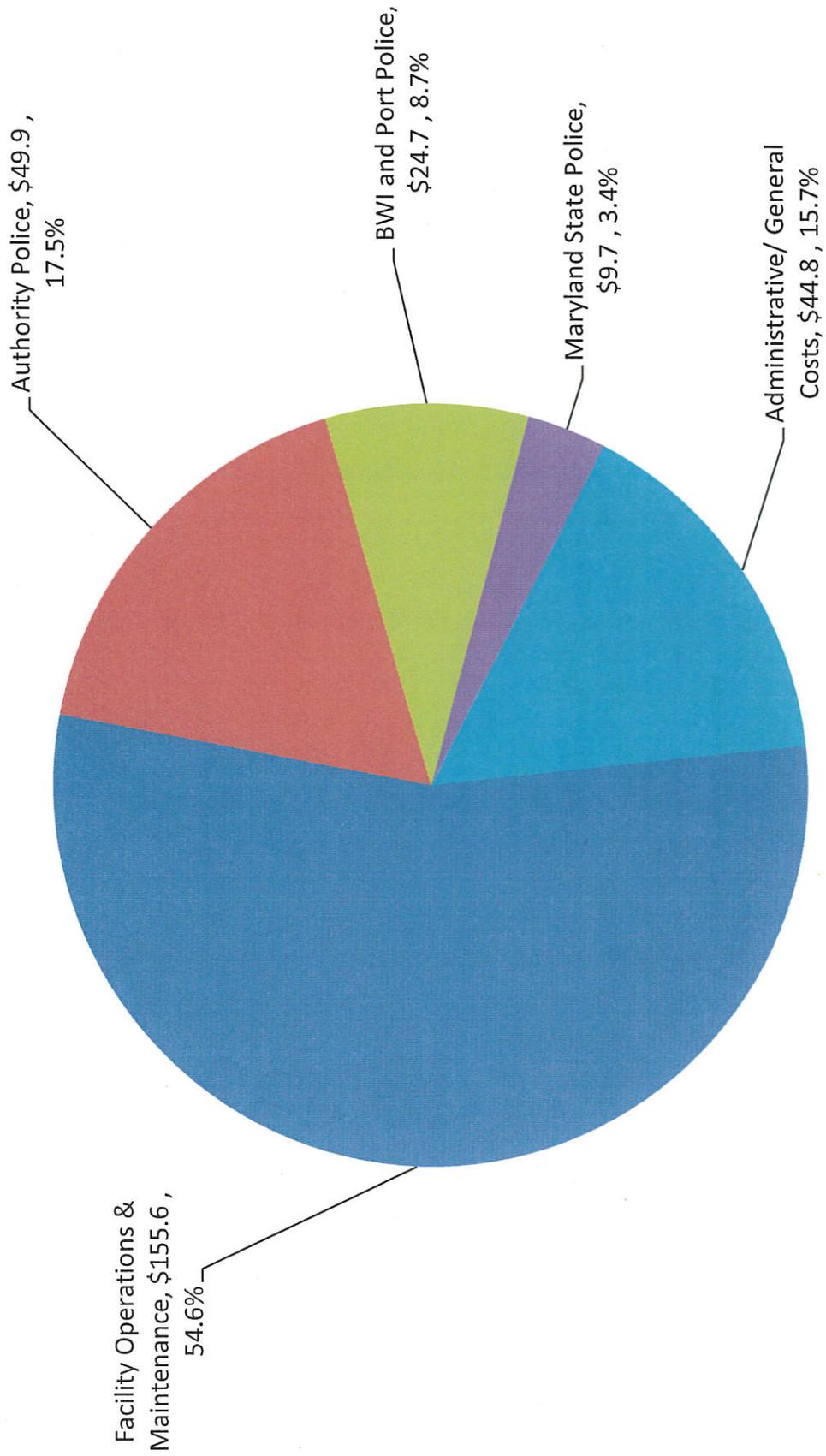
JAN. 2016 FINANCIAL FORECAST

Final FY 16 - 21 CTP Scenario 5

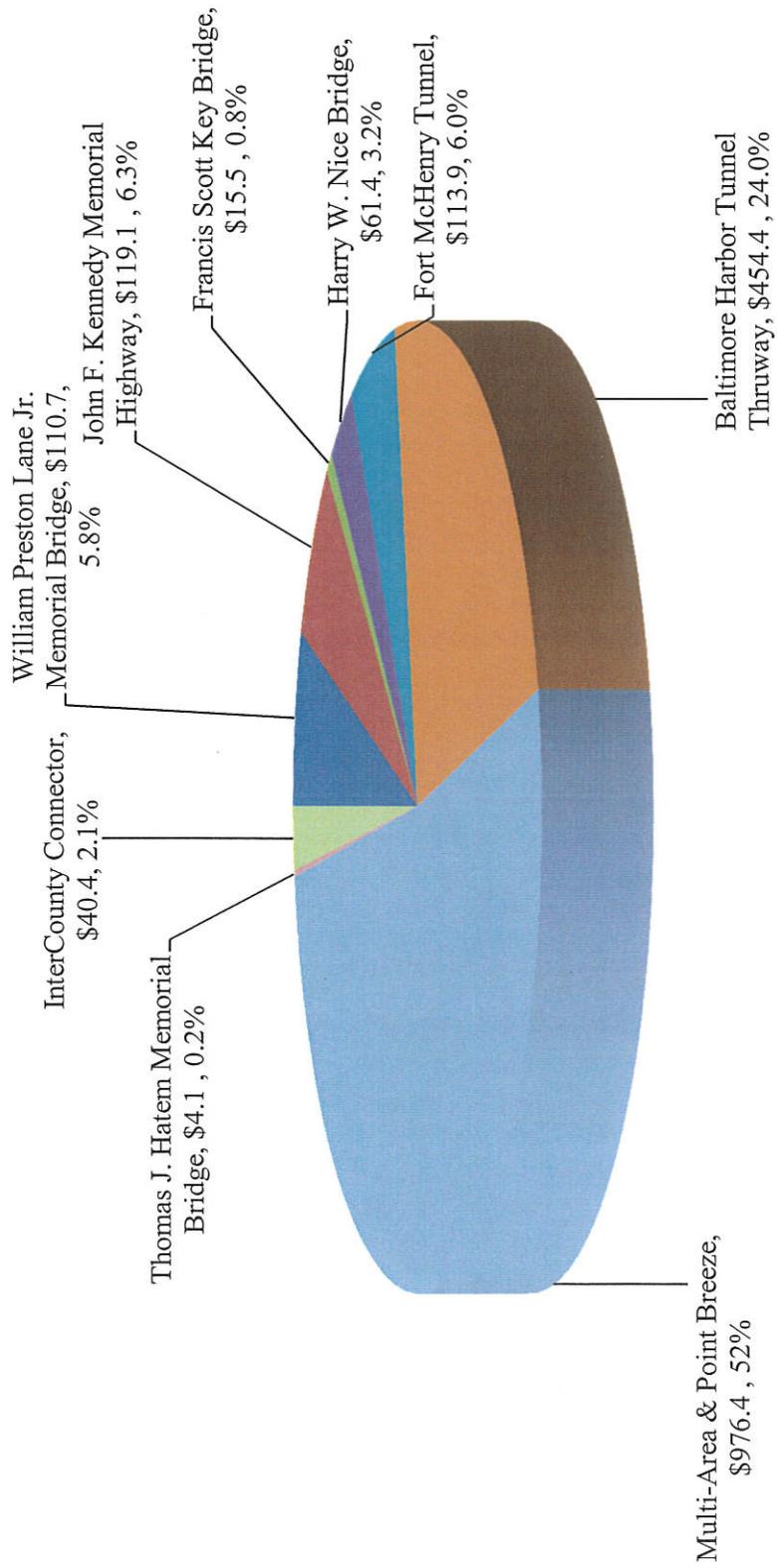
Prelim FY 17 Operating Budget

2015 Traffic and Revenue Reports

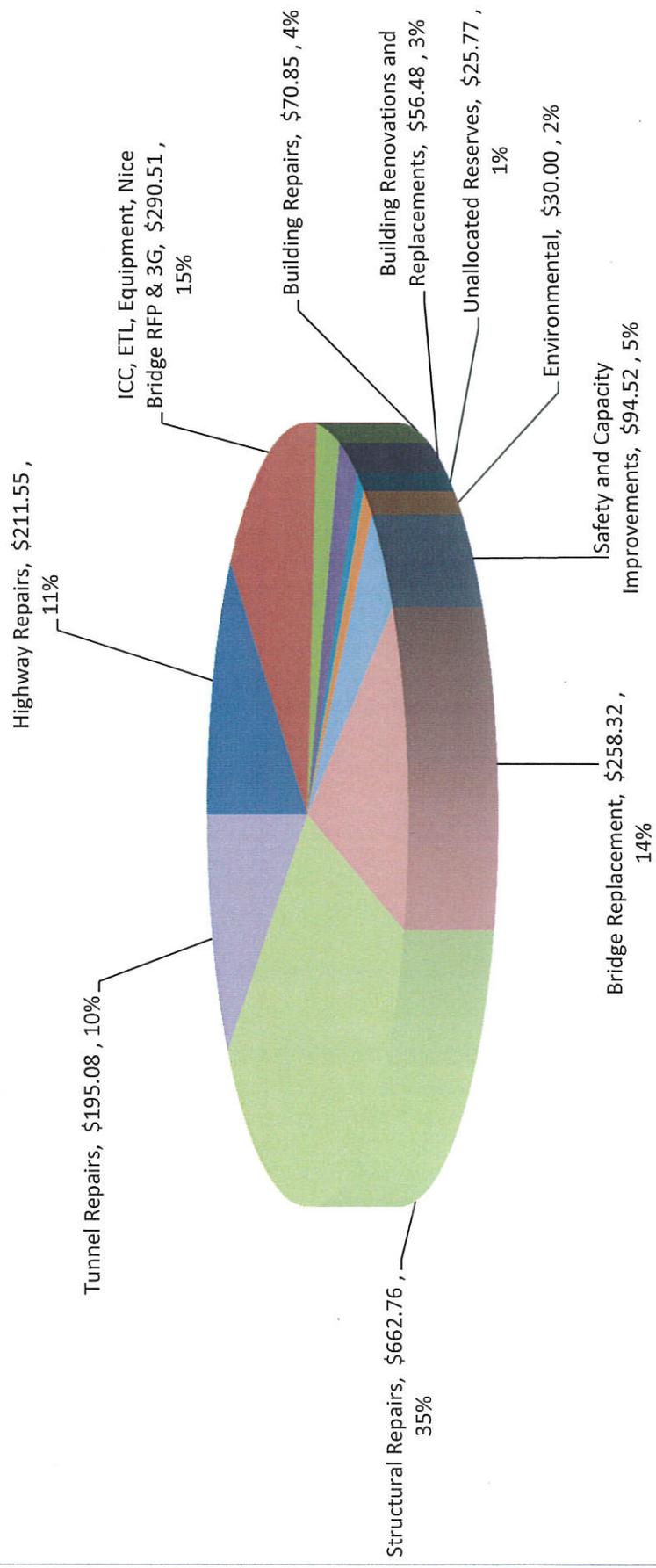
Maryland Transportation Authority FY 2017 Operating Budget \$284.8 Million



**Maryland Transportation Authority
 FY 2016 - FY 2021 Capital Program
 \$ 1,895.8 Million**



Maryland Transportation Authority FY 2016-2021 Capital Budget by Use \$ 1,895.8 Million



MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues

1. Capital Capacity (Page 26)

MDTA should clarify its plans regarding a timeline and financing for replacement of the Nice Bridge as well as contingencies for any other large, unexpected capital projects. MDTA should also describe the functional capacity of this single lane crossing for the Nice Bridge if a replacement is not built.

MDOT Response:

MDTA has a robust annual inspection program that identifies and helps to prioritize necessary repairs. In addition, MDTA is in the process of performing a life cycle cost analysis on each of its toll facilities to better understand the timing of future major rehabilitation projects. Together, the inspection findings and life cycle cost analyses help MDTA build the six-year capital program and its assessment of long range capital needs.

Although much of MDTA's current six-year capital program is focused on system preservation, some of these system preservation projects entail significant work and cost. The replacement of the Canton Viaduct, (an elevated segment of the eastern approach to the Baltimore Harbor Tunnel), includes three years of construction work at a total cost of \$273 million. Other projects, like the upcoming re-decking of the eastbound span of the Bay Bridge, are also large, complex projects that involve significant cost.

In regard to the Nice Bridge, the timing of the replacement of the bridge has always been driven by the need to do a re-decking of the bridge and the availability of funding. Original estimates developed in 2006 found that a re-decking would be needed in the 2025-2030 timeframe. MDTA is performing additional assessment work on the current condition of the bridge to determine if that is still the appropriate timeframe. Preliminary results show that the deck is in better condition than had been anticipated and system preservation options other than a re-decking are viable. MDTA will continue to preserve the existing bridge to ensure its safety and service life.

With average annual daily traffic of less than 19,000, the Nice Bridge has the lowest traffic volumes of all MDTA facilities. Periods of high congestion are currently experienced occasionally and for short durations, mostly during summer months, holidays, poor weather, and roadway incidents. Traffic Analysis studies suggest that congestion on the Nice Bridge does not become a more regular occurrence until approximately 2030 on the weekends and even later on weekdays.

The cost of constructing the NEPA design of the bridge is approximately \$1 billion; however, MDTA is working on incorporating practical design techniques, which may provide other design options that come at a lower price. Construction funding has not yet been identified for this project.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues (Continued)

2. ICC Revenue Drops Below Initial Predictions (Page 27)

MDTA should comment on the ICC lower than anticipated revenue.

MDOT Response:

The Intercountry Connector continues to achieve its goal of providing a safe and relatively congestion-free alternative to overcrowded local roads. It provides drivers with dependable travel times that provide significant reductions to travel times compared to local road alternatives. For example, drivers in Gaithersburg have nearly cut their travel time to BWI Marshall Airport in half using the ICC.

Revenues for the ICC have generally met expectations and are expected to stabilize now that the ramp-up phase (which usually takes 3 to 5 years on a new facility) is nearing completion. In 2015, MDTA completed an updated traffic and revenue study for the ICC to update assumptions for land use and development, economics, travel demand, and other key factors. By definition, forecasts are estimates of future events and need to be revisited periodically based on new information. The forecast for the I-95 Express Toll Lanes was also recently updated after fiscal 2015 revenues were nearly double what had been forecasted.

In the four years since opening the ICC to I-95, average daily traffic (averaging the original five segments and all days of the month) has grown 135%. Average daily traffic now frequently exceeds 50,000 per day and occasionally exceeds 60,000 per day on the western end of the facility.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues (Continued)

3. All-electronic Tolling Put Off Until 2019 (Page 29)

MDTA should comment on its next steps toward AET and if it supports the concept of legislation to address uncollected toll revenues from trucks.

MDOT Response:

As noted in the DLS analysis, MDTA has deferred implementation of all electronic tolling at its existing facilities until at least 2019, after the contract for the next generation of the tolling system is executed. This new contract may provide additional customer service and payment options that may help with AET conversion. In the meantime, MDTA will continue to learn from other toll agencies that are proceeding with converting existing facilities to all electronic tolling. This will help MDTA to develop a public involvement process leading up to the conversion and adjust customer options during the transition.

Full implementation of the toll violation and enforcement process created by Chapter 113 of 2013 is also an important step before implementation of all electronic tolling should take place. The process of issuing citations and referring outstanding violations to the Motor Vehicle Administration for vehicle registration suspension or flagging for nonrenewal and to the State's Central Collection Unit are already underway.

Enforcement of toll collection efforts, for both trucks and passenger vehicles, as well as establishing reciprocity agreements with neighboring states are both important issues for AET and MDTA continues to do work in these areas.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues (Continued)

4. MDTA Reviews Unencumbered Cash Levels (Page 30)

MDTA should comment on the benchmark and any factors that could lead the department to alter the policy.

MDOT Response:

Several key factors impact the ideal size of cash reserves, including: the diversity of revenues and potential for major revenue disruption, unforeseen operating or capital expenses, the availability of insurance to offset potential revenues losses, the importance of consistency in setting and meeting financial targets and feedback from the rating agencies and MDTA's financial advisors. Substantial changes in any of these factors would prompt MDTA to reevaluate its unencumbered cash policy.

While the current unencumbered cash minimum of \$350 million appears appropriate given MDTA's current financial position and its strong credit ratings, the policy will continue to be reviewed and approved on an annual basis to reevaluate changing economic and financial conditions.

MDOT RESPONSE TO DLS ANALYSIS

Operating Budget Recommended Actions

1. Nonbudgeted (Page 31)

MDOT Response:

The Department concurs with the DLS recommendation.

Paygo Capital Budget Recommended Actions

1. Nonbudgeted (Page 32)

MDOT Response:

The Department concurs with the DLS recommendation.