

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY, NOVEMBER 12, 2019
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Jack Basso
Dontae Carroll (via phone)
Jeffrey Rosen (via phone)
John von Paris

STAFF ATTENDING: Ernest Chukwuma
Cheryl Dickinson
Jacqueline Djomo
Allen Garman
Chantelle Green
Natalie Henson
Bob Jordan
Cheryl Lewis-Orr
Jeanne Marriott
Kimberly Millender, Esq.
Ken Montgomery
Will Pines
Deb Sharpless
Dayna Taitt
Clayton Viehweg
Tim Wendt

At 9:00 a.m., Member Basso, Chair of the Finance Committee, called the Finance Committee Meeting to order.

APPROVAL – OPEN MEETING MINUTES FROM OCTOBER 9, 2019 MEETING

Member Basso called for the approval of the meeting minutes from the Open Meeting held on October 9, 2019. Member John von Paris made the motion, and Member Jeffrey Rosen seconded the motion, which was unanimously approved.

UPDATE – INVESTMENT COMMITTEE REPORT

Mr. Allen Garman and Mr. Clayton Viehweg provided an update to the Finance Committee on the activities of the Investment Committee for the period ended September 30, 2019. Mr. Garman reviewed market conditions, portfolio strategies, total return performance, and dealer trade allocations. He also discussed certain market drivers that may influence portfolio performance in the coming months, including the economy, fiscal policy, and Federal Reserve monetary policy.

UPDATE – MAJOR PROJECTS UPDATE – ELECTRONIC TOLL COLLECTION (ETC3G)

Mr. Bob Jordan updated the Finance Committee on the status of the ETC3G Program responsible for designing, constructing, testing, and implementing the ETC3G contracts with Kapsch Traffic Com USA and TransCore, LP.

UPDATE – FY 2019 CLOSEOUT OF KEY FINANCIAL METRICS

Ms. Deb Sharpless provided the Finance Committee with a review of the MDTA's actual revenue and expenses and other key financial metrics as compared to the July 2018 and January 2019 financial forecasts. Ms. Sharpless advised that actual fiscal 2019 toll revenues were below the projected July 2018 financial forecast. The net \$35.5 million reduction in projected revenues was attributed to lower than anticipated in-lane toll revenues on the legacy facilities and the collection of other toll revenues (*e.g.*, miscellaneous account and plan fees, citation collections, etc.). The reduction in revenues was partially offset by slightly higher than anticipated in-lane toll revenues on the Intercounty Connector (ICC) and I-95 Express Toll Lanes (I-95 ETL).

On the expense side, the MDTA underspent its capital and operating budgets by \$32.3 million and \$10.8 million, respectively. Additionally, there was a \$73.6 million increase in the MDTA's unrestricted cash balance primarily due to the non-occurrence of an anticipated \$42.1 million loan draw by the Maryland Department of Transportation (MDOT), underspending in the capital/operating budgets, and the timing of spending around fiscal year end.

UPDATE – ANNUAL TRAFFIC AND REVENUE FORECAST

Ms. Sharpless provided an update to the Finance Committee on the traffic and revenue forecast for the Legacy Facilities, ICC, and the I-95 ETL. Each fall, an update to the ten-year traffic and revenue forecast is prepared by independent consultants. The MDTA selected CDM Smith and Jacobs through a competitive process to provide these traffic and revenue forecasts. CDM Smith

prepares separate forecasts for all legacy facilities and for the ICC. Jacobs prepares the forecast for the I-95 ETL. These forecasts are built on historical data from the MDTA's facilities and national, regional, and State socio-economic data, such as population, employment, unemployment, real income per capita, real gross domestic product, inflation, and fuel prices.

Over the next ten years, the number of transactions on the legacy facilities are forecasted to continue to decline through FY 2021 before experiencing a growth trend. FY 2021 transactions are forecasted at FY 2015/FY 2016 levels. A FY 2022 rebound is forecasted at FY 2016/FY 2017 levels and is then expected to grow by 0.63% compounded annually through FY 2029. In-lane revenue is forecasted to decrease by \$143.5M over the next ten years compared to the prior forecast. Most of the reduction is due to lower transaction volumes. Other factors impacting MDTA's revenue forecast include increased *E-ZPass*® penetration, the Toll Modernization Proposal, and cashless tolling.

Over the next ten years, trips on the ICC are forecasted to grow from \$37.8 million in FY 2020 to \$45.3 million in FY 2029, or total growth of 19.9%. Average annual growth rates over this timeframe are expected to remain constant at approximately 2.0%. Expected toll revenues follow a similar growth trend, increasing from \$70.1 million in FY 2020 to \$83.3 million in FY 2029, or total growth of 18.9%, resulting in an average annual change of 1.9%.

Over the next ten years, transactions on the I-95 ETL are forecasted to grow from \$10.4 million in FY 2020 to \$19.0 million in FY 2029, or an annual average growth rate 6.9%. Annual growth rates vary over this timeframe from a high of 29.2% following the opening of the I-95 ETL Northern Extension in FY 2024 to a low of 2.0% in FY 2021. Expected toll revenues follow a similar growth trend, increasing from \$14.7 million in FY 2020 to \$28.5 million in FY 2029, with an average annual growth rate of 7.7%. Annual growth rates vary over this timeframe from a high of 30.7% in FY 2024 to a low of 3.1% in FY 2021.

APPROVAL – FY 2021 PRELIMINARY OPERATING BUDGET

Ms. Chantelle Green requested a recommendation for approval from the Finance Committee to the full MDTA Board of the FY 2021 Preliminary Operating Budget. The FY 2021 Preliminary Operating Budget totals \$338.0 million, which is an increase of \$0.6 million, or 0.2%, compared to the Final FY 2020 Operating Budget of \$337.4 million. The budget includes \$31.6 million in reimbursable funds from the MDOT for costs incurred for law enforcement services at the Port of Baltimore and the Baltimore/Washington International Thurgood Marshall Airport.

Mandated changes to the budget resulted in a \$6.0 million increase in personnel expenses. The increase is primarily due to (1) a \$3.4 million increase in salaries, which is the cumulative result of a cost-of-living adjustment (COLA) for sworn and civilian personnel, a step increase for the MDTA Police, and employee reclassifications; (2) a \$1.7 million increase in pension expenses due to a change in the pension rate for law enforcement personnel; and (3) a \$0.2 million increase in social security contributions. Significant discretionary increases in the FY 2021 operating budget include engineering costs, primarily for annual inspections, and advertising costs associated with the toll modernization proposals and cashless tolling. Significant discretionary decreases in the budget include a reduction in *E-ZPass* costs, snow supplies, computer equipment, maintenance equipment, rental spaces, fuel and utility costs.

Member Basso called for a motion to recommend contingent approval of this item to the full MDTA Board at its next scheduled meeting. Member von Paris made the motion, and Member Rosen seconded the motion, which was unanimously approved.

APPROVAL – FINAL FY 2020-2025 CONSOLIDATED TRANSPORTATION PROGRAM

Ms. Jeanne Marriott requested a recommendation for approval of both Option A and Option B from the Finance Committee to the full MDTA Board of the Final FY 2020-2025 Consolidated Transportation Program (CTP). The proposals were recommended for approval by the Capital Committee on November 7, 2019, pending the decision at the Board Meeting on November 21, 2019, on whether to include a bike path in the construction of the Nice/Middleton Bridge replacement.

Option A, which does not include the construction of a bike path, totals \$3.18 billion, a decrease of \$25.7 million from the Draft CTP. The decrease is the net result of a \$132.7 million reduction in the six-year budget for the Nice/Middleton Bridge, an increase of \$9.1 million for the I-95 ETL Northern Extension, a \$94.1 million increase in all projects (except the Nice/Middleton Bridge, the I-95 ETL Northern Extension, and reserves), and a \$3.9 million increase in the Allocated and Unallocated Reserves.

Option B, which includes the construction of a bike path, totals \$3.18 billion, a decrease of \$25.0 million from the Draft CTP. The decrease is the net result of a \$61.1 million reduction in the six-year budget for the Nice/Middleton Bridge, an increase of \$9.1 million for the I-95 ETL Northern Extension, a \$94.1 million increase in all projects (except the Nice/Middleton Bridge, the I-95 ETL Northern Extension, and reserves) and a \$67.1 million increase in the Allocated and Unallocated Reserves.

Member Basso called for a motion to recommend approval of this item to the full MDTA Board at its next scheduled meeting. Member von Paris made the motion, and Member Carroll seconded the motion, which was unanimously approved.

APPROVAL – FY 2020-2025 FINANCIAL FORECAST

Ms. Chantelle Green requested a recommendation for approval from the Finance Committee to the full MDTA Board of the MDTA's FY 2020-2025 Financial Forecast, Options A and B to match the Final FY 2020 – FY 2025 CTP. Ms. Green noted that the forecast has been updated to include FY 2019 actual revenues and expenses, current traffic and revenue estimates from the updated annual traffic and revenue report, the FY 2021 Preliminary Operating Budget, and the Final FY 2020-2025 CTP. Throughout the six-year period, the MDTA will continue to meet all required financial goals and legal standards.

Member Basso called for the approval of the FY 2020-2025 Final Forecast. Member von Paris made the motion, and Member Carroll seconded the motion, which was unanimously approved.

UPDATE – 1ST QUARTER OPERATING BUDGET VERSUS ACTUAL SPENDING

Ms. Chantelle Green updated the Finance Committee on actual versus projected year-to-date spending for the first quarter of FY 2020. As of September 30, 2019, 16% of the operating budget was spent compared to the target of 23%. No Comptroller's Objects exceeded expected spending levels.

UPDATE – 1ST QUARTER CAPITAL BUDGET VERSUS ACTUAL SPENDING

Ms. Jeanne Marriott updated the Finance Committee on actual year-to-date spending for the first quarter compared to projected spending as shown in the FY 2020-2025 Draft CTP. As of September 30, 2019, 9.7% of the FY 2020 capital budget was spent compared to the target of 25%.

UPDATE – QUARTERLY TRAFFIC AND REVENUE REPORT

Ms. Cheryl Lewis-Orr updated the Finance Committee on the MDTA's quarterly traffic and revenue performance for the Legacy Facilities, ICC, and the I-95 ETL. As of September 30, 2019, quarterly and year-to-date transactions and revenue on the MDTA's legacy and all-electronic toll facilities totaled 42.7 million and \$177.1 million, respectively. For the first quarter of FY 2020, the forecast updates include preliminary actual transactions, trips, and toll revenue data leading to no variation between the forecasted and actual data in this quarter.

There being no further business, the meeting of the Finance Committee adjourned at 10:46 a.m., following a motion by Member von Paris, and seconded by Member Carroll.



Peter J. Basso, Chairman