Maryland Transportation Authority	**BOARD POLICY: PREPARATION OF FINANCIAL FORECAST** **Policy Code: B-MDT-FINF-0004-00** Effective Date: 2-27-2014

I. Purpose and Scope

This policy establishes guidelines for the process by which the Maryland Transportation Authority (MDTA) staff and Board prepares, reviews and approves Financial Forecasts.

II. References

Transportation Article, §4-210 Annotated Code of Maryland

Second Amended and Restated Trust Agreement between the Maryland Transportation Authority and the Bank of New York Mellon dated September 1, 2007 as amended, Sections 6.14 "Covenants as to Rates, Etc."

MDTA Board Policy: Debt Management

III. Policy

Policy Statement 1. The MDTA Board is responsible for the review and consideration of Financial Forecasts.

Policy Statement 2. MDTA staff and Financial Advisors shall periodically prepare Financial Forecasts assessing the fiscal impact of changes to the MDTA's capital and operating programs.

2.1. At the direction of the Executive Director, the Chief Financial Officer, working in conjunction with the Director of Capital Planning and Financial Advisors, is responsible for development of Financial Forecasts.

2.2. At the direction of the Executive Director, the Chief Financial Officer, working with the Financial Advisors, shall present the Financial Forecasts to the Finance Committee and, as may be needed, to the Capital Committee, for review and, as appropriate, for approval for submission to the MDTA Board for its approval.

Policy Statement 3. Frequency:

3.1. For submission to the General Assembly: MDTA Financial Forecasts shall be prepared, reviewed, and approved by the MDTA Board at least twice per year, on or before July 1 and January 1, for submission to the General Assembly as required by Transportation Article §4-210.

3.1.1. The Financial Forecast approved on or before July 1 shall assess the fiscal impacts of the Draft Six Year Capital Transportation Program and the Final Operating Budget.

3.1.2. The Financial Forecast approved on or before January 1 shall assess the fiscal impacts of the Final Six Year Capital Transportation Program and the Draft Operating Budget.

3.1.3. Prior to submission to the General Assembly, these forecasts shall be reviewed by the Maryland Department of Transportation.

3.2. For fiscal planning purposes, additional Financial Forecasts may be prepared for MDTA Board review, when, in the opinion of the Board or Executive Director, actual or potential changes to revenues or capital and operating expenditure requirements have caused or may cause a substantial change in the projected need for future revenues in order to adhere to MDTA's rate covenant, debt service, and unrestricted cash balance policies.

Policy Statement 4. Requirements:

4.1. Financial Forecasts submitted to the General Assembly shall be prepared in compliance with the requirements of Transportation Article, §4-210.

4.2. Time Periods:

4.2.1. Financial Forecasts submitted to the General Assembly shall consider, at a minimum, the current fiscal year and five succeeding fiscal years, as presented in the then current Draft or Final CTP.

4.2.2. Financial Forecasts presented to the Board for its review may also consider the effects of projected operating and capital expenditures in the four years following the six year capital program period.

4.3. Financial Forecasts shall take into consideration, at a minimum:

4.3.1. Projected revenues.

4.3.2. Potential effect on future traffic and revenues resulting from potential future toll increases.

4.3.3. Projected operating and capital expenditures and deposits to the Maintenance and Operations Reserve Account.

4.3.4. Projected issuance of debt.

4.4. Financial Forecasts shall show, for each fiscal year:

4.4.1. Rate covenant ratio (eligible net revenues divided by the sum of 120% of debt service plus budgeted deposits to the Maintenance and Operations Reserve Account).

4.4.2. Debt service coverage ratio (net revenues divided by debt service).

4.4.3. Unrestricted cash balance, as defined in Debt Management Policy.

4.4.4. Ratio of cash on hand to annual toll revenue.

4.4.5. Outstanding indebtedness.

4.5. Adjustments to tolls: Financial Forecasts shall show required adjustments to the system-wide average per transaction toll necessary to maintain financial ratios.

4.5.1. Except as provided in 4.5.4, potential adjustments to future system wide average tolls will be calculated on a biennial schedule, beginning in a year ending in an even number.

4.5.2. Except as provided in 4.5.4, such calculations shall be such that the following requirements are met:

4.5.2.1. Rate covenant ratio: equal to or greater than 1.0.

4.5.2.2. Debt service coverage ratio: equal to or greater than 2.0 during, at a minimum, the first four years of the forecast period, or as may be defined in Debt Management Policy.

4.5.2.3. Unrestricted cash balance: equal to or greater than $350 million.

4.5.3. Except as provided in 4.5.4, in preparing financial forecasts, modifications to anticipated capital and operating expenditures will be made so that future annual toll adjustments do not exceed a 50% increase above the projected then-current system wide average toll.

4.5.4. For any forecast presented to the MDTA Board for approval and submission to the General Assembly, variations in the parameters included in paragraphs 4.5.1 through 4.5.3 will require concurrence of the MDTA Board. For forecasts developed for internal planning purposes, variations in the parameters included in paragraphs 4.5.1 through 4.5.3 can be made at the discretion of the Chief Financial Officer or Executive Director.

IV. Procedures Responsibility

The Division of Finance shall oversee the preparation and approval of Financial Forecasts, working in conjunction with the Division of Capital Planning and the Financial Advisors.

V. Glossary

None

VI. Attachment(s)

None

Policy Code: **Next Policy Review Date:**

B-MDT-FINF-0004-00

Policy Action Date(s): **Approval Signature:**

Approved by the MDTA on 2-27-2014 Bruce W. Gates 3/13/14

Reviewed for Form & Legal Sufficiency: Kimberly Mullenden 3/13/2014

Policy History:
Approved: 9-23-2010
Amended: 2-27-2014