

FINANCE COMMITTEE MONTHLY MEETING
TUESDAY, JUNE 19, 2012
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING:

Peter Jack Basso
Mary Beyer Halsey
Arthur Hock

STAFF ATTENDING:

Suhair Alkhatib
Harold Bartlett
Brenda Cachuela
Joyce Diepold
Wayman Ellis
Sherita Harrison, Esq.
Doug Hutcheson
Cheryl Jordan
Lesli Leath
Jeanne Marriott
Kitty Sarvinas
Deborah Sharpless
Dennis Simpson
Chris Thompson

OTHERS ATTENDING:

Wonza Spann - MDOT

At 9:00 a.m., Committee Chairman Jack Basso called the meeting of the Finance Committee to order.

APPROVAL: MEETING MINUTES – May 10, 2012

Upon motion by Member Mary Beyer Halsey and seconded by Member Arthur Hock, the Open and Closed minutes of the May 10, 2012 Finance Committee were unanimously approved.

Recommend for Approval – FY 2013 Final Operating Budget

Ms. Christina Thompson presented the FY 2013 Final Operating Budget for the MDTA with a request that the Finance Committee recommend approval by the MDTA Board when it is presented at the meeting of the full MDTA Board on June 28, 2012.

The FY 2013 Final Operating Budget amounts to \$258,611,652, representing an increase of \$16,051,950 over the FY 2012 budget. The costs incurred for police services at the Maryland Port Administration (MPA) and the Maryland Aviation Administration (MAA) are reimbursable to the MDTA and amount to \$23,966,992 (9.2%) of the budget.

The increase in the FY 2013 budget primarily relates to mandated personnel cost increases and shifting maintenance and operations (M&O) expenses from the capital budget to the operating budget.

Personnel costs increased by \$5.2 million and included an increase of \$1.7 million in salaries and \$3.5 million in benefits. Salaries increased as a result of a 2% COLA effective January 1, 2013 (\$854K), police collective bargaining (\$38K) and increased staffing at MAA (\$808K). Benefit costs rose from increased pension costs associated with higher pension rates (\$1.2M), the change in salary costs (\$0.8M) and employee and retiree health insurance (\$1.3M). The contribution for Retiree's Health Insurance increased by 3.25% to 56% of hospitalization.

The MDTA began shifting costs previously classified as M&O in the capital budget to the operating budget in FY 2012. MDTA shifted \$12 million in costs to the operating budget and \$9.3 million was associated with annual inspections costs. The \$10.3 million being shifted in FY 2013 primarily relates to on-call structural repairs that do not meet MDTA's capitalization threshold of \$100K and a useful life of seven (7) years.

The budget also includes the following changes: \$2.8 million increase in Trust Agreement Expenses associated with annual inspections; \$2.7 million increase in *E-ZPass* Service Center costs; \$2.1 million increase in *E-ZPass* credit card fees; \$800 thousand increase in snow removal; \$2.7 million decrease in equipment and insurance; \$2.1 million decrease in transponder costs and \$2.0 million decrease in publicity and advertising. All of the increased costs have been offset by reduced costs.

The overall number of MDTA positions remained unchanged. Eight (8) Motor Vehicle Administration (MVA) Police Detachment positions were eliminated when MDTA ceased providing police services. Two (2) positions were eliminated from the Maryland Port Administration (MPA) police detachment due to budget constraints. Four (4) of ten (10) positions were shifted to the BWI police detachment to cover an additional post and one (1) position was shifted to Police Headquarters. The balance of the positions were shifted to other Divisions to best meet the organization's needs as deemed appropriate by the Executive Secretary. Several positions were shifted from one Division to another based on realignment of responsibilities.

Mr. Basso asked what the MVA was doing for security without the assistance of MDTA police. Mr. Bartlett said that the State Police were now providing it.

Action: Ms. Halsey made a motion that the Budget be recommended for approval and submitted to the MDTA Board. Mr. Hock seconded the motion and it was unanimously approved.

Recommend for Approval – Draft FY 2013-2018 Consolidated Transportation Program (CTP)

Mr. Suhair Alkhatib presented the Preliminary Draft FY 2013-2018 CTP with a request that the Finance Committee recommend approval by the MDTA Board when it is presented at the meeting of the full MDTA Board on June 28, 2012.

Mr. Alkhatib advised the Finance Committee that this draft FY 2013-2018 CTP was presented to the Capital Committee on June 7, 2012.

The proposed draft FY 2013-2018 CTP was reduced due to the transfer of \$60.9 million from the Capital program to the Operating budget (in order to phase out the M&O expenses in the capital program) and was increased due to the rollover of a projected \$68.8 million in unspent FY 2012 funds and the addition of \$95.7 million to fund the construction phase for new Priority 2 system preservation projects, based on the results of an updated Long Range Capital Needs assessment. The overall increase in the proposed draft FY 2013-2018 CTP is \$103.6 million.

Mr. Hock said that he was impressed with the presentation and that he was able to understand all of the information contained in the report.

Action: Mr. Hock made a motion that the Draft FY 2013-FY2018 be recommended for approval and submitted to the MDTA Board. Ms. Halsey seconded the motion and it was unanimously approved.

Recommend for Approval – Financial Forecast

Ms. Deborah Sharpless presented the updated financial forecast and requested the Finance Committee recommend approval by the MDTA Board when it is presented at the meeting of the full MDTA Board on June 28, 2012.

This update to the financial forecast indicates that the MDTA will remain above its financial goals (\geq \$350 million unencumbered cash and \geq 2.0 debt service coverage) and its Trust Agreement rate covenant (net revenues \geq 1.0 x sum of 120% debt service and deposits to the M&O account) throughout the FY2013-FY2018 forecast period.

Assuming revenues and expenses materialize as projected, the first toll increase required (after the already approved FY 2014 toll increase) would be in FY 2022 (same as January 2012 forecast). Continuing increases would be required in ensuing years.

As is the case with the previous July Financial Forecast, the operating expenditures shown for the Current Year (FY 2012) are as budgeted. Variations from budgeted amounts will be reflected in the January 2013 update to the Financial Forecast which is based on audited end of year expenditures for the Current Year. If revenues hold constant, any under-spending of the FY 2012 budget will improve financial ratios in the January Financial Forecast.

Mr. Hock was concerned that prior to the recent increase MDTA had not raised the toll on the Bay Bridge since 1970. He asked if MDTA will look into more frequent minor or modest increases to minimize impact on the public, and suggested the agency should better communicate the positive aspects of what it does.

Mr. Basso concurred that MDTA should inform the public regarding the favorable terms of MD tolls and lower account fees.

Ms. Halsey commented that we need to be attuned to the toll increase trends around the Country and consider periodic toll increases to avoid some of the issues presented by constituents, during the most recent toll increase.

In answer to these statements, Mr. Harold Bartlett said that if we have incremental increases that would be attached to new projects, it would be more acceptable to our customers.

Action: Mr. Hock made a motion that the Financial Forecast be recommended for approval and submitted to the MDTA Board. Ms. Halsey seconded the motion and it was unanimously approved.

UPDATE: TRAFFIC AND REVENUE

Ms. Brenda Cachuela reported that the system revenues for the month of May were \$36.9 million, which is up \$9.2 million from the previous year. Revenues for the fiscal year-to-date were \$335.4 million, which is up \$51.5 million from the previous year. Fiscal year-to-date revenues were \$4.5 million or 1.3% above the current Jacobs' revenue forecast.

Ms. Cachuela also reported that transactions for the month of May were 10.4 million which is down 0.1 million from the previous year. Fiscal year-to-date system transactions were 107.7 million which is down 0.9 million from the previous year. Fiscal year-to-date system transactions are 5 million or 4.9% above the current Jacobs' transaction forecast.

There being no further business, the meeting of the Finance Committee was adjourned by general consensus at 9:37 a.m.