



Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Beverley K. Swaim-Staley
Secretary

Harold M. Bartlett
Deputy Secretary

November 30, 2009

The Honorable Ulysses Currie
Chairman, Senate Budget and Taxation Committee
3W Miller Senate Building
Annapolis MD 21401-1991

The Honorable Norman Conway
Chairman, House Appropriations Committee
131 Lowe House Office Building
Annapolis MD 21401-1991

The Honorable Sheila Ellis Hixson
Chairman, House Ways and Means Committee
131 House Office Building
Annapolis, MD 21401-1991

Dear Chairmen:

Attached is a report concerning the *Progress of the Intercounty Connector Project* as required in Senate Bill 255/House Bill 1352, Chapters 471 and 472, Acts 2005 (MSAR #2944). The language directs:

"On or before December 1 of each year until completion of construction of the Intercounty Connector, in accordance with §2-1246 of the State Government Article, the Authority shall submit a report on the status of the Intercounty Connector to the Senate Budget and Taxation Committee, the House Appropriations Committee, and the House Committee on Ways and Means.

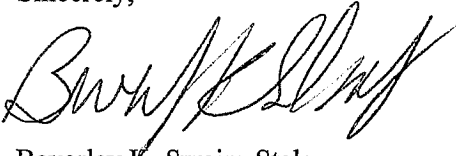
The report required under this subsection shall include: (I) an update on the progress of the project and a comparison of the actual progress to the project schedule provided to the Committees in January, 2005; (II) the revised estimate of the total project cost of the project and a statement of the reasons for any cost savings or cost overruns, relative to the estimate of \$2,447,000,000 provided to the Committees in January, 2005; (III) a description of any changes to the financing plan for the project, including the impact of cost savings or cost overruns, and, consistent with the intent of the General Assembly to limit the overall amount of debt used for financing the Intercounty Connector, the specific identification of sources of funds that may be applied to address any cost overruns; (IV) Planned expenditures by year, categorized by planning and engineering, right-of-way acquisitions, and construction; (V) Funding sources by year, categorized by: 1. Grant Anticipation Revenue Vehicle Bond Issuances; 2. Transfers from the Transportation Trust Fund; 3. Transfers from the General Fund; 4. Federal Funds; 5. Authority Cash Reserves; 6. Authority Revenue Bond Issuances; 7. Draws on a loan or line of credit extended to the State under the federal Transportation Infrastructure Finance and Innovation Act; 8. Bond anticipation notes; and 9. Any other revenue source; (VI) A schedule of debt service for the Grant Anticipation Revenue Vehicle bond issuances and Authority revenue bond issuances; and (VII) Financing assumptions, including maturities of bond issuances and forecasted interest rates."

My telephone number is 410-865-1000
Toll Free Number 1-888-713-1414 TTY Users Call Via MD Relay
7201 Corporate Center Drive, Hanover, Maryland 21076

The Honorable Ulysses Currie
The Honorable Norman Conway
The Honorable Sheila Ellis Hixson
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If you have any additional questions or concerns, please do not hesitate to contact Mr. Neil Pedersen, State Highway Administrator at 410-545-0400. Of course, you should always feel free to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Beverley K. Swaim-Staley". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Beverley K. Swaim-Staley
Secretary

cc: Members of the Senate Budget and Taxation Committee, the House Appropriations
Committee, and the House Ways and Means Committee
Mr. Neil Pedersen, Administrator, State Highway Administration

bcc: Ms. Sarah Albert, Library Associate, Mandated State Agency Reports, Library & Information Services Division, Department of Legislative Services (5 copies – MSAR #2944)

Mr. Harold M. Bartlett, Deputy Secretary, Maryland Department of Transportation

Mr. J. Ryan Bishop, Committee Staff, House Ways and Means Committee

Mr. Joe Bryce, Chief Legislative Officer, Governor's Office

Mr. Jack Cahalan, Director, Office of Public Affairs, Maryland Department of Transportation

Mr. Matthew Garbark, Research Policy Analyst, State Highway Administration

Mr. Bruce W. Gartner, Director, Office of Policy and Governmental Affairs, Maryland Department of Transportation

Mr. Martin L. Harris, State Legislative Officer, Maryland Department of Transportation

Ms. Jaclyn Hartman, Legislative Analyst, Office of Policy Analysis, Department of Legislative Services

Mr. Kevin Hughes, Deputy Director, Governor's Legislative Office

Ms. Cathy Kramer, Department of Legislative Services

Ms. Diane Lucas, Budget Analyst, Department of Budget and Management

Mr. Jon Martin, Legislative Analyst, Department of Legislative Services

Ms. Melinda Peters, ICC Office, State Highway Administration

Ms. Linda Singer, State Legislative Manager, State Highway Administration

Mr. David Smulski, Committee Staff, Senate Budget & Taxation Committee

Ms. Wonza Spann-Nicholas, Deputy Director, Office of Finance, Maryland Department of Transportation

Mr. Joshua A. Watters, Committee Staff, House Appropriations Committee

A Report to the Maryland General Assembly's

Senate Budget and Taxation Committee,

House Appropriations Committee, and

House Ways and Means Committee

Regarding

The Progress of the Intercounty Connector Project

(as required in §4-321 of the Transportation Article,
SB 182, Chapter 567, Acts 2008)



The Maryland Transportation Authority
The Maryland Department of Transportation

December 2009

The Progress of the Intercounty Connector Project
(as required in §4-321 of the Transportation Article,
SB 182, Chapter 567, Acts 2008)

This is the fourth annual report prepared in response to Section 4-321 of the Transportation Article, SB 182, Chapters 567, Acts 2008, which specifically directs:

“On or before December 1 of each year until completion of construction of the Intercounty Connector, in accordance with §2-1246 of the State Government Article, the Authority shall submit a report on the status of the Intercounty Connector to the Senate Budget and Taxation Committee, the House Appropriations Committee, and the House Committee on Ways and Means.

The report required under this subsection shall include: (I) an update on the progress of the project and a comparison of the actual progress to the project schedule provided to the Committees in January, 2005; (II) the revised estimate of the total project cost of the project and a statement of the reasons for any cost savings or cost overruns, relative to the estimate of \$2,447,000,000 provided to the Committees in January, 2005; (III) a description of any changes to the financing plan for the project, including the impact of cost savings or cost overruns, and, consistent with the intent of the General Assembly to limit the overall amount of debt used for financing the Intercounty Connector, the specific identification of sources of funds that may be applied to address any cost overruns; (IV) Planned expenditures by year, categorized by planning and engineering, right-of-way acquisitions, and construction; (V) Funding sources by year, categorized by: 1. Grant Anticipation Revenue Vehicle Bond Issuances; 2. Transfers from the Transportation Trust Fund; 3. Transfers from the General Fund; 4. Federal Funds; 5. Authority Cash Reserves; 6. Authority Revenue Bond Issuances; 7. Draws on a loan or line of credit extended to the State under the federal Transportation Infrastructure Finance and Innovation Act; 8. Bond anticipation notes; and 9. Any other revenue source; (VI) A schedule of debt service for the Grant Anticipation Revenue Vehicle bond issuances and Authority revenue bond issuances; and (VII) Financing assumptions, including maturities of bond issuances and forecasted interest rates.”

Introduction

The Intercounty Connector (ICC) is an 18.8-mile, limited access, 6-lane, tolled highway with accommodations for express bus service connecting the I-270/I-370 Corridor in Montgomery County with the I-95/US 1 Corridor in Prince George’s County.

With completion of the planning studies in 2006 and the project permits issued by the US Army Corps of Engineers and the Maryland Department of the Environment, the ICC Project moved into its design/construction phases during 2007. The procurement of the first ICC mainline

The Progress of the Intercounty Connector Project (as required in §4-321 of the Transportation Article, SB 182, Chapter 567, Acts 2008)

Design-Build Contract concluded with the May 25, 2007 award of Contract A (I-270/I-370 to MD 97), award of Contract C (US 29 to I-95) on June 22, 2007 and award of Contract B (MD 97 to US 29) on October 28, 2008.

During the later part of 2008 and through the date of this report, right-of-way acquisition, design-build procurement and mainline construction activities have significantly advanced.

Construction under the first 7.2 mile mainline Design-Build contract, Contract A (I-270/I-370 to MD 97), is moving ahead and is now approximately 60% complete. Contract C (US 29 to I-95) is now approximately 41% complete. Contract B is now approximately 17% complete. Activities also continue on the nearly \$100M of environmental and community stewardship projects which are an integral component of the ICC.

Please note that the limits of construction on the ICC as presented above (18.8 miles for the entire project and 7.2 miles for Contract A), are slightly longer than the mileage that will be tolled. The tolled mileage will be 5.6 miles for Contract A, and 17.5 miles for the entire facility.

Project Activities Completed Since Last Report

- Over the past year, the ICC Project has progressed with the continued refinement and finalization of contract packaging and procurement plans for the remaining portion of the ICC mainline (Contract E: I-95 to US 1) as well as the Collector/Distributor Roads along I-95 (Contract D). The acquisition of right-of-way parcels necessary to support design-build contract activities continued and, in December, 2008, the second Grant Anticipation Revenue Vehicle (GARVEE) Bond issuance for the project (\$425M) was successfully transacted. With the Full Notice to Proceed (NTP) on Contract A, Contract B and Contract C, approximately 95% of the total construction value for the ICC is underway.
- On November 13, 2007, Intercounty Constructors (IC) was issued the Full NTP on Contract A, allowing full construction of the first 7.2 miles of the ICC to begin. The \$478.7 million contract provides for the construction of the ICC from I-370 to Georgia Avenue (MD 97). Intercounty Constructors is a joint venture of Granite Construction Company, Corman Construction Inc. and G.A. & F.C. Wagman, Inc. IC has made significant progress on the ICC bridges, including the I-370 bridges over the CSX Railroad and Crabbs Branch Way, as well as those at the METRO Access Road Interchange, Redland Road, Rock Creek, Needwood Road, North Branch, and Georgia Avenue. Work also continues on major culverts at stream crossings. Additional activities that have been completed and continue include utility relocations, earthwork operations, clearing and grubbing, paving and grading operations, noise wall installation, and electronic toll collection underground installations. Design activities are essentially complete on Contract A and construction completion is anticipated fall of 2010.

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- On November 20, 2007, the selection of ICC Constructors (IC3) to design and build Contract C, the second phase of the ICC, was announced. This \$513.9 million contract provides for the design and construction of the US 29 and I-95 interchanges for the ICC, approximately 3.8 miles of new six-lane ICC highway and 1.9 miles of I-95 auxiliary roadways. ICC Constructors is a joint venture of Shirley Contracting Company, LLC; Clark Construction Group, LLC; Guy F. Atkinson Construction, LLC; Facchina Construction Company, Inc. and Trumbull Corporation. A Notice to Proceed was issued to IC3 on April 7, 2008 and since that time; IC3 has completed and/or continues with design activities and construction along the 3.8 mainline miles as well as along US 29 and I-95 within proximity to the ICC. Foundation and substructure work is ongoing at the ICC interchanges with US 29 and I-95 and in October of 2009 steel girders began to be placed across I-95. Additional ongoing work includes lane shifts to facilitate pavement widening, wick drain installations, clearing and grubbing, and relocation of water, sewer, and electrical utilities at various locations on the project. Completion of Contract C is on schedule for late 2011/early 2012.
- Contract B provides for the design and construction of the ICC extending from approximately 600 feet east of MD 97 to west of US 29 comprising 6.9 miles of the six-lane highway and the ICC / MD 182 and ICC / MD 650 interchanges. Proposals were received in May 2008 and MD 200 Constructors, a joint venture of Kiewit Southern Co.; Corman Construction, Inc. and G.A. & F.C. Wagman Inc. with a proposal totaling \$559.7 million was selected as the best value for the State. The full Notice to Proceed was issued on January 16, 2009. MD 200 has begun design efforts for grade and drainage packages, noise walls, and utility, bridge and roadway designs. Ongoing field work has included temporary stream diversions, clearing and grading activities, construction of drilled shafts for the bridge over Northwest Branch, pile driving for the New Hampshire Avenue bridge, construction of temporary detours, construction of a field office complex near the Layhill Road interchange, and associated maintenance of traffic and quality control activities. Completion of Contract B is on schedule for late 2011/early 2012.
- Right-of-Way acquisitions continued during the year, and as of the date of this report, approximately 97% of the total land area required for the ICC mainline and interchanges is controlled by the SHA. Out of a total of 307 parcels, 282 that are affected have either been acquired or have commenced the condemnation process.
- The contract with the General Engineering Consultant (GEC), awarded in April, 2005, includes a 25% DBE participation goal; there are currently 20 MDOT-certified DBE firms participating on the GEC Team. The GEC contract is approximately 55% complete. The Request for Proposal (RFP) for Contract A established a 15% overall DBE goal with 20% for professional services (design, quality control, public relations, etc.). The RFPs for Contract C and B contain a 20% overall DBE goal with 20% for professional services.

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- In an effort to expand the base of available DBE firms, the Project Team is pursuing an aggressive Outreach Program. Since our last report, there have been more than 80 DBE Outreach or Networking events held with both private and public organizations.
- The ICC project has approximately 150 On-the-Job training (OJT) opportunities. MDOT and the Maryland Department of Labor, Licensing and Regulation (DLLR) are partnering to provide support to this program. DLLR has established an office in the program management offices for SHA in Beltsville to provide assistance in filling these positions. As of October, 2009, the ICC Project has over 50 active OJT Trainees and has graduated 17 individuals.
- In August 2007, a fully automated online DBE Capacity Survey was introduced on the project website. As of this report, 445 firms have completed the questionnaire.
- The team continues to conduct targeted public outreach to those communities and property owners directly impacted by the project. Meetings have been well attended and have focused on issues of impacts, noise abatement, property owner rights, and conceptual design features. During 2009, 38 Community Outreach events were held.
- Projects related to the Environmental Mitigation, Environmental Stewardship and Community Stewardship continue to advance. Design is ongoing for many of these projects. On October 2, 2008, a contract was awarded to Environmental Quality Resources for Package PB-C covering the construction of stormwater management retrofit sites. The project included retrofitting existing roadside ditches at eight locations in the Upper Paint Branch Special Protection Area watershed area with various stormwater management best management practices. Construction on this contract was completed in June 2009.
- In addition to the 68.5 acres of Reforestation Projects at three sites completed or underway and anticipated for completion during 2009, additional Mitigation and Stewardship projects that have progressed to procurement or construction include:
 - NW-D (Northwest Branch Stream Restorations 160/170) – Advertised for Construction October 13, 2009. To mitigate for anticipated impacts from the construction of the Intercounty Connector (ICC), this contract will provide sites; a portion of the Northwest Branch of the Anacostia River, with water quality improvement, aquatic habitat enhancement, and reconnection of the channel with its floodplain in order to reduce shear stress during high flow events. This project will restore over 17,700 linear feet of stream and result in a mitigation credit to the ICC of over 46,900 linear feet with an additional 2,000 linear feet of environmental stewardship credit.

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- Olney Manor Dog Park – Construction NTP was issued on September 1, 2009. This project is for a dog park within MNCPPC's existing Olney Manor Recreational Park. The project site is located adjacent to Softball Field No. 4's outfield. The project consists of installing perimeter fencing, site amenities (including benches, trash receptacles, waste bags and dispensers, and information kiosks), and pedestrian/maintenance entries to the dog park. It is anticipated that construction will be completed this year.
- NW-A (Northwest Branch Wetland Mitigation Site NW-128). This previously completed construction project is now in the monitoring stage. Work is currently underway to plant additional trees to augment the natural growth and to diversify the species composition. This work was completed in November 2009.
- The Maryland Transportation Authority is constructing a Western Operations Facility in Gaithersburg. This facility will house an administration building, salt storage dome, fuel distribution station, and temporary police building; and will function as the Authority's support facility to provide management, maintenance and security for ICC mainline Contract A (I-270/I-370 to MD97). This facility is scheduled to open in late 2010. The construction contract for the operations facility was awarded in July 2009 to Brawner Builders Inc., for a contract amount of \$4.4M. A full notice to proceed was issued in September 2009 and construction is currently 5% complete. The project is scheduled for substantial completion in June 2010.

Legal Activities During 2009

- All legal actions related to the National Environmental Policy Act (NEPA) Record of Decision have been successfully resolved. A settlement of the air quality issues was reached in November 2008 with the State of Maryland, the Federal Highway Administration and the Department of Justice. There are no remaining legal issues affecting progress of the project.

Cost Estimate and Finance Plan

- The Initial ICC Financial Plan (IFP) was issued on June 29, 2006. The first Annual Update was approved by FHWA on September 27, 2007 and the second on November 25, 2008. The third Annual Update was approved by FHWA on November 10, 2009.
- The total cost to complete the ICC Project, as defined by the project's Record of Decision (dated May 2006), has not increased beyond the \$2.566 billion reported in 2008.

The Progress of the Intercounty Connector Project
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- Contract D remains indefinitely deferred beyond the six-year program period. We have assumed a construction start in State Fiscal Year 2016 (FY2016) solely for estimating purposes, with a total deferred cost of \$103 million. Contract D consists of the collector-distributor lanes for I-95. These are not part of the mainline ICC project and travel forecasts indicate these are not needed immediately when the ICC opens to traffic in late 2011/early 2012. The deferral of Contact D will not compromise the functionality of the ICC.
- Through June 30, 2009, the project has expended \$881.6 million since inception (FY2003), or 34% of the current project estimate.
- With planned contributions from the Maryland Transportation Trust Fund, the Maryland General Fund, General Obligation Bonds, GARVEE bond proceeds, as well as Authority debt and cash contributions, sufficient funding is anticipated to be in place to meet projected cash flow requirements.
- The total funding package for the ICC Project over the six-year program (through FY2015) period is \$2,462.7 million. This has not changed since the 2008 report.
- The current funding package is comprised of a combination of the following State and federal sources:

\$1,231.6M	Authority toll revenue backed debt and cash
\$750.0M	Grant Anticipation Revenue Vehicle (GARVEE) bonds
\$16.9M	Net premium from the GARVEE bonds – Series 2007
\$264.9M	State General Funds and General Obligation Bonds
\$180.0M	State Transportation Trust funds
\$19.3M	Special federal funds

Source: 2009 Financial Plan Annual Update

- As noted previously, the costs associated with Contract D have been deferred beyond the current six-year program. Given that this contract falls outside of the six-year program, SHA and MdTA will work together with the Maryland Department of Transportation (MDOT) to:
 1. identify cost savings within the project to reaccelerate the project, or
 2. identify additional funding to support up to \$103.2 million in cost planned beyond the current six-year program.
- In December 2008, the Authority successfully issued the second tranche of GARVEE Bonds for the project (\$425 million principal amount with a true interest cost of 4.312%).

The Progress of the Intercounty Connector Project
 (as required in §4-321 of the Transportation Article,
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These bonds were rated AAA by Standard & Poors and AA and Aa2 respectively by Fitch and Moody's.

- An additional \$30 million in Maryland Transportation Trust Funds were received to support project cash flow requirements in FY2009.
- In December 2008, Maryland concluded its agreement with the Federal Highway Administration for a \$516 million federal loan for the project under the Transportation Infrastructure Finance and Innovation Act (TIFIA). TIFIA loan draws would be used in lieu of an equivalent amount of Authority bonds. The TIFIA loan rate is 2.56%. The timing of TIFIA loan draws will depend primarily upon the comparison of the TIFIA loan rate versus that of Authority toll revenue bonds. There have been no draws against the TIFIA vehicle to date.
- The Authority anticipates issuing toll revenue bonds to be used, in part, for the ICC project in late 2009.

Project Schedule

- Given recent activity for both active Contracts A and C, as well as the planned activities associated with Contract B, the project schedule for completion of the mainline ICC remains on schedule with a late 2010 "open to traffic" date for the westernmost Contract A and a late 2011 "open to traffic" date for Contracts B, C and E. Contract E provides for the design and construction of the ICC from east of I-95 to US 1 and is scheduled to advertise in early to mid 2010. Although Contract D has been deferred indefinitely, the improvements associated with this contract, which are along I-95, will not have a material impact on the access to/from, nor the operations of, the new east-west expressway starting in FY2012. All 18.8 miles of the ICC mainline are funded and remain on schedule under Contracts A, B, C and E.

Expenditures and Funding by Year

- Expenditures (Dollars in Millions)

Category	Prior	FY10	FY11	FY12	FY13	FY14	Total
Project Planning	\$28.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$28.9
Preliminary Engineering	\$75.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$75.2
Right-of-Way	\$251.4	\$21.2	\$10.0	\$7.6	\$5.0	\$2.8	\$298.0
Construction	\$526.1	\$677.5	\$587.9	\$223.8	\$37.5	\$7.8	\$2,060.6
Total	\$881.6	\$698.8	\$597.9	\$231.4	\$42.4	\$10.6	\$2,462.7

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• Funding (Dollars in Millions)

Category	Prior	FY10	FY11	FY12	FY13	FY14	Total
GARVEE Bonds	\$750.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$766.9
GARVEE Premium	\$16.9						
Transportation Trust Fund	\$150.0	\$30.0	\$0.0	\$0.0	\$0.0	\$0.0	\$180.0
General Funds *	\$53.0	\$55.0	\$156.9	\$0.0	\$0.0	\$0.0	\$264.9
Federal Funds	\$19.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$19.3
Authority Cash Reserves	\$26.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$26.7
Authority Revenue Bonds	\$72.1	\$510.0	\$0	\$106.8	\$0.0	\$0.0	\$688.9
Authority TIFIA Loan	\$0.0	\$0.0	\$440.0	\$76.0	\$0.0	\$0.0	\$516.0
Total	\$1,088.0	\$595.0	\$596.9	\$182.8	\$0.0	\$0.0	\$2,462.7

* \$55 million in FY 10 are proceeds from General Obligation Bonds; \$146.9 million in General Obligation Bonds are being considered for FY 11; \$10 million in FY 11 to be from the General Fund.

Source for expenditures and funding figures above: 2009 Financial Plan Annual Update.

Debt Service and Financing Assumptions

The debt service schedule for the Grant Anticipation Revenue Vehicle bond issuances (GARVEE Bonds) is attached. These bonds have a twelve year maturity and were issued at True Interest Costs of 3.999% (Series 2007) and 4.312% (Series 2008).

The Authority will not issue toll revenue bonds specifically for the ICC project. Proceeds from any given bond issuance might be used for the I-95 Electronic Toll Lanes (ETL) project, other Authority Transportation Facilities Projects, or the ICC.

The debt service schedules allocable to debt used for the ICC will depend upon the specific timing of bond issuances and then current interest rates. The currently assumed schedule for use of toll revenue bonds and TIFIA for the ICC is shown in the table above. The locked-in TIFIA loan interest rate is 2.56%. The True Interest Cost for the Series 2008 toll revenue bonds (of which, approximately \$72 million might be used for the ICC), was 4.577%. Interest rates on future toll revenue bonds are assumed to be 5.25%. Depending upon timing of issuance of bonds and interest rates, toll backed debt service applicable for the ICC will peak at approximately \$70 million to \$75 million per year.

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Debt Service
Grant Anticipation Revenue Vehicle Bonds
(GARVEE Bonds)
Intercounty Connector

(\$millions)

SFY	Amount (\$millions)
2008	\$36.091
2009	\$40.364
2010	\$87.458
2011	\$87.455
2012	\$87.457
2013	\$87.451
2014	\$87.458
2015	\$87.454
2016	\$87.450
2017	\$87.452
2018	\$87.457
2019	\$87.452
2020	\$51.365
Total	\$1,002.363