

**J00I00**  
**Maryland Aviation Administration**  
**Maryland Department of Transportation**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 13</u></b> <b><u>Actual</u></b>	<b><u>FY 14</u></b> <b><u>Working</u></b>	<b><u>FY 15</u></b> <b><u>Allowance</u></b>	<b><u>FY 14-15</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
Special Fund	\$170,473	\$178,900	\$180,397	\$1,497	0.8%
Contingent & Back of Bill Reductions	0	0	-513	-513	
<b>Adjusted Special Fund</b>	<b>\$170,473</b>	<b>\$178,900</b>	<b>\$179,884</b>	<b>\$984</b>	<b>0.6%</b>
Federal Fund	650	656	655	-1	-0.2%
Contingent & Back of Bill Reductions	0	0	-38	-38	
<b>Adjusted Federal Fund</b>	<b>\$650</b>	<b>\$656</b>	<b>\$617</b>	<b>-\$40</b>	<b>-6.0%</b>
<b>Adjusted Grand Total</b>	<b>\$171,122</b>	<b>\$179,556</b>	<b>\$180,501</b>	<b>\$945</b>	<b>0.5%</b>

- The fiscal 2015 allowance increases by \$0.9 million, or 0.5%, compared to the fiscal 2014 working appropriation when adjusting for contingent and back-of-the-bill reductions.
- Personnel expenditures increase by a net of \$0.5 million with the cost of annualizing fiscal 2014 salary actions totaling \$1.1 million. This increase is partially offset by the reduction to health insurance totaling \$0.7 million and retirement contributions totaling \$0.5 million.
- Other major increases in the allowance include \$1.9 million for electricity and \$1.0 million for additional security.

Note: Numbers may not sum to total due to rounding.

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## ***PAYGO Capital Budget Data***

	(\$ in Thousands)			
	Fiscal 2013	Fiscal 2014		Fiscal 2015
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$55,622	\$54,664	\$84,165	\$82,112
Federal	\$16,259	\$24,479	\$25,036	\$23,116
<b>Subtotal</b>	<b>\$71,881</b>	<b>\$79,143</b>	<b>\$109,201</b>	<b>\$105,228</b>
Other	\$96,955	\$109,470	102,100	\$91,400
<b>Total</b>	<b>\$168,836</b>	<b>\$188,613</b>	<b>\$211,301</b>	<b>\$196,628</b>

- The fiscal 2014 pay-as-you-go (PAYGO) working appropriation increases by \$22.7 million compared to the legislative appropriation. The increase is due to increases for facility upgrades, the D/E connector, and the B/C connector, offset by a decrease in the runway safety area project due to cash flow changes and cost savings.
- The fiscal 2015 allowance decreases by \$14.7 million due to funding that was included in fiscal 2014 for facility upgrades not carrying forward in fiscal 2015.

## ***Operating and PAYGO Personnel Data***

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>
Regular Operating Budget Positions	448.50	448.50	448.50	0.00
Regular PAYGO Budget Positions	<u>49.00</u>	<u>49.00</u>	<u>49.00</u>	<u>0.00</u>
<b>Total Regular Positions</b>	<b>497.50</b>	<b>497.50</b>	<b>497.50</b>	<b>0.00</b>
Operating Budget FTEs	0.50	0.50	0.50	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total FTEs</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.00</b>
<b>Total Personnel</b>	<b>498.00</b>	<b>498.00</b>	<b>498.00</b>	<b>0.00</b>

### **Vacancy Data: Regular Positions**

Turnover and Necessary Vacancies, Excluding New Positions	29.65	5.96%
Positions and Percentage Vacant as of 12/31/13	41.00	8.24%

- The fiscal 2015 allowance for the personnel complement remains unchanged.
- The budgeted turnover rate in fiscal 2015 is 5.96%, requiring 29.65 vacant positions. As of December 31, 2013, the department had 41.0 vacant positions for a turnover rate of 8.24%.
- Of the vacant positions, 3.0 positions have been vacant longer than 12 months.

## *Analysis in Brief*

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### **Major Trends**

**Total Passengers Decrease:** Passenger traffic at the Baltimore-Washington International Thurgood Marshall Airport (BWI Marshall Airport) is estimated to total 22.5 million passengers, a decrease of 0.8% from calendar 2012 to 2013. Beginning in calendar 2013, the decline in passengers is largely attributable to the impact of the federal budget shutdown and sequestration. The decline in passengers is expected to continue in fiscal 2014 before increasing again in fiscal 2015.

**Passenger Market Share:** BWI Marshall Airport lost market share to the Ronald Reagan Washington National Airport (Reagan National Airport) in calendar 2013. The market share loss was minimal with most of Reagan National Airport's overall gain coming at the expense of the Washington Dulles International Airport. **The Department of Legislative Services (DLS) recommends that the agency discuss the competitive landscape for the committees and what the coming years may hold for airports in the region.**

**Cost and Revenue Per Enplaned Passenger:** Two of the important financial calculations, considered in regard to airports, are the cost per enplaned passenger (CPE) and the non-airline revenue per enplaned passenger (RPE). In fiscal 2013, the CPE increased slightly and is expected to decrease in the coming years. The RPE increased in fiscal 2013 due to a one-time revenue action. It is expected to decrease in fiscal 2014 and then grow at the level of passenger growth. **DLS recommends that the agency discuss how it can keep the CPE passenger so much lower than the regional average.**

**Financial Results:** Overall, the level of net income, before capital expenditures, is expected to increase in fiscal 2015 and be more than sufficient to cover operating expenditures. The reason for this is that revenues are expected to grow faster than expenditures. When accounting for capital expenditures, the agency is not able to fully cover its costs.

## **Issues**

***BWI Marshall Airport Prepares for More International Flights:*** During the 2013 interim, the Maryland Aviation Administration (MAA) requested additional funding to move forward with a project to expend and enhance the D/E connector. The main driver for this project is Southwest Airlines' planned expansion into Central and South America starting in late 2015. The project is expected to cost \$125 million with passenger facility charges estimated to cover 80% of the costs and the balance coming from the Transportation Trust Fund. **DLS recommends that the department update the committees on the status of the project and Southwest Airlines' current international plans.**

***BWI Hotel Closes and Plans for a New One to Develop:*** On November 30, 2013, the Four Points by Sheraton BWI closed. The State had a long-term lease for the hotel that was up for renewal; however, the hotel needed approximately \$2.0 million in renovations. MAA attempted to find other operators but was ultimately unsuccessful. Throughout the negotiation, MAA's long-term vision was to construct a new hotel behind the hourly parking garage. A request for information was issued in fall 2013 to better gauge the interest of the private sector in this endeavor, and the feedback was positive. The next step is for MAA to issue a request for proposal in spring 2014. **DLS recommends that MAA discuss its plan for a new hotel and what it intends to do for non-hotel-related improvements at the site.**

## **Operating Budget Recommended Actions**

1. Concur with Governor's allowance.

## **PAYGO Budget Recommended Actions**

1. Concur with Governor's allowance.

**J00I00**  
**Maryland Aviation Administration**  
**Maryland Department of Transportation**

## ***Budget Analysis***

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### **Program Description**

The Maryland Aviation Administration (MAA) has responsibility for fostering, developing, and regulating aviation activity throughout the State. MAA is responsible for operating, maintaining, and developing the State-owned Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport) as a major center of commercial air carrier service in the State and Martin State Airport (MTN) as a general aviation reliever facility and as a support facility for the Maryland Air National Guard and the Maryland State Police. MAA strives to make the Maryland aviation system the “Easy Come, Easy Go” gateway to the world, and to achieve this it has identified the following key goals:

- keeping BWI Marshall Airport passengers, tenants, and facilities safe;
- operating BWI Marshall Airport efficiently and effectively;
- attracting, maintaining, and expanding air service; and
- providing exceptional service.

### **Airline and BWI Marshall Airport Business Outlook**

Since 2008, a series of mergers in the airline industry has resulted in four major carriers: American Airlines, Delta, United, and Southwest. There are several smaller regional airlines and low-cost carriers, but these four airlines dominate the airline business at this time. This consolidation in carriers is driven by a number of factors, including an airline’s desire to move into new areas/markets of the country or improving its brand and quality of service.

Other factors influencing the airline business include airline passenger trips declining after 9/11; the recession, which impacted business and individual travel expenditures; and increased fuel costs. As a result of these factors, many airlines were near or at the financial brink, which resulted in dramatic changes to labor contracts and reduced capital expenditures. Overall, airlines have reduced the seating capacity of their fleets and increased load factors. In addition, to help generate more revenue, a number of fees for customer services and amenities have been added. The combination of increased efficiency and more revenue has allowed airlines to improve their financial outlook and looks toward growth in the coming years.

BWI Marshall Airport is like many other airports across the county in that it is largely dominated by one carrier, in BWI Marshall Airport's case it is Southwest Airlines. It should be noted that while Southwest Airlines is the dominant carrier, it is also the only carrier in the United States that is investment grade. BWI Marshall Airport's proximity to the federal government and contractors makes it an attractive destination; however, sequestration is likely to have a greater impact on BWI Marshall Airport than other airports. While sequestration is a short-term concern, in the long run, there are opportunities for growth. As will be discussed later, Southwest Airlines is looking to expand its service to Central and South America, and MAA is enhancing its international terminal in anticipation of this expansion.

The recent merger of US Airways and American Airlines does have implications for service at BWI Marshall Airport. As part of the federal government agreeing to the merger, the combined carrier of American Airlines and US Airways has to sell a portion of its landing take-off slots at Reagan National Airport. Southwest Airlines recently won the bid for several slots at Reagan National Airport, but it is not clear what impact this will have on BWI Marshall Airport. The merger of US Airways and American Airlines is not expected to result in a drop in service from the newly combined airline, since the routes out of BWI Marshall Airport do not overlap.

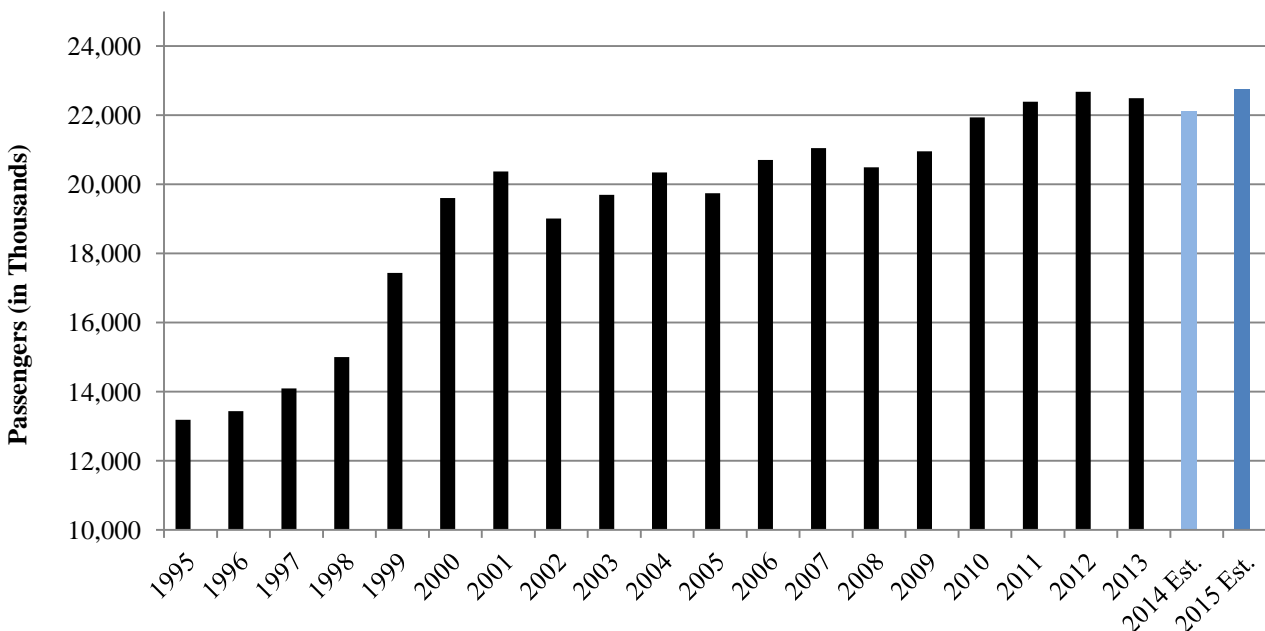
The long-term forecast for BWI Marshall Airport appears to be good; however, that outlook is highly dependent on the success of Southwest Airlines. With Southwest Airlines' entrance into the international market, BWI Marshall Airport could see even more growth in the coming years.

## **Performance Analysis: Managing for Results**

### **1. Total Passengers Decrease**

Passenger traffic at BWI Marshall Airport is estimated to total 22.5 million passengers, a decrease of 0.8% from calendar 2012 to 2013. As shown in **Exhibit 1**, over the last two decades, passengers have increased from 13.2 million in calendar 1995 to 22.7 million in calendar 2012. BWI Marshall Airport saw a steady growth period from calendar 1995 through 2001. In the period from calendar 2002 through 2008, passenger totals leveled off and hovered near 20.0 million. Since calendar 2008, steady growth in passengers has again taken place, despite the economic downturn. Beginning in calendar 2013, the decline in passengers is largely attributable to the impact of the federal budget shutdown and sequestration. The decline in passengers is expected to continue in calendar 2014 before increasing again in calendar 2015.

**Exhibit 1**  
**Total Passengers at Baltimore/Washington International**  
**Thurgood Marshall Airport**  
**Calendar 1995-2015 Est.**



Source: Maryland Aviation Administration

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As has been the case for several years now, Southwest Airlines remains the dominant airline at BWI Marshall Airport. For the 12-month period from December 2011 to November 2012, Southwest Airlines' share of passengers totaled 70.7%. This is up from prior years due to the acquisition of AirTran by Southwest Airlines. The next largest carrier is Delta Air Lines, which accounts for 9.4% of passengers. International carriers accounted for 0.8% of passengers at BWI Marshall Airport.

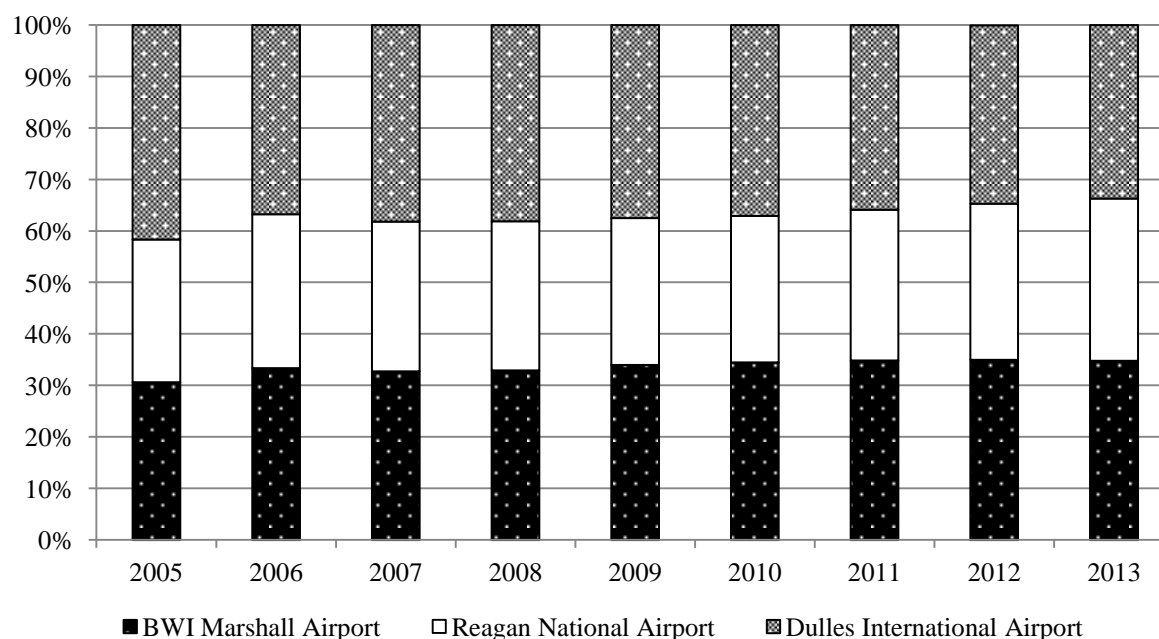
## **2. Passenger Market Share**

In order for BWI Marshall Airport to experience growth in business, it must remain competitive with other airports. In addition to competing with other airports nationally and internationally, BWI Marshall Airport must also compete for passengers closer to home in the Washington region due to the proximity of the Washington Dulles International Airport (Dulles International Airport) and the Ronald Reagan Washington National Airport (Reagan National Airport).

As shown in **Exhibit 2**, BWI Marshall Airport lost market share to Reagan National Airport in calendar 2013. BWI Marshall Airport and Dulles International Airport both experienced declines in passengers in calendar 2013, but Reagan National Airport experienced growth of 3.9%. BWI Marshall Airport's market share declined by 0.2% in calendar 2013 with most of Reagan National Airport's increase coming at the expense of Dulles International Airport. Over time, BWI Marshall Airport has been able to take market share from Dulles International Airport and increase its market share from approximately 31.0 to 35.0%. Reagan National Airport has also been able to increase its market share over time as well. With the introduction of low-cost carriers at Reagan National Airport, it may only increase its market share in the coming years. **The Department of Legislative Services (DLS) recommends that the agency discuss the competitive landscape and what the coming years may hold for airports in the region.**

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**Exhibit 2**  
**Passenger Market Share**  
**Calendar 2005-2013**



BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport  
Dulles International Airport: Washington Dulles International Airport  
Reagan National Airport: Ronald Reagan Washington National Airport

Source: Maryland Aviation Administration

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### 3. Cost and Revenue Per Enplaned Passenger

Two of the important financial calculations considered in regard to airports are the cost per enplaned passenger (CPE) and the non-airline revenue per enplaned passenger (RPE). Non-airline revenue includes parking, concessions, rental cars, and other revenue sources. In regard to the CPE, part of BWI Marshall Airport's success has been its ability to maintain low CPE rates, which attracts and retains low-cost carriers such as Southwest Airlines. At BWI Marshall Airport, like all airports, operating costs are passed on to airlines through building rent, landing fees, and other user charges. Therefore, both MAA and the airlines have an interest in keeping operating costs as low as possible.

As shown in **Exhibit 3**, from fiscal 2012 to 2013, BWI Marshall Airport's CPE increased slightly from \$9.29 to \$9.50. This increase is due to a number of smaller operating cost increases for airlines. In fiscal 2014 and 2015, the cost is expected to decline as US Airways ends its lease payments for Pier D. BWI Marshall Airport continues to remain well below the cost average for other regional airports – Reagan National Airport, Dulles International Airport, and Philadelphia International Airport. These lower costs per passenger make BWI Marshall Airport an attractive airport for airlines.

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**Exhibit 3**  
**Cost and Revenue Per Enplaned Passenger**  
**Fiscal 2009-2015 Est.**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Est.</u> <u>2014</u>	<u>Est.</u> <u>2015</u>
<b>Cost Per Enplaned Passenger</b>							
BWI Marshall Airport	\$9.28	\$9.39	\$9.18	\$9.29	\$9.50	\$9.18	\$9.12
Regional Airports Average	11.53	13.31	15.15	14.90	16.43	17.77	18.08
<b>Non-airline Revenue Per Enplaned Passenger</b>							
BWI Marshall Airport	10.03	10.09	10.31	10.13	11.09	9.59	9.92
Regional Airports Average	9.59	10.86	10.80	10.88	–	–	

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

Note: Actual data for fiscal 2013 for regional airports is not yet available. The amount shown as the fiscal 2013 cost per enplaned passenger is an estimate only. Cost projections beyond fiscal 2013 and projections of revenues for regional airports are not available.

Source: Maryland Aviation Administration

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In terms of the RPE, the numbers fluctuate year to year based upon one-time items. The increase in the RPE for fiscal 2013 is attributable to additional capital reimbursements from prior years. Fiscal 2014 and 2015 estimates reflect modest revenue growth driven by passenger growth. **DLS recommends that the agency discuss how it can keep the CPE passenger so much lower than the regional average.**

#### **4. Financial Results**

Unlike most other State agencies that rely solely on the State for all support, MAA receives operating revenues that help offset its expenditures. Its profitability determines how much the Transportation Trust Fund (TTF) must provide as a subsidy. Although MAA's revenues have typically covered its operating expenses, MAA relies on the TTF or other non-MAA financing mechanisms to fund its capital program.

**Exhibit 4** shows MAA's special fund revenues and expenditures. In fiscal 2015, revenues are expected to increase slightly over fiscal 2014 levels with revenue growth outpacing spending growth. As a result, the net level of net income is expected to increase in fiscal 2015. With capital spending, expenditures are significantly greater than the net income.

It is important to note that in looking at MAA capital expenditures in a business manner, consideration should be given to the fact that capital expenditures are often paid for in a single year, or over multiple years, which decreases TTF expenditures for other purposes. Reimbursement from the airlines (through the Basic Use and Lease Agreement) actually takes place over 5 to 30 years, meaning that revenues and capital expenditures may not match in a year-to-year comparison.

#### **Proposed Budget**

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel and the State Retirement Agency.

**Exhibit 4**  
**Special Fund Revenues and Expenditures**  
**Fiscal 2012-2015**  
**(\$ in Thousands)**

	<u>2012</u>	<u>2013</u>	<u>Work. Approp.</u> <u>2014</u>	<u>Allowance</u> <u>2015</u>	<u>\$ Change</u> <u>2014-2015</u>	<u>% Change</u> <u>2014-2015</u>
<b>Operating Revenues</b>						
Flight Activities	\$58,858	\$60,444	\$61,218	\$62,019	801	-1.3%
Rent and User Fees	58,184	59,043	60,649	63,287	2,638	40.3%
Concessions	76,280	78,697	73,688	75,165	1,477	2.0%
Other Revenues	6,208	14,702	3,638	2,794	-844	-23.2%
Martin State Airport	8,563	7,885	7,905	8,029	124	1.6%
<b>Revenues Subtotal</b>	<b>\$208,093</b>	<b>\$220,769</b>	<b>\$207,098</b>	<b>\$211,294</b>	<b>\$4,196</b>	<b>2.0%</b>
Operating Expenditures <sup>1</sup>	\$166,714	\$170,473	\$178,900	\$179,884	\$984	0.6%
<b>Net Operating Income</b>	<b>\$41,379</b>	<b>\$50,296</b>	<b>\$28,198</b>	<b>\$31,410</b>	<b>\$3,212</b>	<b>11.4%</b>
Capital Expenditures <sup>1</sup>	\$57,972	\$55,622	\$84,165	\$82,112	-\$2,053	-2.4%
<b>Net Income/Loss</b>	<b>-\$16,593</b>	<b>-\$5,326</b>	<b>-\$55,967</b>	<b>-\$50,702</b>	<b>-\$5,265</b>	<b>-9.4%</b>

<sup>1</sup> Includes special funds only.

Source: Maryland Aviation Administration

**Exhibit 5** shows the major changes in the fiscal 2015 allowance when accounting for contingent and across-the-board reductions. Overall, spending increased by \$0.9 million, or 0.5%, compared to the fiscal 2014 working appropriation. Personnel-related expenditures increase approximately \$0.5 million. The major increase is for the annualization of fiscal 2014 salary actions, which totals \$1.1 million. This is offset by the various actions relating to health insurance, which reduce the allowance \$0.7 million. There is also a reduction in the State's retirement contribution, which totals \$0.5 million. Two other notable personnel-related increases include \$0.3 million for the workers' compensation assessment and \$0.3 million for fiscal 2015 step increases.

The other major increases in the allowance include electricity costs (\$1.9 million) based upon direction provided by DBM. Security services increase \$1.0 million due to the new Maryland Transportation Authority (MDTA) police contract and contracted private sector security guards. Other cost increases include additional funding for mowing to comply with Federal Aviation Administration requirements, advertising for parking facilities, and several information technology related increases.

**Exhibit 5**  
**Proposed Budget**  
**MDOT – Maryland Aviation Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Total</u></b>
2014 Working Appropriation	\$178,900	\$656	\$179,556
2015 Allowance	<u>179,884</u>	<u>617</u>	<u>180,501</u>
Amount Change	\$984	-\$40	\$945
Percent Change	0.6%	-6.0%	0.5%

**Where It Goes:**

**Personnel Expenses**

Annualized salary increase .....	\$1,054
Increments and other compensation .....	341
Workers' compensation premium assessment.....	332
Turnover adjustments .....	8
Other fringe benefit adjustments .....	-1
Reclassification .....	-37
Retirement .....	-485
Employee and retiree health insurance.....	-742

**Other Changes**

Electricity per Department of Budget and Management instructions .....	1,872
Security service due to new Maryland Transportation Authority police contract and other cost increases.....	1,008
Mowing to comply with Federal Aviation Administration requirements .....	501
Advertising for parking facilities.....	201
Hardware computer maintenance from new parking revenue control system .....	200
Pest extermination and control .....	172
Painting costs for facilities .....	169
Software maintenance to develop an application for Smartphone users .....	150
Systems software maintenance.....	135
Other.....	-80
Consultant services based upon actual spending.....	-112
High voltage power distribution system and lighting based upon actuals.....	-275
Equipment repairs and maintenance.....	-322

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**Where It Goes:**

Fuel and utilities per Department of Budget and Management instructions .....	-320
Ground transportation costs reduced through a rebid shuttle bus contract.....	-808
Debt service costs for Concourse A and B .....	-2,016
<b>Total</b>	<b>\$945</b>

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

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The increases in the allowance are largely offset by the debt service costs associated with Concourse A and B decreasing by approximately \$2.0 million. Other decreases in spending include reduced ground transportation costs through a rebid contract, adjustments to equipment repairs, high voltage power distribution systems, and fuel and utilities.

## **PAYGO Capital Program**

### **Program Description**

MAA's capital program provides for the development and maintenance of facilities at BWI Marshall Airport and MTN. MAA undertakes projects that meet the demands of commercial and general aviation for both passenger and cargo activities at BWI Marshall Airport. At MTN, facilities improvements and rehabilitation activities such as runway and taxiway improvements, building and system renovations, and various maintenance projects are implemented.

### **Fiscal 2014 to 2019 Consolidated Transportation Program**

MAA's total capital program from fiscal 2014 to 2019 totals \$713.9 million, an increase of \$55.5 million compared to the fiscal 2013 to 2018 *Consolidated Transportation Program* (CTP). Funding for projects in the fiscal 2014 to 2019 CTP is largely devoted to funding two types of projects. The first type is federally mandated improvements to runway safety areas (RSA) and pavement conditions through the pavement management program (PMP) at BWI Marshall Airport. The second type of project is concourse-related improvements. Currently, the CTP includes funding for the construction of the D/E connector.

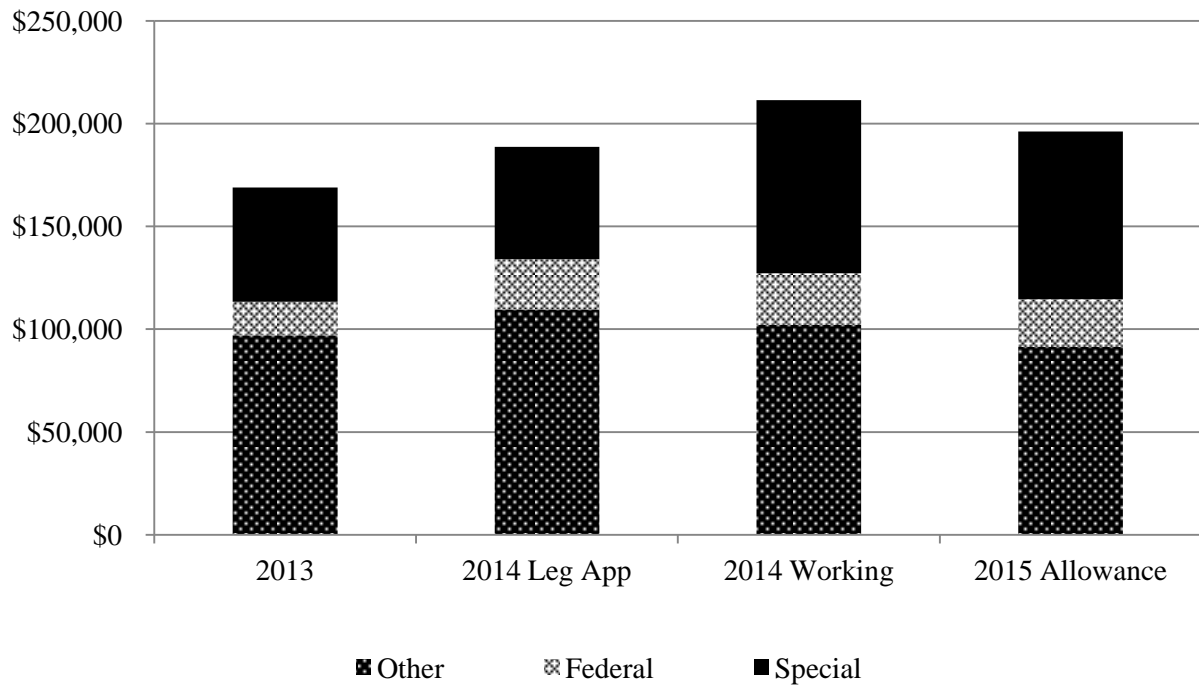
### **Fiscal 2014 and 2015 Cash Flow Analysis**

**Exhibit 6** shows that the working appropriation increased by \$22.7 million compared to the legislative appropriation. The change in funding includes the following:

- \$16.0 million increase for facility upgrades including paving, sewer line improvements, roof replacement, and other improvements;
- \$14.0 million increase for the B/C connector;
- \$11.0 million increase for the D/E connector; and
- \$29.0 million decrease from cash flow and cost savings for the RSA project.

The fiscal 2015 allowance is \$14.7 million less than the working appropriation. This is primarily due to additional funding for facility upgrades that was added to the working appropriation not occurring in the allowance.

**Exhibit 6**  
**Cash Flow Changes – Capital Program**  
**Fiscal 2013-2015**



Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

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**Exhibit 7** shows the major construction projects in the fiscal 2015 allowance. The projects listed accounted for approximately 95% of the funding for construction projects. The RSA/PMP projects and the D/E connector account for 88% of all construction funding in fiscal 2015.

**Exhibit 7**  
**Major Construction Projects**  
**Funded in Fiscal 2015**  
**(\$ in Thousands)**

<b><u>Project</u></b>	<b><u>2015</u></b>	<b><u>\$ Total</u></b>	<b><u>Completion of Fiscal Cash Flow</u></b>
RSA/PMP Improvements Phase 3 – consists of the design and construction of improvements to runway safety areas, runways, taxi lanes, and deicing pads to meet federally mandated standards.	\$49,073	\$150,263	2016
RSA/PMP Improvements Phase 4 – consists of the design and construction of the pavement management program and airfield pavement non-construction to meet federally mandated standards.	14,611	80,730	2016
Concourse D/E Connector – the relocation and consolidation of concourse D and E passenger screening checkpoints, the addition of a secure-side connector between Concourse D and E, converting existing entrances to egress space, and baggage screening improvements.	60,509	125,309	2016
Parking Revenue Control System – provides for the replacement of the existing parking system that tracks revenues.	6,219	9,806	2015
Loading Bridge Replacement Program – purchase and installation of 13 new passenger loading bridges.	3,840	12,480	2017
<b>Total</b>	<b>\$134,252</b>	<b>\$378,588</b>	

PMP: pavement management program

RSA: runway safety area

Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

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**Projects Added to the Construction Program**

One project was added to the construction program, as shown in **Exhibit 8**. The project is to purchase 13 new passenger-loading bridges, the gateway passengers go through from the terminal to the airplane. The existing loading bridges are necessary for supporting safe movement of passengers but have reached the end of their useful life.



**Exhibit 8**  
**Projects Added to the Construction Program**  
**Fiscal 2015**  
**(\$ in Thousands)**

<u>Project</u>	<u>2014</u>	<u>2015</u>	<u>Total Project Cost</u>
Loading Bridge Replacement Program at BWI Marshall Airport	\$0	\$3,840	\$12,480

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

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**Projects Moved from the Development and Evaluation Program to the Construction Program**

One project was moved from the development and evaluation program to the construction program as shown in **Exhibit 9**. The project that was moved forward was the D\ E connector project that is discussed later as an Issue. The total project cost is \$125.3 million.

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**Exhibit 9**  
**Projects Moved from the D&E Program to the Construction Program**  
**Fiscal 2015**  
**(\$ in Thousands)**

<u>Project</u>	<u>2014</u>	<u>2015</u>	<u>Total Project Cost</u>
D\ E Connector at BWI Marshall Airport	\$11,088	\$60,509	\$125,309

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport  
D&E: development and evaluation

Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

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**Projects Added to the Development and Evaluation Program**

The fiscal 2014-2019 CTP includes three new projects added to the development and evaluation program, as shown in **Exhibit 10**. Each of the projects is in response to federal requirements.

**Exhibit 10**  
**Projects Added to the D&E Program**  
**Fiscal 2014-2015**  
**(\$ in Thousands)**

<b><u>Project</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>Total Project Cost</u></b>
Environmental Assessment at Martin State	\$546	\$674	\$1,471
Environmental Assessment at BWI Marshall Airport	0	1,000	2,000
Exit Lane Technology at BWI Marshall Airport	200	0	200

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport  
D&E: development and evaluation

Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

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**Exhibit 11** provides a summary of the other funds supporting the fiscal 2015 capital program.

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**Exhibit 11**  
**Fiscal 2015 Other Funds**  
**(\$ in Thousands)**

<b><u>Project</u></b>	<b><u>Other Source</u></b>	<b><u>2015 Funding</u></b>
Concourse D/E Connector	PFC	\$30,509
RSA/PMP Improvements	PFC	45,292
Loading Bridge Replacement Program	PFC	3,840
Consolidated Rental Car Facility Improvements	CFC	2,898
International Building Expansion	PFC	6,551
Snow Equipment	PFC	2,332
Concourse B/C Connector	PFC	5
<b>Total</b>		<b>\$91,427</b>

CFC: customer facility charges  
PFC: passenger facility charges  
PMP: pavement management program  
RSA: runway safety area

Source: Maryland Department of Transportation

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## ***Issues***

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### **1. BWI Marshall Airport Prepares for More International Flights**

During the 2013 interim, MAA and the Maryland Department of Transportation (MDOT) requested approval of a project to make improvements to Concourses D and E. According to MDOT, the business opportunities for international flights at BWI Marshall Airport are increasing. International service is provided by British Airways, the Air Mobility Command, and Air Canada. Furthermore, Condor Airlines has started seasonal service to Germany and, with the merger of Southwest Airlines and AirTran, there are increased international destinations from which passengers may choose. For example, Southwest Airlines recently announced that it will begin operating flights to the Bahamas and by the end of 2014 limited service to Mexico and the Dominican Republic. Southwest Airlines plans to significantly increase its international service late in calendar 2015.

The current terminal configuration will not allow for any additional international arrivals needing customs and border protection. To accommodate future international growth, to be prepared for Southwest Airlines' planned expansion into the international market, and to improve safety and the customer experience in Concourses D and E, MDOT is proposing to accelerate a project called the D/E Connector. The project includes the following:

- a series of enabling projects to relocate existing terminal functions out of the way of construction;
- construction of the new D/E Connector with a “sterile corridor” to the International Arrivals area in Concourse E with repositioning of two existing gates to service either domestic or international flights;
- a new 10-lane passenger security screening checkpoint;
- the widening and renovation of the “throat” portion of Concourse D;
- reconstruction of an outbound baggage system;
- expansion of concession opportunities; and
- human safety code upgrades throughout Concourse D.

To be prepared for Southwest Airlines' expansion of international service in calendar 2015, the construction schedule required design to start in September 2013, and construction to begin by May 2014.

The project is expected to cost approximately \$125 million. While the financial plan is not finalized, approximately 75% of the project is expected to be funded by passenger facility charge (PFC) revenues. PFCs are the \$4.50 charge on enplaned passengers collected as part of airline tickets. MDOT plans to utilize PFCs both on a pay-as-you-go basis and as part of a bond financing. MAA has already received initial project approval from the Federal Aviation Administration and intends to submit a PFC application for financing later this spring. The use of PFC revenues reduces the amount of State funding from the TTF. Currently, it is anticipated that approximately \$30 million of the project cost will be covered by special funds from the TTF. **DLS recommends that the department update the committees on the status of the project and Southwest Airlines' current international plans.**

## **2. BWI Hotel Closes and Plans for a New One to Develop**

On November 30, 2013, the Four Points by Sheraton BWI closed. The State owns the hotel and had a 30-year lease for the operation of the hotel that was up for renewal; however, the hotel needed approximately \$2.0 million in renovations to meet the standards of the Sheraton brand. The State attempted to find other interested parties to take over the property but, ultimately, was unable to identify any interested parties. As a result, the State is undertaking plans to demolish the hotel. MAA indicates that the hotel market surrounding BWI Marshall Airport is robust; therefore, the closing of the hotel will not impact the operations of the airport. The long-term plan is for the land, where the hotel is located on, to be used for a new roadway and other nonhotel-related improvements. The fiscal 2014 to 2019 CTP includes \$3.5 million for the demolition of the hotel.

### **A New Hotel**

During its initial negotiations with Sheraton, the State was only negotiating a five-year lease with 5 one-year options with the intention of negotiating with a developer to construct a new hotel that would connect to the BWI terminal.

To better understand the market for a new hotel, MAA issued a request for information (RFI) of the hotel industry on August 11, 2013, with responses due on October 22, 2013. In the RFI, MAA stated that the new proposed site for the hotel would be directly behind the hourly parking garage on a five-acre site. MAA stated that it has four objectives for the new hotel: (1) enhance customer experience through traveler conveniences, quality of services, meeting facilities, and amenities; (2) the hotel would serve as the gateway to the Baltimore-Washington Metropolitan area; (3) design a hotel that reflects the architectural characteristics of BWI Marshall Airport; and (4) maximize revenues through ground rent and a percentage of new hotel revenues.

To finance the project, MAA would enter into a long-term lease (likely 50 years) with a developer for the land who would then be responsible for the construction and maintenance of the hotel. Responses to the RFI were limited as interested parties did not want to reveal their plans, but MAA officials feel confident that the RFI was well received. The next step would be for MAA to issue a request for proposals, which should be done in spring 2014. **DLS recommends that MAA**

**discuss its plan for a new hotel and what it intends to do for other non-hotel-related improvements at the site.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

## ***PAYGO Budget Recommended Actions***

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1. Concur with Governor's allowance.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets MDOT – Maryland Aviation Administration (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$0	\$175,587	\$656	\$0	\$176,243
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	-5,105	0	0	-5,105
Reversions and Cancellations	0	-9	-6	0	-15
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$170,473</b>	<b>\$650</b>	<b>\$0</b>	<b>\$171,122</b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$0	\$178,287	\$656	\$0	\$178,943
Budget Amendments	0	613	0	0	613
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$178,900</b>	<b>\$656</b>	<b>\$0</b>	<b>\$179,556</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2013**

Fiscal 2013 expenditures at MAA totaled \$171.1 million, a decrease of \$5.1 million compared to the legislative appropriation. Special fund budget amendments included the following:

- \$0.3 million increase to fund the fiscal 2013 cost-of-living adjustment (COLA); and
- \$5.4 million decrease in the operating budget due to a mild winter and other operating efficiencies.

Fiscal 2013 cancellations totaled approximately \$15,000 in special and federal funds for several small areas of spending.

## **Fiscal 2014**

Fiscal 2014 has increased by \$613,112 to fund the COLA for State employees (\$452,249) and increments (\$160,863).

**Object/Fund Difference Report**  
**MDOT – Maryland Aviation Administration**

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	448.50	448.50	448.50	0.00	0%
02 Contractual	0.50	0.50	0.50	0.00	0%
<b>Total Positions</b>	<b>449.00</b>	<b>449.00</b>	<b>449.00</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 37,798,243	\$ 39,211,246	\$ 40,195,010	\$ 983,764	2.5%
02 Technical and Spec. Fees	1,608,053	1,995,304	1,928,019	-67,285	-3.4%
03 Communication	1,388,573	1,588,599	1,667,775	79,176	5.0%
04 Travel	191,929	242,969	242,969	0	0%
06 Fuel and Utilities	12,787,853	12,586,425	14,153,521	1,567,096	12.5%
07 Motor Vehicles	3,846,411	3,977,518	3,712,735	-264,783	-6.7%
08 Contractual Services	76,549,564	80,917,460	81,763,788	846,328	1.0%
09 Supplies and Materials	8,020,230	6,363,918	6,364,925	1,007	0%
10 Equipment – Replacement	575,834	60,000	0	-60,000	-100.0%
11 Equipment – Additional	368,236	77,000	0	-77,000	-100.0%
12 Grants, Subsidies, and Contributions	888,005	908,855	900,987	-7,868	-0.9%
13 Fixed Charges	19,862,966	21,304,277	19,394,915	-1,909,362	-9.0%
14 Land and Structures	7,236,405	10,322,541	10,727,742	405,201	3.9%
<b>Total Objects</b>	<b>\$ 171,122,302</b>	<b>\$ 179,556,112</b>	<b>\$ 181,052,386</b>	<b>\$ 1,496,274</b>	<b>0.8%</b>
<b>Funds</b>					
03 Special Fund	\$ 170,472,600	\$ 178,899,921	\$ 180,397,386	\$ 1,497,465	0.8%
05 Federal Fund	649,702	656,191	655,000	-1,191	-0.2%
<b>Total Funds</b>	<b>\$ 171,122,302</b>	<b>\$ 179,556,112</b>	<b>\$ 181,052,386</b>	<b>\$ 1,496,274</b>	<b>0.8%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Fiscal Summary**  
**MDOT – Maryland Aviation Administration**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
02 Airport Operations	\$ 171,122,302	\$ 179,556,112	\$ 181,052,386	\$ 1,496,274	0.8%
03 Airport Facilities and Capital Equipment	66,770,020	105,300,000	99,047,000	-6,253,000	-5.9%
08 Major IT Development Projects	5,110,514	3,901,000	6,219,000	2,318,000	59.4%
<b>Total Expenditures</b>	<b>\$ 243,002,836</b>	<b>\$ 288,757,112</b>	<b>\$ 286,318,386</b>	<b>-\$ 2,438,726</b>	<b>-0.8%</b>
Special Fund	\$ 226,094,529	\$ 263,064,921	\$ 262,509,386	-\$ 555,535	-0.2%
Federal Fund	16,908,307	25,692,191	23,809,000	-1,883,191	-7.3%
<b>Total Appropriations</b>	<b>\$ 243,002,836</b>	<b>\$ 288,757,112</b>	<b>\$ 286,318,386</b>	<b>-\$ 2,438,726</b>	<b>-0.8%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Budget Amendments for Fiscal 2014**  
**Maryland Department of Transportation**  
**Maryland Aviation Administration – Operating**

<b><u>Status</u></b>	<b><u>Amendment</u></b>	<b><u>Fund</u></b>	<b><u>Justification</u></b>
Approved	\$452,249	Special	Cost-of-living adjustment.
Approved	160,863	Special	Increments.
<b>Total</b>	<b>\$613,112</b>		

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2014**  
**Maryland Department of Transportation**  
**Maryland Aviation Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$59,043	Special	Cost-of-living adjustment.
Approved	14,873	Special	Increments.
	\$29,427,366	Special	Amend the working appropriation to reflect the fiscal 2014 to 2019 Consolidated Transportation Program.
	557,000	Federal	
Pending	<b>\$29,984,366</b>	<b>Subtotal</b>	
<b>Total</b>	<b>\$30,058,282</b>		

Source: Maryland Department of Transportation