

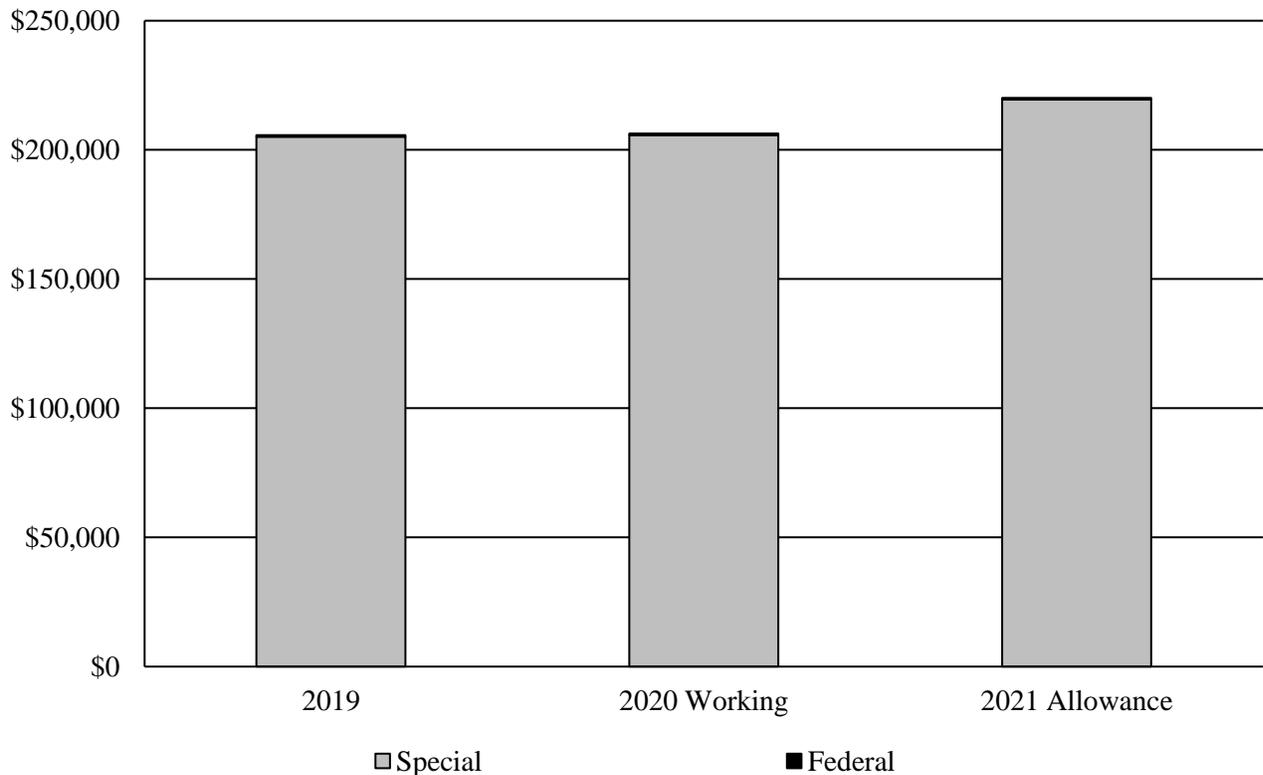
J00I00
Maryland Aviation Administration
Maryland Department of Transportation

Executive Summary

The Maryland Aviation Administration (MAA) has responsibility for fostering and developing aviation activity throughout the State as well as the operation, maintenance, protection, and development of the two State-owned airports – Baltimore-Washington International Thurgood Marshall Airport (BWI Marshall Airport) and Martin State Airport.

Operating Budget Summary

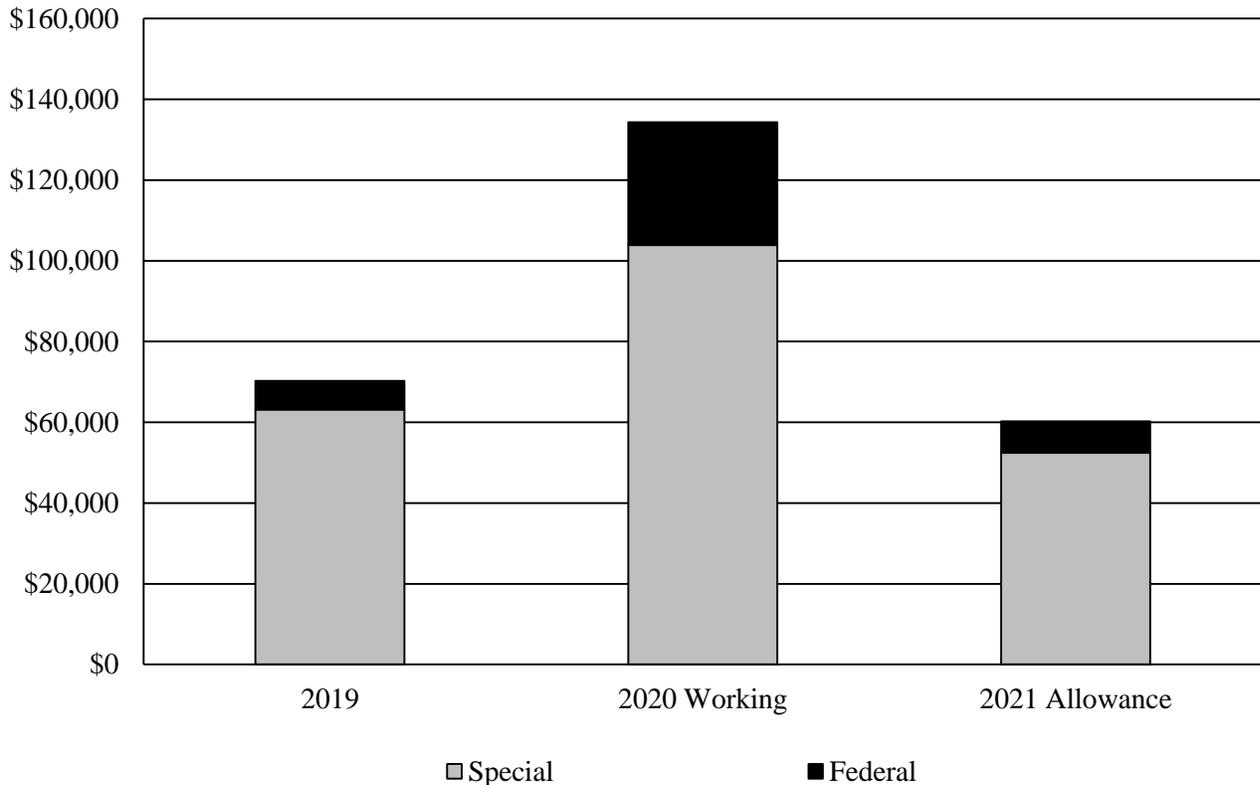
Budget Increases \$13.8 Million or 6.7% to \$220.1 Million in Fiscal 2021
(\$ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

PAYGO Capital Budget Summary

PAYGO Capital Budget Decreases \$74.1 Million or 55.2% to \$60.2 Million Fiscal 2021 (\$ in Thousands)



PAYGO: pay-as-you-go

Note: Numbers may not sum due to rounding.

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- It is important to note that while budgeted spending for the fiscal 2021 pay-as-you-go (PAYGO) capital allowance is decreasing compared with the 2020 working appropriation, the *Consolidated Transportation Program* indicates an increase in fiscal 2021 spending. This is because there is an increase in other fund spending from \$188.6 million in fiscal 2020 to \$251.0 million in fiscal 2021.
 - MAA plans to issue revenue bonds starting in fiscal 2020 to cover the cost of the A/B Connector and Baggage Handling System project at BWI Marshall Airport. These bonds in fiscal 2021 through 2023 comprise the largest portion of the PAYGO capital funds.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Reduce funds to slow implementation of a new Airport Ambassador program.	\$364,277
2. Reduce funds for new consulting contract due to fiscal constraints.	270,000
Total Reductions	\$ 634,277

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

J00I00
MDOT Maryland Aviation Administration
Maryland Department of Transportation

Budget Analysis

Program Description

The Maryland Aviation Administration (MAA) has responsibility for fostering and developing aviation activity throughout the State. In addition, MAA is responsible for the operation, maintenance, protection, and development of both the Baltimore-Washington International Thurgood Marshall Airport (BWI Marshall Airport) – a major center of commercial air carrier service in the State – and the Martin State Airport (MTN) – a general aviation reliever facility as well as a support facility for the Maryland Air National Guard and the Maryland State Police. MAA has identified the following key goals:

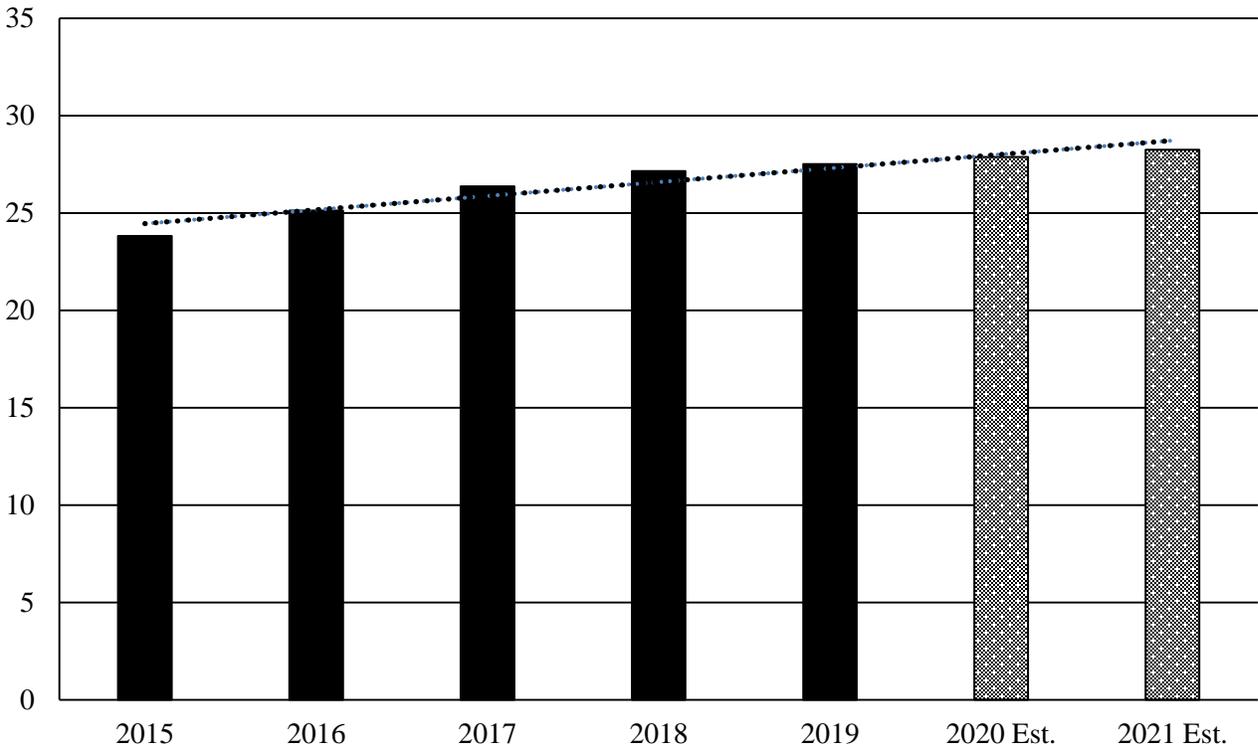
- keeping BWI Marshall Airport passengers, tenants, and facilities safe;
- operating BWI Marshall Airport efficiently and effectively;
- attracting, maintaining, and expanding air service; and
- providing exceptional service.

Performance Analysis: Managing for Results

1. Total Passenger Growth

Passenger traffic at BWI Marshall Airport was approximately 27.5 million passengers in calendar 2019, an increase of 1.3% from calendar 2018. As shown in **Exhibit 1**, BWI Marshall Airport has experienced a general trend of passenger growth – from 23.8 million passengers in calendar 2015 to an anticipated 28.2 million in calendar 2021.

Exhibit 1
Total Passengers at the Baltimore-Washington International
Thurgood Marshall Airport
Calendar 2015-2021
(in Millions)



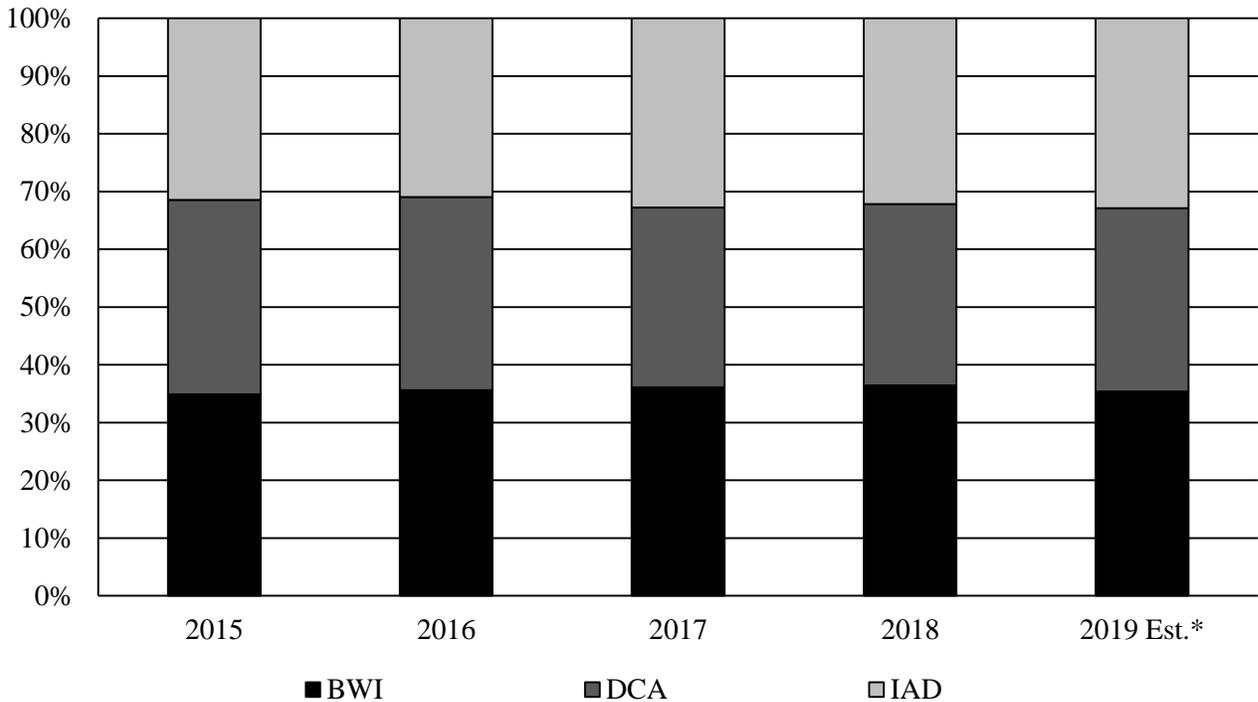
Source: Maryland Aviation Administration

2. Passenger Market Share Grows

In order for BWI Marshall Airport to experience growth in business and continue to be an economic engine for the State, it must remain competitive with other airports, both nationally and internationally. The Baltimore-Washington region features three proximate airports that compete for the local market share for commercial passengers, commercial air operations, freight, and mail transport – BWI Marshall Airport, Washington Dulles International Airport (IAD), and Ronald Reagan Washington National Airport (DCA).

As shown in **Exhibit 2**, BWI Marshall Airport’s market share decreased in calendar 2019 relative to DCA and IAD. This is due to a slight increase in passenger market share at both DCA and IAD.

Exhibit 2
Passenger Market Share
Calendar 2015-2019 Est.



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

* The 2019 numbers reflect published data through October 2019.

Source: Maryland Aviation Administration

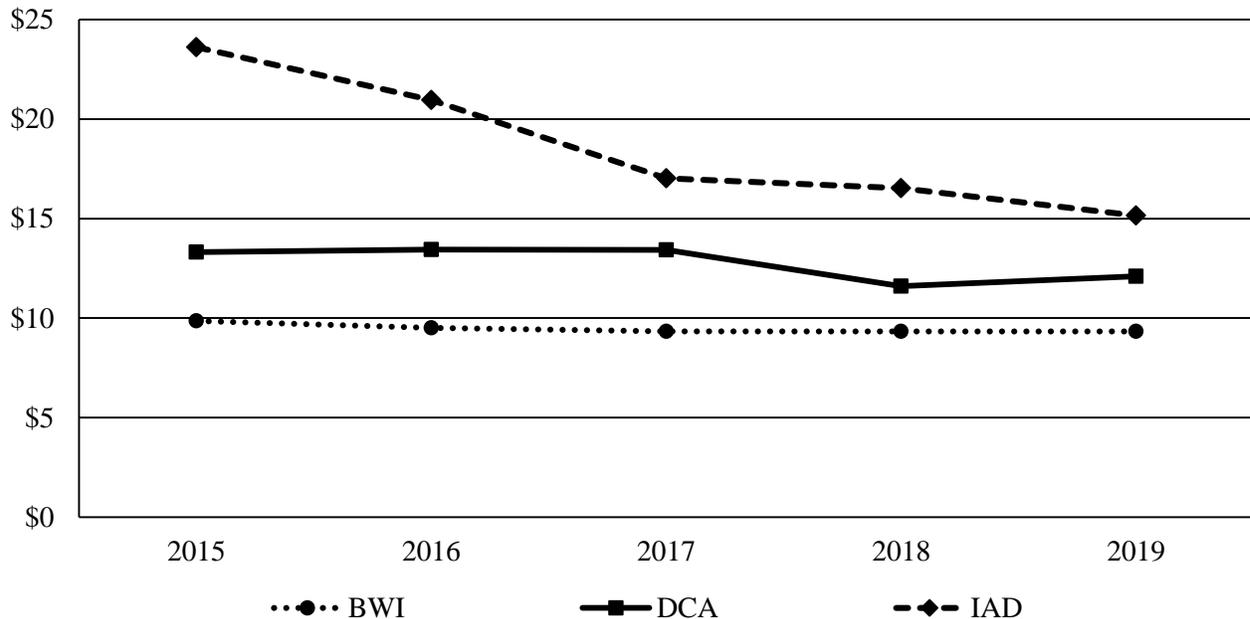
3. Cost Per Enplaned Passenger Remains Stable

An important financial calculation considered by airlines when deciding where to fly is the cost per enplaned passenger (CPE) at a given airport. CPE costs are the total of terminal and airfield costs related to flight activities, which are paid by the airport and subsequently reimbursed by the airlines and are affected by the number of enplaned passengers. CPE is an industry ratio, and while not calculated using a definitive standard due to variations in the negotiated operating agreements specific to the airports, it typically includes such costs as (1) landing fees; (2) terminal rental fees; (3) apron fees; (4) boarding bridges; and (5) aircraft parking. Airports universally try to reduce CPE to be more

competitive in the market. Therefore, both MAA and the airlines have an interest in keeping operating costs as low as possible.

As shown in **Exhibit 3**, BWI Marshall Airport’s CPE in fiscal 2019 was \$9.33, level with the rate in fiscal 2018. The fiscal 2019 CPE at DCA and IAD was \$12.10 and \$15.15, respectively. While these numbers are still substantially higher than BWI Marshall Airport, they have been trending downward since 2015. DCA has fallen 9.2% from \$13.32 in fiscal 2015, while IAD has seen a dramatic 35.8% decrease from \$23.61 in fiscal 2015.

Exhibit 3
Cost Per Enplaned Passenger
Fiscal 2015-2019



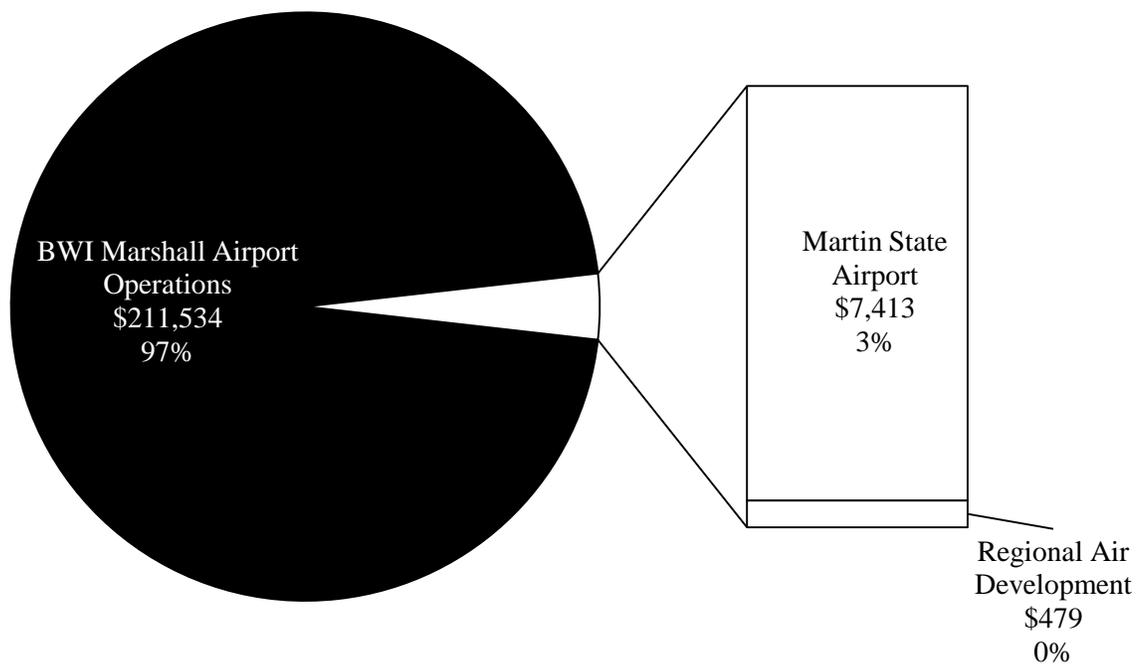
BWI: Baltimore-Washington International Thurgood Marshall Airport
DCA: Ronald Reagan Washington National Airport
IAD: Washington Dulles International Airport

Source: Maryland Aviation Administration

Fiscal 2021 Overview of Agency Spending

The MAA fiscal 2021 operating budget is approximately \$220.1 million. This funding is split between BWI Marshall Airport, MTN, and expenses related to regional air development, as shown in **Exhibit 4**.

Exhibit 4
Overview of Agency Spending
Fiscal 2021 Allowance
(\$ in Thousands)



BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

Note: The fiscal 2021 salary increases are not included.

Source: Governor’s Fiscal 2021 Budget Books; Department of Legislative Services

Proposed Budget Change

The fiscal 2021 allowance increases by approximately \$13.8 million from the fiscal 2020 working appropriation. **Exhibit 5** shows that this increase is a 6.7% change over the prior year. This is primarily due to increases in debt service payments, Maryland Transportation Authority police reimbursement payments, janitorial service contracts, and a new Airport Ambassador services contract.

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

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2019 Actual	\$205,073	\$646	\$205,719
Fiscal 2020 Working Appropriation	205,689	646	206,335
Fiscal 2021 Allowance	<u>219,472</u>	<u>646</u>	<u>220,117</u>
Fiscal 2020-2021 Amount Change	\$13,782	\$0	\$13,782
Fiscal 2020-2021 Percent Change	6.7%		6.7%

Where It Goes:	Change
Personnel Expenses	
Health insurance	\$422
Fiscal 2021 salary increase	346
Law Enforcement Officer Pension System.....	180
Fiscal 2020 adjustments.....	164
Employee retirement system.....	161
Regular earnings	69
New positions	21
Social Security contributions	3
Unemployment compensation	0
Turnover expectancy	-15
Workers' compensation	-134
Abolished/transferred positions	-257
Other Changes	
Janitorial Services Contracts – CPI and scope increases	1,866
MDTA 5 Gate Extension – new debt issuance not issued yet – estimated fiscal 2021 payment.....	1,813
MDTA police – required by Memorandum of Agreement.....	1,724
New Airport Ambassador Services contract for customer service in terminals	1,364
Annual debt service payments	1,031
New provider for employee training including FAA, Homeland Security training	518
HVAC repair and maintenance contract – CPI and scope increase.....	498
Elevator/escalator repair and maintenance	458
Interior/exterior door inspection, replacement and maintenance contract.....	400
Security services – establish new IT cybersecurity program.....	362

J00100 – MDOT – Maryland Aviation Administration

Where It Goes:	<u>Change</u>
Applications software maintenance – reconfiguration of four public-use websites	360
Garbage removal contract – scope and contract cost increases	331
Lighting repair and maintenance – increased scope, higher actual expenses	320
Consulting services for revenue generating solicitations and projects	270
New homelessness response services contract	250
Ground maintenance – increased contractual wages and benefits	226
Structural repair and maintenance – actual expense of maintaining facility	223
Garbage removal contract – MES Recycling Assistance contract expansion	180
Electricity.....	166
New Customs Border Patrol reimbursable agreement.....	160
Natural gas/propane	149
Insurance coverage paid to STO.....	141
Other utilities	17
Other adjustments	-5
Total	\$13,782

- CPI: Consumer Price Index
- FAA: Federal Aviation Administration
- HVAC: heating, ventilation, and air conditioning
- IT: information technology
- MDOT: Maryland Department of Transportation
- MDTA: Maryland Transportation Authority
- MES: Maryland Environmental Service
- STO: State Treasurer’s Office

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Operating Revenues

Unlike most other State agencies that rely solely on the State for financial 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 revenues have typically covered its operating expenses, MAA relies on the TTF and other non-MAA financing mechanisms to fund its capital program.

Exhibit 6 shows MAA special fund revenues and expenditures. Projections suggest that fiscal 2021 revenues will increase by 4.3% over fiscal 2020 levels.

Exhibit 6
Special Fund Revenues and Expenditures
Fiscal 2019-2021
(\$ in Thousands)

	2019	2020	2021	2020-2021	2020-2021
Operating Revenues	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
BWI – Flight Activities	\$68,153	\$74,753	\$83,608	\$8,855	11.8%
BWI – Rents and User Fees	74,556	83,211	88,035	4,824	5.8%
BWI – Concessions	98,261	100,288	102,279	1,991	2.0%
BWI – Other	6,672	7,725	3,974	-3,751	-48.6%
MTN – Rents and Concessions	10,282	10,291	10,365	74	0.7%
Total	\$257,924	\$276,268	\$288,261	\$11,993	4.3%
Operating Expenditures	\$205,719	\$206,335	\$220,117	\$13,782	6.7%
Net Operating Income	\$52,206	\$69,933	\$68,144	-\$1,789	-2.6%
Capital Expenditures	\$70,265	\$134,332	\$60,232	-\$74,100	-55.2%
Net Income/Loss	-\$18,060	-\$64,399	\$7,912	\$72,311	112.3%

BWI: Baltimore-Washington International Thurgood Marshall Airport

MNT: Martin State Airport

Source: Maryland Aviation Administration

Operating and PAYGO Personnel Data

	FY 19	FY 20	FY 21	FY 20-21
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Operating Budget Positions	451.50	450.50	451.50	1.00
Regular PAYGO Budget Positions	<u>43.00</u>	<u>44.00</u>	<u>43.00</u>	<u>-1.00</u>
Total Regular Positions	494.50	494.50	494.50	0.00
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>
Total FTEs	0.50	0.50	0.50	0.00
Total Personnel	495.00	495.00	495.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	29.64	6.00%
Positions and Percentage Vacant as of 1/1/2020	48.30	9.80%
Vacancies Above Turnover	18.66	3.80%

PAYGO Capital Program

Program Description

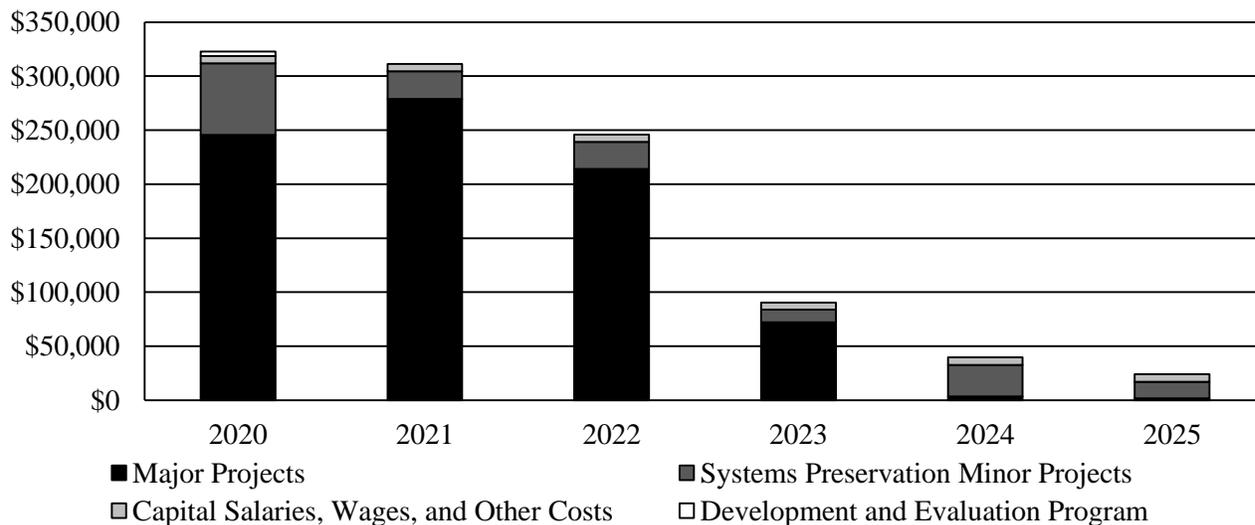
The MAA capital program provides for the development and maintenance of facilities at BWI Marshall Airport and MTN. MAA undertakes projects that meet the demands of commercial and general aviation for both passenger and cargo activities at BWI Marshall Airport. At MTN, capital investments consist of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

Fiscal 2020 to 2025 Consolidated Transportation Program

The fiscal 2020 to 2025 *Consolidated Transportation Program* (CTP) for MAA totals \$1.0 billion, which is an increase of \$389.5 million over the prior year’s six-year program. This is due primarily to the inclusion of construction funding for the Concourse A/B Connector and Baggage Handling System Replacement at BWI Marshall Airport.

Exhibit 7 shows a major decrease in the out-years of the CTP, fiscal 2023 through 2025, due to significantly decreased spending as major projects near completion. This includes the Concourse A/B Connector and Baggage Handling System Replacement at BWI Marshall Airport that drops from \$153.4 million programmed in fiscal 2022 to \$38.1 million programmed in fiscal 2023.

Exhibit 7
Six-year PAYGO Allowance
Fiscal 2020-2025



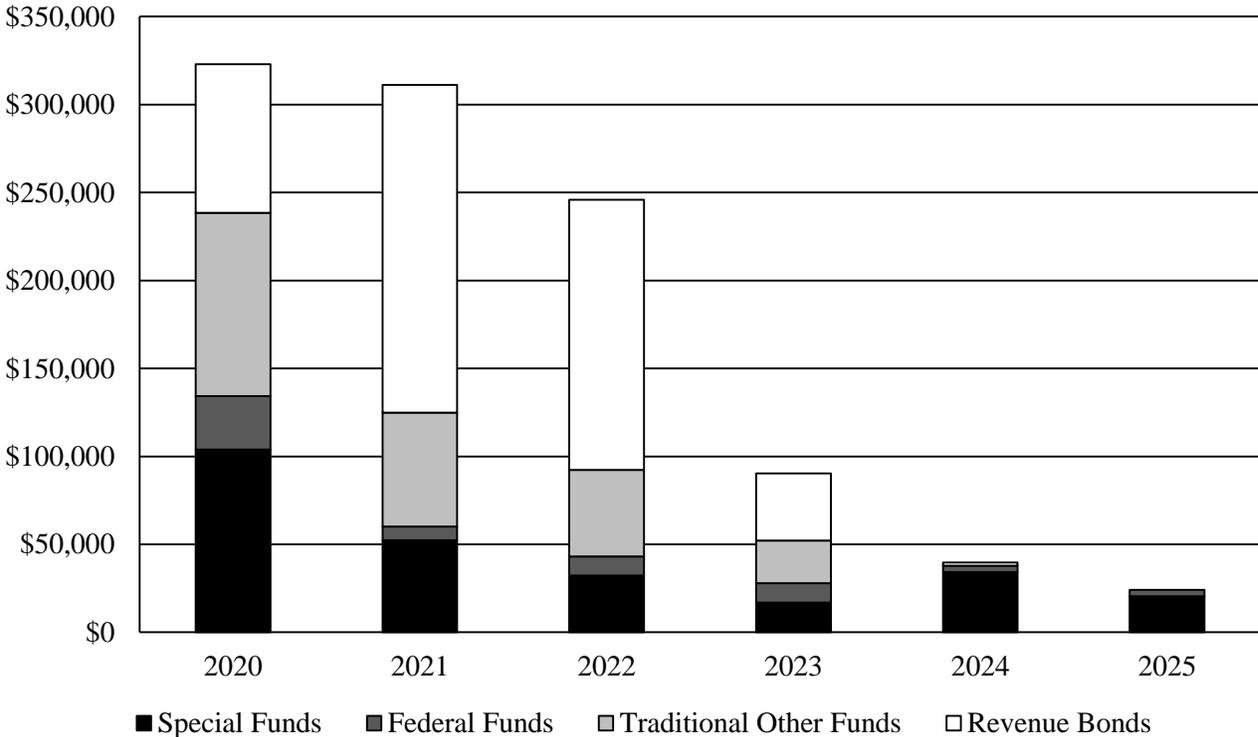
PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2020-2025 *Consolidated Transportation Program*

Fiscal 2020 to 2025 Consolidated Transportation Program by Fund

Exhibit 8 shows the fiscal 2020-2025 CTP split out by fund source. In the fiscal 2021 allowance, the largest portion will come from new revenue bonds that MAA plans to issue to pay for the A/B Concourse Connector and Baggage Handling System project at BWI Marshall Airport. These bonds that are projected to be issued in fiscal 2020 will also comprise the largest portion of the CTP funding in fiscal 2022. The other three fund sources have previously been used to fund MAA CTP projects. They are (1) special funds from the TTF; (2) federal funds; and (3) traditional other funds. These traditional other funds include customer facility charges, certificates of participation, passenger facility charges (PFC), and others.

**Exhibit 8
Six-year PAYGO Allowance by Fund
Fiscal 2020-2025**



PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2020-2025 Consolidated Transportation Program

Fiscal 2021 PAYGO Allowance

Exhibit 9 shows the programmed capital funds for the fiscal 2021 capital allowance by project and program along with total estimated costs and six-year funding for each program.

Exhibit 9
Maryland Aviation Administration PAYGO Capital Program Projects
Fiscal 2021 Allowance
(\$ in Thousands)

<u>Project Description</u>	<u>2021</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
Regional Aviation Assistance Program	\$2,350	\$70,213	\$11,450
Residential Sound Insulation Program	9,377	34,380	34,380
Shuttle Bus Fleet Replacement at BWI Marshall Airport	12,559	37,745	26,084
Midfield Cargo Improvements at BWI Marshall Airport	0	35,976	19,096
Concourse B Apron Pavement Reconstruction at BWI Marshall Airport	0	10,452	1,476
Concourse A Improvements Phase 2 at BWI Marshall Airport	0	64,455	54,262
Concourse D HVAC Replacement at BWI Marshall Airport	6,514	19,554	19,225
FIS Hall Reconfiguration at BWI Marshall Airport	3,654	10,000	10,000
Restroom Improvement Program at BWI Marshall Airport	17,061	54,413	53,887
Taxiway B Pavement Reconstruction at BWI Marshall Airport	0	13,376	10,050
Aircraft Maintenance Facility Infrastructure at BWI Marshall Airport	22,616	69,118	65,541
Concourse A/B Connector and Baggage Handling System Replacement at BWI Marshall Airport	197,553	501,242	499,134
Concourse A/B Enabling – Central Utility Plant Upgrades at BWI Marshall Airport	7,121	10,800	10,800
Environmental Assessment at Martin State Airport	0	2,857	668
Environmental Assessment at BWI Marshall Airport	0	3,772	1,007
Taxiway F Relocation Design	0	2,620	2,451
Major Projects Total	\$278,805	\$940,973	\$819,511
System Preservation and Minor Projects	\$25,900	n/a	\$173,500
Capital Salaries	6,500	n/a	40,500
Total	\$311,205	\$940,973	\$1,033,511

BWI: Baltimore-Washington International Thurgood Marshall Airport

FIS: Federal Inspection Service

HVAC: heating, ventilation, and air conditioning

PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2020-2025 *Consolidated Transportation Program*

Issues

1. Maryland’s Experience with Next Generation Air Transportation System

According to the Federal Aviation Administration (FAA), changes associated with the Next Generation Air Transportation System (NextGen) are meant to improve efficiency, capacity, predictability, and resiliency of American aviation across U.S. national air space. FAA implemented NextGen in the DC Metroplex on November 13, 2014. As a result, FAA altered flight paths into and out of the airports in the DC Metroplex, including BWI Marshall Airport, DCA, and IAD. Following this change, residents complained about increased noise and low-flying aircrafts.

Residential Sound Insulation Program Is of Limited Use

Residents who live within the 65-decibel (dB) day/night average noise level contour of the BWI Marshall Airport Noise Exposure Map (NEM) are eligible to participate in the Residential Sound Insulation Program (RSIP). RSIP is designed using current FAA guidelines with the goal of reducing interior noise levels within eligible residences to at least 45-dB (with a minimum 5-dB reduction), by installing sound-rated home improvements. Currently, BWI Marshall Airport is in the process of securing a noise management consultant or firm to formalize the program and perform many of the work efforts. Nationally, other airports have similar programs. However, while this program can provide relief to some, many of the complaints being made following the implementation of NextGen come from individuals outside of the relevant NEM contour; as such, this program provides no relief for these individuals. In 2020, MAA will continue RSIP for eligible properties within the FAA-approved noise exposure contours with a \$34.3 million budget planned for the six-year period comprised of FAA Airport Improvement Program and PFC funding. The fiscal 2021 allowance provides \$9.4 million for the program.

Maryland Lawsuit Against FAA

On September 12, 2017, Governor Lawrence J. Hogan, Jr. released a letter directing Attorney General Brian E. Frosh to file suit against Michael P. Huerta and the FAA on behalf of Marylanders affected by the implementation of NextGen. This lawsuit includes a challenge to the noise pollution from routes at both BWI Marshall Airport as well as DCA. On June 26, 2018, the Office of the Attorney General (OAG) filed an administrative petition with FAA, requesting a supplemental environmental assessment as well as revisions to area navigation routes and procedures for BWI Marshall Airport. On September 18, 2018, FAA wrote to Maryland advising that FAA was declining to respond to Maryland’s administrative petition. On November 8, 2018, in response to FAA’s September 2018 letter, Maryland filed a petition for review with the U.S. Court of Appeals for the District of Columbia Circuit. On May 24, 2019, Maryland filed its opening brief with the court arguing that FAA’s failure to respond to the administrative petition was arbitrary and capricious and that FAA has unreasonably delayed reviewing its prior environmental decisions as required by law. After reviewing Maryland’s opening brief filed with the court, FAA decided to reconsider its September 2018 letter and filed a motion with the court to hold the case in abeyance while FAA

reconsiders the September 2018 letter. On January 7, 2020, FAA filed a report with the court advising that it is continuing to reconsider its September 2018 letter.

In this midst of this, on June 26, 2018, OAG also filed a petition in the U.S. Court of Appeals for the District of Columbia Circuit regarding FAA's implementation of changes to the approach flight path for Runway 19 at DCA. Oral arguments in this case were held on November 14, 2019, and parties are waiting for a decision from the court.

Ongoing Community Roundtable and FAA Appeal

BWI Marshall Airport, in conjunction with community stakeholders, has been working on a series of proposed changes to the flightpaths affecting Maryland residents. This includes flightpaths leading to both BWI Marshall Airport and DCA. In January 2019, the roundtable sent FAA a letter supporting FAA's proposed procedure changes. Between April and October 2019, the Roundtable Technical Committee, MAA, and industry developed a series of proposed improvements to arrival procedures. In November 2019, the Roundtable Technical Committee and MAA presented a full noise and technical analysis of proposed flight procedure changes to the full roundtable and public. The roundtable voted to advance proposed procedures to FAA for consideration and potential implementation. In December 2019, MAA transmitted the designs of proposed procedures to FAA on behalf of the roundtable. **MAA should comment on the results of this roundtable and any updates regarding this process.**

2. System Replacement and Maintenance Concerns

In 2019, BWI Marshall Airport served 27.5 million passengers, which is a fifth consecutive annual passenger record for the airport. BWI Marshall Airport serves approximately 75,000 passengers per day on average. This level of use has placed pressures on the facilities at the airport. There are several systems that are in a critical state of life cycle management. Without proper planning for expansion, system replacement or maintenance, BWI Marshall Airport will lose the capability and the ability to provide service to the current passengers and future passengers projected in the growth forecast. Air carriers have expanded aircraft seating capacity that has brought urgency to the need to expand to meet the demand. Examples of the needed system preservation and critical systems replacement projects are as follows: FAA air traffic control tower and office improvements; taxiway F relocation; and terminal lighting upgrades. Unfunded system preservation and critical systems projects total approximately \$345 million. For a full list of the system replacement and maintenance needs see **Appendix 2. MAA should comment on efforts to relieve the backlog of systems replacement and maintenance projects. Additionally, MAA should address any impacts that this backlog has had on customer safety and service at BWI Marshall Airport.**

3. Issuance of New Airport Revenue Backed Bonds

MAA is planning to issue \$350 million in revenue bonds in fiscal 2020, the proceeds of which will be used to construct a connector between concourses A and B along with a baggage handling system at BWI Marshall Airport. Repayment of the bonds will be made from MAA operating revenues. MDOT advises that the bonds may need to be issued as taxable since the proceeds will be used for improvements primarily benefiting a single private company. This debt will not be included in the State's debt limits since the revenues to be used for debt service are not derived from a State tax.

The Concourse A/B Connector and Baggage Handling System Replacement project at BWI Marshall Airport includes a two-level building addition between concourses A and B to provide space for an upgraded baggage handling system in the lower level and a connecting walkway between the concourses on the upper level. This expansion will also include expanded hold rooms, new restrooms, and concession space. The upgraded baggage handling system is necessary to handle the increasing volume of baggage that is the result of airline departure flight schedules that are using aircrafts with larger seating capacity. The expanded hold rooms will provide the required capacity to handle the increased passenger load. The A/B Connector project is also part of a larger series of projects that, if completed, would provide a same level walkway between the concourses at BWI Marshall Airport. This will allow the more efficient movement of passengers across the airport.

The project was moved from the Development and Evaluation Program in the fiscal 2019-2024 CTP to the Construction Program in the current CTP for fiscal 2020-2025. The construction is targeted for the first quarter of 2020. The construction money is programmed in the CTP through fiscal 2024. The project involves taking the gates in the construction area offline for the duration of the project, which required that additional gates be added before construction could be started. The completion of the Concourse A Improvements Phase 2 project in fiscal 2020 provides this additional capacity with the addition of five gates to Concourse A.

MDOT and MAA should comment on the following regarding the issuance of revenue bonds:

- **whether MAA anticipates the use of revenue bonds to finance future projects;**
- **whether MAA plans to institute an administrative policy to cap the amount of revenue bond debt that it will issue; and**
- **the impact that issuing this new type of debt will have on the TTF.**

4. Improper Use of Marketing Funds

The Office of Legislative Audits' (OLA) fiscal compliance audit of MAA from July 1, 2015, to December 16, 2018, was published in December 2019. The audit found that MAA did not review the existing concessions management vendor's, Fraport, marketing fund expenses in order to ensure that

the fund was used for its intended purpose. OLA's review of Fraport's reported marketing fund expenses totaling \$2.1 million during calendar 2016 to 2018 disclosed payments of \$552,000 that did not meet the stated purpose of the fund or were questionable. This included political-related contributions.

Fraport is the concession management vendor at BWI Marshall Airport and is responsible for obtaining airport terminal tenants (primarily food and retail concessioners); establishing leases; collecting rent and other fees; and, after deducting certain costs, submitting its revenue to MAA, which totaled \$18.4 million for calendar 2018. As provided for in the contract between Fraport and MAA, the source of the marketing fund revenue is a fee that is collected through rents assessed to the tenants. According to the contract, the purpose of the marketing fund is to allow the vendor to cover the cost of marketing and promotional activities (such as customer service and satisfaction training, advertising, and special event promotions) that benefit all the tenants.

Fraport did provide MAA with an annual marketing fund report detailing the fund's financial activities. However, MAA did not obtain and review supporting documents to ensure that the fund was being used for the appropriate purpose. OLA's review of Fraport's reported marketing fund expenses supporting documents revealed \$552,000 of improper expenses, including \$111,000 in political contributions as well as campaign fundraising events. Additionally, it included \$50,000 in payments to Fraport's registered lobbyist and \$391,000 that was categorized as community relations, including sponsorships for golf tournaments and donations to charities or nonprofits.

On August 30, 2019, MAA sent a letter to Fraport regarding the marketing fund expenditures, and Fraport credited the fund \$135,000 identified as political contributions and \$73,081 identified as lobbying fees. However, the remaining \$343,919 in questionable expenditures identified in the OLA audit has not been returned by Fraport to the marketing fund.

MAA should comment on efforts to address the misuse of marketing funds by Fraport.

Operating Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funds to slow implementation of a new Airport Ambassador program. This provides for a \$1 million increase over the fiscal 2020 budgeted amount for the new program.	\$364,277	SF
2. Reduce funds for new consulting contract due to fiscal constraints.	270,000	SF
Total Special Fund Reductions	\$ 634,277	

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. BWI Marshall Onsite Airport Hotel Replacement Plan

MAA continues to explore an in-terminal option for an onsite hotel to replace the Four Points by Sheraton BWI Marshall Airport, which closed in November 2013. In response to an issue raised in its 2018 budget analysis, MAA states that an in-terminal hotel offers greater passenger accessibility and, therefore, may offer a competitive advantage over offsite locations. MAA is still in the feasibility stages of a project that may include several components, including a hotel, a C/D concourse connector, an air traffic control tower, and a consolidated airport operations center. The C/D concourse connector would include a new passenger security checkpoint, new baggage screening systems, and passenger hold rooms. Completion of the C/D concourse connector would complete a connecting hallway on the secure side of the terminal between all concourses, meaning that passengers would not have to exit and reenter security to move between concourses. Project feasibility and planning will continue through the end of 2020.

**Appendix 1
Audit Findings**

Audit Period for Last Audit:	July 1, 2015 – December 16, 2018
Issue Date:	December 2019
Number of Findings:	4
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: The Maryland Aviation Administration (MAA) circumvented State procurement regulations by directing its parking services vendor to procure, at a total cost of \$1.7 million, construction work for valet services and six customer service robots.

Finding 2: MAA did not review its concessions management vendor’s marketing fund expenses to ensure that the fund was used for its intended purpose. Review of the vendor’s reported marketing fund expenses totaling \$2.1 million during calendar 2016 to 2018 disclosed that payments of \$552,000 that did not meet the stated purpose of the fund were questionable, including political-related contributions.

Finding 3: MAA did not always document that bid openings were proper and did not ensure contract awards were published on *eMaryland Marketplace*, as required.

Finding 4: MAA did not have adequate procedures and controls to ensure that proper deposit verifications were performed.

Appendix 2
Unfunded System Preservation and Critical Systems Projects
Fiscal 2020-2025

<u>System</u>	<u>Impact</u>	<u>Cost Estimate</u>
Electrical Feeder Upgrades	Substation improvements at both the North and South substations to support dual redundant feeds from Baltimore Gas and Electric and associated switch requirements.	\$31 million
Airfield Lighting Vault (ALV) Relocation	Entire airfield lighting infrastructure, relocation allows for reduced congestion.	\$12 million
Runway 10-28 Pavement	Supports operations on Runway 10-28.	\$29 million
Consolidated Dispatch Center	Airport campus 911 dispatch center.	\$10 million
Fire Alarm System Infrastructure	Airport campus fire alarm and monitoring system.	\$0.3 million
Moving Walkways, Escalators, and Elevators	Terminal and parking garagewide circulation systems. These systems are beginning to reach end-of-life. The cost to dispose of these systems is immense. Some have been left in place even if inoperable.	\$22 million
Passenger Boarding Bridges	Passenger interface from terminal to aircraft.	\$29 million
Inbound Roadway Variable Message Sign Replacement	Traffic control and wayfinding messages to inbound airport traffic.	\$8 million
Snow Equipment Replacement	Replacement of the snow equipment fleet based on State requirements. A remix of equipment will provide for a nine-unit reduction. Most of the equipment is at least three years beyond its replacement schedule.	\$30 million
Long Term Parking Lot B Pavement Rehabilitation	Supports airport patrons using the Maryland Aviation Administration (MAA)-owned parking lot.	\$14 million
Runway 15L-33R Pavement	Supports operations on Runway 15L-33R.	\$12 million
Terminal Lighting Upgrades	Terminalwide lighting systems.	\$25 million

J00100 – MDOT – Maryland Aviation Administration

<u>System</u>	<u>Impact</u>	<u>Cost Estimate</u>
Terminal Heating, Ventilation, and Air Conditioning (HVAC) Systems	Terminalwide HVAC systems.	\$12 million
North Fuel Farm Additional Storage Tanks	Fuel supply for all operations at Baltimore-Washington International Thurgood Marshall Airport (BWI Marshall Airport). Need improvements to increase supply.	\$8.5 million
Rental Car Facility	MAA responsible for building structure and systems (HVAC, fire, <i>etc.</i>).	\$12 million
Glycol Dump Relocations	Relocation and addition of capacity in support of ALV relocation.	\$2.1 million
General Aviation Apron Pavement	Supports operations at the General Aviation Facility and provides apron for itinerate and based aircraft.	\$6 million
Martin State Airport Operations Area Fence Upgrades	Provides security and wildlife deterrence for the airfield.	\$3 million
BWI Marshall Airport Fence Hardening	Provides security improvements to both the fence and gates located on the perimeter of BWI Marshall Airport.	\$16 million
Supervisory Control and Data Acquisition Upgrade	Supervisory management will allow Operations to target inoperable or malfunctioning systems faster, leading to resumed operations of baggage handling and other key customer supporting functions.	\$17 million
Employee Parking Sidewalk Repairs	Key safety concern and liability. Eliminate potential tripping hazards within the pedestrian walkway.	\$0.3 million
Garage Parking Guidance System	Provides real-time capacity and wayfinding within parking structures at BWI Marshall Airport.	\$7 million

J00100 – MDOT – Maryland Aviation Administration

<u>System</u>	<u>Impact</u>	<u>Cost Estimate</u>
Federal Aviation Administration (FAA) Air Traffic Control Tower and Office Improvements	FAA-leased space requires code improvements to support growth and modifications to the facility. Much needed upgrades and code compliance repairs are needed to support lease renewal.	\$2.5 million
Red Column Repairs	Replace loose tiles on the iconic red columns in the terminal to eliminate falling tiles. Many are falling off and creating a safety hazard for passengers and passersby.	\$0.5 million
Upper Level Road Pedestrian Walkway Joint Repairs	Key safety concern and liability. Eliminate potential tripping hazards within the sidewalk.	\$0.5 million
Cell Phone Charging	Terminalwide expansion of cell phone charging access. Lack of charging locations is one of three major complaints from airport patrons.	\$3 million
Taxiway F Relocation	Realignment of taxiway to meet FAA standards.	\$30 million
Electric Bus Charging Infrastructure	Support the transition to electric airport shuttle buses.	\$1.7 million

Source: Maryland Department of Transportation

Appendix 3
Object/Fund Difference Report
MDOT – Maryland Aviation Administration

<u>Object/Fund</u>	<u>FY 19</u> <u>Actual</u>	<u>FY 20</u> <u>Working</u> <u>Appropriation</u>	<u>FY 21</u> <u>Allowance</u>	<u>FY 20 - FY 21</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	451.50	450.50	451.50	1.00	0.2%
02 Contractual	0.50	0.50	0.50	0.00	0%
Total Positions	452.00	451.00	452.00	1.00	0.2%
Objects					
01 Salaries and Wages	\$ 46,339,058	\$ 45,732,315	\$ 46,182,743	\$ 450,428	1.0%
02 Technical and Special Fees	2,807,554	2,225,573	2,497,718	272,145	12.2%
03 Communication	1,318,448	1,486,851	1,486,851	0	0%
04 Travel	274,806	242,969	242,969	0	0%
06 Fuel and Utilities	13,776,133	13,787,675	14,119,799	332,124	2.4%
07 Motor Vehicles	3,421,322	2,789,307	2,787,901	-1,406	-0.1%
08 Contractual Services	98,021,688	102,526,934	110,594,548	8,067,614	7.9%
09 Supplies and Materials	8,937,098	7,074,925	7,074,925	0	0%
10 Equipment – Replacement	206,708	0	0	0	0.0%
11 Equipment – Additional	149,175	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	1,094,376	1,100,163	1,098,018	-2,145	-0.2%
13 Fixed Charges	17,936,678	18,066,756	21,051,154	2,984,398	16.5%
14 Land and Structures	11,435,619	11,119,422	12,288,686	1,169,264	10.5%
Total Objects	\$ 205,718,663	\$ 206,152,890	\$ 219,425,312	\$ 13,272,422	6.4%
Funds					
03 Special Fund	\$ 205,073,163	\$ 205,507,390	\$ 218,779,812	\$ 13,272,422	6.5%
05 Federal Fund	645,500	645,500	645,500	0	0%
Total Funds	\$ 205,718,663	\$ 206,152,890	\$ 219,425,312	\$ 13,272,422	6.4%

MDOT: Maryland Department of Transportation

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

Appendix 4
Fiscal Summary
MDOT – Maryland Aviation Administration

<u>Program/Unit</u>	<u>FY 19 Actual</u>	<u>FY 20 Wrk Approp</u>	<u>FY 21 Allowance</u>	<u>Change</u>	<u>FY 20 - FY 21 % Change</u>
2021 BWI Marshall Airport	\$195,776,866	\$198,337,121	\$211,534,235	\$13,197,114	6.7%
2022 Martin State Airport	9,582,238	7,347,096	7,412,936	65,840	0.9%
2023 Regional Air Development	359,559	468,673	478,635	9,962	2.1%
2030 Facilities and Capital Equipment	70,265,384	134,332,000	60,232,000	-74,100,000	-55.2%
Total Expenditures	\$ 275,984,047	\$ 340,484,890	\$ 279,657,806	-\$ 60,827,083	-17.9%
Special Fund	\$ 268,224,289	\$ 309,443,390	\$ 271,223,812	-\$ 38,219,578	-12.4%
Federal Fund	7,759,758	31,041,500	8,433,500	-22,608,000	-72.8%
Total Appropriations	\$ 275,984,047	\$ 340,484,890	\$ 279,657,312	-\$ 60,827,578	-17.9%

BWI Marshall Airport: Baltimore -Washington International Thurgood Marshall Airport
MDOT: Maryland Department of Transportation

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

Appendix 5
Budget Amendments for Fiscal 2020
Maryland Department of Transportation
Maryland Aviation Administration – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$1,178,875	Special Fund	Increase for the general salary increase as authorized in fiscal 2020. The salary increase represents a 3% increase effective July 1, 2019, and the annualization of the April 2019 increase of 0.5%.
Total	\$1,178,875		

Source: Maryland Department of Transportation

Appendix 6
Budget Amendments for Fiscal 2020
Maryland Department of Transportation
Maryland Aviation Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$152,938	Special Fund	Increase for the general salary increase as authorized in fiscal 2020. The salary increase represents a 3% increase effective July 1, 2019, and the annualization of the April 2019 increase of 0.5%.
Projected	\$29,038,813 \$16,103,000	Special Fund Federal Fund	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the Maryland Department of Transportation fiscal 2020 to 2025 final <i>Consolidated Transportation Program</i> .
Total	\$45,294,751		

Source: Maryland Department of Transportation