

J00I00
Maryland Aviation Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$53,435	\$64,502	\$56,037	\$2,603	\$57,612	\$1,575
Contractual Services	45,072	47,619	53,957	8,884	64,228	10,271
Grants	379	673	365	-14	365	0
Adjusted Grand Total	\$98,886	\$112,795	\$110,360	\$11,473	\$122,205	\$11,845
Special Funds	95,704	109,536	110,045	\$14,341	121,964	11,920
Federal Funds	1,933	1,177	199	-\$1,734	241	42
Reimbursable Funds	1,250	2,083	116	-\$1,134	0	-116
Adjusted Grand Total	\$98,886	\$112,795	\$110,360	\$11,473	\$122,205	\$11,845
Annual % Change		14.1%	-2.2%		10.7%	

- The fiscal 2005 allowance increases by \$11.8 million over the fiscal 2004 working appropriation. This change includes a \$9 million increase for shuttle bus expenses due to a contract change. The change also includes a \$1.9 million increase in personnel expenses due to the addition of 14 positions, increments, turnover adjustments, health insurance, and retirement.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
Special Funds	69,176	82,123	75,708	70,141	-\$5,567	-7.4%
Federal Funds	11,396	14,834	27,853	24,996	-\$2,857	-10.3%
Grand Total	\$80,572	\$96,957	\$103,561	\$95,137	-\$8,424	-8.1%
Other Funds	\$113,025	\$189,915	\$244,313	\$146,478	-\$97,835	-40.0%

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

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- The Maryland Aviation Administration’s (MAA) PAYGO capital program decreases by \$8.4 million from the fiscal 2004 working appropriation to the fiscal 2005 allowance. This change occurs with a decrease in major construction projects and increases in the development and evaluation program, Martin State Airport (MTN), and system preservation.
- \$20 million in funds for the proposed purchase of 50 40-foot shuttle buses at Baltimore/Washington International Airport (BWI) are included in the construction program for fiscal 2005.

Operating and PAYGO Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	550.5	569.5	542.0	-8.5	556.0	14.0
Contractual FTEs	8.5	4.0	4.0	-4.5	4.0	0.0
Total Personnel	559.0	573.5	546.0	-13.0	560.0	14.0

Vacancy Data: Regular Positions

Turnover Expectancy	36.15	6.67%
Positions Vacant as of 12/31/03	41.50	7.66%

- MAA added 14 new positions from fiscal 2004 to 2005. The positions are needed to clean and maintain the new Daily A (Elm Road) Parking Garage and the new Concourse A.

Analysis in Brief

Major Trends

BWI Passenger and Cargo Volume: BWI passenger and cargo volume are performing well relative to Dulles International Airport and Ronald Reagan Washington National Airport. In calendar 2003, BWI had a 39% market share in passenger volume and a 44% market share in cargo volume. BWI's objective in terms of passenger volume is to serve 30 million passengers by 2010. This is not an unrealistic goal given BWI's recent and estimated passenger growth. Although BWI has not historically performed as well as Dulles with respect to cargo, BWI has made recent strides in cargo growth. BWI achieved a cargo growth rate of 11.7% in calendar 2002 and projects annual cargo growth in calendar 2004 and 2005 at 1.5%.

Issues

Purchase of BWI Shuttle Buses: MAA has proposed the purchase of 50 40-foot low-floor buses for parking shuttle services at BWI. MAA has budgeted \$20 million for the purchase of the buses in the fiscal 2004 – 2009 *Consolidated Transportation Program*. Financing of the shuttle bus purchase is still in its formative stages, but MAA advises that one avenue is to issue certificates of participation with a final maturity date of 2016. The annual debt service would be approximately \$2 million, subject to annual appropriation. **The Department of Legislative Services (DLS) recommends that MAA comment on the proposed financing method, why purchasing shuttles is cost effective, contract oversight, whether MAA would consider purchasing a mix of different size buses, and the possibility of working with the Maryland Transit Administration during the shuttle bus procurement process.**

Maryland Aviation Commission Report: The Maryland Aviation Commission (MAC) currently produces a report for the General Assembly on the status of MAA and BWI. The document is intended as an informational briefing packet and not as an annual report. In addition to the MAC report, MAA began producing an annual report for BWI in the late 1990s. Due to fiscal restraints, the last report was produced for fiscal 2000. **DLS recommends that MAA consider producing a BWI annual report if future funds become available and consider expanding information in the financial results and aviation activity sections of the MAC report.**

New Consolidated MAA Facility: Fiscal 2002 budget bill language directed the Maryland Department of Transportation to select a new headquarters location that would also provide space for a consolidated MAA facility. MAA currently uses more than three facilities incurring lease and other costs. **DLS recommends that MAA report back to the budget committees with alternative proposals for a new, consolidated MAA facility.**

Operating Budget Recommended Actions

1. Adopt committee narrative to request an update on consolidated Maryland Aviation Administration facility.

Capital Budget Recommended Actions

	<u>Funds</u>
1. Reduce funds for purchase of shuttle bus fleet at Baltimore/Washington International Airport.	\$ 2,000,000
Total Reductions	\$ 2,000,000

Updates

Security at BWI and Martin State Airport: Following the events of September 11, 2001, airport security has taken on a new level of urgency and significance. BWI and MTN have taken measures to address security issues. Both airports have increased security guards, improved surveillance, and established security as a top priority.

BWI Concessions Contract: In June 2003, MAA issued a request for proposals to run BWI's concessions. Due to a request from MAA on how the concessionaire should operate, HMSHost, the company that has run concessions at BWI for 30 years, did not rebid on the BWI concessions contract. HMSHost filed an appeal to the Maryland Board of Contract Appeals, but the board was unable to consider the appeal. The Concessions Selection Evaluation Panel recommended award of the BWI concessions contract to BAA USA, Inc. The Board of Public Works approved award of the contract to BAA USA, Inc. on March 10, 2004.

Budget Analysis

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 Airport (BWI) 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 Maryland State Police. The administration has identified the following key goals:

- keep BWI passengers, tenants, and facilities safe;
- provide exceptional service;
- operate BWI efficiently and effectively; and
- attract, maintain, and expand air service.

Performance Analysis: Managing for Results

MAA's Managing for Results (MFR) submission is a useful document to MAA for its day-to-day operations management as well as for oversight purposes. MAA's mission is to "foster the vitality of aviation statewide and promote safe and efficient operations, economic viability, and environmental stewardship." To help achieve its mission, MAA has focused on several key goals. One of its goals is to "attract, maintain, and expand air service."

Financial Results

Exhibit 1 provides MAA revenues and expenditures data. With the exception of fiscal 2003, MAA projects that it will be able to recover its operating expenditures through its operating revenues. Revenues are not able to also cover all of MAA's capital expenditures. However, MAA relies on the Transportation Trust Fund (TTF) or other non-MAA financing mechanisms such as Maryland Transportation Authority (MdTA) revenue bonds for capital investments. Many of these investments are supported by specific user fees, which are not considered part of MAA's operating revenues for purposes of covering ongoing or general capital expenses. In Exhibit 1, these revenues are shown separately as capital project financing revenues because passenger facility charges (PFCs) and customer facility charges (CFCs) collected above the amount necessary to pay debt service do not fund other projects but are retained for future debt service payments.

Exhibit 1
MAA Revenues and Expenditures
Fiscal 2003 – 2005
(\$ in Thousands)

	<u>Actual</u> <u>FY 2003</u>	<u>Appr.</u> <u>FY 2004</u>	<u>Allowance</u> <u>FY 2005</u>	<u>Avg. Annual</u> <u>Change FY 03 - 05</u>
Operating Revenues				
Flight Activities	\$22,324	\$28,795	\$30,836	17.5%
Rent/User Charges	25,064	28,406	31,079	11.4%
Concessions	48,847	54,451	63,389	13.9%
Other Revenues ¹	3,006	3,239	4,772	26.0%
Martin State Activities	6,562	6,717	6,923	2.7%
Prior Year Accounts Receivable Adjustment	-7,698			
Subtotal	\$98,105	\$121,608	\$137,000	18.2%
Expenditures				
Operating	109,536	110,045	121,964	5.5%
Difference	-11,431	11,563	15,036	
Capital Project Financing Revenues ²	61,425	67,283	76,069	11.3%

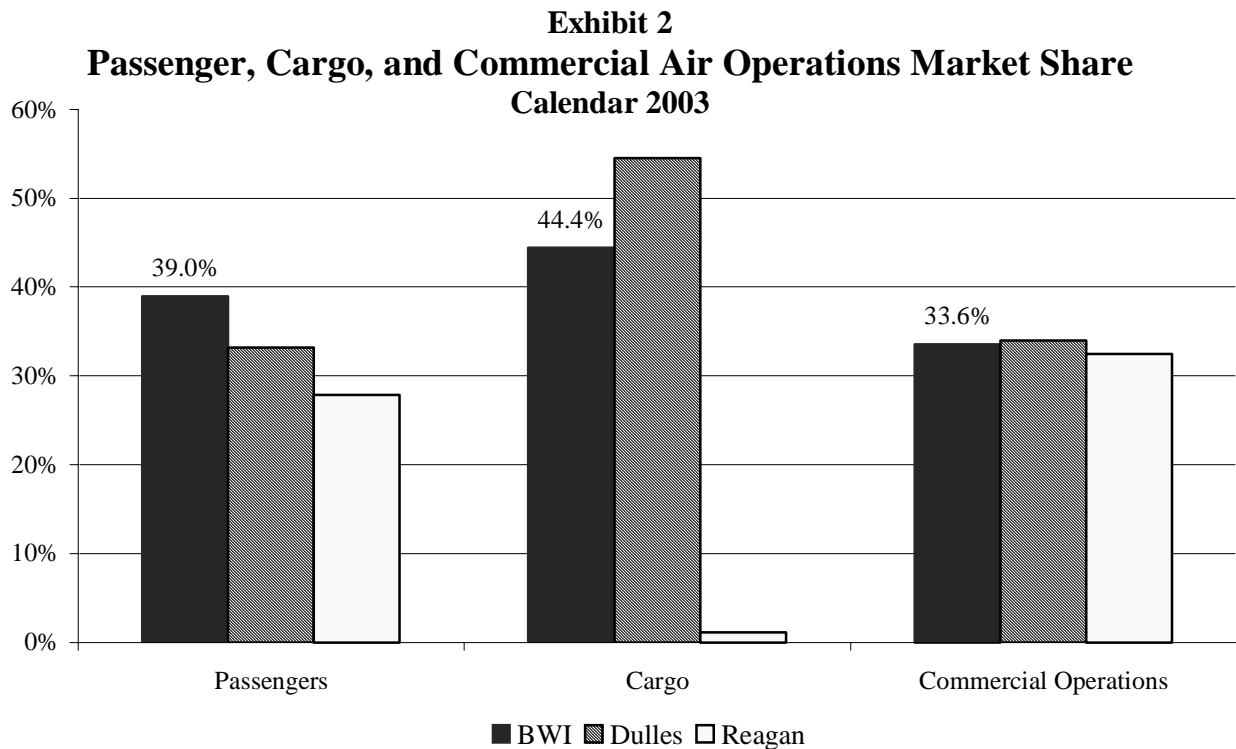
¹Does not include PFCs deposited into the TTF in the amount of \$11.6 million in fiscal 2003 and \$41.9 million in fiscal 2004.

²Includes PFCs, CFCs, and parking garage revenue.

Source: Maryland Aviation Administration

Passenger, Cargo, and Air Operations Market Share

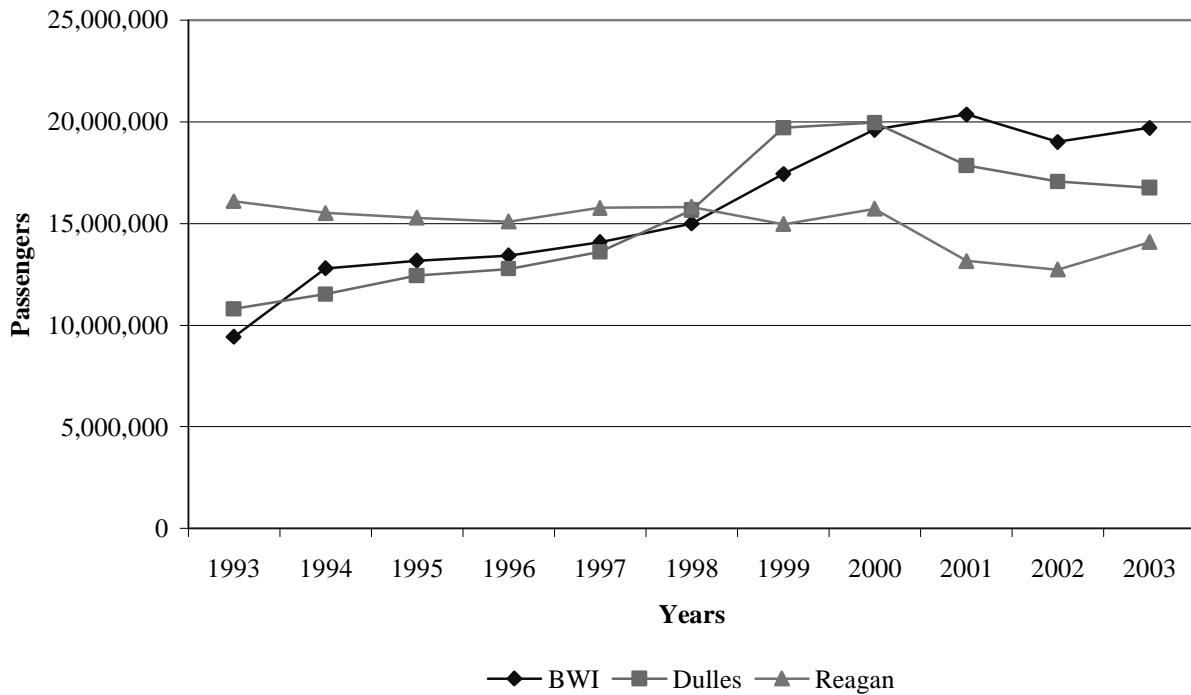
In order for BWI to experience a growth in business, it must remain competitive with other area airports. BWI should strive to create new business by bringing in airlines and cargo carriers not currently serving the Washington area as well as market itself as an attractive option for Washington area travelers. Three measures that help to judge the success of BWI against other area airports are passenger volume, total cargo (freight and mail), and commercial air operations. **Exhibit 2** shows market share information for passenger, cargo, and commercial air operations.



Source: Maryland Aviation Administration

Growth in passenger volume at BWI is a measure of its success as a business, but the growth also creates opportunities and challenges. Additional passenger volume increases the need for parking spaces, facility expansion, janitorial services, and other customer services. To address these concerns, BWI has embarked on a capital expansion program including concourse expansion, new parking facilities, and terminal access improvements. MAA has also added positions and adjusted contracts to accommodate BWI expansion and anticipated passenger growth. MAA's objective with respect to passenger volume is to serve 30 million passengers by calendar 2010. **Exhibit 3** provides a passenger volume history at BWI from calendar 1993 to 2003. Passenger volume has increased by an average of 7.6% over the ten-year period.

Exhibit 3
Passenger Volume History at BWI
Calendar 1993 – 2003



Source: Maryland Aviation Administration

Over the period of calendar 2001 through 2005, BWI has performed well against the national passenger growth rate. **Exhibit 4** shows that for all years except calendar 2002 and 2004, BWI passenger growth has been higher than the national passenger growth rate. BWI estimates a jump from 3.9% growth in calendar 2004 to 10.0% growth in calendar 2005. This increase reflects anticipated full economic recovery that is expected to result in significant increases in passenger demand. The 2005 increase also reflects the opening of the full Concourse A/B expansion, resulting in additional services provided by Southwest and other major carriers currently serving BWI.

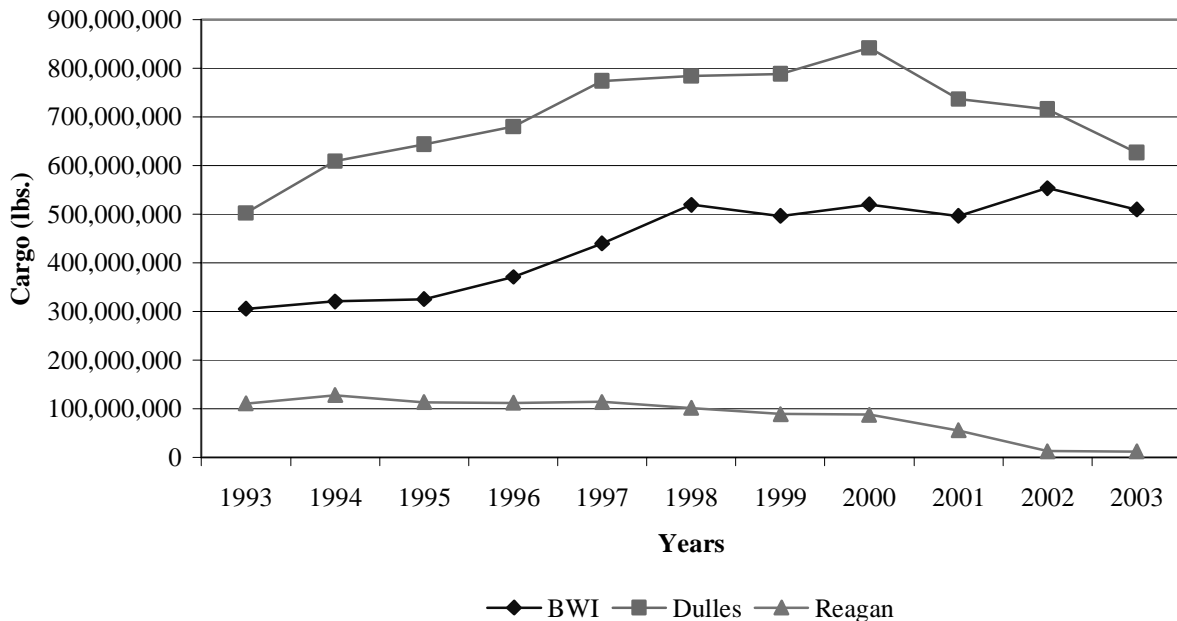
**Exhibit 4
BWI Passenger Growth Rate
Calendar 2001 – 2005**

	<u>CY 2001 Actual</u>	<u>CY 2002 Actual</u>	<u>CY 2003 Actual</u>	<u>CY 2004 Estimated</u>	<u>CY 2005 Estimated</u>
National passenger growth rate	-7.3%	-2.6%	-2.7%	4.4%	4.4%
BWI passenger growth rate	3.9%	-6.7%	3.6%	3.9%	10.0%

Source: Maryland Aviation Administration

Total cargo volume represents freight and mail volume in pounds. Dulles has historically had a greater share of cargo than BWI and Reagan National. However, BWI has made recent strides in cargo market share. **Exhibit 5** provides cargo volume history at BWI from calendar 1993 to 2003. Cargo volume has increased by an average of 5.3% over the ten-year period.

**Exhibit 5
Cargo Volume History at BWI
Calendar 1993 – 2003**



Source: Maryland Aviation Administration

Over the period of calendar 2001 through 2005, BWI has performed fairly well against the national cargo growth rate. **Exhibit 6** shows that for calendar years 2001 and 2002, BWI cargo growth was higher than the national cargo growth rate. Due to problems with cargo reporting at BWI and nationwide, MAA is estimating cargo growth at BWI below the national rate for calendar 2003 to 2005.

Exhibit 6
BWI Cargo Growth Rate
Calendar 2001 – 2005

	<u>CY 2001</u> <u>Actual</u>	<u>CY 2002</u> <u>Actual</u>	<u>CY 2003</u> <u>Actual</u>	<u>CY 2004</u> <u>Estimated</u>	<u>CY 2005</u> <u>Estimated</u>
National cargo growth rate	-10.7%	0.6%	-0.2%	4.7%	4.5%
BWI cargo growth rate	-4.6%	11.7%	-6.3%	1.5%	1.5%

Source: Maryland Aviation Administration

Efficiency Measures

MAA's MFR data provides two efficiency measures: airline cost per enplaned (CPE) passenger and airport revenue per enplaned (RPE) passenger. BWI compares itself to the seven comparable sized airports that are above and seven that are below BWI in the number of enplanements (total of 14 airports). The seven comparable airports above BWI based on the Federal Aviation Administration (FAA) reported data are St. Louis, Philadelphia, Charlotte/Douglas, Boston/Logan, New York/La Guardia, Cincinnati, and Honolulu. The seven comparable airports below BWI are Salt Lake City, Pittsburgh, Chicago/Midway, Ft. Lauderdale, Dulles, Tampa, and San Diego.

RPE passenger data help show whether BWI is operating profitably as a business. MAA's objective is to perform at or above the median RPE passenger among the comparable airports. In fiscal 2001, the BWI RPE passenger was more than \$4.00 under the median RPE. This is due to the fact that BWI did not include PFCs compared to the median airport calculation, which did include PFCs. BWI's RPE passenger would have been \$14.58 in fiscal 2001 if PFCs had been included. Beginning in fiscal 2002, PFCs are included and BWI increased RPE passenger by over \$4.00 relative to the comparable airport median amount. BWI expects to increase RPE passenger to \$20.36 in fiscal 2004 and to \$18.50 in fiscal 2005.

The other efficiency measure MAA uses is CPE passenger data. MAA can impact the airline CPE passenger based on rates and charges each airline pays for using BWI. Keeping the airline CPE passenger at or lower than the comparable airport median CPE is important to attract new business and retain airlines serving BWI. BWI has consistently kept CPE passenger lower than the

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comparable airport median. In fiscal 2003, BWI had a \$4.34 CPE passenger while the comparable median CPE was \$6.02 per passenger.

Exhibit 7
Program Measurement Data
Maryland Aviation Administration
Fiscal 2001 – 2005

	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Est.</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Ann.</u> <u>Chg.</u> <u>01-03</u>	<u>Ann.</u> <u>Chg.</u> <u>03-05</u>
Comparable airports passenger revenue per enplaned median (benchmark)	\$15.92	\$15.94	\$17.80	TBD	TBD	5.7%	n/a
BWI revenue per enplaned passenger	\$11.78	\$15.94	\$16.97	\$20.36	\$18.50	20.0%	4.4%
Comparable airports median cost per enplaned passenger (benchmark)	\$4.79	\$5.56	\$6.02	TBD	TBD	12.1%	n/a
BWI cost per enplaned passenger	\$3.88	\$4.25	\$4.34	\$4.39	\$4.94	5.8%	6.7%

Source: Maryland Aviation Administration

Fiscal 2004 Actions

Fiscal 2004 Cost Containment

The fiscal 2004 MAA working appropriation includes a \$1 million reduction in cost containment due to the statewide hiring freeze. In December 2003, MAA received hiring freeze exemptions for 13 critical maintenance and safety positions, many of which were long-term vacancies. Due to the need to hire maintenance, safety, and operations personnel, MAA has identified other cost containment initiatives in fiscal 2005.

Governor's Proposed Operating Budget

The fiscal 2005 allowance increases by \$11.9 million (10.7%) over the fiscal 2004 working appropriation. The change includes a \$9 million increase for shuttle bus costs due to a contract change with Maryland Parking Limited Partnership (MPLP). Shuttle bus costs are currently netted against the percentage of gross parking revenue paid to the MAA by MPLP. The current shuttle bus contract is operated as a subcontractor to MPLP, and the expenses are not budgeted in the fiscal 2004 operating budget. Under the new contract agreement, shuttle bus costs are now included in MAA's operating budget for fiscal 2005 and future years. The new contract, in which MAA pays shuttle bus expenses directly to the shuttle bus operator, is projected to begin on January 16, 2005. Therefore, fiscal 2005 will reflect approximately half of the projected shuttle costs (\$9 million), with fiscal 2006 reflecting a full year's cost. Although there will be a future increase in operating costs, there will be an offsetting increase in parking revenue; the contract change will not result in a significant overall change in shuttle bus expenses. Without the contract change resulting in a \$9 million increase in the fiscal 2005 allowance, the MAA operating budget grows by 2.5% over the fiscal 2004 working appropriation.

Other changes include a \$966,000 increase for security services to meet Transportation Security Administration (TSA) and FAA security mandates, a \$750,000 decrease in marketing initiatives, a \$562,000 increase due to higher hazardous waste and trash pickup contracts, and a \$237,000 increase for the janitorial services contract. **Exhibit 8** provides details on the major changes occurring in the fiscal 2005 allowance.

Exhibit 8
Governor’s Proposed Budget
Maryland Aviation Administration
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
Special Funds	\$109,536	\$110,045	\$121,964	\$11,920	10.8%
Federal Funds	\$1,177	\$199	\$241	\$42	20.9%
Reimbursable Funds	\$2,083	\$116	\$0	-\$116	-100.0%
Adjusted Grand Total	\$112,795	\$110,360	\$122,205	\$11,845	10.7%

Where It Goes:

Personnel Expenses

14 new positions	\$401
Increments and other compensation	394
Cost containment and turnover adjustments	688
Employee and retiree health insurance	299
Retirement system	214
Other fringe benefit adjustments	-74

Other Changes

Including shuttle bus costs in budget due to change in contract with Maryland Parking Limited Partnership.....	9,062
Increase for security services to meet Transportation Security Administration and Federal Aviation Administration security mandates	966
20% reduction in marketing initiatives	-750
Increase for hazardous waste and trash pickup contracts	562
Increase for janitorial services contract	237
Reduction for out-of-state travel	-203
Increase for telephone expenses	55
Miscellaneous adjustments.....	-6

Total **\$11,845**

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

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Personnel

The change of \$11.9 million over the fiscal 2004 working appropriation includes a \$1.9 million increase for personnel expenses. MAA added 14 positions at an increase of \$400,934 with the fiscal 2005 allowance. The positions include:

- To Clean and Maintain the New Daily A (Elm Road) Parking Garage
 - skilled trade specialist II (4)
 - facility maintenance technician II (2)
 - housekeeping supervisor IV (2)
- To Clean and Maintain the New Concourse A
 - skilled trade specialist II (3)
 - facility maintenance technician II (2)
 - facilities maintenance supervisor I

Other personnel changes include a \$394,000 increase for increments and other compensation, a \$688,000 increase for cost containment and turnover adjustments, a \$299,000 increase for employee and retiree health insurance, and a \$214,000 increase for retirement.

Fiscal 2005 Cost Containment

Due to the need to hire maintenance, safety, and operations personnel, other cost containment initiatives were identified besides reductions for the hiring freeze. MAA has prioritized its funding needs to concentrate efforts on critical maintenance, safety, and security issues as well as to improve customer service to customers and tenants. The following areas were reduced from the fiscal 2004 working appropriation to the 2005 allowance and amount to nearly \$2.5 million:

- 20% reduction in marketing initiatives and legal publications (\$800,000);
- no additional or replacement equipment (\$678,439);
- no additional or replacement vehicles in operating budget (\$480,000);
- reduced travel to fiscal 2003 activity (\$250,000);

- reduced consultant services (\$200,000); and
- reductions for non-safety training expenses (\$50,000).

PAYGO Capital Program

Program Description

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

Fiscal 2004 to 2009 Consolidated Transportation Program (CTP)

The MAA capital PAYGO program decreases by \$8.4 million from the fiscal 2004 working appropriation to the fiscal 2005 allowance. The change occurs with (1) decreases in the major construction program of approximately \$23 million – primarily due to the progress of the BWI expansion projects and a reduction in the Noise Abatement Land Acquisition program; (2) increases of approximately \$6 million in the development and evaluation (D&E) program due to higher fiscal 2005 expenditures for the terminal building expansion, runway safety area, and hourly garage expansion; (3) increases of approximately \$4 million for MTN projects due to delays in obtaining environmental approvals and thus deferring cash flows into fiscal 2005; and (4) increases of approximately \$4 million in system preservation due to typical cash flow adjustments and the start/completion of projects.

The MAA capital PAYGO program also includes an “other funding” category that includes MdTA bond financing, PFCs, CFCs, and Maryland Economic Development Corporation (MEDCO) funds. “Other funding” decreased from \$244.3 million in fiscal 2004 to \$146.5 million in fiscal 2005. These changes are due to progress/completion on the BWI expansion program. **Exhibit 9** provides “other funding” detail for MAA capital projects.

**Exhibit 9
MAA Other Funding Detail
Fiscal 2004 – 2007
(\$ in Thousands)**

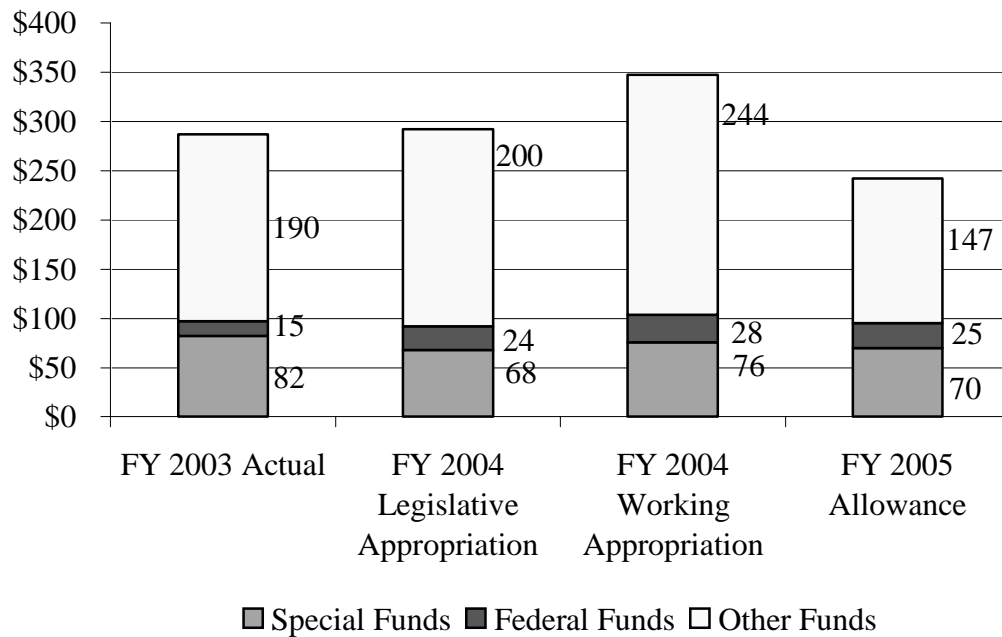
<u>Project</u>	<u>Other Source</u>	<u>FY 04 Working</u>	<u>FY 05 Est.</u>	<u>FY 06 Est.</u>	<u>FY 07 Est.</u>
Elm Road Parking Structure	MdTA	\$24,848	\$0	\$0	\$0
Consolidated Rental Car Facility	CFC	39,486	0	0	0
Terminal Entrance Roadway Phase I	PFC	2,830	0	0	0
Terminal Entrance Roadway Phase I	MdTA	276	0	0	0
15R Parallel Taxiway and Ramp	PFC	2,313	865	0	0
Concourse A Expansion	PFC	15,731	0	0	0
Concourse A Expansion	MEDCO	81,090	88,926	5,280	0
Central Utility Plant	MdTA	15,707	0	0	0
Terminal Entrance Roadway Phase II	PFC	34,304	36,687	32,486	9,704
Terminal Entrance Roadway Phase II	MdTA	22,923	0	0	0
BWI Shuttle Bus Fleet Acquisition	MdTA	0	20,000	0	0
CUTE for International Terminal Buildout	PFC	2,212	0	0	0
BWI Landscaping	MdTA	493	0	0	0
Construction for CUTE in International Terminal	PFC	2,100	0	0	0
Total		\$244,313	\$146,478	\$37,766	\$9,704

CFC = Customer Facility Charges
 CUTE = Common Use Terminal Equipment
 PFC = Passenger Facility Charges
 MdTA= Maryland Transportation Authority
 MEDCO = Maryland Economic Development Corporation

Source: Maryland Department of Transportation

Exhibit 10 provides cash flow information for the MAA capital program from fiscal 2003 to 2005. The “other funds” category has consistently accounted for more than half of MAA’s entire capital program.

Exhibit 10
MAA Capital Program Cash Flow Changes
Fiscal 2003 – 2005
(\$ in Millions)



Source: Maryland Aviation Administration, 2004 *Consolidated Transportation Program*

Exhibit 11 provides a list of MAA major CTP construction projects funded in fiscal 2005. The five projects listed account for around 95% of all major projects in the construction program for fiscal 2005.

Exhibit 11
MAA Major CTP Construction Projects Funded in Fiscal 2005
(\$ in Thousands)

<u>Project</u>	<u>FY 2005</u>	<u>Total \$</u>	<u>Completion of FY Cashflow</u>
New Terminal A/B Expansion at BWI – provides for the construction of a new 11-gate Terminal/Concourse A and full reconstruction of a portion (4 gates) of Concourse B	\$88,926	\$218,641	2006
Terminal Entrance Roadway Improvements, Phase II – includes new enclosed, elevated pedestrian bridge skywalks with moving walkways from existing garage to terminal building; widens the upper level roadway to add new public curbside; and includes enhancements to the terminal by replacing front window and flooring	36,687	181,277	2007
New Bus Fleet for Shuttle Service at BWI – purchase of 50 low-floor buses for airport shuttle bus service to/from public and employee parking facilities and BWI Rail Station	20,000	20,000	2005
15R Parallel Taxiway and Aircraft Parking Ramp at BWI – provides for 1,500 feet of taxiway parallel to Runway 15R	8,657	60,245	2005
Runway 15/33 Reconstruction at Martin State Airport – provides for the reconstruction of the runway at Martin State Airport	1,889	9,774	2007
Total	\$156,159	\$489,937	

Source: Maryland Aviation Administration, 2004 *Consolidated Transportation Program*

Major Projects Added to the Construction Program

One project was added to MAA's construction program in the fiscal 2004 to 2009 CTP – the purchase a new bus fleet for shuttle service at BWI Airport. MAA plans to purchase 50 low-floor buses in fiscal 2005 at a cost of \$20 million for airport shuttle bus service to/from public and employee parking facilities and the BWI Rail Station. The current shuttle bus fleet is provided by the shuttle bus operations contractor. MAA believes that purchase of the buses will provide for a uniform and sufficiently sized fleet of energy-efficient vehicles which will improve reliability and reduce operating costs.

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Financing of the shuttle bus purchase is still in its formative stages, but MAA advises that one avenue is to issue certificates of participation (COPs) with a final maturity date of 2016. The annual debt service would be approximately \$2 million, subject to annual appropriation. Net parking revenues from MAA's parking operations are available for the repayment source. Under the current MAA contract, which expires in January 2005, the parking operator subcontracts the bus operations to another vendor. MAA believes that it is more cost effective for it to purchase the buses and amortize the cost over the useful life of 12 years. MAA plans to issue a request for proposals to procure a bus operator only, with MAA supplying the buses.

Projects Added to the D&E Program

Two projects were added to the D&E program. The Runway Safety Area (RSAs) project at BWI was added at a total cost of \$4 million over fiscal 2005 and 2006. The project will provide for the study of improvements to bring RSAs at both ends of runways at BWI into compliance with current FAA standards. FAA assessed the RSAs at BWI in December 2000 and determined that the safety areas do not meet current FAA design standards. This MAA project represents the preliminary planning and environmental work.

The second project is a Midfield Complex Aircraft Hanger project at MTN. MAA has budgeted \$273,000 for this project in fiscal 2005. The project allows MAA to get started on planning a new 20,000 square foot hanger for corporate aircraft. The demand for hanger space for corporate aircraft/jets is strong with multiple firms, including Black and Decker, expressing interest in utilizing the hanger. As funding becomes available, MAA intends to move this project into the construction program. **Exhibit 12** provides information on the two projects added to MAA's D&E program.

Exhibit 12
MAA CTP Projects Added to the D&E Program
Fiscal 2004 – 2005
(\$ in Thousands)

<u>Project</u>	<u>FY 04</u>	<u>FY 05</u>	<u>Change from FY 04 – 05</u>	<u>Total Project Cost</u>
Runway Safety Area at BWI – provides for the study of improvements to bring runway safety areas at both ends of runway at BWI into compliance with current FAA standards (\$2.7 million budgeted in fiscal 2006)	\$0	\$1,303	\$1,303	\$4,000
Midfield Complex Aircraft Hanger at Martin State Airport – planning and engineering for future construction of a 20,000 square foot aircraft hanger	182	273	91	500
Total	\$182	\$1,576	\$1,394	\$4,500

Source: Maryland Aviation Administration, 2004 *Consolidated Transportation Program*

Projects Removed from the D&E Program

One project was removed from the D&E program. This project was for planning efforts to construct a new terminal area fire station at BWI Airport. This had previously been a \$450,000 D&E project to begin in fiscal 2004. The new terminal area fire station was deleted so MAA can incorporate this project as well as others into its comprehensive planning efforts that are reevaluating the location and timing for multiple projects at BWI. There is no immediate impact of removing this project from the D&E program because MAA believes that fire/rescue personnel will continue to meet the airfield response times. The new fire station would primarily be for improving response time for the terminal as well as benefiting the airfield response time.

Construction Schedule Delays

As shown in **Exhibit 13**, six MAA projects were delayed with the fiscal 2004 to 2009 CTP.

Exhibit 13 MAA Major CTP Project Delays

<u>Project</u>	<u>Reason</u>	<u>Delay</u>
Full buildout of parking guidance system in existing parking garage at BWI – provides for completion of the installation of SmartPack guidance system (provides real-time information concerning parking space availability) in the Hourly Parking Garage	Construction delay due to procurement process changes	Fiscal 2003 to 2004
Runway 15/33 reconstruction at Martin State Airport – provides for the reconstruction of the runway and the construction of a bypass taxiway	Construction delayed due to resolution of planning and environmental components with FAA	Fiscal 2004 to 2005
New air traffic control tower for Martin State Airport – provides for the construction of a new air traffic control tower to be located at the midfield complex	Construction delayed due to further coordination with FAA concerning site selection and environmental analysis	Fiscal 2004 to 2005
BWI master plan and environmental studies – study to identify long term (20 year) projections, location, and extent of BWI facility improvements, as required to meet future aviation demand	Planning start deferred due to further coordination/approval with FAA and determination to proceed with expanded scope to examine long term airport-wide BWI facility development	Fiscal 2004 to 2005
Hourly Parking Garage expansion at BWI – provides for preliminary engineering to expand the existing 5,600 space parking garage located in front of the main terminal building with 3,000 additional parking spaces	Design start delayed to better coincide with parking demand projections	Fiscal 2004 to 2005

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<u>Project</u>	<u>Reason</u>	<u>Delay</u>
People Mover System, Phase I – involves environmental studies and conceptual design for a people mover system at BWI	Project start delayed to address scope rephasing – scope rephasing establishes the purpose and need for the necessary environmental document	Fiscal 2003 to 2004

Source: Maryland Aviation Administration, 2004 *Consolidated Transportation Program*

BWI Expansion Program Update

Construction

BWI is in the middle of a \$1.8 billion construction program that will provide additional parking, expand terminal capacity, and improve vehicle and pedestrian access. As shown in **Exhibit 14**, a total of around \$867 million in projects are currently completed or in construction.

Exhibit 14
BWI Expansion Program Construction Projects
(\$ in Thousands)

<u>Project</u>	<u>Cost</u>	<u>Status</u>	<u>Complete</u>
Daily B Surface Lot (1,400 Spaces)	\$5,000	Open	Nov 01
Tenant Parking Lot (3,400 Space)	14,000	Open	Sep 02
Daily A Parking Garage	167,000	Construction	Apr 04
3,000 spaces		Open	Nov 02
8,400 spaces		Construction	Apr 04
Terminal Entrance Roadway Improvements Phase I – curbside extension and new terminal access/return roadway	57,235	Open	May 03
Consolidated Rental Car Facility	132,000	Open	Dec 03
15R Parallel Taxiway and Aircraft Parking Ramp	60,245	Construction	Dec 04
Terminal A/B Expansion	218,641	Construction	Dec 05
Utility upgrades – central utility plan expansion and electrical substations upgrades	26,617	Construction	Jul 04
Terminal Entrance Roadway Improvements Phase II – pedestrian skywalks and upper level roadway widening	181,277	Construction	Nov 06
Skywalk at Pier D		Open	Nov 03
Skywalk at Pier B		Construction	May 04
Comprehensive Sign Program	4,641	Open	Sep 04
Total	\$866,656		

Source: Maryland Aviation Administration, 2004 *Consolidated Transportation Program*

Development and Evaluation

Around \$867 million in projects are completed or are in construction. The remaining projects that make up the \$1.8 billion total expansion program are in the D&E phase. As shown in **Exhibit 15**, there are three major projects that account for roughly \$1 billion in estimated future spending.

Exhibit 15 BWI Expansion Program D&E Projects

<u>Project</u>	<u>Status</u>	<u>Start</u>
Hourly Parking Garage Expansion at BWI – expansion of the existing 5,600 space parking garage located in front of the main terminal building with 3,000 additional parking spaces	\$3.3 million in the CTP for preliminary engineering	Design to start in fiscal 2005
Terminal Building Expansion at BWI – various expansion alternatives for the existing terminal building including the possibility of a new Concourse F, widening of Concourse D, and the possible reconfiguration and expansion of the central terminal	\$11.9 million in the CTP for preliminary engineering	Project planning is underway
People Mover System, Phase I – provides for better access and traffic management of the multiple modes of transportation serving the airport, Phase I includes an alignment from the terminal building to the Consolidated Rental Car Facility including the BWI Rail Station and connections to parking facilities	\$2 million in the CTP for environmental studies and conceptual design	Preliminary planning and environmental analysis to begin in fiscal 2004

Source: Maryland Aviation Administration, 2004 *Consolidated Transportation Program*

Issues

1. Purchase of BWI Shuttle Buses

Summary

MAA has proposed the purchase of 50 40-foot low-floor buses for parking shuttle services at BWI. The Secretary of the Maryland Department of Transportation (MDOT) wrote a letter dated February 4, 2004, asking the chairmen of the budget committees to approve the transaction. MAA has budgeted \$20 million for the purchase of the buses in the fiscal 2004 through 2009 CTP. Financing of the shuttle bus purchase is still in its formative stages, but MAA advises that one avenue is to issue COPs with a final maturity date of 2016. The annual debt service would be approximately \$2 million, subject to annual appropriation.

History

MAA believes it is in the State's best interest to purchase the buses for shuttle service and lease them back to the contractor, rather than have the contractor provide them. For more than 25 years, MAA has procured parking shuttle services at BWI in combination with the parking concession contract. The existing parking vendor, MPLP, subcontracts the parking shuttle services to GlobeGround North America, LLC (USA). The shuttle buses transport about 5.5 million people annually between the airport terminal and the parking lots. The buses provided by the current contractor vary in age, type, and accessibility features. Some have surpassed the manufacturer's useful life expectancy. Because the parking and shuttle services are bundled together under one contract, MAA has found it difficult to make changes or improvements to the existing service. Under the current arrangement, MAA has limited contractual authority to force the subcontractor to improve the quality of the existing shuttle buses.

The current contract for parking and shuttle services at BWI expires on January 15, 2005. MAA has issued an invitation for bids for the parking concession and is ready to issue a request for proposals for the parking shuttle services. If MAA purchases the buses, it would lease them to the parking shuttle contractor, who would be responsible for all maintenance. This is the same as the current arrangement, in which MAA provides buses to serve the new consolidated rental car facility. MAA purchased the buses and leases them back to the rental car consortium. MAA believes this arrangement is working well.

Regardless of whether the shuttle buses are State procured or bus operator procured, there will be a change in the way the shuttle bus contract is operated. Shuttle bus costs are currently netted against the percentage of gross revenue paid to the MAA by MPLP. The parking concession contract generates approximately \$59 million in revenue annually – the shuttle bus expenses, currently about \$19 million per year, are deducted from the revenue MPLP pays to the State. The current shuttle bus contract is operated as a subcontractor to MPLP, and the expenses are not budgeted in the fiscal 2004 operating budget. Under the new contract agreement, shuttle bus costs are now included in MAA's

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operating budget for fiscal 2005 and future years. The new contract, in which MAA pays shuttle bus expenses directly to the shuttle bus operator, is projected to begin on January 16, 2005. Therefore, fiscal 2005 will reflect approximately one half of the projected shuttle costs (\$9 million), with fiscal 2006 reflecting a full year's cost. Although there will be a future increase in operating costs, there will be an offsetting increase in parking revenue.

2001 BWI Shuttle Bus Proposal

During the 2001 session, MAA proposed purchasing shuttle buses for use at BWI. The fiscal 2002 budget contained language that restricted funds for State purchased shuttle buses until MAA hired an independent, outside contractor to collect information comparing State purchase with the continued use of a private contractor with its own bus fleet for operations and maintenance. The report concluded that, because MAA had access to federal funds and a private entity would have to rely on its own funds or borrowing capacity, State purchase of the buses were the most appropriate method of shuttle service. The consultants found that with State ownership of the buses, additional firms would be able to bid on the contract for shuttle operations at BWI due to the decreased need for capital resources, thereby increasing competition. The study also determined that, with State purchase of the shuttle buses, the operating contract for providing shuttle service would decrease from approximately \$18.3 million annually to \$15.7 million.

While State procurement of shuttle buses provided for a less expensive shuttle fleet, the Department of Legislative Services (DLS) concluded that other costs such as contract oversight, insurance protection, or general maintenance, could increase the cost to the State. In a letter to the budget committees, DLS recommended that MAA not assume ownership of shuttle buses used at BWI. DLS stated that the purchase would require a substantial capital outlay not required under current arrangements. Additionally, DLS concluded that an analysis of operating costs indicated that annual costs were estimated to be higher than the current contract if the State owned the shuttle buses (and if depreciation was taken into account). At the direction of the budget committees, MAA did not purchase shuttle buses for BWI and continued operating under the present arrangement.

Analysis

MAA believes there are advantages associated with the State purchasing the shuttle buses. Over a 12-year period, MAA expects to save between \$4 million and \$5 million due to lower anticipated financing costs for State procured buses. **Exhibit 16** shows MAA's projected cost savings over a 12-year period (the useful life of the buses). MAA has provided two scenarios – one where the bus operator procures buses and pays annual debt service at 5.5% and another where the bus operator procures buses and pays 6.0%. MAA has assumed that operating expenses would be the same under both a State and bus operator procured purchase. Therefore, MAA did not include these expenses in the projections.

Exhibit 16
Maryland Aviation Administration
Baltimore/Washington International Airport Shuttle Bus Procurement
Projected Cost Savings
(\$ in Thousands)

Scenario 1 – Bus Operator Purchases Buses @ 5.5% over 12 Years ¹

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Total</u>
State-procured Buses													
Annual Debt Service Payment @ 4.5%	\$2,462	\$2,478	\$2,417	\$2,352	\$2,285	\$2,214	\$2,141	\$2,064	\$1,983	\$1,899	\$1,810	\$1,718	\$25,823
Bus-operator Procured Buses													
Annual Debt Service Payment @ 5.5% ²	2,904	2,930	2,851	2,768	2,679	2,586	2,488	2,384	2,274	2,158	2,036	1,905	29,963
Projected State Cost Savings³	-\$442	-\$452	-\$434	-\$415	-\$394	-\$372	-\$347	-\$320	-\$291	-\$259	-\$225	-\$188	-\$4,140

Scenario 2 – Bus Operator Purchases Buses @ 6.0% over 12 Years ¹

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Total</u>
State-procured Buses													
Annual Debt Service Payment @ 4.5%	\$2,462	\$2,478	\$2,417	\$2,352	\$2,285	\$2,214	\$2,141	\$2,064	\$1,983	\$1,899	\$1,810	\$1,718	\$25,823
Bus-operator Procured Buses													
Annual Debt Service Payment @ 6.0% ²	3,002	3,033	2,948	2,859	2,764	2,664	2,557	2,443	2,323	2,195	2,059	1,914	30,760
Projected State Cost Savings³	-\$540	-\$554	-\$532	-\$507	-\$479	-\$449	-\$416	-\$380	-\$340	-\$296	-\$248	-\$196	-\$4,937

¹Purchase price of buses is assumed to be \$20 million for both State- and Bus-operator Procured Buses.

²Amount assumes an additional 10% over Annual Debt Service Payment that would be charged to the State for expenses associated with administrative oversight of debt service.

³Operating Expenses (i.e., salaries, employee benefits, etc.) would be the same under both a State- and Bus-operator Procured Bus Purchase. Therefore, these expenses were not included as the cost/(savings) would be a wash.

Source: Maryland Aviation Administration

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The debt service payment percentage of 4.5% for State procured buses is a reasonable estimate. MEDCO Lease Revenue Bonds issued in 2002 for \$36 million (for the MDOT HQ) are paid at a 4.6% rate. Therefore, it is likely that there are cost savings with State procured buses.

MAA believes that State procured buses would increase competition in the procurement process. The consultant study in 2001 concluded that State procured buses would encourage participation of local and minority-owned businesses that do not have the financial resources to purchase 50 buses. MAA has estimated that if the State purchased the shuttle buses, nine companies would have the ability to bid on the contract. If a bus operator purchased the buses, MAA has estimated that five companies would be able to bid on the contract.

Items for Further Consideration

- MAA has stated that it would consider financing the shuttle buses with the issuance of COPs. In light of the recent trends in nontraditional debt issued by MDOT, there are concerns with the prospect of adding another \$20 million to this category. Although MAA has stated that the issuance of COPs is a preliminary proposal, all methods of financing should be examined, including financing the shuttle buses with MAA PAYGO capital funds or with Consolidated Transportation Bonds.
- It is not clear to what performance measures the parking shuttle contractor (responsible for all maintenance and operation) is held. MAA has stated that the current parking shuttle buses have been a major customer service issue. However, regardless of State purchase or bus operator purchase, a contract can be reworked to address customer service issues. Performance measures should be set, and MAA should strive to enforce the performance measures to the best of its ability.
- The Maryland Transit Administration (MTA) has expertise in purchasing buses. MAA might consider drawing on this expertise or working with MTA in some fashion during the shuttle bus procurement process.
- If MAA in fact purchases 50 40-foot buses, it will expect the bus companies to base their bids on using that particular type of equipment. If MAA decided to move forward with bus operator procured buses, the contractor should be able to choose a mix of bus sizes that would fit the needs of BWI. For example, the contractor might want to operate a fleet of buses that includes smaller shuttles for use at non-peak times. Regardless of whether MAA moves forward with State procured or bus operator procured buses, MAA might want to consider the use of smaller shuttles for use at non-peak times. Fifteen minibuses were included with the 2001 State procured shuttle bus proposal.
- Issue of oversight: MAA should indicate how it will ensure that if it purchases the buses, private contractors will maintain the buses properly, and what changes to the contract will be required to

give MAA greater leverage over customer services issues and maintenance that are lacking in the current contract.

DLS recommends that MAA comment on (1) the proposed financing method for the shuttle buses; (2) why it believes purchasing the shuttles is more cost effective than allowing a bus operator to do so; (3) oversight of private contractors and what changes to the current contract will be required to give MAA greater leverage over customer service issues and maintenance; (4) whether MAA would consider purchasing minibuses, or a mix of different size buses; and (5) the prospect of working with MTA during the shuttle bus procurement process.

DLS recommends reducing funds by \$2.0 million for the proposed shuttle bus purchase due to over budgeting for Express Service Parking shuttles.

2. Maryland Aviation Commission Report

Chapter 457, Acts of 1994 created the Maryland Aviation Commission (MAC). MAC is the successor to the BWI Airport Commission and consists of nine voting members. Some of MAC's duties include establishing policies to improve and promote BWI, directing MAA in developing and implementing airport management policy for all State-owned airports, and approving major capital projects at State-owned airports. The MAC report to the General Assembly has been produced since the creation of the commission and is used to report to the General Assembly on the status of MAA and BWI. The document is intended as an informational briefing packet and not as an annual report. The MAC report provides an overview of airport activities, including actions taken by MAC, BWI/MTN financial results, aviation activity, and MAA key accomplishments.

In addition to the MAC report, MAA began producing an annual report for BWI in the late 1990s. The annual report was used as a marketing and promotional tool for the airport. The creation of this report was discontinued as the funds required for production were judged more useful in other areas. The last annual report was produced for fiscal 2000. The annual report provided general information on BWI including domestic and international passenger statistics, revenue/expense and operating income, passengers by region, cargo volume, and narrative marketing BWI as an attractive, convenient, and safe airport.

Given the current fiscal environment, it is unlikely that MAA will be able to return to producing a BWI annual report in the near future. However, if funding becomes available, MAA should consider creating a BWI annual airport that is a business-centered document reflecting achievements and goals. The MAC report is a useful toll for reporting annual activity to the General Assembly, but it is not a sufficient annual report.

In the short term, MAA should consider expanding information in the financial results and aviation activity sections. The financial results information on BWI and MTN currently includes two fiscal years – it would be helpful to add an additional fiscal year for historical perspective. The aviation activity section could also be expanded to include a third fiscal year and cargo volume data relative to Dulles International Airport and Ronald Reagan Washington National Airport.

DLS recommends that MAA consider producing a BWI annual report if future funds become available, and consider expanding information in the financial results and aviation activity sections of the MAC report.

3. New Consolidated MAA Facility

Language in the fiscal 2002 budget directed MDOT to select a new headquarters location that would also provide for a consolidated MAA facility. The MDOT headquarters building was completed in January 2003 and is now operational; there is adjacent land where an MAA building could be constructed. MAA currently leases office space through the Department of General Services at two locations: 901 Elkridge Landing Road and 991 Corporate Boulevard. **Exhibit 17** provides square footage, cost, and lease information. Both leases will expire in 2005 and have options to renew for a five-year period. The rental rate at 901 Elkridge Landing Road would be renegotiated for the period beginning July 1, 2005. The rental rate at 991 Corporate Boulevard has a renewal option at a rate of \$15.95 per square foot.

**Exhibit 17
MAA Leased Office**

<u>Location</u>	<u>Net Usable Sq. Ft.</u>	<u>Cost Per Sq. Ft.</u>	<u>Annual Cost</u>	<u>Lease Expiration</u>
901 Elkridge Landing Road	24,558	\$15.98	\$392,437	June 30, 2005
991 Corporate Boulevard	34,892	\$15.65	\$546,060	October 31, 2005

Source: Maryland Aviation Administration

In addition to the leased locations, MAA uses three other State owned locations: the BWI terminal (Executive and operational staff), the Kauffman Building (information technology personnel), and the Material Acquisition Center Building (maintenance and procurement personnel and an inventory warehouse function).

MAA has indicated that it is currently evaluating alternative proposals for a consolidated location, including the site adjacent to MDOT headquarters and other sites near BWI. No recommendations have been made to the executive director.

DLS recommends adoption of committee narrative, which directs MAA to provide an update on proposals for a new consolidated MAA facility.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Update on the Consolidated Maryland Aviation Administration (MAA) Facility: The committees support an effort by MAA to provide an update on proposals for a new, consolidated MAA facility. MAA should provide a cost benefit analysis comparing current facility costs with estimated costs for a new facility. The analysis should include the possibility of a new location built on adjacent land to the Maryland Department of Transportation (MDOT) Headquarters Building, as well as other sites near BWI.

Information Request	Author	Due Date
Update on consolidated MAA facility	MAA	December 1, 2004

Capital Budget Recommended Actions

	<u>Amount Reduction</u>
1. Reduce funds for purchase of the shuttle bus fleet at Baltimore/Washington International Airport (BWI). The Maryland Aviation Administration had assumed it was replacing Express Service Parking (ESP) shuttles for \$2 million when estimating the total cost of shuttle bus purchase. The ESP lot offers personalized parking services and over 1,800 spaces. ESP lot shuttles will not be replaced. Therefore, funds for purchase of the shuttle bus fleet should be reduced from \$20 million to \$18 million.	\$ 2,000,000 SF
Total Special Fund Reductions	\$ 2,000,000

Updates

1. Security at BWI and Martin State Airport

Following the events of September 11, 2001, airport security has taken on a new level of urgency and significance. Both BWI and MTN have taken measures to address security issues.

BWI

BWI meets the 100% federal mandate for checked baggage by using L3 explosive detection system machines both in the terminal lobby and baggage make up rooms. The current arrangement is labor intensive, and BWI will require major capital improvements to begin rearranging operations into an in-line solution to improve efficiency and reduce manpower. An in-line baggage screening system consolidates all checked baggage onto a single conveyor system. Once bags are screened and cleared, they are redistributed through a series of electronic bar code readers to the appropriate airline baggage piers and delivered to the aircraft. Logan Airport in Boston, Massachusetts built an in-line system for \$146 million.

BWI recently renewed its security guard contract effective December 2003. This action results in an increase of nearly \$1 million in MAA's operating budget due to an increase in security guards required to meet TSA and FAA security mandates, and the fact that current market demand for security guards is very high. MAA also partners with the MdTA police under an annual memorandum of understanding for the majority of law enforcement and security needs.

BWI is one of eight airports nationwide that is part of an "Enhanced Code Yellow" alert system. As a result, MdTA and contract security personnel perform such functions as random vehicle inspections and increased explosive detection patrols at BWI and surrounding State roads. BWI specifies targeted days and time periods for 100% vehicle inspections. In addition, resources are used to increase the number of personnel on patrols, existing security staff is shifted to highly visible areas, more stringent parking restrictions are in effect, and increased temporary signage and public announcements are in place.

BWI currently receives federal funding in three areas:

- Department of Justice fiscal 2003 grant of nearly \$1 million for K9, explosive ordinance detection, and BWI security programs;
- Law Enforcement Officer reimbursement program – TSA will reimburse MAA for approximately \$312,000 in fiscal 2004; and
- K9 reimbursement program – TSA will reimburse MAA for approximately \$250,000 in fiscal 2004.

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MAA stresses that it needs to stay abreast of and utilize technology to improve security capabilities. When technologies are developed and proven effective at other airports, MAA would like to integrate those technologies at BWI. Examples of new technologies include facial recognition, fingerprint readers, and eye retina scanners. One example of this, which is a responsibility of the Homeland Security Department and not the MAA, is the process of fingerprinting all foreign nationals who enter and exit the country through BWI.

MTN

Following September 11, 2001, representatives of the Maryland State Police and Baltimore County Police conducted a comprehensive “Vulnerability Assessment” at MTN. As a result of the assessment, several significant security upgrades were implemented:

- Additional security guards were approved to ensure 24-hour coverage at the main gate and increased security patrols throughout the airport complex.
- Fencing was upgraded to ensure 100% containment of the entire airport and additional gates were installed to secure various areas.
- An extensive closed circuit television system along with a support fiber optic backbone was installed. The system allow viewing of gates, inside hangars, ramp areas, the airfield, fuel farm, and selected indoor areas. The high capacity recorders allow for the storage of several weeks of video and are capable of exporting video data onto compact disks (CD) with built-in CD recorders.
- An airport security plan has been written and is in the final stages of the review process. An airport employee and visitor identification system has been developed and will be implemented when the airport security plan has been approved.

2. BWI Concessions Contract

In June 2003, MAA issued a request for proposals (RFP) to run BWI’s concessions. The MAA’s RFP specified that the concessionaire operate a developer model as opposed to a prime model. The difference between the two models is that a developer company leases airport space to tenants and makes most of its money from rent. A prime company operates each space itself and makes most of its money from sales. HMSHost, the company that has run concessions at BWI for 30 years, operates a prime model.

Because MAA requested a developer company, HMSHost did not rebid on the BWI concessions contract. HMSHost filed an appeal with the Maryland Board of Contract Appeals (MBCA) on October 31, 2003. On January 30, 2004, the MBCA granted MAA’s motion to dismiss the appeal

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filed by HMSHost. The board decided that Maryland code does not give it jurisdiction to consider the appeal. HMSHost is now deciding whether to take further action.

Two proposals were received in response to MAA's RFP: BAA USA, Inc. and Westfield Concession Management, Inc. The Concessions Selection Evaluation Panel recommended award of the BWI concessions contract to BAA USA, Inc. The Board of Public Works approved award of the contract to BAA USA, Inc. on March 10, 2004.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Aviation Administration (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$0	\$94,910	\$199	\$2,000	\$97,109
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	15,153	978	83	16,214
Cost Containment	0	-21	0	0	-21
Reversions and Cancellations	0	-506	0	0	-506
Actual Expenditures	\$0	\$109,536	\$1,177	\$2,083	\$112,795
Fiscal 2004					
Legislative Appropriation	\$0	\$110,045	\$199	\$0	\$110,244
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	116	116
Working Appropriation	\$0	\$110,045	\$199	\$116	\$110,360

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

Fiscal 2003

The fiscal 2003 budget for MAA increased by \$15.7 million, from \$97.1 million to \$112.8 million. The MAA's special fund appropriation increased by \$14.6 million. This amount includes a \$15.1 million increase in budget amendments with (1) a \$6 million increase for security guards at BWI and for the temporary assignment of MdTA police to perform TSA Security responsibilities; (2) a \$6.9 million increase for snow removal at BWI and MTN and all expenses associated with the snow removal process (overtime, meals, supplies); (3) a \$3.2 million increase for new union contracts for fire fighters, consultants to advise on legal issues, higher janitorial and waste disposal costs, and general liability insurance; and (4) a little over \$1 million in reductions for cost containment (pay increments not funded, reduction in temps/special fees, telephone expenses) and debt service on COPs that were paid off early.

The \$14.6 million increase in the special fund appropriation also includes a \$527,000 reduction for cancellations and cost containment. This amount is the result of the fiscal 2003 net surplus for the operating budget and a \$21,384 cost containment reduction for free transit ridership.

MAA's federal fund appropriation increased by \$978,000. This amount includes a \$936,000 increase in federal funds for an Explosive Ordnance Disposal grant from the U.S. Department of Justice intended to upgrade BWI's Control Access Security system, upgrade equipment, and equip and furnish a canine facility for BWI. The total increase of \$978,000 also includes a small increase for BWI's Canine Program.

MAA's reimbursable fund appropriation increased by \$82,600. This amount represents funds provided by the Maryland Emergency Management Agency (MEMA) for the purchase of decontamination and detection equipment used to equip the BWI Fire first responders to better serve the BWI Airport and adjoining jurisdictions.

Fiscal 2004

The fiscal 2004 operating working appropriation increases by \$115,900 over the fiscal 2004 legislative appropriation. The change is due to (1) a reimbursable fund amendment increase of \$115,000 for a federal grant via MEMA for State Domestic Preparedness – computer simulation exercises and equipment for Fire Rescue and (2) a reimbursable fund amendment increase of \$900 for a federal grant via MEMA for State Domestic Preparedness – five Nextel phones compatible with those used by headquarters.

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

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	499.50	482.00	496.00	14.00	2.9%
02 Contractual	4.00	4.00	4.00	0	0%
Total Positions	503.50	486.00	500.00	14.00	2.9%
Objects					
01 Salaries and Wages	\$ 29,785,588	\$ 28,850,877	\$ 30,773,602	\$ 1,922,725	6.7%
02 Technical & Spec Fees	1,681,956	2,005,553	1,805,553	-200,000	-10.0%
03 Communication	1,875,018	1,350,391	1,511,634	161,243	11.9%
04 Travel	179,601	425,165	179,601	-245,564	-57.8%
06 Fuel & Utilities	7,183,750	6,916,603	7,108,794	192,191	2.8%
07 Motor Vehicles	1,577,719	1,461,390	926,921	-534,469	-36.6%
08 Contractual Services	47,619,184	53,956,800	64,227,544	10,270,744	19.0%
09 Supplies & Materials	5,392,273	5,417,389	5,345,577	-71,812	-1.3%
10 Equip - Replacement	678,947	472,954	0	-472,954	-100.0%
11 Equip - Additional	1,030,275	205,485	0	-205,485	-100.0%
12 Grants,Subsidies,Contr	673,340	365,412	365,412	0	0%
13 Fixed Charges	4,563,433	4,861,018	5,497,880	636,862	13.1%
14 Land & Structures	10,553,785	4,070,492	4,462,466	391,974	9.6%
Total Objects	\$ 112,794,869	\$ 110,359,529	\$ 122,204,984	\$ 11,845,455	10.7%
Funds					
03 Special Fund	\$ 109,535,753	\$ 110,044,629	\$ 121,964,484	\$ 11,919,855	10.8%
05 Federal Fund	1,176,516	199,000	240,500	41,500	20.9%
09 Reimbursable Fund	2,082,600	115,900	0	-115,900	-100.0%
Total Funds	\$ 112,794,869	\$ 110,359,529	\$ 122,204,984	\$ 11,845,455	10.7%

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.

Fiscal Summary
MDOT – Maryland Aviation Administration

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
02 Airport Operations	\$ 112,794,869	\$ 110,243,629	\$ 110,359,529	-2.2%	\$ 122,204,984	10.7%
03 Airport Facilities and Capital Equipment	96,771,624	88,443,794	95,604,000	-1.2%	93,210,000	-2.5%
08 Major IT Development Projects	185,743	3,320,000	7,957,000	4183.9%	1,927,000	-75.8%
Total Expenditures	\$ 209,752,236	\$ 202,007,423	\$ 213,920,529	2.0%	\$ 217,341,984	1.6%
Special Fund	\$ 191,658,926	\$ 178,092,423	\$ 185,752,629	-3.1%	\$ 192,105,484	3.4%
Federal Fund	16,010,710	23,915,000	28,052,000	75.2%	25,236,500	-10.0%
Total Appropriations	\$ 207,669,636	\$ 202,007,423	\$ 213,804,629	3.0%	\$ 217,341,984	1.7%
Reimbursable Fund	\$ 2,082,600	\$ 0	\$ 115,900	-94.4%	\$ 0	-100.0%
Total Funds	\$ 209,752,236	\$ 202,007,423	\$ 213,920,529	2.0%	\$ 217,341,984	1.6%

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.

Budget Amendments for Fiscal 2004
Maryland Department of Transportation
Maryland Aviation Administration – Operating

<u>Status</u>	<u>Amount</u>	<u>Fund</u>	<u>Justification</u>
Posted	\$900	RF Oper	Federal grant via MEMA for State Domestic Preparedness – five Nextel phones compatible with those used by Headquarters.
Pending	115,000	RF Oper	Federal grant via MEMA for State Domestic Preparedness – computer simulation exercises and equipment for fire rescue.
Projected	3,300	SF Oper	Injured Workers Insurance Fund – workplace incentive.
Projected	1,855,000	SF Oper	Estimated Hurricane Isabel damages at BWI and Martin Airports. Federal reimbursement estimated at 75% of eligible costs, or roughly \$1,400,000, will be reflected as revenue.
Projected	3,500,000	SF Oper	Possible future needs are roughly estimated at \$3.0 million for severe winter weather and \$500,000 for fuel for resale.

Source: Maryland Department of Transportation

Budget Amendments for Fiscal 2004
Maryland Department of Transportation
Maryland Aviation Administration – Capital

<u>Status</u>	<u>Amount</u>	<u>Fund</u>	<u>Justification</u>
Pending	2,377,000	SF Capital	Realigns the fiscal 2004 appropriation for major information technology development projects with the expected cash flows for these projects in the MDOT draft <i>Consolidated Transportation Program</i> (CTP) for fiscal 2004 – 2009.
	<u>2,866,000</u>	FF Capital	
	<u>\$5,243,000</u>		
Pending	5,283,206	SF Capital	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2004 – 2009 final CTP.
	<u>1,271,000</u>	FF Capital	
	<u>\$6,554,206</u>		

Source: Maryland Department of Transportation