

J00I00
Maryland Aviation Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
Special Fund	\$115,607	\$122,639	\$159,881	\$37,243	30.4%
Federal Fund	280	241	241	0	
Reimbursable Fund	<u>116</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Funds	\$116,003	\$122,879	\$160,122	\$37,243	30.3%
Contingent & Back of Bill Reductions			-134	-134	
Adjusted Total	\$116,003	\$122,879	\$159,988	\$37,109	30.2%

- The fiscal 2006 operating allowance reflects an increase of \$21.1 million in debt service and expenses associated with the opening of the new Concourse A at Baltimore/Washington International Airport (BWI).
- The fiscal 2006 allowance also reflects a \$9 million increase for shuttle bus expenses due to a contract change and a \$5.3 million increase in contract escalations.

PAYGO Capital Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 05	FY 06
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$42,362	\$70,118	\$66,754	\$66,445
Federal	8,799	24,996	38,040	16,888
Total	\$51,161	\$95,114	\$104,794	\$83,333
Other Funds¹	\$244,313	\$146,478	\$173,073	\$77,373

¹ Other funds include Maryland Transportation Authority bond financing, passenger facility charges, customer facility charges, and Maryland Economic Development Corporation funds.

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

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- The fiscal 2006 PAYGO capital program decreases by \$21.5 million from the fiscal 2005 working appropriation. The change occurs with a decrease in federal funds due to the near completion of Concourse A and the parallel taxiway and aircraft parking ramp at BWI.
- Other funds decrease by nearly \$100 million due to the progress/completion on the \$1.8 billion BWI expansion program.

Operating and PAYGO Personnel Data

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>
Regular Positions	543.00	549.00	549.00	0.00
Contractual FTEs	<u>4.00</u>	<u>4.00</u>	<u>2.00</u>	<u>-2.00</u>
Total Personnel	547.00	553.00	551.00	-2.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	33.93	6.18%
Positions Vacant as of 01/01/05	36.50	6.66%

- The Maryland Aviation Administration (MAA) loses 2.0 full-time equivalent contractals with the fiscal 2006 allowance. Due to staff reallocations, MAA eliminated two vacant contractual positions in its Security Center.
- MAA advises that nearly half of the 36.5 vacant positions are fire and rescue positions, plumbers, and high voltage electricians. Recruitment for the positions has been difficult for MAA mainly due to the fact that wages are below comparable private and public sector jobs.

Analysis in Brief

Major Trends

MAA Anticipates Operating Budget Loss in Fiscal 2006: MAA anticipates an operating loss in fiscal 2006 due to the large increase in debt service and operating costs associated with the new Concourse A, a change in the parking shuttle bus service contract, and lower than anticipated revenue during the construction phase of the new concessions contract.

BWI Market Share: BWI passenger and cargo volume are performing well relative to Ronald Reagan Washington National Airport and Dulles International Airport. In calendar 2004, BWI had a 34.5% market share in passenger volume and a 44.6% market share in cargo volume. Although the BWI passenger market share is down from calendar 2003, it is still performing well against other area airports. Strong competition from National and Dulles combined with overall instability in the airline industry has contributed to lower than usual passenger market share for BWI.

Issues

Consolidated MAA Facility: Narrative in the 2004 *Joint Chairmen’s Report* (JCR) directed MAA to provide an update on proposals for a new consolidated MAA facility. In response, MAA submitted a report with four alternatives. MAA recommended that an alternative of building a new facility, including aviation-related lease space, was the most cost effective option. MAA advises that site preparation could begin as soon as late 2005. Ground breaking for the building is proposed for spring 2006, with building completion scheduled for late 2007. **The Department of Legislative Services (DLS) recommends that MAA take into consideration the findings of the study when developing future capital plans. MAA should demonstrate to the General Assembly that an option including aviation-related lease space has significant advantages over an option without lease space.**

BWI Shuttle Bus Purchase: During the 2004 session, there was interest in an MAA proposal to purchase 50 40-foot low-floor buses for parking shuttle services at BWI. The concept was to purchase the buses and then lease them back to a contractor, rather than have the contractor provide the service. Ultimately, MAA did purchase the 50 new buses, and delivery is now complete. **DLS recommends that MAA comment on the status of the new shuttle bus fleet, what it is doing to improve customer service and maintenance, and how the new shuttle bus contract is an improvement over the previous contract.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Reduce funds for advertising and promotional events.	\$ 100,000
2. Reduce funds for groundskeeping to fiscal 2004 actual levels.	73,081
3. Reduce funds for education and training contracts to fiscal 2004 actual levels.	70,583
4. Reduce funds for international marketing and promotional activities to fiscal 2004 actual levels.	22,905
5. Reduce funds for employee awards to fiscal 2004 actual levels.	21,009
Total Reductions	\$ 287,578

PAYGO Budget Recommended Actions

1. Concur with Governor’s allowance.

Updates

Update on Minority Business Enterprise: Fiscal 2005 budget bill language required MAA to submit a report by January 1, 2005, regarding its efforts to meet the statewide 25% Minority Business Enterprise (MBE) goal on contracts above \$50,000. The language also required MAA to include actions taken to enhance its MBE program. In response, MAA submitted a report to the legislature in January 2005. MAA achieved a 25% MBE level on contracts in fiscal 2004 and has achieved a 54% MBE level in fiscal 2005 (through September of 2004). MAA is also involved in a number of activities to enhance its MBE program.

New Concessions Contract at BWI: Narrative in the 2004 JCR directed MAA to give employees under the old concessions contract at BWI first consideration in the hiring process under the new concessions contract. The Board of Public Works approved BAA as the new concessionaire for BWI on March 16, 2004. As part of its contract, BAA agreed to provide first preference in hiring for employees of HMS Host, the former concessionaire. A job fair exclusively for HMS Host employees was held in April 2004. Of the approximately 500 employees of the former concessionaire, more than 90% were offered positions.

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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

Unlike most other Maryland Department of Transportation (MDOT) modes, MAA operates as a business. The profitability of MAA determines how much the Transportation Trust Fund (TTF) must provide as a subsidy. Over the years, MAA has usually been able to cover operating expenditures with operating revenues. However, operating revenues are not able to also cover all of MAA's capital expenditures. MAA relies on the 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.

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Exhibit 1 provides MAA revenues and expenditures data. MAA expects to incur an operating budget loss in fiscal 2006. The revenue and expenditure imbalance is largely due to debt service payments associated with the new Concourse A. Other increases in MAA expenditures, such as new expenses associated with Concourse A and a change in the shuttle bus contract, are offset by an increase in rent/user charges and concessions (includes parking).

**Exhibit 1
MAA Revenues and Expenditures
Fiscal 2004 – 2006
(\$ in Thousands)**

	<u>Actual</u> <u>FY 2004</u>	<u>Appr.</u> <u>FY 2005</u>	<u>Allowance</u> <u>FY 2006</u>	<u>Avg.</u> <u>Annual Change</u> <u>FY 04 – 06</u>
Operating Revenues				
Flight Activities	\$25,505	\$32,349	\$33,861	15.2%
Rent/User Charges	27,952	28,180	43,972	25.4%
Concessions	44,920	53,883	64,605	19.9%
Other Revenues ¹	5,135	3,620	4,235	-9.2%
Martin State Activities	8,648	7,226	7,493	-6.9%
Subtotal	\$112,160	\$125,258	\$154,166	17.2%
Expenditures				
Operating	116,003	122,879	160,122	17.6%
Difference*	-\$3,843	\$2,379	-\$5,956	
Capital Project Financing Revenues ²	\$66,611	\$73,514	\$77,612	7.9%

¹ Does not include passenger facility charges (PFCs) deposited into the TTF in the amount of \$28.3 million in fiscal 2004.

² Includes PFCs, customer facility charges (CFCs), and parking garage revenue.

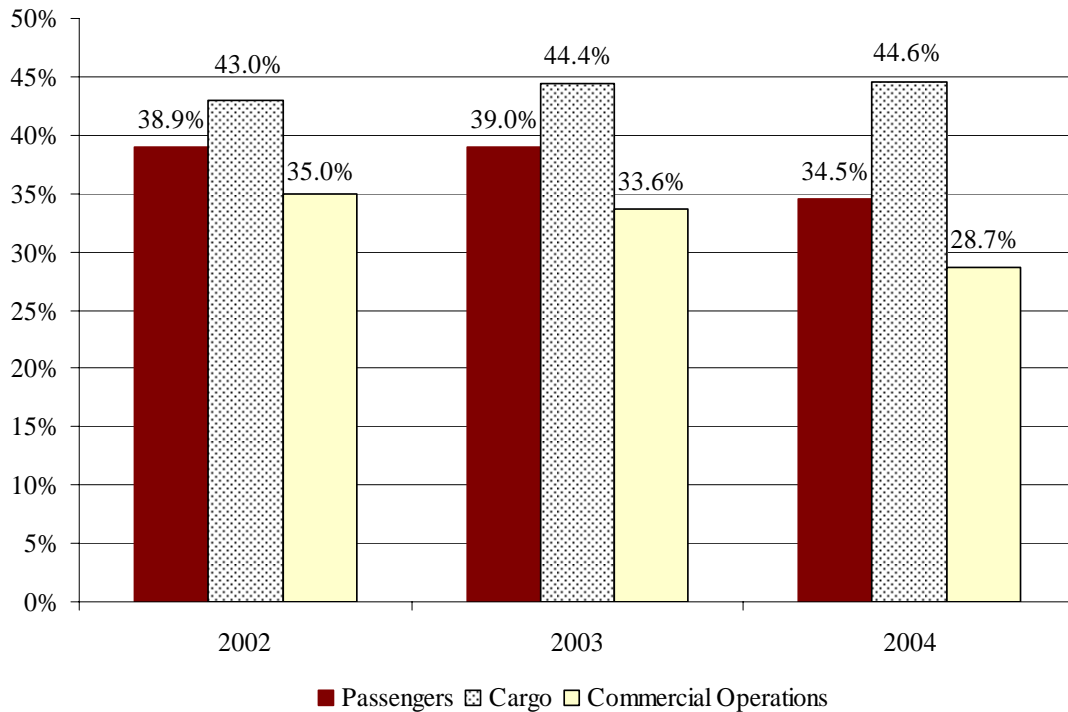
* The fiscal 2006 allowance represents the large increase in debt service and operating costs associated with Concourse A, a change in the parking shuttle bus service contract, and lower anticipated revenue during the construction phase of the new concessions contract.

Source: Maryland Aviation Administration

Passengers, Cargo, and Commercial Air Operations Market Share

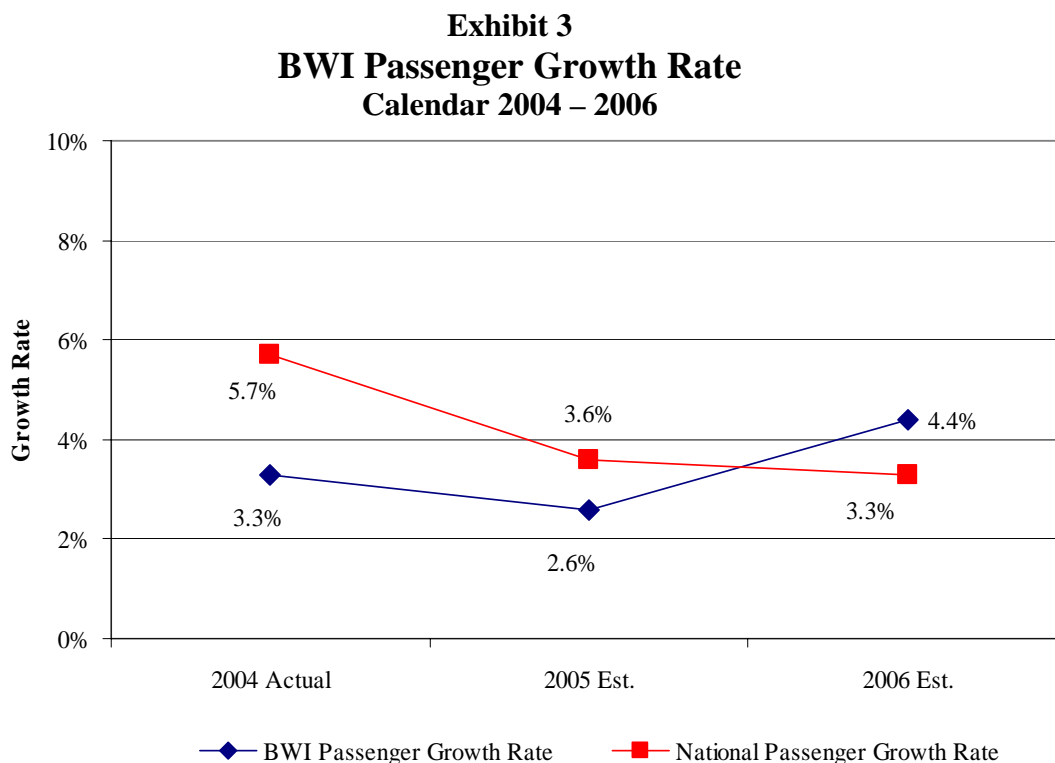
In order for BWI to experience growth in business, it must remain competitive with other area airports. Three measures that help to judge the success of BWI against other area airports are passenger volume, total cargo (freight and mail), and commercial air operations. **Exhibit 2** shows BWI market share information for passengers, cargo, and commercial air operations compared with Dulles International Airport and Ronald Reagan Washington National Airport. Relative to calendar 2002 and 2003, BWI has lost market share in the areas of passengers and total commercial operations. In calendar 2003, BWI had a 39% market share for passengers compared to 34.5% in calendar 2004. In calendar 2003, BWI had a 33.6% market share for commercial operations compared to 28.7% in calendar 2004. Strong competition from Dulles combined with overall instability in the airline industry has contributed to lower than usual market share for BWI.

Exhibit 2
Passengers, Cargo, and Commercial Air Operations Market Share at BWI
Calendar 2002 – 2004



Source: Maryland Aviation Administration

Over the period of calendar 2004 through 2006, BWI has performed fairly well against the national passenger growth rate. BWI experienced lower growth than the national rate in calendar 2004 but expects to close the gap in calendar 2005 and then exceed the national rate by calendar 2006. BWI's growth rate is modest in calendar 2004 and 2005 due to continued strong competition from Reagan National, Dulles, and Philadelphia, together with financial instability in the airline industry. The opening of the new Concourse A at BWI in early 2005 and improved airline industry stability should contribute to enhanced passenger growth in calendar 2006 and beyond. **Exhibit 3** shows the BWI growth rate for passengers compared to the national growth rate.



Source: Maryland Aviation Administration

Governor's Proposed Budget

The fiscal 2006 operating allowance increases by \$37.1 million (30.2%) over the fiscal 2005 working appropriation. Over half of the total increase (\$21.1 million) is due to increased expenses associated with the opening of the new Concourse A. Concourse A is an 11-gate terminal at BWI that is expected to open in spring 2005. New costs associated with Concourse A are:

- \$14.1 million for Concourse A debt service payment (Maryland Economic Development Corporation bonds) and
- \$7.0 million for new expenses associated with Concourse A including electricity, heating/ventilation, other utilities, security, and other supplies needed for maintaining the facility.

The MAA budget also includes a \$9 million increase for shuttle bus costs due to a contract change with Maryland Parking Limited Partnership (MPLP). Shuttle bus costs were previously netted against the percentage of gross parking revenue paid to MAA by MPLP. The old shuttle bus contract was operated as a subcontractor to MPLP, and expenses were not included in MAA's operating budget. Under the new contract, which began in January 2005, MAA pays shuttle bus expenses directly to the shuttle bus operator. Although there is an increase in operating costs, there is an offsetting increase in parking revenue – the contract change does not result in a change in shuttle bus expenses. Because the new contract began in January 2005, MAA's fiscal 2005 budget included a \$9 million increase, representing approximately half of the projected shuttle bus costs. The fiscal 2006 budget reflects another \$9 million, representing the remaining half of the projected shuttle bus costs.

Personnel costs increase by \$839,000 from fiscal 2005 to 2006. The largest component of the change includes a \$577,000 increase for increments. Another change in the MAA budget is a \$1.4 million increase for debt service payments associated with new shuttle buses at BWI. In October 2004, MAA issued \$15.5 million in certificates of payment (COPs) to purchase 50 clean diesel, low-floor buses for BWI shuttle bus service to and from parking facilities and the Amtrak Rail Station. The \$1.4 million increase represents principal and interest payments for fiscal 2006.

If the \$14.1 million increase in debt service for Concourse A, the \$7.0 million for new expenses associated with Concourse A, the \$9 million increase for shuttle bus costs, and the \$1.4 million in debt service payments for new shuttle buses are all removed from the total change from fiscal 2005, the underlying operating budget growth is \$5.6 million, or 4.6%. **Exhibit 4** provides details on the major changes occurring in the fiscal 2006 allowance.

Exhibit 4
Governor's Proposed Budget
Maryland Aviation Administration
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
2005 Working Appropriation	\$122,639	\$241	\$122,879
2006 Governor's Allowance	159,881	241	160,122
Contingent & Back of Bill Reductions	<u>-134</u>	<u>0</u>	<u>-134</u>
Adjusted Allowance	\$159,747	\$241	\$159,988
Amount Change	\$37,109	\$0	\$37,109
Percent Change	30.3%		30.2%

Where It Goes:

Personnel Expenses

Increments	\$577
Retirement	283
Health insurance	-254
Turnover adjustments	250
Other adjustments	-17

Other Changes

Debt service payment for new Concourse A	14,132
Including shuttle bus costs in budget due to change in contract with Maryland Parking Limited Partnership	9,000
New expenses associated with Concourse A	7,002
Increased costs for contract escalation including rate increases for electricity, new contract for repair and maintenance of four new skywalks, increments for all MdTA officers providing security at BWI, and various other contract increases	5,254
Debt service payment for new shuttle buses	1,414
Increase for repair and maintenance on current communications systems and new customer service communications system such as the parking guidance system and flight information display	599
Reduce cleaning services	-613

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Where It Goes:

Reduce overtime by 15%.....	-266
Reduce consultant services by 25%.....	-275
Other adjustments	23
Total	\$37,109

CTIPP = Consolidated Transportation Information Processing Plan

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

Contingent Actions

The fiscal 2006 operating allowance reflects the elimination of \$134,074, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Fiscal 2006 Cost Containment

MAA has estimated over \$1.9 million in fiscal 2006 savings compared to fiscal 2005. **Appendix 7** provides a complete list of the estimated savings.

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 2005 to 2010 Consolidated Transportation Program

The MAA capital PAYGO program decreases by \$21.5 million from the fiscal 2005 working appropriation to the fiscal 2006 allowance. Most of the change occurs with a \$21.1 million reduction in federal funds due to the near completion of the Concourse A project and the parallel taxiway and parking ramp at BWI. The Concourse A project utilized \$9 million in federal funds in fiscal 2005 and no federal funds in fiscal 2006. The parallel taxiway and parking ramp utilized \$15.6 million in federal funds in fiscal 2005 and no federal funds in fiscal 2006. These two projects account for a decrease of \$24.6 million. Smaller changes in several other projects account for the difference in the \$21.1 million total reduction in federal funds.

The MAA capital PAYGO program also includes an “other funds” category that includes MdTA bond financing, passenger facility charges (PFCs), customer facility charges (CFCs), and Maryland Economic Development Corporation (MEDCO) funds. Other funds decrease from \$173.1 million in fiscal 2005 to \$77.4 million in fiscal 2006. These changes are due to progress/completion on the \$1.8 billion BWI expansion program.

Exhibit 5 provides other funds detail for MAA capital projects in fiscal 2005 and 2006.

Exhibit 5
MAA Other Funds
Fiscal 2005 – 2006
(\$ in Thousands)

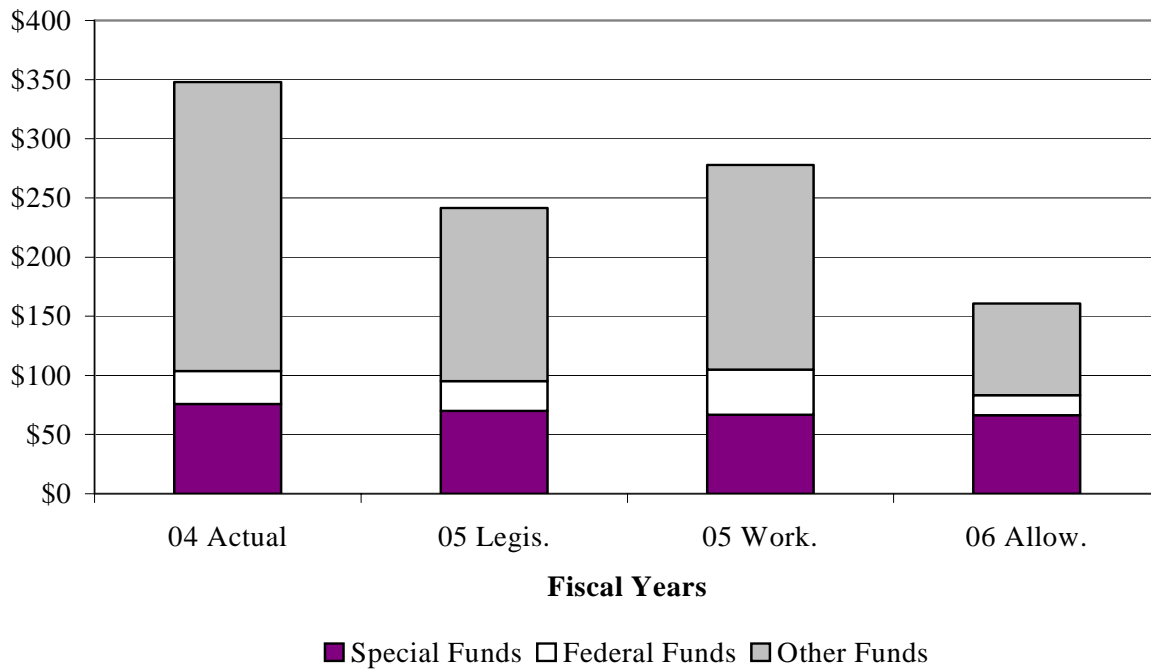
<u>Project</u>	<u>Other Source</u>	<u>FY 2005</u>	<u>FY 2006</u>
Elm Road Parking Structures and Surface	MdTA	\$9,350	
Consolidated Rental Car Facility	CFC	2,361	
15R Parallel Taxiway and Ramp	PFC	4,089	
Central Utility Plant	MdTA	2,651	
BWI Shuttle Bus Fleet Acquisition	COPs	15,400	
CUTE for International Terminal Buildout	PFC	1,472	
Construction for CUTE in International Terminal	PFC	1,508	
BWI Landscaping	MdTA	275	
Concourse A Expansion	PFC	7,334	\$3,166
Concourse A Expansion	MEDCO	75,062	30,192
Terminal Entrance Roadway Phase II	PFC	48,571	28,258
Hagerstown Airport	Direct Federal	5,000	8,000
Martin Hangar – Black and Decker	MEDCO		1,604
Concourse B/C Airfield Ramp Repaving	PFC		5,442
Concourse B/C Airfield Ramp Repaving Phase II	PFC		711
Total MAA Other Funds		\$173,073	\$77,373

MdTA = Maryland Transportation Authority
 CFC = customer facility charges
 PFC = passenger facility charges
 COPs = Certificates of Participation
 CUTE = Common Use Terminal Equipment
 MEDCO = Maryland Economic Development Corporation

Source: Maryland Department of Transportation

Exhibit 6 provides cash flow information for the MAA capital program from fiscal 2004 to 2006. The total capital program in fiscal 2006 is \$187 million less than the program in fiscal 2004. This change is almost entirely due to the shift in other funds because of the progress/completion on the BWI expansion program.

Exhibit 6
MAA Capital Program Cash Flow Changes
Fiscal 2004 – 2006
(\$ in Millions)



Source: Maryland Aviation Administration, January 2005 *Consolidated Transportation Program*

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Exhibit 7 provides a list of MAA major *Consolidated Transportation Program* (CTP) construction projects funded in fiscal 2006. The 3 projects listed account for nearly 90% of all major projects in the construction program.

Exhibit 7
MAA Major CTP Construction Projects Funded in Fiscal 2006
(\$ in Thousands)

<u>Project</u>	<u>FY 2006</u>	<u>Total \$</u>	<u>Completion of Fiscal 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.	\$33,358	\$220,241	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 windows and flooring.	28,258	181,660	2007
Hagerstown Airport Expansion – provides for a multi-year project to expand a runway at Hagerstown Regional Airport.	10,500	57,611	2010
Total	\$72,116	\$459,512	

Source: Maryland Aviation Administration, January 2005 *Consolidated Transportation Program*

Major Projects Added to the Construction Program

One project was added to MAA's construction program in the fiscal 2005 to 2010 CTP – the Hagerstown Airport expansion, a multi-year project to expand a runway. The project will lengthen a runway from 5,500 to 7,000 feet and includes associated land acquisitions, stormwater management, and roadway and bridge improvements to U.S. 11. This project was moved from MAA's system preservation minor programs to the construction program. Total project cost is estimated at \$57.6 million, and MDOT expects to contribute \$10.6 million.² Washington County expects to directly receive over \$40 million in federal funds as part of the Airport Improvement Program. \$10.5 million is budgeted for this project in fiscal 2006 including \$8 million in direct federal funds and \$2.5 million in special funds from MDOT. Preliminary design is underway.

² Total cost does not include any Washington County contribution.

Projects Moved from the D&E Program to the Construction Program

One project was moved from the development and evaluation (D&E) program to the construction program. The project moved is the Midfield Complex aircraft hangar at Martin State Airport. This project provides for the construction of a 20,000 square foot hangar in the midfield complex area for public aircraft maintenance, storage, and aviation-related support activities. \$2.4 million is budgeted in fiscal 2006, and MAA is considering using nontraditional debt to finance this project. Design is underway and construction is expected to begin in early fiscal 2006.

Projects Added to the D&E Program

One project was added to the D&E program. The project added is the Concourse B/C Fully Integrated Baggage Screening System and Baggage Claim. This project involves converting the existing baggage screening to in-line baggage handling systems with a fully integrated security system. \$1.2 million in special funds is budgeted in fiscal 2006 for engineering.

Projects Removed from the Construction and D&E Programs

As shown in **Exhibit 8**, three projects were removed from the construction and D&E programs.

Exhibit 8 **MAA Projects Removed from the D&E and Construction Programs** **(\$ in Thousands)**

<u>Project</u>	<u>Reason</u>
Mall Area Development at BWI Airport (removed from D&E) – provides for the planning and preliminary engineering of potentially multiple uses in the area beyond the Hourly Garage.	This project was removed because development will now be coordinated with the Airport Master Plan.
Terminal Building Expansion at BWI (removed from D&E) – identifies various expansion alternatives for the existing terminal building and addresses the feasibility and/or cost of each alternative, including potential impacts of new safety/security requirements and other facilities and/or services.	This project was removed because components have now been transferred to various other capital projects.
Runway Reconstruction at Martin State Airport (removed from construction) – provides for the reconstruction of the runway at Martin State Airport and includes the construction of a bypass taxiway and exit taxiways.	This project is contingent on federal funds and the resolution of planning and environmental components with the Federal Aviation Administration (FAA). These components have not been resolved with FAA.

Source: Maryland Aviation Administration, January 2005 *Consolidated Transportation Program*

BWI Expansion Program Update

Construction

BWI is in the process 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 9**, a total of \$855.8 million in projects are currently completed or in construction.

Exhibit 9
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 spaces)	13,797	Open	Sep 02
Terminal Entrance Roadway Improvements Phase I – curbside extension and new terminal access/return roadway	57,235	Complete	May 03
Consolidated Rental Car Facility	131,922	Open	Dec 03
Utility Upgrades – Central Utility Plan Expansion and Electrical Substations Upgrades	23,804	Complete	Jul 04
Comprehensive Sign Program	4,641	Complete	Sep 04
Daily A Parking Garage (8,400 spaces)	156,901	Open	Dec 04
15R Parallel Taxiway and Aircraft Parking Ramp	60,637	Complete	Dec 04
Terminal A/B Expansion	220,241	Construction	Dec 05
Terminal Entrance Roadway Improvements Phase II – pedestrian skywalks and upper level roadway widening	181,660	Construction	Nov 06
Skywalk at Pier D		Open	Nov 03
Skywalk at Pier B		Open	May 04
Hourly Garage central spine		Open	Nov 04
Total	\$855,838		

Source: Maryland Aviation Administration, January 2005 *Consolidated Transportation Program*

Development and Evaluation

The remaining projects that make up the \$1.8 billion total expansion program are in the D&E phase. No construction money is currently budgeted for these projects. As shown in **Exhibit 10**, there are four major projects that account for just under \$1 billion in estimated future spending.

Exhibit 10 BWI Future Expansion D&E Projects

<u>Project</u>	<u>Status</u>	<u>Start</u>
BWI Master Plan and Environmental Studies – will develop a 20-year projection of location and facility improvements necessary to meet future aviation demand since the last approved Master Plan from 1987 is close to being completely constructed.	\$4.5 million in the CTP for planning and environmental studies	Preliminary planning to begin in fiscal 2005
Runway Safety Area Environmental Assessment – will develop improvements and determine environmental impact of providing an extended level of safety at the end of all runways to comply with Federal Aviation Administration requirements.	\$4 million in the CTP for engineering and environmental studies	Environmental analysis to begin in fiscal 2005
Concourse B/C Fully Integrated Baggage Screening System – develop design for converting the existing baggage screening to in-line baggage handling systems with a fully integrated baggage security system.	\$4.6 million in the CTP for engineering	Design is underway
People Mover System – provides for better access and traffic management of the multiple modes of transportation serving the airport, proposed Phase I system 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 2005

Source: Maryland Aviation Administration, January 2005 *Consolidated Transportation Program*

Issues

1. Consolidated MAA Facility

Narrative in the 2004 *Joint Chairmen's Report (JCR)* directed MAA to provide an update on proposals for a new consolidated MAA facility. MAA currently occupies space at six locations in and around BWI. This includes two leased locations and a number of State-owned facilities including the BWI terminal building. MAA submitted a report in December 2004 that outlined a plan to build a new Airport Administration Office Building (AAOB). AAOB would be an extension of the existing terminal that would serve as a centralized administration facility for MAA. The proposed facility will consolidate 11 airport offices and approximately 220 MAA employees into one new structure.

During MAA's early years, the entire staff was housed at the BWI terminal building. As the number of passengers grew at BWI, so did the MAA personnel. MAA's staffing requirements have now far exceeded the capacity of the BWI terminal building. Some of the most significant problems of the current situation include:

- MAA staff is dispersed at six locations in and around BWI;
- decentralized staff locations often make effective coordination and communication difficult;
- there is lack of easy access to the main terminal and airfield;
- the current situation results in operational and financial inefficiencies; and
- there is insufficient space in the main terminal to meet MAA's staffing needs.

MAA has developed four alternatives in response to the need for a new consolidated MAA facility:

- **Alternative 1 – Do Nothing and Continue Current Leases:** assumes that MAA would not relocate but remain in its existing locations.
- **Alternative 2 – Consolidate MAA's Offices under a New Lease:** assumes that MAA would lease new space to consolidate its administrative operations at a single location. The leased location at 901 Elkridge Landing expires June 30, 2005, and the location at 991 Corporate Boulevard expires October 31, 2005.
- **Alternative 3 – Consolidate MAA's Offices by Building and Financing a New Building:** assumes MAA would construct a consolidated administrative building, financing the project through the use of public debt.

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- **Alternative 4 – Consolidate MAA’s Offices by Building and Financing a New Building including Aviation-related Lease Space:** similar to Alternative 3 but includes 41,500 square feet of additional space in the new building for aviation-related tenants. Current tenants and business partners at BWI have approached MAA requesting office and support space. MAA has found meeting those requests very challenging.

MAA conducted a net present value (NPV) cost comparison of the four alternatives over a 30-year timeframe and found Alternative 4 to be the most cost effective. All amounts are in 2004 dollars.

- **Alternative 1:** No capital cost and \$26.3 million net present cost.
- **Alternative 2:** No capital cost and \$21.5 million net present cost. NPV savings: \$4.8 million.
- **Alternative 3:** \$26.9 million capital cost, \$10.1 million net present cost (includes operating and maintenance costs, main terminal lease revenue, and depreciation). NPV savings: \$16.2 million.
- **Alternative 4:** \$36.5 million capital cost, \$4.2 million net present cost (includes operating and maintenance costs, main terminal lease revenue, depreciation, and AAOB lease space revenues). NPV savings: \$22.1 million.

MAA also performed a cash flow analysis over a 30-year timeframe on Alternatives 3 and 4 to assess the net fiscal impact on the TTF. For both alternatives, the initial annual costs are greater than the income/rent savings, causing a negative cash flow impact to the TTF. This condition continues in both cases for 9 years until producing a positive cash flow for the first time in year 10. The cumulative fiscal impact on the TTF then does not zero out for another 7 years. **Exhibit 11** provides a cash flow analysis estimated by MAA for Alternatives 3 and 4.

Exhibit 11
AAOB Cash Flow Summary
Alternatives 3 and 4

	<u>First 10-year Impact</u>	<u>Breakeven Point</u>	<u>30-year Impact</u>
Alternative 3	-\$2,808,455	Year 17	\$24,249,568
Alternative 4a (90% fill rate)	-3,809,607	Year 17	33,817,477
Alternative 4b (70% fill rate)	-5,826,138	Year 20	24,084,272

Source: Maryland Aviation Administration

MAA tested two methods of capital debt financing and determined that COPs are the most beneficial way to fund the project. Unlike consolidated transportation bonds, the other method tested, COPs can be issued with up to a 30-year maturity date, a better match to the life of the building.

MAA engaged in a site selection study of seven possible sites to determine a new location for AAOB. Based on the evaluations, the site adjacent to the MDOT Headquarters Building did not surface as a viable alternative. MAA identified a site of the former rental car maintenance facility as the most desirable location. Benefits include current availability, good site access, few environmental constraints, compatibility with existing and future airport development, minimal utility conflicts, potential for low construction costs, and good proximity to the main terminal airfield areas. MAA advises that site preparation could begin as soon as late 2005. Ground breaking for the building is proposed for spring 2006, with building completion scheduled for late 2007.

The Department of Legislative Services (DLS) recommends that MAA take into consideration the findings of the study when developing future capital plans. Before moving forward with either Alternative 3 or 4, the project should be incorporated in the department's Consolidated Transportation Plan. MAA should be prepared to demonstrate to the General Assembly that Alternative 4 has significant advantages over Alternative 3. Given the availability of office space in the area of BWI, it is unclear why MAA needs to provide current tenants and business partners office and support space in the proposed AAOB.

2. BWI Shuttle Bus Purchase

During the 2004 session, there was interest in an MAA proposal to purchase 50 40-foot low-floor buses for parking shuttle services at BWI. The concept was to purchase the buses and then lease them back to a contractor, rather than have the contractor provide the service. Given past problems with customer service and maintenance, concerns were raised with MAA's ability to improve these areas. MAA indicated that owning a shuttle bus fleet would provide greater leverage over customer service issues and maintenance. MAA predicted that three things would occur if it owned the bus fleet:

- more competitive bidding;
- more opportunity for minority firms to participate in the delivery of service; and
- the cost of service would be reduced.

MAA issued a Request for Proposals for parking shuttle service at BWI in June 2004, after receiving approval from the budget committees to purchase a bus fleet for the service. Eight firms bid on the project compared to only one firm the last time competitive bids were solicited. The contractor selected has subcontracted 30% of the service to certified minority firms. MAA advises that the first year of the new contract is \$3.2 million less than the previous year under the old contract. Cost savings are achieved because MAA now owns the buses, and new buses have less maintenance expenses.

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In October 2004, MAA issued \$15.5 million in COPs to finance the buses. The new shuttle bus fleet was delivered to MAA between November and December of 2004. The new contract began in January 2005. The operator, First Transit, is one of the largest private providers of transportation services in the country. It has operated about 20% of the Montgomery County Ride On bus program for over five years. The new contract provides for additional customer service features, such as customer service representatives at the terminal as well as penalties for underperforming. MAA also contracts out individuals that periodically use the service and then evaluate performance.

First Transit has subcontracted with Atlantic Equipment Leasing (ATEL) Company, based in Landover, to perform bus maintenance at a dedicated facility close to BWI. ATEL is a large bus fleet management and service company involved in local bus services in Prince George's County and other Maryland suburbs of Washington, DC. MAA has hired a bus specialist to oversee the bus maintenance program of First Transit and ATEL. The bus maintenance program encompasses manufacturer recommended preventive maintenance and repair procedures and industry standards for heavy duty transit buses.

DLS recommends that MAA comment on (1) the current status of the new shuttle bus fleet at BWI; (2) what it is doing to improve customer service issues, improve maintenance, and reduce costs; and (3) how the new shuttle bus contract is an improvement over the previous contract.

Operating Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funds for advertising and promotional events. In addition to the Maryland Aviation Administration's (MAA) advertising contract to promote Baltimore/Washington International Airport and Martin State Airport, the budget includes funds for legal notices, personnel recruitment, and notices of public hearings. MAA also has funds budgeted for promotional events including participation costs for receptions, shows, and exhibits with airlines and other tenants.	\$ 100,000	SF
2. Reduce funds for groundskeeping to fiscal 2004 actual levels. The Maryland Aviation Administration provides for temporary seasonal maintenance activities for Baltimore/Washington International Airport such as grass/bush cutting, snow removal, trash pickup, and other unskilled labor requirements.	73,081	SF
3. Reduce funds for education and training contracts to fiscal 2004 actual levels. The Maryland Aviation Administration (MAA) purchases services to train MAA employees in areas addressed in the MAA Master Training Plan, General Aviation Safety programs, and a new American Association of Airport Executives training program. MAA also provides funding for tuition reimbursement to MAA permanent employees.	70,583	SF
4. Reduce funds for international marketing and promotional activities to fiscal 2004 actual levels. The Maryland Aviation Administration (MAA) supports marketing and promotional activities of MAA's representatives in London, Brussels, and Tel Aviv. Activities include sales calls, trade shows, and other marketing activities.	22,905	SF

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- | | | | |
|----|--|--------|----|
| 5. | Reduce funds for employee awards to fiscal 2004 actual levels. The Maryland Aviation Administration provides an employee awards program that began in fiscal 2002. The Maryland Department of Transportation also has an innovative ideas award program that encourages employees to submit ideas which produce identifiable operating savings and/or results in more efficient methods for the delivery of governmental services. | 21,009 | SF |
|----|--|--------|----|

Total Special Fund Reductions

\$ 287,578

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Update on Minority Business Enterprise

Fiscal 2005 budget bill language required MAA to submit a report by January 1, 2005, regarding its efforts to meet the statewide 25% Minority Business Enterprise (MBE) goal on contracts above \$50,000. The language also required MAA to include actions taken to enhance its MBE program. In response, MAA submitted a report to the legislature in January 2005. The following provides highlights from the report.

- MAA awarded approximately \$122 million in fiscal 2004 and \$94 million in fiscal 2005 for all procurement contracts.
- In fiscal 2004, approximately \$30.5 million, or 25% of contracts, was awarded to MBEs. Of that amount, African-American-owned businesses received approximately 7%, or \$8.2 million, of total contract awards. Women-owned businesses were awarded over 3%, or \$4.1 million of total contract awards.
- In fiscal 2005, approximately \$51 million in contracts, or 54%, have been awarded to MBEs through September 2004.
- MAA and MDOT have an active outreach program to small and MBE business owners. The program includes MAA's annual event titled: "Synergy: A Business Networking Affair." Held annually in November, the event aims at pairing small and minority-owned businesses with prime contractors currently doing business with MAA. Over 300 small and minority business owners attended the November 2004 event.
- In the summer of 2004, MAA, in conjunction with BAA, held an outreach event for small and minority business owners. Held at the BWI Marriott Hotel, there were over 500 attendees seeking business opportunities on the new food, beverage, and retail contract at BWI.
- MAA has decided to develop a new five-year strategic plan for small and minority business participation on MAA contracts. The strategic plan will establish a comprehensive set of programs aimed at attracting an expanded population of small and minority business owners to airport business opportunities. MAA plans to provide a copy of the strategic plan to the Maryland General Assembly upon completion.
- During 2005, MAA will establish a BWI Small and Minority Business Advisory Council (BWI SMBAC) to assist in developing strategies for expanding small and minority business participation on MAA contracts. The BWI SMBAC will consist of representatives of area associations aimed at growing business opportunities for small and minority-owned businesses.

2. New Concessions Contract at BWI

Narrative in the 2004 JCR directed MAA to give employees under the old concessions contract at BWI first consideration in the hiring process under the new concessions contract. The Board of Public Works approved BAA as the new concessionaire for BWI on March 16, 2004. BAA began the transition and construction phase of its contract on May 1, 2004, with the former concessions operator turning over operations in late May and early June of 2004. Since that time, BAA has managed the concessions program while completing planning for the new Concourse A as well as planning renovations for all concessions throughout the airport. The new concessions program has brought a number of new food and beverage service concepts to BWI, as well as retail carts similar to those seen in leading malls throughout the area. BWI anticipates the opening of a number of new food, beverage, and retail offerings in early 2005.

As part of its contract, BAA agreed to provide first preference in hiring for employees of HMS Host, the former concessionaire. A job fair exclusively for HMS Host employees was held in April 2004. Of the approximately 500 employees of the former concessionaire, more than 90% were offered positions. Under HMS Host, retail locations were operated by sublessees, all of whom were offered, and accepted, subleases by BAA.

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 2004					
Legislative Appropriation	\$0	\$110,045	\$199	\$0	\$110,244
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	6,216	81	116	6,413
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-654	0	0	-654
Actual Expenditures	\$0	\$115,607	\$280	\$116	\$116,003
Fiscal 2005					
Legislative Appropriation	\$0	\$121,711	\$241	\$0	\$121,952
Budget Amendments	0	927	0	0	927
Working Appropriation	\$0	\$122,639	\$241	\$0	\$122,879

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

Fiscal 2004

Fiscal 2004 expenditures at MAA totaled \$116.0 million, which is \$5.8 million more than the legislative appropriation. The \$5.8 million increase occurred with a \$5.6 million net increase in special funds, an \$81,000 increase in federal funds, and a \$115,900 increase in reimbursable funds.

Special funds increased by a net of \$5.6 million with a \$6.2 million increase in budget amendments and a \$654,000 decrease in cancellations. The amendments were (1) \$4.1 million for resources necessary to keep the Maryland transportation system operational during severe winter weather conditions; (2) \$1.4 million for expenses associated with Hurricane Isabel; and (3) \$698,000 for additional fuel at Martin State Airport. The \$654,000 in cancellations occurred due to accrual adjustments.

Federal funds increased by \$81,000. The \$81,000 amendment was for additional fuel at Martin State Airport.

Reimbursable funds increased by \$115,900 due to two amendments. The amendments were (1) \$115,000 from the Maryland Emergency Management Agency (MEMA) for computer simulated training exercises; and for BWI Fire and Rescue equipment and upgrades; and (2) \$900 from MEMA to purchase five Nextel phones for emergency response personnel.

Fiscal 2005

The fiscal 2005 operating working appropriation increases by \$927,297 over the fiscal 2005 legislative appropriation. The change is due to (1) a special fund amendment increase of \$350,000 to fund the first six-month COPs payment for MAA's new shuttle buses; and (2) a special fund amendment increase of \$577,297 to fund the cost-of-living adjustment granted to all eligible State employees. A summary of the fiscal 2005 amendments is included in **Appendix 5**.

Audit Findings

Audit Period for Last Audit:	March 1, 2000 – August 31, 2002
Issue Date:	June, 2003
Number of Findings:	11
Number of Repeat Findings:	1
% of Repeat Findings:	9%
Rating: (if applicable)	

- Finding 1:** MAA did not obtain sufficient guidance from the FAA regarding whether air carriers can retain compensation fees on refunded tickets. Certain air carriers retained these fees and others did not.
- Finding 2:** Revenues from certain air carriers and concessionaires were not verified to ensure that the amounts received were proper.
- Finding 3:** MAA did not obtain the proper fees from certain air carriers and concessionaires, resulting in a loss of revenue of approximately \$133,000.
- Finding 4:** **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**
- Finding 5:** Internal controls were inadequate over the processing of non-cash credit adjustments.
- Finding 6:** Physical access to the main computer room was not properly restricted.
- Finding 7:** MAA did not have a formal disaster recovery plan.
- Finding 8:** Computer security was not sufficient.
- Finding 9:** Proper internal controls were not established over warehouse materials and supplies inventories.
- Finding 10:** Internal controls were inadequate over disbursements from the working fund accounts.
- Finding 11:** Physical inventories were not conducted in accordance with the Department of General Services' *Inventory Control Manual*.

* Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	484.00	490.00	490.00	0	0%
02 Contractual	4.00	4.00	2.00	-2.00	-50.0%
Total Positions	488.00	494.00	492.00	-2.00	-0.4%
Objects					
01 Salaries and Wages	\$ 29,562,264	\$ 30,956,392	\$ 31,928,967	\$ 972,575	3.1%
02 Technical & Spec Fees	1,307,838	1,805,553	1,470,017	-335,536	-18.6%
03 Communication	1,775,259	1,499,720	1,556,416	56,696	3.8%
04 Travel	181,241	184,601	184,601	0	0%
06 Fuel & Utilities	7,260,673	7,108,794	10,943,130	3,834,336	53.9%
07 Motor Vehicles	1,165,874	926,921	899,161	-27,760	-3.0%
08 Contractual Services	53,224,351	64,350,928	80,745,672	16,394,744	25.5%
09 Supplies & Materials	5,429,419	5,346,577	5,393,739	47,162	0.9%
10 Equip - Replacement	368,949	0	0	0	0.0%
11 Equip - Additional	435,524	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	166,894	385,412	468,857	83,445	21.7%
13 Fixed Charges	4,622,607	5,858,380	20,521,532	14,663,152	250.3%
14 Land & Structures	10,501,660	4,455,966	6,009,767	1,553,801	34.9%
Total Objects	\$ 116,002,553	\$ 122,879,244	\$ 160,121,859	\$ 37,242,615	30.3%
Funds					
03 Special Fund	\$ 115,606,708	\$ 122,638,744	\$ 159,881,359	\$ 37,242,615	30.4%
05 Federal Fund	279,945	240,500	240,500	0	0%
09 Reimbursable Fund	115,900	0	0	0	0.0%
Total Funds	\$ 116,002,553	\$ 122,879,244	\$ 160,121,859	\$ 37,242,615	30.3%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

Fiscal Summary
MDOT – Maryland Aviation Administration
Operating and Capital Budget

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
2021 BWI Operations	107,709,926	115,368,060	152,475,207	37,107,147	32.2%
2022 Martin State Airport	7,892,114	7,053,117	7,178,438	125,321	1.8%
2023 Regional Air Development	400,513	458,067	468,214	10,147	2.2%
2030 Facilities and Capital Equipment	48,195,669	99,445,000	78,851,000	-20,594,000	-20.7%
1244 Common Use Terminal Equipment	9,902	0	0	0	0%
1248 Parking Guidance System	2,743,479	533,000	0	-533,000	-100.0%
1334 800 MHz Emergency Digital Trunked Radio	211,563	1,993,000	4,376,000	2,383,000	119.6%
1335 FIDS/BIDS Upgrade	0	2,823,000	106,000	-2,717,000	-96.2%
Total Expenditures	\$ 167,163,166	\$ 227,673,244	\$ 243,454,859	\$ 15,781,615	6.9%
Special Fund	\$ 157,968,309	\$ 189,392,744	\$ 226,326,359	\$ 36,933,615	19.5%
Federal Fund	9,078,957	38,280,500	17,128,500	-21,152,000	-55.3%
Total Appropriations	\$ 167,047,266	\$ 227,673,244	\$ 243,454,859	\$ 15,781,615	6.9%
Reimbursable Fund	\$ 115,900	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 167,163,166	\$ 227,673,244	\$ 243,454,859	\$ 15,781,615	6.9%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Budget Amendments for Fiscal 2005
Maryland Department of Transportation
Maryland Aviation Administration – Operating**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$350,000	Special	Fund the first six-month COP payment for MAA’s new shuttle buses to/from parking facilities. MAA is entering into a new contract for shuttle bus operations in January 2005 with COPs being issued in October 2004 to enable the purchase of 50 new shuttle buses.
Pending	477,297	Special	Fund the COLA* of \$752 granted to all eligible State employees. MDOT estimates the total cost to be \$843 per employee, when benefits are included.
Proposed	1,725,487	Special	Due to utility deregulation, the statewide contract for fuel and utilities will increase significantly. Electricity is expected to increase 26% and the fuel increase is projected at 10%.
Proposed	40,000	Federal	Canine increase based on latest cooperative agreement.
Proposed	1,157,552	Special	Fuel prices have increased per shipment by approximately \$3,000; therefore, to provide the same level of activity as fiscal 2005, additional funding will be needed. These costs are fully recoverable through actual fuel sales.
Proposed	49,894	Federal	Supplement to the Department of Justice Grant #2002-DD-BX-0056 for variable message signs and training approved July 2004.

* cost-of-living adjustment

Source: Maryland Aviation Administration

**Budget Amendments for Fiscal 2005
Maryland Department of Transportation
Maryland Aviation Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$48,881	Special	Fund the COLA* of \$752 granted to all eligible State employees. MDOT estimates the total cost to be \$843 per employee, when benefits are included.
Proposed	-6,768,536	Special	Realigns the current year appropriation to agree with the expected cash flow for capital projects (other than major information technology projects) in MDOT's CTP for fiscal 2005 through 2010.
	12,978,000	Federal	
	\$6,209,464	Total	
Pending	3,356,000	Special	Realigns the current year appropriation to agree with the expected cash flow for Major IT projects in MDOT's CTP for fiscal 2005 through 2010.
	66,000	Federal	
	\$3,422,000	Total	
Proposed	64,789	Special	Due to utility deregulation, the statewide contract for fuel and utilities will increase significantly. Electricity is expected to increase 26% and the fuel increase is projected at 10%.

* cost-of-living adjustment

Source: Maryland Aviation Administration

Fiscal 2006 Cost Containment Actions
As Submitted by the Agency
Estimated Fiscal 2006 Savings Compared to Fiscal 2005
(\$ in Thousands)

<u>Cost Saving Action/Efficiency Measure</u>	<u>Program Code</u>	<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
Reduce cleaning	I0002	-\$613		-\$613		See Item 1 Below
Reduce overtime by 15%	I0002	-266		-266		See Item 2 Below
Reduce vehicle maintenance by 5%	I0002	-46		-46		No Impact
Savings in MdTA police due to vacancies	I0002	-650		-650		No impact
Eliminate appropriation for penalties	I0002	-50		-50		No Impact
Reduce consultants by 25%	I0002	-275		-275		See Item 3 Below
Reduced printing by 10%	I0002	-25		-25		No impact
Eliminate two vacant contractual positions	I0002	-58		-58	-2	No impact
Total		-\$1,983		-\$1,983	-2	

Impact of Action Items

1. MAA and the contractors were able to combine services to reduce the contractual obligation. However, the contractual obligation is still \$514,795 more than our request. In addition, Concourse A will be coming on-line May 2005 adding approximately 500,000 square feet. In order to remain within the requested allowance, some services will need to be reduced.
2. Fiscal 2004 overtime actuals included approximately \$500,000 for overtime related to snow removal activity. The fiscal 2006 request of \$1,508,322 represents the required overtime needed to address backlogged maintenance activity, fire rescue, and shift coverages.
3. MAA anticipates fewer service contract negotiations in fiscal 2005 requiring consultant assistance based on contract expiration dates. In addition, the agency's audit plan has reallocated in-house staff resources reducing the need for outside audit services.