



Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

James T. Smith, Jr.
Secretary

January 15, 2015

The Honorable Thomas V. "Mike" Miller, Jr.
President
Maryland Senate
State House, H-107
Annapolis MD 21401

The Honorable Michael E. Busch
Speaker
Maryland House of Delegates
State House, H-101
Annapolis MD 21401

Dear President Miller and Speaker Busch:

Attached is a report concerning the Maryland Aviation Commission Annual Report to the General Assembly as required in the Annotated Code of Maryland, Transportation Article, Section 5-201.2. The language states:

"(a) Subject to §2-1246 of the State Government Article, the Commission shall report by January 15 of each year to the General Assembly on the activities of the Commission during the previous year.

(b) The report shall include:

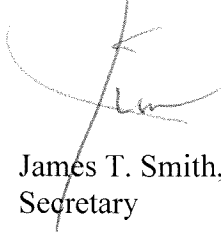
- (1) A review of the financial and operational results for all State-owned airports during the previous year and any recommendations of the Commission for future changes in legislation, capital funding, or operational flexibility;*
- (2) Subject to review by the Department of Budget and Management, an estimate of all expenditures necessary for the operation of the Commission. The estimate shall identify staff resources allocated to the Commission that are provided by the Department or other State agencies; and*
- (3) Actions taken by the Commission pursuant to § 5-201.1(a) of this subtitle, including the consideration of the comparative status of employees serving at comparable airports or aeronautical agencies."*

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

The Honorable Thomas V. "Mike" Miller, Jr.
The Honorable Michael E. Busch
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If you have questions or concerns, please do not hesitate to contact Mr. Paul Wiedefeld, A.A.E., Maryland Aviation Administration, Executive Director/CEO, at 410-859-7060. Of course, you should always feel free to contact me directly.

Sincerely,

A handwritten signature in dark ink, appearing to read "James T. Smith, Jr.", is written over a large, light-colored "X" mark that spans across the signature area and the name below it.

James T. Smith, Jr.
Secretary

Attachment

cc: The Honorable Edward J. Kasemeyer, Chair, Senate Budget and Taxation Committee
The Honorable Maggie McIntosh, Chair, House Appropriations Committee
Mr. Paul Wiedefeld, A.A.E., Maryland Aviation Administration, Executive
Director/CEO

A Report to the Maryland General Assembly

regarding

**Maryland Aviation Commission Annual Report
Transportation Article, § 5-201.2**

January 2015

Maryland Department of Transportation

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SECTION I

BACKGROUND

Creation of the Maryland Aviation Commission

The 1994 General Assembly passed Chapter 457, Acts of 1994 (Transportation Article, §5-201.2 (c)) creating the Maryland Aviation Commission, effective October 1, 1994. The Commission is the successor to the BWI Airport Commission, a gubernatorial advisory panel created in September 1993 by Executive Order.

The Maryland Aviation Commission consists of nine voting members. Eight of the members are appointed by the Governor with the advice and consent of the Senate, with the Secretary of the Maryland Department of Transportation serving as Chair and ninth voting member, and the Secretary of the Maryland Department of Business and Economic Development serving as a nonvoting ex officio member. The Commission's duties include:

- Establishment of policies to improve and promote Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall) as an airport of service to the Washington-Baltimore Metropolitan area;
- Approval of regulations for the operation of State-owned airports prior to adoption by the Executive Director, Maryland Aviation Administration (MAA);
- Direction to MAA in developing and implementing airport management policy for all State-owned airports;
- Approval of major capital projects at State-owned airports as defined in the Transportation Article, §2-103.1(a) (4), Annotated Code of Maryland;
- Consideration of information and advice from air carriers, airport concessionaires, the airport support services industry and citizen advisory groups in carrying out the provisions of law relating to the Maryland Aviation Commission; and
- Determination of qualifications, appointment and compensation for 12 senior management personnel positions and provide advice to the Chair on the appointment or removal of the Executive Director.

SECTION II

MARYLAND AVIATION COMMISSION MEMBERS

James T. Smith, Jr., Chairman

Secretary, Maryland Department of Transportation

Maurice Bellan, Esq.

Gregory V. Billups

Gerry L. Brewster

Erwin L. Greenberg

Anwer Hasan

(Commission effective March 24, 2014)

Raymond C. Nichols

Michele K. Ryan

William P. Wentworth

Calman J. Zamoiski

Dominick E. Murray

Secretary, Maryland Department of Business & Economic Development
ex officio, nonvoting member

SECTION III

MESSAGE FROM THE CHAIRMAN

Commercial service and general aviation airports across Maryland play crucial roles in the economic health of the State. A January 2014 editorial in *The [Annapolis] Capital* newspaper highlighted Baltimore/Washington International Thurgood Marshall Airport as “a spark plug for the Maryland and local economies.” Martin State Airport (MTN) and the 36 other public-use airports in Maryland also support jobs and economic activity in communities across the State. These aviation facilities provide important transportation services and economic development resources.

BWI Marshall is the 22nd busiest airport in the United States, serving more than 22 million passengers per year. International passenger traffic has grown steadily in recent years at BWI Marshall. *The Baltimore Sun* newspaper noted in November 2014 that BWI Marshall is on “an international hot streak.”

In late 2014, WOW air, a growing low-fare international airline based in Iceland, announced that it would start transatlantic service at BWI Marshall in June 2015. WOW air will offer service between BWI Marshall and Iceland, with connections beyond to several other European markets.

Southwest Airlines, the largest carrier at BWI Marshall, entered the international marketplace in July 2014. The airline launched the first-ever international service in its entire system from BWI Marshall. The start of international service by Southwest was a very important step for the carrier and for the Airport.

By the end of 2014, Southwest Airlines offered service to five international markets from BWI Marshall, with two additional international destinations planned for Spring 2015. The new route announcements were a positive sign for continued international expansion at BWI Marshall. In September 2014, Southwest chief executive Gary Kelly told the crowd at a Greater Washington Board of Trade event that “BWI will be front and center of that [international] opportunity.”

BWI Marshall is expanding opportunities for growth as a convenient, efficient airport for travelers throughout the region. With the recent and projected growth in international traffic, BWI Marshall is nearing the start of construction on the D/E Connector Program. This next major phase of terminal development, scheduled to start in early 2015, will improve passenger services and enhance international capacity. The construction program will help ensure an excellent travel product for customers while providing the opportunity for further international growth by the airlines.

Our dedicated employees at BWI Marshall, MTN, and with the MAA’s Office of Regional Aviation Assistance work tirelessly to support aviation and local communities throughout Maryland. I thank and acknowledge all MAA employees for their hard work and dedication. The MAA is committed to high-level service for our airport customers and partners, and on behalf of public use airports throughout the State of Maryland. In addition, I thank the Maryland Aviation Commission and the Maryland General Assembly for their continued leadership and commitment to aviation in our State.

SECTION IV

OVERVIEW OF MARYLAND AVIATION ADMINISTRATION AIRPORT ACTIVITIES AND ACCOMPLISHMENTS FOR 2014*

The mission of the Maryland Aviation Administration (MAA) is to foster the vitality of aviation State-wide to promote safe and efficient operations, economic viability, and environmental stewardship. MAA operates two airports, Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall) and Martin State Airport (MTN). In addition, the MAA Office of Regional Aviation Assistance develops and regulates aviation activities at Maryland's 36 public-use airports.

BWI Marshall

Based on economic data from Calendar Year (CY) 2010, BWI Marshall supports 93,791 total jobs. The overall airport activity produces an estimated \$527 million in tax revenue for State and local governments and \$195 million in federal tax revenue. Furthermore, BWI Marshall produces \$3.6 billion in personal wages and is responsible for \$5.6 billion in business revenue for the State.

In Fiscal Year (FY) 2014, 22.2 million passengers flew through BWI Marshall, a slight decline compared to FY 2013. This figure made BWI Marshall the busiest airport in the Baltimore/Washington Region, surpassing both Dulles and Reagan National airports. The Airport has, on average, more than 300 daily departures to 75 nonstop destinations.

MTN

Martin State Airport is home to the Maryland State Police Aviation Headquarters, the Maryland Air National Guard, along with Baltimore County and Baltimore City Police Aviation Units. MTN continues to provide quality facilities and services in support of over 250 aircraft based at the airport along with those visiting the greater Baltimore metropolitan area, from around the world. In FY 2014, MTN handled more than 77,000 aircraft operations and generated over \$8.2 million in revenue for the fiscal year. Aviation fuel sales in FY 2014 exceeded 1.1 million gallons.

MTN continues to be an economic engine for the State of Maryland, supporting business travel activity along with generating tax revenues and income. Economic data from CY 2013 indicates MTN supports 1,971 total jobs and generates \$224.5 million in business revenues, up from \$209.3 million in CY 2010, and the associated State and local taxes of \$10.8 million in CY 2013, up from \$9.5 million in CY 2010.

In September 2014, Martin again hosted the U.S. Navy's Blue Angels flight demonstration team as part of the Star Spangled Spectacular, commemorating the 200th anniversary of the end of the war of 1812.

*Activities are for CY 2014, except as noted. FY data is based on FY 2014 (July 1, 2013 through June 30, 2014).

Regional Aviation Assistance

MAA continues to foster and develop aviation in Maryland by helping to provide airport infrastructure improvements to meet a wide variety of business and personal needs. In FY 2014, \$18.9 million was invested into Maryland's airport infrastructure (excluding BWI Marshall and MTN). MAA provided \$4.2 million in grants for airport improvements, while the Federal Aviation Administration (FAA) contributed \$13.2 million and airport owners invested \$1.4 million.

In accordance with COMAR 11.03.04, Aeronautical Regulations, 36 public-use facilities and 100 private-use facilities were inspected. Operating licenses or registrations were issued for continued operations to each of these facilities.

Partnering with FAA and the Maryland Airport Managers Association (MAMA), MAA continues to support aviation safety programs and aviation promotional activities to encourage the use of Maryland's aviation gateways. MAA hosted FAA safety counselor orientation and safety training seminars and continues to support MAMA in the *Explore Maryland by Air* program, designed to encourage flyers and non-flyers to visit the many regional airports across the State.

The 19th Annual Regional Aviation Conference was held in Frederick, Maryland, along with the Maryland Regional Festival of Flight, to promote safety initiatives and activities for airports, pilots and the aviation businesses.

Facilities Development and Engineering

The MAA Capital Program continues to focus on safety, security, capacity and system preservation, while maintaining a commitment to provide efficient and convenient airport facilities for passengers and airport tenants, consistent with Federal Aviation Administration (FAA) and Transportation Security Administration regulatory standards at BWI Marshall and MTN airports. Several new major capacity-enhancing projects are beginning at BWI Marshall. Preliminary design has started on a \$126.1 million extension to International Concourse E. The project will provide a two-gate extension with provisions for three additional interim gates at the end of the concourse. The extension will enable the airport to meet the rapid growth of international traffic fueled largely by Southwest Airlines' entrance into international markets with the integration of the former AirTran Airways. Included in the project scope is demolition of the Commuter Terminal at the end of Concourse D. The Commuter Terminal is no longer needed as airlines are parking their commuter and regional operations on the mainline gates. Demolition of the Commuter Terminal and construction of an aircraft apron over the existing footprint will provide additional Remote Overnight aircraft parking. At the same time a new \$16.0 million Checked Baggage Inspection System (CBIS) at the International Terminal is ready to start construction in early 2015. The existing baggage inspection system is at capacity. The new CBIS will be a fully integrated baggage screening system with capacity to meet projected international passenger growth. The new CBIS project will improve international baggage screening operations by optimizing TSA's screening operation; improving ergonomics for TSA staff; providing an environmentally controlled checked baggage screening area; and restoring the airport's previous baggage make-up capacity.

In addition, several major system preservation programs are underway at BWI Marshall. Design and construction procurement was completed for the \$125.0 million D/E Connector program.

The program will add a secure side corridor connecting Concourses D and E, create a new passenger security screening checkpoint in the Terminal area between Concourses D and E, reposition two existing gates to service either domestic or international flights, add moving walkway, widen and renovate the throat portion of Concourse D, and create a new sterile corridor to the International Arrivals area. Several early projects associated with the D/E Connector program are complete or underway: relocation of Air Canada Jazz, US Airways, and United Airlines; construction of an interim international in-bound baggage facility, and new building drainage outfall; procurement of two mobile lounges; and modification of existing gates E4 and E6. Construction of the D/E Connector will start in early 2015. The \$12.5 million Loading Bridge Replacement program started construction this fall, and will replace or reallocate passenger boarding bridges to reduce the overall age of the units at the airport. Also within the Terminal, construction was completed on the \$113.1 million B/C Connector and Concourse C Widening program. On the landside, the \$9.8 million Parking Revenue Control System is underway. The Express Parking Lot, Long Term Parking Lot A and Long Term Parking Lot B were converted to the new system in 2014.

On the airside, design and construction of the five-year, \$358 million Runway Safety Area, Standards and Pavement Improvement Program continue. Construction completed this year includes: \$45.8 million for Runway 10-28 Runway Safety Area, Standards and Pavement Improvements, \$0.1 million for Flight Kitchen Demising Wall, and the construction procurement of the \$89.3 million Airfield Standards and Pavement Rehabilitation project. Construction is underway on the \$83.2 million Runway 15R-33L Runway Safety Area, Standards and Pavement Improvements project. At MTN, system preservation initiatives include completion of: \$2.0 million for hangar roof replacement, \$0.9 million for landside pavement rehabilitation, \$0.6 for overhead utility improvements and \$0.3 million for dump truck and tractor replacements.

Other System Preservation initiatives completed at BWI Marshall include: \$6.9 million for landside pavement rehabilitation; \$6.4 million for miscellaneous repairs to buildings, passenger wait areas, structures, and bridges; \$6.0 million for airfield snow and emergency response units; \$3.9 million for airfield taxiway pavement repairs; \$1.9 million for Observation Gallery entrance and Concourse C corridor improvements; \$1.5 million for common use ticketing facilities, \$1.3 million for million sanitary sewer line replacement; \$1.0 million for ADA restroom improvements at BWI Marshall and MTN; and \$0.9 million for improvements to the Consolidated Rental Car Facility signage and tenant lots.

In 2014, MAA continued to conduct an Environmental Assessment (EA) for the first phase of development at MTN. Funding for this study is being partially funded by the FAA. Several meetings with regulatory agencies were held, and the portions of the study defining project Purpose and Need as well as Alternatives were submitted to the FAA for review. Proposed first phase improvements include runway and taxiway rehabilitation, obstruction removal, a potential site for a replacement air traffic control tower, and hangar and apron development.

Also in 2014, MAA resubmitted its updated BWI Marshall Airport Layout Plan (ALP) to the FAA, highlighting planned improvements between 2016 and 2020. During the FAA ALP review process, the FAA changed its policies regarding developments and land uses within the Runway Protection Zones (RPZ); thus, FAA required MAA to identify potential incompatible land uses within the RPZs and prepare plans to minimize the incompatible uses in conjunction with the ALP approval process. MAA submitted the revised draft ALP and the draft RPZ Analysis to the FAA in December 2014. FAA action is expected in Spring 2015. An EA for ALP-planned

development is targeted to commence in mid-2015 and be completed by the end of 2016. The ALP and EA approvals will pave the way for MAA to further improve the airfield, terminal and landside facilities at BWI Marshall.

Air Service Development

BWI Marshall handled 22.2 million passengers and 105,000 metric tons of cargo in FY 2014. The total number of international passengers using BWI Marshall in FY 2014 increased 13.5%.

Alaska Airlines began service between BWI Marshall and Seattle in September 2014. This service marked the first time in the history of BWI Marshall that year-round service was offered to Seattle. The MAA successfully completed the installation of common-use computer equipment at ticket counters and gates in order for Alaska to serve BWI Marshall.

Southwest Airlines continues to increase the number of domestic destinations served nonstop from BWI Marshall. During CY 2014, new year-round service has started to Dallas-Love Field and seasonal service to both Oakland and Portland, OR was offered in Summer 2014. The seasonal service to Oakland was so successful that Southwest will now offer year-round service beginning in January 2015. In addition, current seasonal service to Seattle will be converted to year-round in March 2015.

Spirit Airlines started new year-round service between BWI Marshall and Chicago-O'Hare in May and also began seasonal service between BWI Marshall and Minneapolis/St. Paul in May. Spirit has also announced plans to begin service to Houston-Intercontinental Airport from BWI Marshall in March 2015 and to add a second daily flight to Chicago-O'Hare for the summer 2015 season.

In the Summer 2014, BWI Marshall was the first airport in the Southwest system where they began flying international flights previously operated by AirTran Airways, starting with flights to Aruba, Montego Bay and Nassau, with service to Cancun following in August. In November, Southwest completed the transition with service to Punta Cana.

Nonstop service is offered from BWI Marshall to nine international cities, including Frankfurt, Germany (seasonal) and London, United Kingdom. In addition, Southwest has announced that it plans to start service to San Jose, Costa Rica in March of 2015 and to San Jose Del Cabo/Los Cabos, Mexico in June of 2015. In addition, WOW air, a low-fare airline based in Iceland, has announced that it will initiate service between BWI and Reykjavik, Iceland in June 2015.

No new fee waiver agreements were entered into in FY 2014. \$910,759 were associated with three agreements in FY 2014.

Commercial Management

AIRMALL Maryland continues its redevelopment of the terminal concession program. Several new restaurants and retail stores have opened in the past year, including Kraze Burger, Benefit Cosmetics, Passports Bar & Grill, Hudson News, Potbelly Sandwich Works and two Superior Shine locations on the concourses.

Additional new restaurants and retail shops scheduled to open in the first quarter of 2015 are Einstein's Bagels, Roseda Grille, Firkin and Flyer, Slapfish, Capital Teas and Green Beans

Coffee. Additional restaurants and retail concessions are currently being planned for many areas throughout the Airport including Concourse C, Concourse D, the new D/E Connector and the expanded Concourse E.

MAA revenues from food and beverage, retail, and services concessions increased 0.1 percent to \$13.15 million in FY 2014, while total concession sales increased 2.0 percent to \$111.8 million. Participation by Airport Concession Disadvantaged Business Enterprises operators in the concession program for FY 2014 was 36.69 percent overall, with food and beverage participation at 43.48 percent and retail at 23.70 percent.

The upward trajectory in revenues observed in FY 2012 and FY 2013 have become inverse for major commercial business activities (public parking, airport hotel, rental cars airport advertising, taxi, ground transportation) for FY 2014. The contract expiration of the Airport Hotel was the main stimulant for decline. Major commercial business revenues for FY 2014 totaled \$61 million, a decrease of 2.38 percent compared to FY 2013.

Airline revenue in FY 2014 was \$118,099,000, a one percent increase from FY 2013. During FY 2014, the total of airline leased space increased by 15,000 square feet when Southwest Airlines added three additional hold rooms on Concourse C and a new baggage make-up and transfer area to support their growing operation.

The current Use and Lease Agreement became effective on July 1, 2014. Two additional airlines became signatory to the new agreement, Condor Airlines and Air Canada. As anticipated, several signatory airlines returned leased space to the Airport. Mergers between United Airlines and Continental Airlines and American Airlines with US Airways have brought about space consolidations. Southwest Airlines also returned a significant amount of office space in the mezzanine area consolidating their administrative and crew offices into their other leased areas. The net difference in airline leased space at the inception of the July 2014 Use and Lease Agreement was a reduction of 24,000 square feet.

The D/E Connector project will entail some airline relocations in the current fiscal year. United Airlines ticketing and outbound baggage operation will be moved into space that US Airways vacated in their co-location with American Airlines. Delta Airlines will move two leased hold rooms that will be impacted by construction into former US Airways leased hold rooms. There will be some minor changes to the amount of airline leased space resulting from these moves.

Marketing

MAA launched Thanks Again, a passenger rewards and loyalty program that is currently in 170+ airports nationwide. Thanks Again is an airport-wide program where passengers earn airline miles or hotel points every time they park, shop or dine at BWI Marshall. The points are earned and tracked through secure credit card networks already in place; passengers simply register to link their credit card to their selected airline or hotel loyalty program. A host of marketing efforts included social media, the BWI Marshall website, various ads in the airport terminal, information cards distributed in all of the BWI Marshall parking facilities as well as by the participating concessions.

MAA marketing continues to promote BWI Marshall's parking products via social media, the Airport's website and by sending targeted e-blasts. The latest example includes promoting the First Half Hour Free in the Hourly Garage for the holiday season. A targeted e-blast was sent to over 100,000 recipients.

Summer 2014 flights to Frankfurt, Germany on Condor Airlines were promoted through a creative outdoor advertising campaign targeting Montgomery County and Washington D.C. travelers. MAA took the lead with Condor to promote Condor Airlines at the International Tourism Bourse in Berlin. No cooperative marketing funds were provided to any airline during 2014.

MAA continues to work with British Airways in support of increasing premium fare traffic on the BWI-London route by providing leads for corporations with international business, promotion by radio and tradeshow and facilitating international outreach to target markets.

Launch activities to promote the beginning of Alaska Airlines daily nonstop flights to Seattle were conducted, which included gate celebration, media, video, radio and BWI Marshall website.

MAA targeted Maryland and Washington D.C. sports audiences with advertising messages at the University of Maryland men's and women's basketball and football games, Orioles baseball and Ravens football with the "Easy Come, Easy Go" brand awareness messaging.

MAA promoted MTN and its fuel provider Phillips 66 with an online advertising campaign targeting general aviation pilots, schedulers and dispatchers.

MAA marketing staff continues to utilize social media including Twitter, Flickr, YouTube and Facebook as well as maintain the BWI Marshall website with real-time information and alerts.

Operations and Maintenance

Safety, security, system preservation and improving customer amenities continued to be the focus for BWI Marshall in 2014. Yearly, the FAA mandates and conducts a comprehensive inspection and audit of commercial airports for compliance with federal aviation safety regulations as outlined in Title 14, Code of Federal Regulations Part 139, Certification of Airports. For the fourth consecutive year, BWI Marshall passed this annual Airport Safety and Certification Inspection without any repeat discrepancies.

As part of meeting our life-safety requirements the Airport Fire and Rescue Department (FRD) responded to and safely mitigated over 4,000 Fire and Emergency Medical Service calls. In FY 2014, the FRD also received several state-of-the-art pieces of replacement firefighting equipment, including a structural pumper, Airport Rescue Firefighting (ARFF) unit and a paramedic unit. Additionally, FRD personnel facilitated the Live Fire Training for the Harrisburg International Airport, Hagerstown Airport and Altoona Blair County Airport Authority.

Staff at BWI Marshall partnered with various federal, State and local organizations to successfully complete the triennial Emergency Planning Exercise. This full-scale exercise is a multi-agency, multi-jurisdictional and multi-discipline training opportunity that allows Airport

personnel, along with their mutual aid partners, to test and evaluate the Airport Emergency Plan. Additionally, staff partnered with the Federal Bureau of Investigation and the Department of Homeland Security Investigations to provide Active Shooter and Human Trafficking courses to Airport personnel.

The Operations and Maintenance staff assisted MAA Engineering and Construction Management with safety and security oversight for the following projects: B/C Connector and Concourse C Widening, Sheraton Hotel demolition design, Concourse C roof replacement, 15R/33L Runway Safety Area Compliance, Electrical Substation Replacements, Parking and Revenue Control System, Recapitalization of all TSA baggage handling systems, International Building Expansion, replacement roof for MTN corporate hangars and multiple airline terminal relocations.

Improving customer amenities continued to be a focus at BWI Marshall in FY 2014. Operations and Maintenance personnel continue to replace old, worn seating with new high-quality seating throughout the public areas of the terminal and in our common-use hold rooms. New common-use hold rooms were constructed on Concourse C to provide our passengers with a more relaxed, inviting atmosphere through the use of new furniture, lighting fixtures, and charging stations. Both travelers and staff can continue to maintain a healthy lifestyle while visiting BWI Marshall. In addition to the BWI Cardio Trail, which is an interior one-kilometer walking course in the Terminal that was introduced last year, the Airport added a Zagster bike rental concession. For as little as \$5, renters can utilize the Zagster bicycles for up to a 12-hour period and comfortably tour the 12.5-mile Hiker/Biker trail that runs along the perimeter of the Airport.

Information Technology

Phase II of the BWI Dispatch enhancements project began which will add additional features and functionality to the BWI Marshall dispatching system. The enhancements include two new interfaces, one to the state dispatch records management system and the other to the Electronic Maryland Emergency Medical Service Data System which will further improve the quality of patient reporting. Other elements of this phase include expansion of the fire station alerting system with increased alerting capabilities and functionality. This project is scheduled to be completed in Summer 2015.

A project to upgrade the radio system consoles at BWI Marshall to a new internet protocol based platform was begun. This project will provide emergency dispatchers with the latest features for communicating with first responders at the airport and will be completed in the spring of 2015.

A major IT project began development which will replace the existing Parking and Revenue Control System (PARCS) at BWI Marshall. The new PARCS will provide the MAA with the latest technology platform introducing a host of new customer service features, powerful auditing capabilities, market analysis and business intelligence capabilities. The project will be complete in Summer 2015.

Business Relations

MAA continues to expand the business relations program. This program targets building business partnerships, opening up lines of communication and enhancing the BWI Marshall image within the business and civic community in the Washington- Baltimore metropolitan area. This is done by participating in trade fairs and business expos, giving presentations, membership

in chambers of commerce, sitting on boards and committees, and attending and hosting business events. A strong emphasis is being placed on marketing the business organizations in the Washington D.C. suburbs and the I-270 corridor to promote the quick access to BWI Marshall via the InterCounty Connector (MD 200).

The BWI Marshall News Blast, which is sent to 26 business organizations within the Washington-Baltimore metropolitan area reaches a combined membership of over 25,000 businesses and informs the recipients about the new vendors opening within the terminal, renovations being done, and positive issues affecting the Airport. In addition, MAA also utilizes social media to inform the business and civic community about the positive aspects of BWI Marshall.

The Pathfinder program which handles much of our customer service and staffs all of our information desks has grown its volunteer base to 182 volunteers. Continual recruiting and training assures quality customer services to the traveling public.

MAA's filming program has attracted many of the large production companies which use our facilities to film such shows as the award-winning HBO series Veep and the first and second seasons of the groundbreaking Netflix series House of Cards. The filming program also accommodates the production of many commercials, public service announcements as well as magazine and social media projects.

MAA continues its efforts to enhance the traveling experience of our patrons by attracting and providing quality art exhibits and performing arts programs. These exhibits and performances are a mix of nationally recognized and local artists and performers.

ACTIONS TAKEN BY THE MARYLAND AVIATION COMMISSION

- The Commission was regularly briefed on the following:
 - Air service trends and air service marketing efforts;
 - The State's general aviation program and operations at several general aviation airports;
 - Updates to the BWI Marshall concession development program;
 - Airport security issues; and
 - Various airport construction projects.
- In accordance with Transportation Article, §5-201.1, the Commission approved ten personnel actions:
 - An increase in salary for and appointment to the position of Director, Office of Maintenance and Utilities;
 - An increase in salary for the Chief Financial Officer;
 - An increase in salary for the Chief Engineer;
 - An increase in salary for the Chief Operating Officer;
 - An increase in salary for the Chief Administrative Officer;
 - An increase in salary for the Director, Office of Regional Aviation Assistance;
 - An increase in salary for the Director, Office of Commercial Management;
 - An increase in salary for the Director, Office of Design and Construction;
 - An increase in salary for the Director, Office of Environmental Planning; and
 - An increase in salary for the Director, Martin State Airport.
- The Commission reviewed and approved the inclusion of two new major capital projects in the Final FY 2015-2020 Consolidated Transportation Program:
 - The International Concourse Extension will provide a two-gate extension with provisions for three additional interim gates at the end of the international concourse. The extension will enable BWI Marshall to meet the rapid growth of international traffic fueled largely by Southwest Airlines' entrance into international markets with the integration of the former AirTran Airways; and
 - The Checked Baggage Inspection System (CBIS) project constructs a fully integrated baggage screening system at the International Terminal. The existing baggage inspection system is at capacity. The new CBIS will provide capacity to meet projected international passenger growth and improve the Airport's previous baggage make-up capacity.
- The Commission approved one Final Action to amend the Code of Maryland Regulations (COMAR) to establish an updated Airport Noise Zone and Noise Abatement Plan for BWI Marshall.
- The Commission approved one Final Action for a new regulation under COMAR to establish an ambulance transport fee and to administer the collection of the fee.

FINANCIAL RESULTS

Maryland Aviation Administration
Baltimore/Washington International Thurgood Marshall Airport
and Martin State Airport
Comparative Statement of Revenue, Expense and Income
(Thousands)

	FY 2014	FY 2013	Difference	% Change
TTF Revenue and Expense				
TTF Operating Revenue	\$212,448	\$220,769	(\$8,321)	-3.8%
TTF Operating Expense	\$188,724	\$170,173	\$18,551	10.9%
TTF Surplus/(Deficit)	\$23,724	\$50,596	(\$26,872)	-53.1%
Non-TTF				
Non-Operating Revenue	\$76,467	\$81,466	(\$4,999)	-6.1%
Non-TTF Debt Service	\$52,044	\$41,546	\$10,497	25.3%
Non-TTF Surplus/(Deficit)	\$24,423	\$39,919	(\$15,496)	-38.8%
Total MAA Surplus/(Deficit)	\$48,147	\$90,156	(\$42,368)	-46.8%
Capital Program Expenditures	\$184,827	\$174,204	\$10,623	6.1%
Enplanements (000's)	11,140	11,288	(149)	-1.3%

In FY 2014, the Maryland Aviation Administration TTF operating surplus totaled \$23.7 million, a \$26.9 million decrease from the FY 2013 TTF operating surplus of \$50.6 million. TTF revenue decreased by \$8.3 million while expenses increased by \$18.6 million.

FY 2014 BWI revenue decreased \$9.2 million. Other revenue decreased \$12.1 million without one-time capital reimbursements and land sales that boosted FY 2013 results. Increased landing fees and terminal rents more than offset enplanement-driven decreases in public parking, food and beverage, other concessions and rental cars. MTN revenue increased \$0.9 million due to higher rents on corporate hangers and slightly higher FBO fuel sales.

The \$18.6 million increase in FY 2014 TTF operating expense is primarily the result of significant snow removal costs along with higher wages and salaries, utilities and contractual services.

FY 2014 non-TTF revenue decreased approximately \$5.0 million as a result of reduced enplanements that decreased PFC and CFC revenue. CFC debt service remained relatively flat, while PFC debt service increased to partially fund the Runway Safety Area and Pavement Management Program. Parking debt service increased per the debt service schedule.

Total FY 2014 MAA surplus is \$48.1 million, a decrease of \$42.1 million versus FY 2013. Enplaned passengers decreased 1.3% in FY 2014 versus FY 2013.

FINANCIAL RESULTS

Maryland Aviation Administration
Statement of Revenue
Fiscal Years Ending June 30, 2014 and 2013

	FY 2014	FY 2013	Difference	% Change
<u>BWI Operating Revenue (TTF)</u>				
Flight Activities	\$ 61,057,327	\$ 60,440,913	\$ 616,414	1.0%
Rents & User Fees	\$ 62,538,694	\$ 59,045,488	\$ 3,493,206	5.9%
Public Parking	\$ 38,053,145	\$ 38,582,012	\$ (528,866)	-1.4%
Rental Cars	\$ 17,960,881	\$ 18,064,468	\$ (103,587)	-0.6%
Retail, Food & Beverage	\$ 13,168,114	\$ 13,257,135	\$ (89,021)	-0.7%
Other Passenger Concessions	\$ 4,376,633	\$ 4,350,054	\$ 26,579	0.6%
Non-Passenger Concessions	\$ 3,861,729	\$ 4,442,318	\$ (580,589)	-13.1%
Other Revenue	\$ 2,646,388	\$ 14,702,262	\$(12,055,875)	-82.0%
Total BWI Operating Revenue	\$ 203,662,910	\$ 212,884,650	\$ (9,221,739)	-4.3%
<u>MTN Operating Revenue (TTF)</u>	\$ 8,785,198	\$ 7,884,564	\$ 900,634	11.4%
Total TTF Operating Revenue	\$ 212,448,108	\$ 220,769,214	\$ (8,321,106)	-3.8%
<u>Non-Operating Revenue</u>				
Customer Facility Charges	\$ 12,612,840	\$ 12,902,225	\$ (289,385)	-2.2%
Passenger Facility Charges	\$ 43,918,504	\$ 48,533,820	\$ (4,615,316)	-9.5%
Trustee Retained Parking Revenue	\$ 19,529,727	\$ 19,562,936	\$ (33,209)	-0.2%
Interest Income	\$ 405,613	\$ 466,533	\$ (60,920)	-13.1%
Total Non-Operating Revenue	\$ 76,466,685	\$ 81,465,515	\$ (4,998,830)	-6.1%
Total MAA Revenue	\$ 288,914,793	\$ 302,234,729	\$(13,319,936)	-4.4%

FINANCIAL RESULTS

Maryland Aviation Administration
Statement of Expense
Fiscal Years Ending June 30, 2014 and 2013

	FY 2014	FY 2013	Difference	% Change
<u>BWI Operating Expense (TTF)</u>				
Salaries and Wages	\$ 37,112,002	\$ 35,490,577	\$ 1,621,425	4.6%
Technical and Special Fees	\$ 1,442,357	\$ 1,448,839	\$ (6,482)	-0.4%
Communications	\$ 1,349,418	\$ 1,355,678	\$ (6,260)	-0.5%
Travel	\$ 210,671	\$ 180,323	\$ 30,348	16.8%
Fuel and Utilities	\$ 16,009,127	\$ 12,267,072	\$ 3,742,055	30.5%
Motor Vehicle Operations	\$ 3,913,915	\$ 3,630,301	\$ 283,614	7.8%
Contractual Services	\$ 77,909,864	\$ 75,042,691	\$ 2,867,172	3.8%
Supplies and Materials	\$ 5,316,273	\$ 4,025,504	\$ 1,290,770	32.1%
Replacement Equipment	\$ 56,188	\$ 498,320	\$ (442,132)	-88.7%
Additional Equipment	\$ 211,452	\$ 328,690	\$ (117,238)	-35.7%
Grants/Subsidies/Contributions	\$ 916,797	\$ 865,302	\$ 51,495	6.0%
MEDCO and COPS Debt Service	\$ 17,931,625	\$ 18,400,680	\$ (469,055)	-2.5%
Other Fixed Charges	\$ 1,313,906	\$ 1,377,105	\$ (63,199)	-4.6%
Land and Structures	\$ 16,050,023	\$ 6,920,549	\$ 9,129,474	131.9%
Total BWI Operating Expense	\$ 179,743,619	\$ 161,831,632	\$ 7,911,987	11.1%
<u>MTN Operating Expense (TTF)</u>	\$ 8,980,178	\$ 8,341,093	\$ 639,085	7.7%
Total TTF Operating Expense	\$ 188,723,797	\$ 170,172,725	\$ 8,551,072	10.9%
<u>Non-TTF Debt Service Expense</u>				
Passenger Facility Charge Backed Debt	\$ 23,328,553	\$ 16,174,899	\$ 7,153,654	44.2%
Customer Facility Charge Backed Debt	\$ 8,990,418	\$ 8,998,556	\$ (8,138)	-0.1%
Parking Debt	\$ 19,724,600	\$ 16,372,850	\$ 3,351,750	20.5%
Total Non-TTF Debt Service Expense	\$ 52,043,571	\$ 41,546,305	\$ 10,497,266	25.3%
Total MAA Expense	\$ 240,767,368	\$ 211,719,030	\$ 29,048,338	13.7%
Regional Aviation	\$ 360,833	\$ 299,875	\$ 60,958	20.3%
<u>Capital Program Expenditures</u>				
State Funds	\$ 81,837,000	\$ 55,621,929	\$ 26,215,071	47.1%
Federal Funds	\$ 19,367,000	\$ 16,258,605	\$ 3,108,395	19.1%
Other Financing	\$ 83,623,000	\$ 102,323,000	\$ (18,700,000)	-18.3%
Total Capital Program Expenditures	\$ 184,827,000	\$ 174,203,534	\$ 10,623,466	6.1%

Note:

- Federally funded and other reimbursable security related expenses of \$649,702 in FY 2013 are not included in operating expenses shown above.

**BALTIMORE/WASHINGTON INTERNATIONAL
THURGOOD MARSHALL (BWI) AND MARTIN STATE AIRPORTS
AVIATION ACTIVITY**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Difference</u>	<u>% Change</u>
BWI Domestic Passengers	21,365,772	21,754,891	-389,119	-1.8%
BWI International Passengers	872,454	768,444	+104,110	+13.5%
BWI Total Passengers*	22,238,226	22,523,335	-285,109	-1.3%
BWI Aircraft Operations	251,305	223,284	-10,979	-4.2%
MTN Aircraft Operations	77,564	74,213	+3,351	+4.5%

Passenger Activity Comparison

FY 2014

	<u>BWI Marshall</u>	<u>Dulles</u>	<u>Reagan National</u>
Total Commercial Passengers	22,238,226	21,497,935	20,356,510
Percent Change over FY 2012	-1.3%	-1.7%	-0.2%

Total Regional Market:	<u>2014</u>	<u>2013</u>
	64,092,671	64,788,435

NOTE: Statistical data is subject to change as subsequent information is received from airlines.

*Total Passengers include both enplaned and deplaned passengers.

SECTION V

MARYLAND AVIATION COMMISSION COSTS FISCAL YEAR 2014*

Technical and Special Fees		\$7,800
Travel Reimbursement to the Commissioners for Meetings and research and site visits		\$1,159
Contractual Services:		\$1,919
Public Notice Advertisements for Commission Meetings	\$ 785	
Food Services	\$1,134	
Total Maryland Aviation Commission Cost		\$10,878

*Fiscal Year 2014: July 1, 2013 to June 30, 2014