



Larry Hogan
Governor
Boyd K. Rutherford
Lt. Governor
Pete K. Rahn
Secretary

Office of the Secretary

December 13, 2018

The Honorable Edward J. Kasemeyer
Chairman, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen Street
Annapolis MD 21401-1991

The Honorable Maggie McIntosh
Chairman, House Appropriations Committee
121 Lowes House Office Building
6 Bladen Street
Annapolis MD 21401-1991

Dear Chairmen Kasemeyer and McIntosh:

This letter is to advise you of the Maryland Department of Transportation's (MDOT) intent to increase the fiscal year 2019 total aggregate outstanding and unpaid principal balance of nontraditional debt by \$120 million to construct Concourse A, Concourse D, and restrooms at the Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport) improvements

Page 55 of the 2018 Joint Chairmen's report directs:

"The total aggregate outstanding and unpaid principal balance of nontraditional debt, defined as any debt instrument that is not a Consolidated Transportation Bond or a Grant Anticipation Revenue Vehicle bond issued by the Maryland Department of Transportation (MDOT), exclusive of any draws on the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Purple Line Light Rail Project, may not exceed \$874,695,000 as of June 30, 2019. The total aggregate outstanding and unpaid principal balance on the Purple Line TIFIA loan may not exceed \$925,315,170 as of June 30, 2019. Provided, however, that in addition to the limits established under this provision, MDOT may increase the aggregate outstanding unpaid and principal balance of nontraditional debt so long as:

(1) MDOT provides notice to the Senate Budget and Taxation Committee and the House Appropriations Committee stating the specific reason for the additional issuance and providing specific information regarding the proposed issuance, including information specifying the total amount of nontraditional debt that would be outstanding on June 30, 2019, and the total amount by which the fiscal 2019 debt service payment for all nontraditional debt would increase following the additional issuance; and

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(2) the Senate Budget and Taxation Committee and the House Appropriations Committee have 45 days to review and comment on the proposed additional issuance before the publication of a preliminary official statement. The Senate Budget and Taxation Committee and the House Appropriations Committee may hold a public hearing to discuss the proposed increase and shall signal their intent to hold a hearing within 45 days of receiving notice from MDOT."

Background

The MDOT Maryland Aviation Administration (MDOT MAA) submitted several major improvement projects in Passenger Facility Charge (PFC) Application 13 to the Federal Aviation Administration (FAA) in November 2018, including: 1) Concourse A improvements Phase II, 2) Restroom Improvement Program, 3) Federal Inspection Service (FIS) Hall reconfiguration, 4) Concourse A/B modifications for B737-800 series aircraft, and 5) Concourse D HVAC replacement. The projects will be paid for in part with the issuance of \$120 million PFC Revenue Bond Series 2019 (PFC Bonds).

Concourse A Improvements Phase II

The Concourse A Improvements Phase II was envisioned when the original Concourse A Improvements Phase I project was completed in 2003. No new domestic gate capacity has been provided at BWI Marshall Airport since Concourse A/B opened in 2005. Since 2005, enplanements have increased by 2.8 million, over 25 percent. The MDOT MAA has maximized the gate capacity it has by connecting concourses with the B/C Connector, which opened in 2013 and the D/E Connector which opened in 2016. The project will reduce current and anticipated congestion by alleviating a binding constraint on service through the construction of a five gate, 55,000(+/-) square foot addition to the end of the existing Concourse A. Like the existing building, the addition will consist of two primary levels – Lower Level and Upper Level. The addition will include five new holdrooms sized to accommodate B737-MAX8 aircraft, new concessions space, and a new public restroom on the Upper Level. The Lower Level will provide concession storage rooms along with mechanical, electrical, communication, and custodial support spaces.

The Concourse A Improvements Phase II cost of approximately \$77 million includes the soft and hard costs of the design and construction of the five gate addition and will be financed with approximately \$41 million in a loan from the Maryland Transportation Authority and \$36 million in PFC Bonds. The construction period of the project is expected to be 18 months with the addition opening in June 2020.

Restroom Improvement Program

The Restroom Improvement Program includes the engineering, design, project management, construction management, security, mobilization, quality control plans, and construction of major renovation and rehabilitation of the existing restrooms throughout BWI Marshall Airport to expand facilities, modernize fixtures and finishes, address American with Disability Act and special requirements to improve the overall passenger experience, and meet recommended guidelines of the 2015 Airport Cooperative Research Program Report 130, *Guidelines for Airport Terminal Restroom Planning and Design*.

Under this program, 64 of 71 restrooms throughout BWI Marshall Airport will be renovated with modern, easily maintained restroom facilities. The design will allow for significant expansion of the restroom facilities and an increased number of fixtures to meet current and anticipated demand. The renovated facilities will accommodate approximately 15 percent more passengers during peak hours. Under the renovation project, new partitions, plumbing fixtures, accessories, and finishes will be installed. The new design will provide deeper and elongated stalls with added privacy, improved lighting and ventilation. The program will incorporate private nursing rooms for mothers and improved companion/family assist restrooms.

The Restroom Improvement Program cost of approximately \$54 million includes the soft and hard costs of the design and construction renovations and will be financed with approximately \$54 million in PFC Bonds. The project construction period is expected to be 6 years with the restrooms closing and opening on a staggered schedule through June 2026.

FIS Hall Reconfiguration

The FIS Hall Reconfiguration will optimize the FIS Hall existing capacity to accommodate increasing numbers of inbound international passengers by reconfiguring the primary screening areas and passenger processing facilities to accommodate the U.S. Customs and Border Protection (CBP) 2017 design guidelines. In the last five years, eight new international arrival gates have been added to the terminal and corresponding improvements within the FIS and Technology Hall will allow the airport to better accommodate the additional arrival capacity of the new gates. The project will increase CBP booths from 14 to 22 to expand queuing space for arriving passengers to avoid plane holds, and the Technology Hall will be realigned to accommodate new biometric technology and screening that will improve processing efficiency. Space for secondary inspection areas will increase and CBP offices will be relocated to allow for the reconfiguration of the passenger processing areas. The FIS Hall Reconfiguration cost of approximately \$20 million includes the soft and hard costs of the design and construction renovations and will be financed with approximately \$10 million in State funds and \$10 million in PFC Bonds. The construction period of the project is expected to be 18 months with completion in June 2021.

Concourse A/B Modifications for 737-800

Concourses A and B have three combined holdrooms serving six gates that require modifications to address capacity deficiencies created by Southwest Airlines upsizing their aircraft to B737-800 and B737-MAX8 aircraft. The smaller B737-700 aircraft has a seating capacity of 143 and the larger B737-800 aircraft has a seating capacity of 175; therefore, three holdrooms require expansion into nearby spaces to support the increased passenger volume. In addition, the increased aircraft capacity drives a need to upsize the egress stair capacity used in an emergency event. The Concourse B modification includes the design and construction of a new emergency egress stair to the airfield.

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The Concourse A/B Modifications for 737-800 cost of approximately \$4 million includes the soft and hard costs of the design and construction renovations and will be financed with approximately \$4 million in PFC Bonds. The construction period of the project is expected to be 12 months with the modifications complete in December 2019.

Concourse D HVAC Replacement

The Concourse D HVAC Replacement project will replace the existing HVAC systems serving Concourse D and the Commuter Concourse. The existing HVAC systems were installed in 1987 and have reached the end of their functional life. The project will include replacing rooftop units and a new chiller plant to improve the HVAC system reliability and reduce operational downtime, thereby maintaining a comfortable temperature on the concourses. While working in the ceiling area, ceiling tile and lighting will be replaced along with the fire protection sprinkler piping.

The Concourse D HVAC Replacement cost of approximately \$20 million includes the soft and hard costs of the design and construction renovations and will be financed with approximately \$5 million in State funds and \$15 million in PFC Bonds. The project construction period is expected to be 18 months with the improvements complete in November 2020.

Impact on Nontraditional Debt

The sale of \$120 million in PFC Bonds will increase the nontraditional debt that would be outstanding on June 30, 2019 to \$994,695,000, exclusive of the Purple Line TIFIA draws. The estimated debt service payments as of June 30, 2019 will not be affected as the first payment on the bonds will be in fiscal year 2020.

If you have any additional questions or concerns, please do not hesitate to contact Mr. Ricky D. Smith, Sr., MDOT MAA Executive Director, at 410-859-7060 or rsmith4@bwiairport.com. Mr. Smith will be happy to assist you. Of course, you may always contact me directly.

Sincerely,



Pete K. Rahn
Secretary

cc: The Honorable Michael E. Busch, Speaker, The Maryland House of Delegates
The Honorable Thomas V. Mike Miller, Jr., President, The Senate of Maryland
Members of the Senate Budget and Taxation Committee
Members of the House Appropriations Committee
Mr. Steve McCulloch, Senior Policy Analyst, Department of Legislative Services
Mr. Ricky D. Smith, Sr., Executive Director, MDOT MAA

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bcc: Mr. Tom Curtin, State Legislative Officer, MDOT
Ms. Jaclyn D. Hartman, Chief Financial Officer, Office of Finance, MDOT
Ms. Erin Henson, Director, Office of Public Affairs, MDOT
Mr. R. Earl Lewis, Jr., Deputy Secretary of Policy, Planning, and Enterprise Services, MDOT
Mr. Edward F. McDonald, Chief of Staff, MDOT
Ms. Heather Murphy, Director, Office of Planning and Capital Programming, MDOT
Mr. Matthew Nemphos, Deputy Director, Office of Policy and Regulations, MDOT
Mr. James F. Ports, Jr., Deputy Secretary of Operations, MDOT
Mr. Jeff Tosi, Director, Office of Government Affairs, MDOT
Mr. James G. Walsh, A.A. E. Chief, Division of Business Development and Management,
MDOT MAA