

**J00I00 – MDOT – Maryland Aviation Administration
MDOT RESPONSE TO DLS ANALYSIS**

Budget Analysis

Cash Flow Changes

(Page 16)

The Department of Legislative Services (DLS) recommends that MAA comment on the recent long-term authorization for FAA.

MDOT Response:

The FAA Modernization and Reform Act of 2012 authorizes funding for FAA programs through federal fiscal year 2015. BWI Marshall, Martin State, and regional aviation airports within Maryland will benefit from the stable funding being provided for the national aviation system. The House and Senate passed the legislation on February 6, 2012 and it was sent to the President for signature on February 8, 2012.

Budget Analysis

Real Estate Reuse Plan

(Page 20)

DLS recommends that MAA discuss the status of the sale of these properties.

MDOT Response:

The Maryland Aviation Administration (MAA) has begun the disposal process for 62 of the 190 properties identified for disposal in the Reuse Plan for Acquired Noise Land Parcels.

Twenty -seven parcels are currently moving through the state clearance process with the first public auction scheduled for March 27, 2012. Eighty percent of the disposal proceeds from the auctions, which represents the federal share, will be deposited into an escrow account, controlled by the Federal Aviation Administration (FAA) at Columbia Bank. The MAA can then request to use the escrow funds for other eligible noise mitigation programs at Baltimore/Washington International Thurgood Marshall Airport.

The 30 parcels associated with the Consolidated Rental Car Facility (CRCF) will be retained by MAA as Airport Improvement Program (AIP) in-eligible airport development land after reimbursing the federal share of the fair market value (FMV) to the escrow account.

Portions of five parcels were sold to the State Highway Administration for the construction of Corporate Center Drive. The federal share of the disposal proceeds totaling \$453,280 was deposited into the escrow account.

**J00I00 – MDOT – Maryland Aviation Administration
MDOT RESPONSE TO DLS ANALYSIS**

Budget Analysis Issues

1. Major Capital Projects (Pages 21 - 22)

DLS recommends that MAA discuss the status of these projects, the necessary federal approvals and the benefits of using nontraditional debt.

MDOT Response:

Status of the Projects

The B-C Connector provides a post-security link between the B and C Concourses, provides an expanded security screening checkpoint between the two concourses, and widens the C Concourse to meet current fire/life safety codes. Design of the B-C Connector is substantially underway. Substantial completion of the project is expected in June of 2013.

The Runway Safety Area and Pavement Management Projects make the BWI Marshall compliant with Federal law requiring that by December 2015 improvements be in place to reduce the risk of aircraft damage and personal injury in the event of runway overshoots, overruns and excursions. It also implements pavement improvements to comply with federal guidelines. The projects are in preliminary design and construction is phased over the next several years.

Federal Approvals

The projects will be funded by Passenger Facility Charges (PFC) collected from airline passengers using BWI. The application to the Federal Aviation Administration (FAA) to use PFC for the B-C Connector has been submitted to the FAA and found to be “substantially complete.” Approval is expected in March 2012.

A formal application for the Runway Safety Area and Pavement Management Project to the FAA is being developed and will be submitted in April 2012, with approval expected this summer.

Benefits of Non-Traditional Debt

These projects make use of the substantial cash flow of PFC derived from the growing passenger base using BWI Marshall. Use of PFC also allows the project capital costs to not be included in the airline rate base, keeping BWI Marshall cost competitive for airlines versus competing airports in the region and reduces reliance on TTF funding.

**J00I00 – MDOT – Maryland Aviation Administration
MDOT RESPONSE TO DLS ANALYSIS**

Budget Analysis Issues

2. Ambulance Bill Fees are Feasible and Can Help Defray Costs (Page 22 - 23)

Given these difficult economic times, the prevalence of ambulance transport fees in Maryland jurisdictions and other regional airports, such as Dulles and Reagan National; and the structure of third party billing contracts that ensures that there is no financial risk to collecting these fees, DLS recommends that a provision be included in the Budget Reconciliation and Financing Act (BRFA) of 2012 establishing an ambulance transport fee for BWI FRD. To minimize the impact on Maryland residents, this fee may be structured in such a way as to not pursue collection of fees from Maryland residents for amounts not covered by insurance in consideration of State taxes already paid by residents.

MDOT Response:

MAA respectfully concurs with the recommendation.

MAA believes that establishing an ambulance transport fee for the BWI Fire and Rescue Department is feasible and MAA is in favor of establishing a fee. Before MAA can charge a fee, the General Assembly must pass a statute giving MAA the authority to do so. This could be done by adding a section to the Annotated Code of Maryland, Transportation Article to allow a fee to be charged by MAA and to establish the fee through the adoption of regulations.

Once the ambulance transport fee is approved, MAA will need to take a procurement action to acquire assistance in collecting the fee given the intricacies of the medical insurance claims business.

Budget Analysis Issues

3. Talks with Anne Arundel County Fail to Achieve Cost-sharing Mechanism (Page 27)

DLS recommends that since MAA and Anne Arundel County failed to reach agreement on a cost-sharing mechanism to reimburse BWI FRD for the high level of mutual aid calls to the county, one of the above cost-sharing options should be added as a provision in the BRFA of 2012 to effectuate this cost-sharing.

MDOT Response:

MAA will concur with the final recommendation of the committee.

**J00I00 – MDOT – Maryland Aviation Administration
MDOT RESPONSE TO DLS ANALYSIS**

Budget Analysis Issues

4. Impact of B/C Connector Project on the Silver Diner Restaurant (Page 29-30)

DLS recommends that MAA comment on the decision to provide additional relocation assistance to Silver Diner.

MDOT Response:

Silver Diner is one of the highest quality restaurants at BWI Marshall Airport and produces significant revenues to the Maryland Aviation Administration (MAA), generating \$1.35 million to the MAA in the first four full years of operation. Airmall Maryland and MAA proactively sought to bring Silver Diner to BWI Marshall as part of an overall strategy to recruit locally headquartered businesses with strong and positive local brand recognition. Silver Diner was of particular interest since it is such a well regarded restaurant in the Washington Metropolitan Region, a key area where BWI Marshall competes for airline passengers with a choice between the three major airports in the Washington Region. Silver Diner's headquarters is located in Rockville Maryland and the company has restaurants in New Jersey, Virginia and Maryland including the BWI Marshall location. The company generates \$50 million in revenue per year from all of its restaurants.

In 2006/2007, Silver Diner invested approximately \$3.5 million to build a high quality diner and created one of the most unique restaurants at BWI Marshall. Customers have responded very positively as revenues have grown from \$4.6 million in 2008, (the first full year of operation), to over \$6 million in 2011. As a result of its success, Silver Diner is one of the largest concession employers at BWI Marshall, providing just over 100 jobs.

The recent and unexpected merger of AirTran Airways with Southwest Airlines, BWI Marshall's two largest carriers, has resulted in the consolidation of both airlines within the A/B Concourses. This has caused significant stress on the existing infrastructure including the Terminal roadway, ticket counters, baggage handling, passenger security screening, hold rooms and concessions. As a result, MAA is fast-tracking a \$100 million expansion of the Terminal through the construction of the B/C Connector to address these pressures as well as to deal with existing deficiencies on the C Concourse. Unfortunately, the existing Silver Diner Restaurant is directly in the path of the B/C Connector. The construction of the B/C Connector will destroy a significant portion of the existing restaurant space and will require the complete relocation of the kitchen, the bar and the restaurant seating area.

As initially phased the construction of the B/C Connector and the associated reconstruction of the Silver Diner would take approximately nine months. Silver Diner made it clear to the MAA that the resulting loss of revenues over this nine month period, combined with Silver Diner's obligation to pay the outstanding loan for the construction in 2006/2007, and its need to borrow additional capital to reconstruct the diner,

**J00I00 – MDOT – Maryland Aviation Administration
MDOT RESPONSE TO DLS ANALYSIS**

4. Impact of B/C Connector Project on the Silver Diner Restaurant (Page 29-30)

MDOT Response Continued:

threatened the entire financial viability of Silver Diner. In addition, the airport would be losing revenue and one of its largest and most popular restaurants for that period of time.

Given the unique nature of this transaction, namely the totally unexpected need to close a thriving Maryland business with over 100 employees at one of the Airport's most successful and high quality restaurants, MAA is proposing assistance of up to \$1.2 million to prevent Silver Diner's closure and to continue MAA's receipt of revenues from Silver Diner. By working closely with Airmall and Silver Diner, the MAA has been able to work out a construction phasing of the B/C Connector and the financing of the relocated Silver Diner which will limit the closing of the restaurant to approximately two weeks. This phasing will keep Marylanders employed and will keep Silver Diner open to allow it to provide much needed concession services to passengers at one of the busiest areas of the Terminal.

Going forward, when the new Silver Diner restaurant is fully operational (estimated March 2013) Silver Diner has committed to pay a minimum base rent of \$600,000 per year, a significant increase from the minimum base rent of \$437,004 for 2012. This minimum base rent commitment will continue through the balance of the sublease term (March 2022). In addition, with the merger of Southwest and AirTran airlines in this area of the Terminal building, the MAA expects the revenue from Silver Diner to exceed the minimum base rent.