

**J00I00 MDOT Maryland Aviation Administration
FY 2022 Operating Budget
Response to the Department of Legislative Services Budget Analysis**

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Cory McCray
February 26, 2021

House Appropriations Committee
Transportation and the Environment Subcommittee
Delegate Marc Korman
February 26, 2021

**J00100 - MDOT – MARYLAND AVIATION ADMINISTRATION
MDOT RESPONSE TO DLS ANALYSIS
FY 2022 BUDGET**

DLS Budget Analysis

1. Fiscal 2020 (Page 7)

MAA should comment on the status of the CARES Act funds, what they were used for, and if any amount is unspent.

MDOT Response:

The MDOT MAA was offered \$87,800,261 of funding through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, comprised of \$87,643,261 for BWI Marshall Airport and \$157,000 for Martin State Airport. The MDOT MAA received \$87,690,550 of the funds to date which leaves \$109,711 remaining to be requested with the close out report. The \$87,690,550 received included \$72,741,965 for BWI Marshall Airport operating costs, including \$14,302,036 of debt service; \$2,365,430 for Martin State Airport operating costs; \$12,054,262 for BWI Marshall Airport capital costs; and \$528,893 for Martin State Airport capital costs.

Airports receiving CARES funds were committed to retaining at least 90% of the workforce to accept the funding. MDOT MAA has exceeded the employee baseline total of 449 in the reporting quarters through December 30, 2020 (currently 459).

2. Fiscal 2021 (Page 8)

MAA should comment on how the federal Coronavirus Response and Relief Supplemental Appropriations Act will be used and if any of the funds have been spent.

MDOT Response:

Under the Federal Aviation Administration (FAA) Airport Coronavirus Response Grant Program (ACRGP) BWI Marshall Airport can request grants totaling \$24,140,591 made up of allocations from Primary Entitlements and Enplanements (\$17,158,749), Unallocated CARES (\$4,136,608), and Concessions Relief (\$2,845,234). The Concession Relief grant is to be used for rent relief for airport terminal concessionaires, rental car concessions and other concession operators. Martin State Airport can request \$91,162 and any cost associated with the FAA Contract Tower Program. The grant requests from Primary Entitlements and Unallocated CARES can cover payroll, utilities, personal protective equipment, cleaning supplies, and service contract expenses incurred after January 20, 2020, along with debt service costs after December 27, 2020. As with CARES Act funding, the grant assurances will require MAA to retain at least 90% of the workforce (449 employees). The Concessions Relief grant has a specific set of criteria and thresholds to ensure equitable allocation, along with its own set of grant assurance requirements.

MDOT is currently finalizing its plans for the use of this money and intends to recognize any additional funding in FY 2021 or 2022 through the supplemental budget process during the 2021 session.

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FY 2022 BUDGET**

DLS Budget Analysis Issues

1. Impact of COVID-19 on Operations at BWI Marshall Airport (Page 16)

MAA should comment on the ongoing impact of COVID-19 on airport operations and finances.

MDOT Response:

BWI Marshall Airport is recovering from the pandemic at a faster pace than other airports in the Baltimore/Washington region primarily due to the more sustained level of the leisure travel segment. For the week ending February 6th, BWI Marshall had the lowest decline in TSA throughput among large hub airports in the Mid-Atlantic and Northeast at -64.6%. Southwest, our main carrier with 76% of BWI Marshall's seat capacity, tops some of the world's financial and operational airline industry metrics in the areas of market capitalization, profit, customer satisfaction and seat capacity. BWI Marshall is Southwest's third largest station and their largest hub in the East coast. We expect our two largest airline partners, Southwest and Spirit with their strong balance sheets, low cost ticket prices and focus on leisure travel to lead our road to recovery.

Due to COVID-19, the reduction in enplaned passengers and flight operations has led to a 42.2% reduction in MDOT MAA revenues remitted to the Transportation Trust Fund (TTF) for the first six months of FY 2021 from \$128.6M in FY 2020 to \$74.4M for FY 2021. Among the more reduced MAA revenue streams, retail food and beverage revenue is down 77.9%, transportation network company (Uber/Lyft) and other forms of ground transportation is down 65.8% and rental car activity is down 60.7%. Flight Activities, based on landed weight, is down 30.6% and rents and user fees down 11.1%. Passenger volume and revenues are expected to fully recover over the next several years.

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FY 2022 BUDGET**

2. Issuance of Airport Revenue-backed Bonds (Page 18)

MAA should comment on the issuance of revenue bonds to refund existing debt and on the planned issuance to cover the A/B Connector project.

MDOT Response:

On February 10, 2021, MDOT refinanced prior Series 2012A and B Parking Revenue Refunding Bonds and Series 2012 MEDCO Lease Revenue Refunding Bonds with a new debt issuance of \$220 million in airport revenue bonds. The new debt will be repaid through MDOT MAA pledged revenues, which are derived from all airport operations, excluding passenger facility charges and customer facility charges.

The new issuance received investment grade ratings of A from Fitch and A1 from Moody's. Over 50 investors expressed interest in the new credit. Pricing was oversubscribed by five times, meaning that there were five times more investors willing to buy the bonds than were available for sale. The refinancing resulted in a net present value savings of over \$13 million.

MDOT expects to issue additional bonds in the summer of 2021 to finance the A/B Connector and Baggage Handling System Replacement project.

**J00100 - MDOT – MARYLAND AVIATION ADMINISTRATION
MDOT RESPONSE TO DLS ANALYSIS
FY 2022 BUDGET**

Operating Budget Recommended Actions

- 1. Concur with Governor's allowance. (Page 20)**

MDOT Response:

The Department concurs with the DLS recommendation.

PAYGO Budget Recommended Actions

- 1. Concur with Governor's allowance. (Page 20)**

MDOT Response:

The Department concurs with the DLS recommendation.

BRIEFING TO

Senate Budget and Taxation Committee

Public Safety, Transportation, and Environment Subcommittee

House Appropriations Committee

Transportation and The Environment Subcommittee

FEBRUARY 26, 2021



AGENDA

STATE OF MAA

- **BWI Marshall Air Service**
- **Financials**
- **Federal Funding**
- **MAG Relief and Rent Deferrals**
- **Capital Investments**

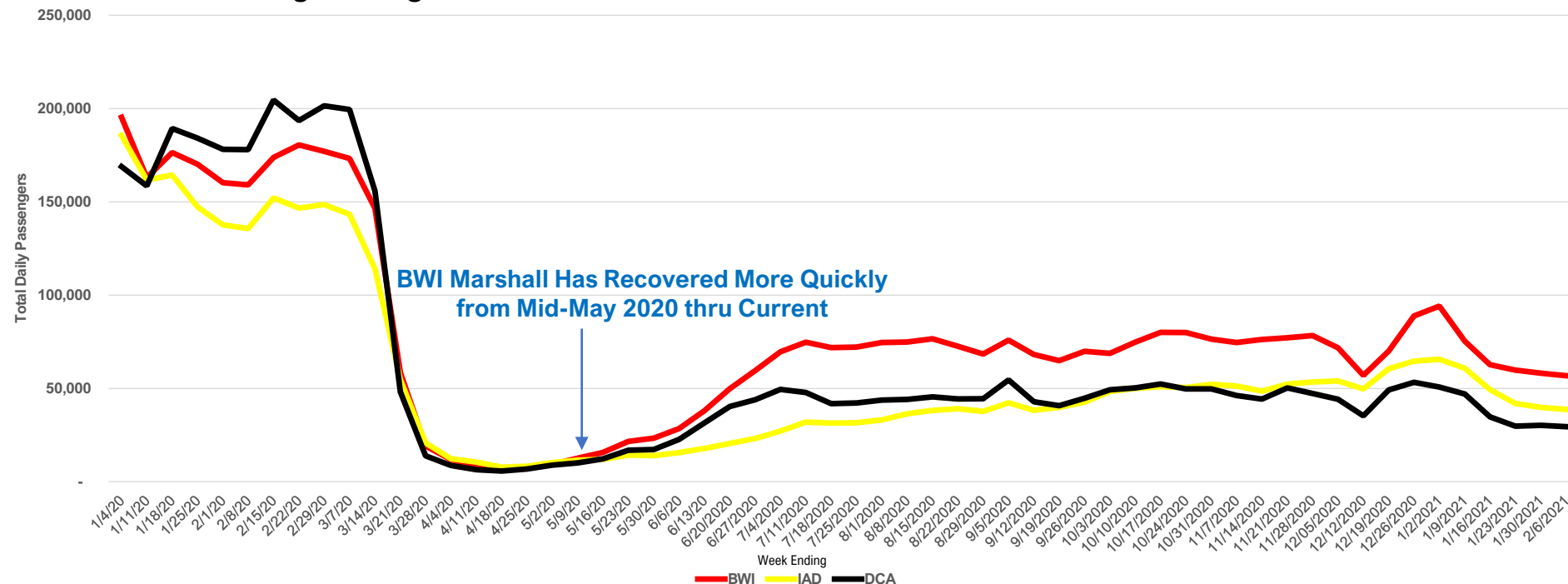
BWI Marshall Air Service



BWI Marshall Air Service

Weekly TSA Throughputs for Airports in the Baltimore/Washington Region

- BWI Marshall is **recovering from the pandemic at a faster pace** than other airports in the Baltimore/Washington region



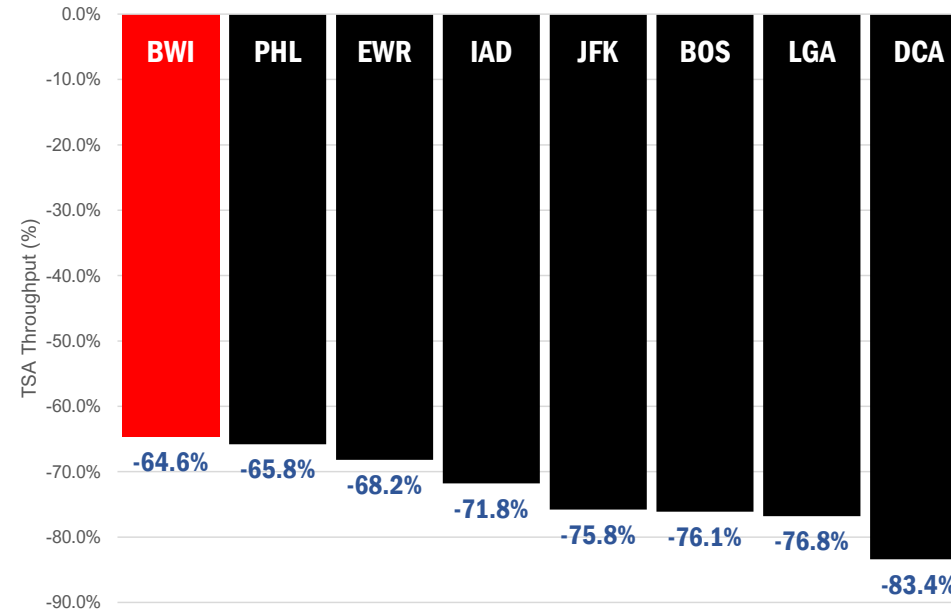
Source: TSA Weekly Throughput Statistics from week-ending January 4, 2020 thru week-ending February 6, 2021

TSA throughput numbers only show local departing passengers, and not arriving or connecting passengers.

BWI Marshall Air Service

TSA Throughput at BWI Marshall Compared to Large Hub Airports: Year-Over-Year Change in TSA Throughput from Week Ending February 6, 2021 vs. 2020

- **BWI Marshall had the lowest decline** in TSA throughput among large hub airports in the Mid-Atlantic and Northeast **at -64.6%**

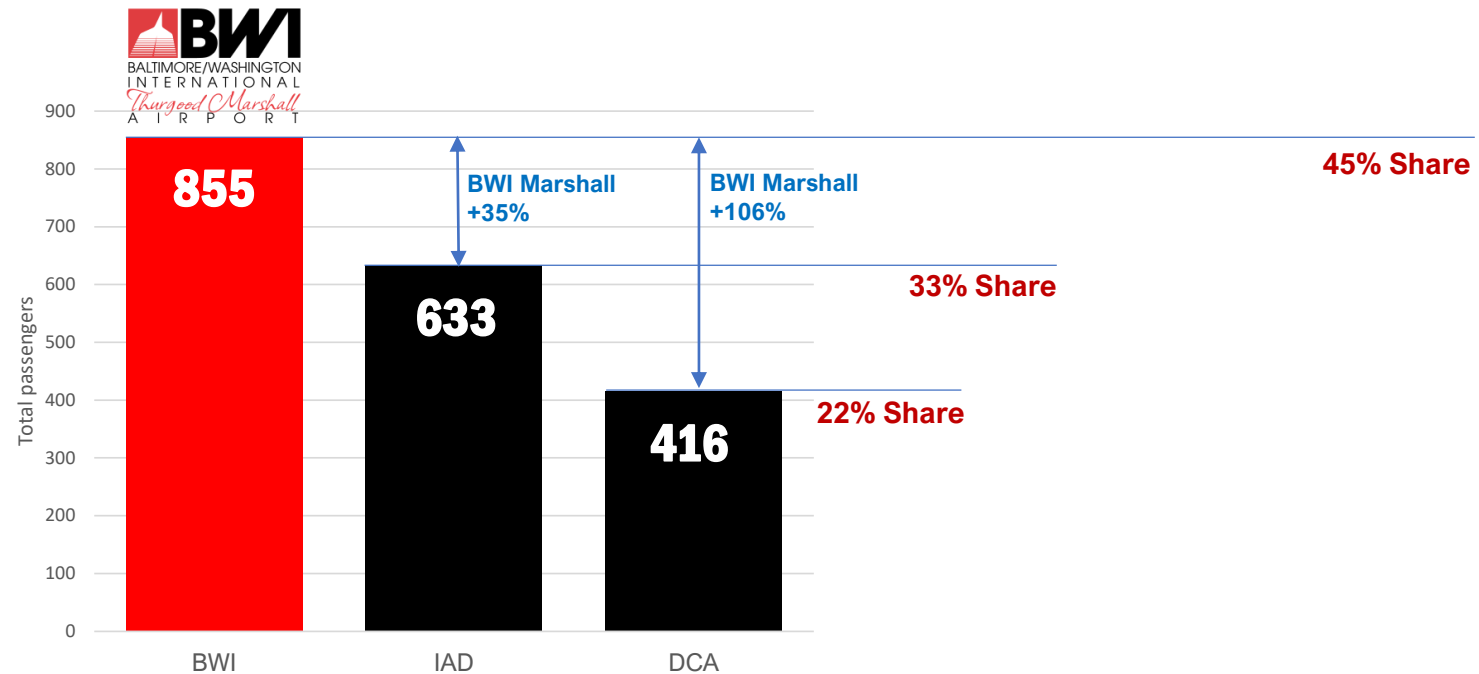


Source: TSA Weekly Throughput Statistics

BWI Marshall Air Service

Total Passengers for Airport in the Baltimore/Washington Region in November 2020

- In November 2020, **nearly half of all passengers travelled from BWI Marshall** in the Baltimore/Washington region



Source: Metropolitan Washington Airports Authority (MWAA), Air Traffic Statistics and MAA
Note: In June of 2020, BWI Marshall had more passengers than DCA and IAD combined, with 52% of traffic

BWI Marshall Air Service

Southwest Tops Some of the World's Financial and Operational Airline Industry Metrics



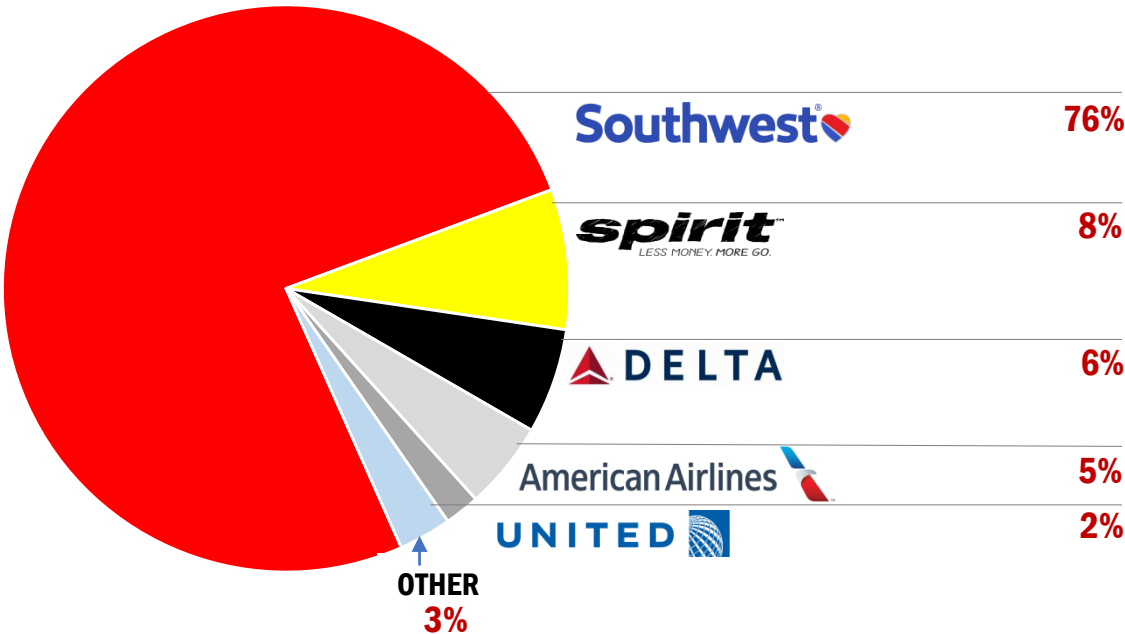
■	World's Largest Airline by Market Capitalization 30.8 billion (February 2021)
■	World's 4 th Largest Airline by Profit: 2.5 Billion (2019)
■	#1 in Customer Satisfaction for Short and Long-Haul (J.D. Power 2020)
■	World's 3 rd Largest Airline Measured by Seat Capacity (week of Feb 15)
■	1 st Largest US Airline Measured by Seat Capacity (CY 2020)
■	2 nd Largest US Airline in Domestic Passengers Carried (YE Oct 2020)
■	3 rd Largest US Airline in Total Passengers Carried (YE Oct 2020)

Source: Cirium Schedules Data through Diio Mi; Forbes; J.D. Power

BWI Marshall Air Service

In Q1 2021, Southwest Offers Over Three-Quarters of BWI Marshall's Seat Capacity

BWI MARSHALL AIRLINE SHARE (SEATS)

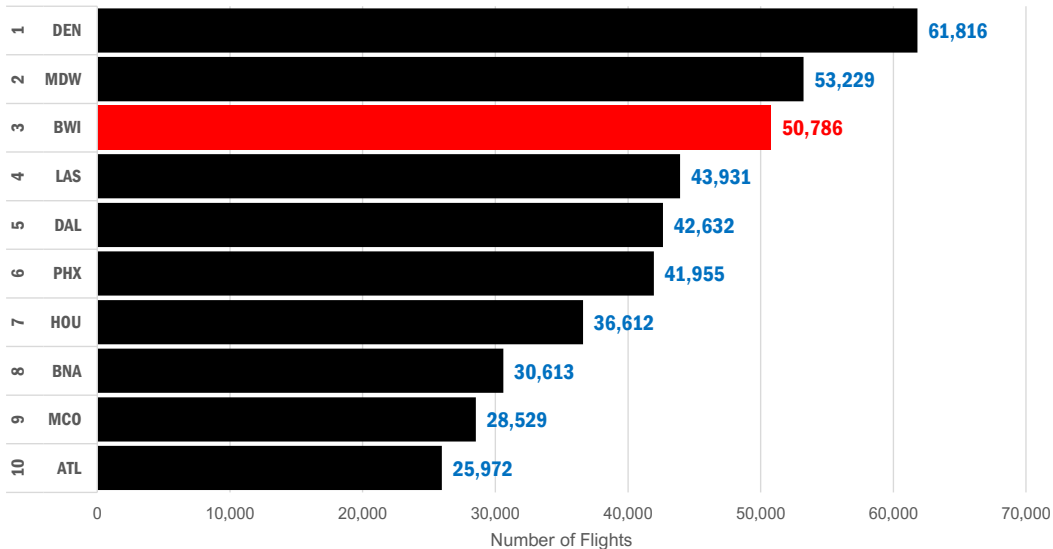


Source: Cirium Schedules Data through Diio Mi

BWI Marshall Air Service

BWI Marshall is Southwest's Third Largest Station and their Largest Hub in the East Coast

Rank of Southwest Station by Number of Flights
Year Ending March 2021



Southwest®

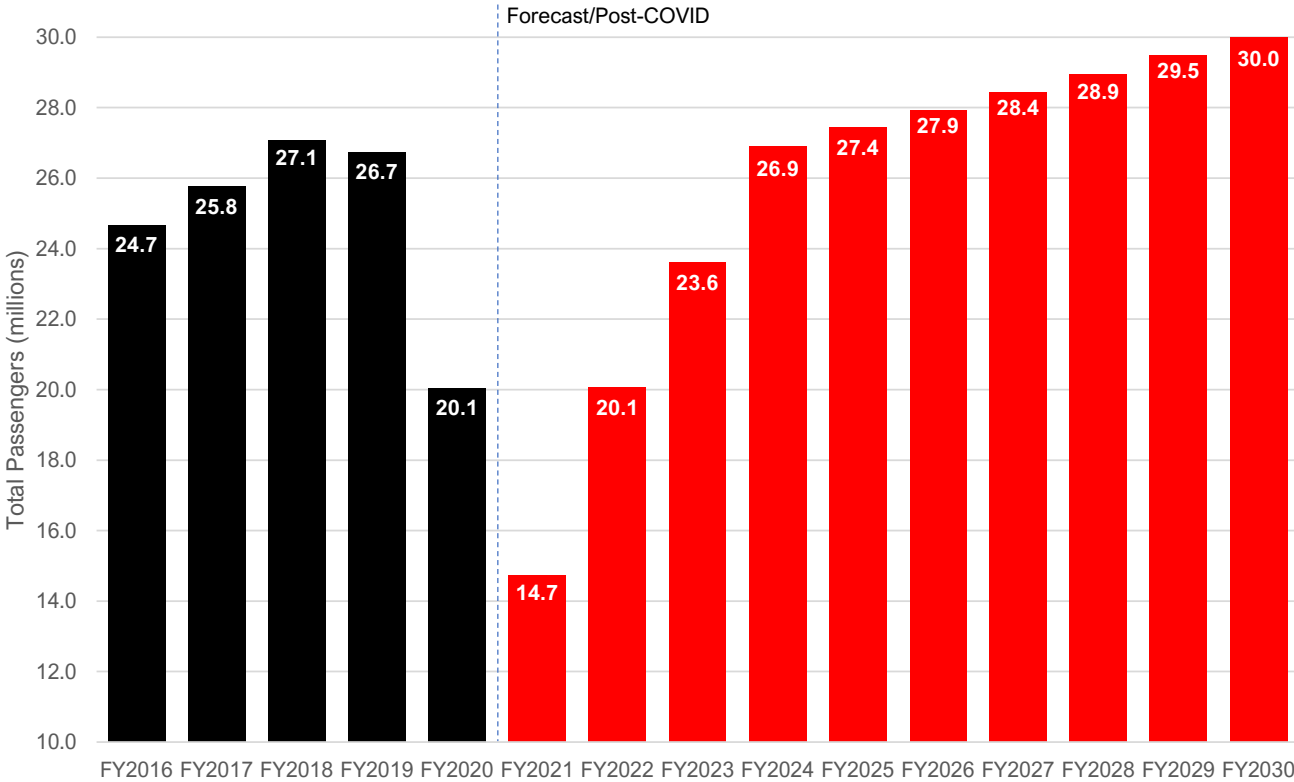
Southwest Facts & Figures at BWI Marshall

- Carried 13.3 million passengers in FY 2020
- Lease 32 gates
- Connected 40% of total passengers (March 2020)
- Served 70 destinations in FY 2020
 - > 60 Domestic destinations
 - > 10 International destinations
- Employ approximately 4,500 people

Source: Cirium Schedules Data through Diio Mi

BWI Marshall Air Service

Forecast Projects BWI Marshall Passengers to be at 2019 Level by 2024



Source: MAA Fall 2020 Forecast

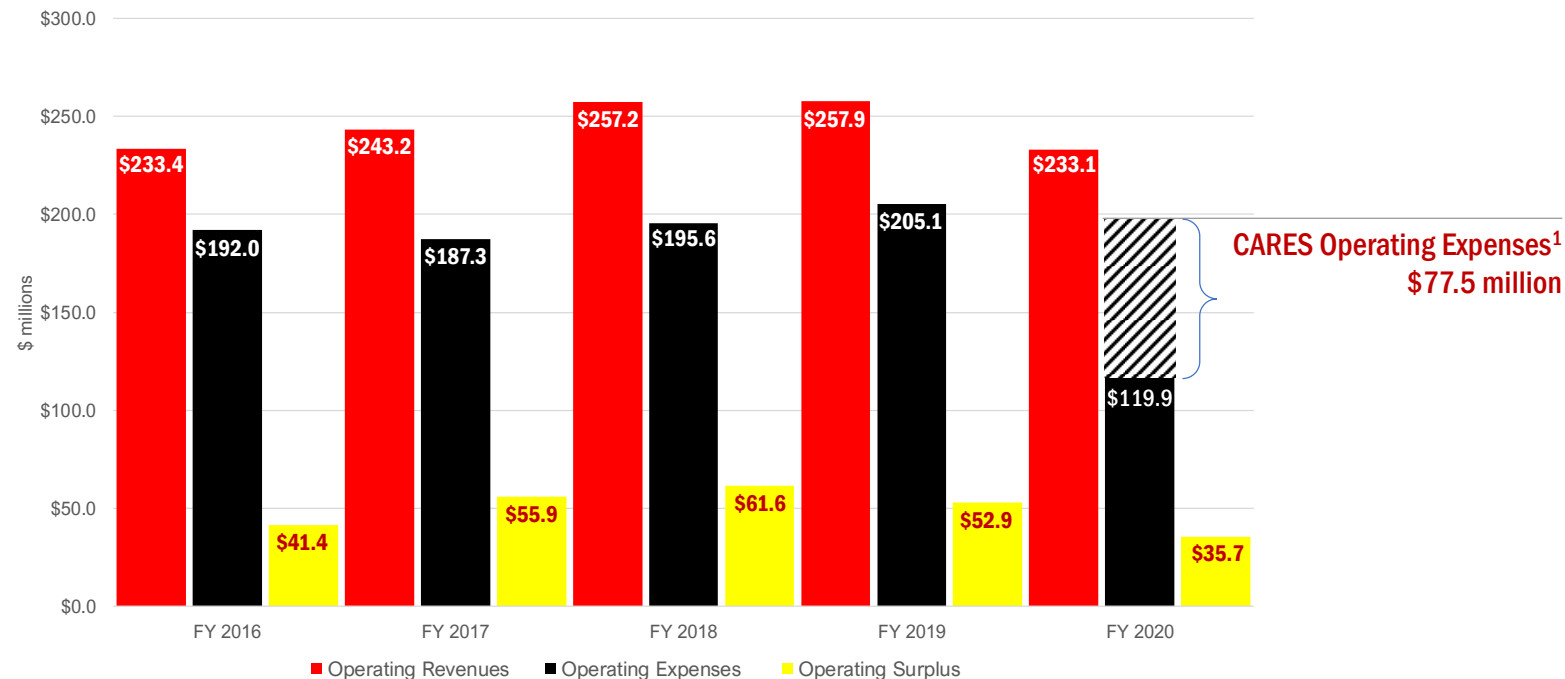
Financials



Financials

MAA Operating Revenues, Expenses and Surplus FY 2016 – FY 2020

- Operating revenues include **parking revenues net of debt service** on MDTA parking bonds
- Operating expenses include **debt service on MEDCO bonds and COPs**



Source: MAA

Note(s):

1/ Includes an additional \$2.4 million in CARES funding that was received through the State's COVID-19 relief fund

All currency numbers are rounded

Financials

Special Transportation Project Revenue Bonds Refunding: Selling Summary

NEW CREDIT

Revenue Bonds Series 2021A

\$220 million

NPV Savings of \$13 million

Ratings

FitchRatings

A

MOODY'S

A1

Facts

- Interest only FY2021 and FY 2022
- Negotiated deal
- 10-year maturity ends in FY 2030

REFUNDING

MEDCO

\$135 million

Maturity in 2030

REFUNDING

Parking Bonds

\$85 million

Maturity in 2027

True Interest Cost (TIC) on the refunding = 1.27%

- Solid book of business interested in new credit
- Oversubscribed 5x
- 50+ investors
- Only a handful of investors thought too short of term or new credit
- Promising for new money issuance

Source: MAA; Fitch Ratings, Inc.; Moody's Investor Service
Note(s):
All currency numbers are rounded

Financials

MOODY'S **RATING A1**

“..stable outlook reflects the airport's above average performance since COVID-19 outbreak and the expectation of continued adequate liquidity support from the TTF..”

CREDIT STRENGTHS

- *“BWI Marshall Airport remains a strong origination & destination (O&D) market”*
- *“Air cargo business, further boosted by the new Amazon facility at BWI since October 2019, has benefitted the airport, due to rising numbers of shipping, specially through the pandemic”*
- *“Debt Service Coverage Ratio above 2.0x on a sustained basis”*

FitchRatings **RATING A**

“...BWI's financial profile and metrics are expected to remain stable through the forecast period, even with the planned debt issuances.”

CREDIT STRENGTHS

- *“Fitch views the airport's six-year capital program of approximately \$843.1 million as moderate in overall size”*
- *“The CPE is moderate at \$12.55 for fiscal 2020 and is expected to remain competitive”*
- *“....elevated level of carrier exposure (Southwest) is mitigated by the importance of BWI Marshall to its national network”*

Source: MAA; Fitch Ratings, Inc.; Moody's Investor Service

Financials

Revenue Bond Benefits

- MAA was the first MDOT Business Unit to issue bonds **under new Maryland Code Transportation Title 3**

Debt Consolidation	<ul style="list-style-type: none">■ Single Lien■ Single Revenue Stream – MAA Pledge Revenues■ Net present value savings \$13 million +
New Credit Highly Rated	<ul style="list-style-type: none">■ Coverage exceeds 1.25x■ Positions MAA well to issue new money series 2021B
Airlines Benefit from Refunding	<ul style="list-style-type: none">■ Terminal requirement reduced ≈ ↓\$10 million in FY2021 and FY2022■ FY2022 Terminal rental & bag claim rates estimated to decrease 5% - <i>assuming all other variable factors remain the same</i>

Source: MAA

Federal Funding

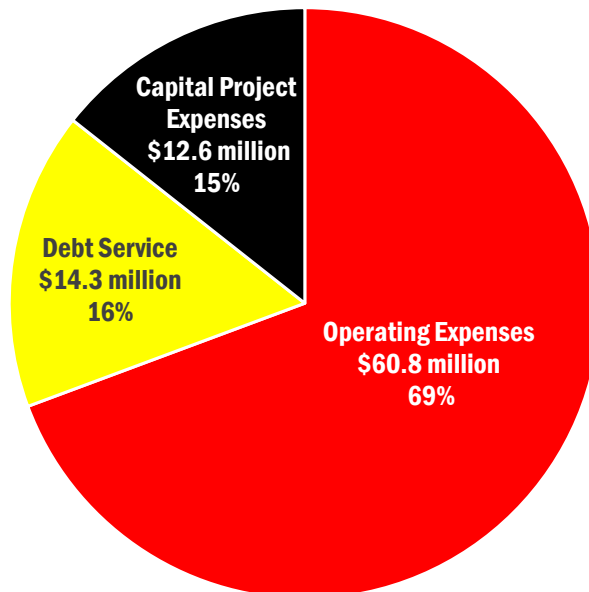


Federal Funding

Federal Aviation Administration (FAA) CARES Act Airport Grant Funding Allocation

- MAA allocation of CARES Act funding **was equal to 0.99% of total \$10 billion grant**

MAA Allocation to Expenses



Total MAA FY 2020 CARES Funding Allocation
\$87.6 million

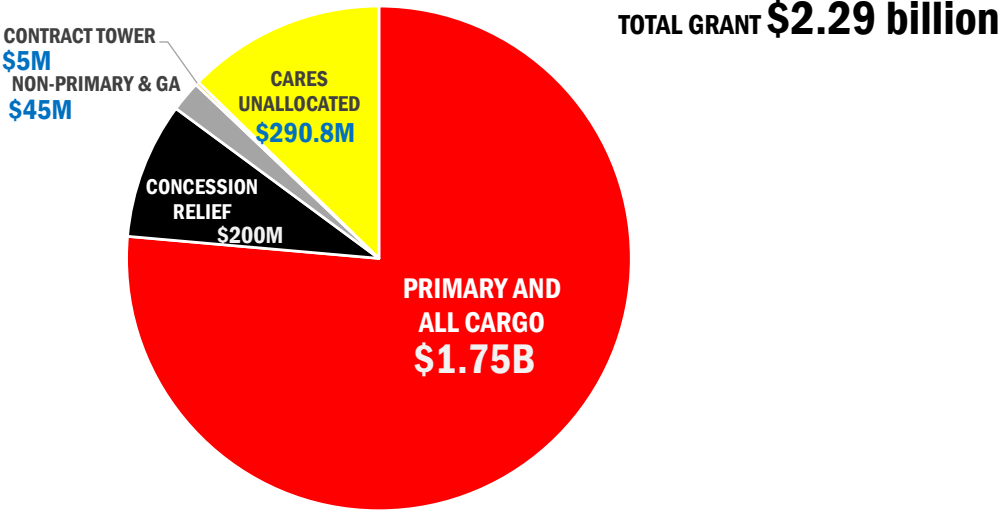
Source: MAA; FAA
Note(s):
All currency numbers are rounded

Federal Funding

FAA Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA)

- MAA Allocation of CRRSAA was **equal to 1.06% of total \$2.29 billion grant**
- Allocation to airports based on Airport Improvement Program (AIP) formula, **cargo weight and enplanements**

CRRSAA TOTAL GRANT BY CATEGORY^{1, 2}



MAA ALLOCATION³

 MARYLAND DEPARTMENT OF TRANSPORTATION MARYLAND AVIATION ADMINISTRATION	Concession	\$2.9 million
	All Other	\$21.3 million
	TOTAL	\$24.2 million

1.06% Percent of Total CRRSAA Grant

Source: FAA

Notes(s)

1/ Total CRRSAA grant does not include \$2M administrative fee

2/ FAQ published on January 19, 2021

3/ Allocation published on February 12, 2021

All currency numbers are rounded

Capital Investments



Capital Investments

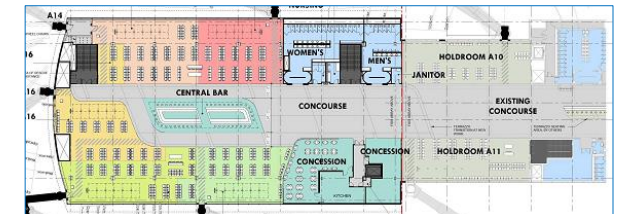
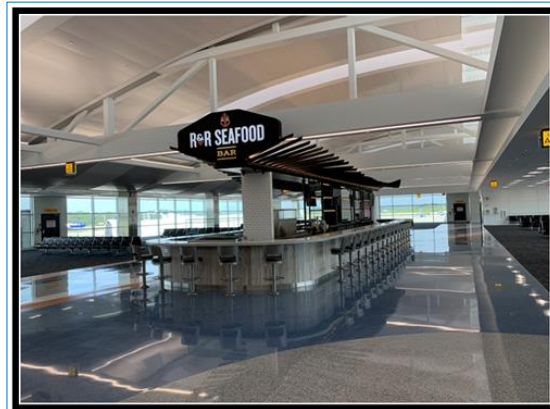
Concourse A Five Gate Extension



CONTRACT VALUE
\$48.0 million

COMPLETION
July 2020

- Five gate expansion sized for Boeing 737-800
- Extended Concourse A approximately 234 ft. creating an additional 55,000 sq.ft.



Source: MAA

Capital Investments

Taxiway T Reconstruction



CONTRACT VALUE
\$11.0 million

COMPLETION
FY 2022

- **Funded 100% by federal grants¹**
- **Reconstruction of most distressed pavements adjacent to gates A1-A5 on the A/B Connector**



Source: MAA

Note(s):

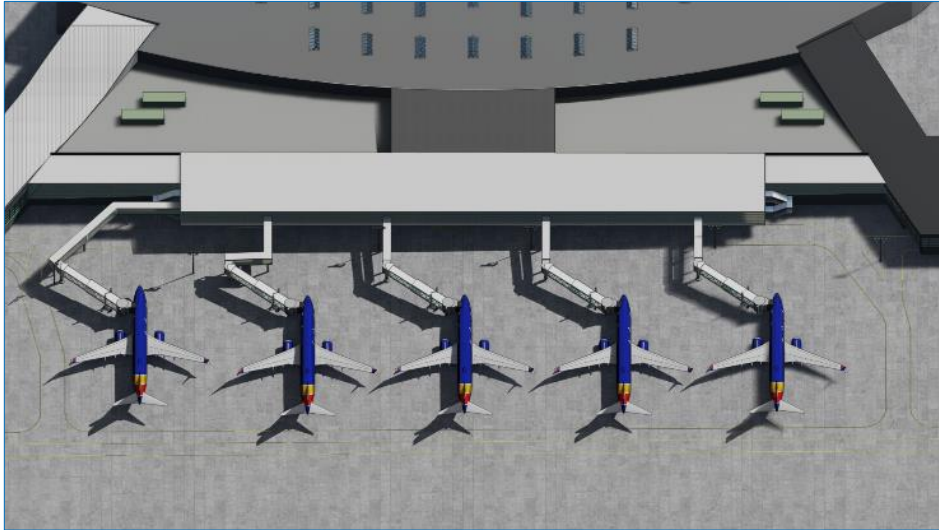
1/ 100% funded by CARES and Airport Improvement Program (AIP)

MDOT MARYLAND DEPARTMENT OF TRANSPORTATION
MARYLAND AVIATION ADMINISTRATION

BWI BALTIMORE/WASHINGTON
INTERNATIONAL
Thurgood Marshall
AIRPORT

Capital Investments

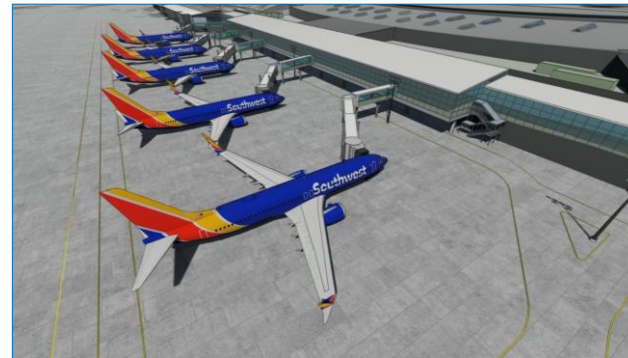
Concourse A/B Connector and Baggage Handling System (BHS) Improvements



CONTRACT VALUE
\$430.0 million

COMPLETION
FY 2024

- **BHS in-line system to provide optimal operational efficiency**
- **To be funded by Special Transportation Project Revenue Bonds**



Source: MAA

Capital Investments

Southwest Airlines Aircraft Maintenance Facility



CONTRACT VALUE
\$65.0 million

COMPLETION
FY 2024

- Sized with 3 bays for single-aisle aircraft and employ 120 airline technicians
- To be funded by MDTA loan



Source: MAA