



Maryland Department of Transportation
The Secretary's Office

Larry Hogan
Governor

Boyd K. Rutherford
Lt Governor

Pete K. Rahn
Secretary

January 16, 2017

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

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

Dear President Miller and Speaker Busch:

Please find attached the Maryland Aviation Commission (MAC) Annual Report to the General Assembly, as required by Transportation Article §5-201.2 that 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."

The Honorable Thomas V. Mike Miller, Jr.
The Honorable Michael E. Busch
Page Two

If you have any questions regarding this report, please contact Mr. Ricky D. Smith, Sr., Maryland Department of Transportation's Maryland Aviation Administration (MAA) Executive Director at 410-859-7060. Of course, you may always contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete K. Rahn", is written over a circular stamp or watermark.

Pete K. Rahn
Secretary

cc: Mr. Ricky D. Smith, Jr., Executive Director, MAA
Ms. Sarah Albert, Mandated Report Specialist, Department of Legislative Services
(MSAR) 268)

A Report to the Maryland General Assembly

regarding

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

January 2017

**Maryland Department of Transportation
Maryland Aviation Administration**

Introduction

Pursuant to Transportation Article §5-201.2, the Maryland Aviation Commission is required to submit an annual report. The section states that:

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(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.

Table of Contents

Section	Page
I. Background.....	1
II. Maryland Aviation Commission Members.....	2
III. Message from the Chair	3
IV. Overview of Maryland Aviation Administration and Airport Activities and Accomplishments for 2016	5
• Actions Taken by the Maryland Aviation Commission	14
• Financial Results.....	15
• Baltimore/Washington International Thurgood Marshall and Martin State Airports Aviation Activity	18
V. Fiscal Year 2016 Maryland Aviation Commission Costs.....	19

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 Commerce 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

Pete K. Rahn, Chairman

Secretary, Maryland Department of Transportation

T. Chineta K. Davis

Anwer J. Hasan

John H. Kiser

Enrique M. Melendez

Raymond C. Nichols

Philip A. Parenti

Calvin D. Peacock

David L. Winstead, Esq.

R. Michael Gill

Secretary, Maryland Department of Commerce
ex officio, nonvoting member

SECTION III

MESSAGE FROM THE CHAIRMAN

The State of Maryland is served by first-class airports that link our communities to the global marketplace. Our aviation system is an important transportation resource and a key contributor to the State's economy. Maryland's airports provide important economic, health, welfare, and safety benefits across the State. The Maryland Department of Transportation's Maryland Aviation Administration (MAA) works with the Maryland Aviation Commission to help meet the air travel needs of Maryland, District of Columbia, and southern Pennsylvania residents, businesses, and visitors. The MAA is working to provide convenient, user-friendly airports for passengers, airlines, general aviation users, and cargo.

Maryland's thirty-six (36) public-use airports support and ensure that the State's tourism, freight suppliers, and businesses are competitive in an international, fast-paced economy. An economic impact study concluded that commercial service and general aviation airports across Maryland produce and support more than 107,000 jobs, \$4.3 billion of personal wages and salaries, \$7.8 billion in business revenue, and \$600 million of State and local taxes.

BWI Marshall is the 22nd busiest airport in the United States, and maintains its position as the busiest in the Washington-Baltimore region. As Maryland's international gateway, BWI Marshall continues to set new passenger records. Following an all-time passenger record in 2015, steady growth continued in 2016 with consistent new monthly passenger records. New airlines and service to new domestic and global markets have led to the record growth at BWI Marshall. Rising international traffic has helped drive much of the success. For Fiscal Year 2016, the number of international passengers climbed 25 percent.

In November, just prior to the Thanksgiving holiday, Governor Larry Hogan joined business and transportation leaders from across the region to showcase a major capital improvement at BWI Marshall. Now open, the D/E Connector creates additional international airline capacity and adds new passenger services. Enabling projects are well underway that will support a major project to further expand the international concourse. This work will support growing international service that is expected in coming years.

Martin State Airport serves as Maryland's primary general aviation reliever airport to BWI Marshall. With more than 250 aircraft based at Martin, the airport's role is to support general aviation activities, with an emphasis on corporate aviation users. In July, U.S. Customs and Border Protection began providing clearance at Martin for internationally arriving aircraft. Martin played a major role in supporting the Maryland Fleet Week and Air Show Baltimore activities in October. The Blue Angels elite precision aerial team was stationed at Martin during the week, and the airport hosted a major festival and open house for local residents and visitors.

The MAA Office of Regional Aviation Assistance continues to foster aviation and regulate public-use airports across the State of Maryland. The office manages the important grant program that supports airports throughout Maryland. The State grants help ensure safe, efficient airport operations. The Regional Aviation office also serves an important role by working to highlight the benefits of aviation to a broad public audience.

MARYLAND AVIATION COMMISSION ANNUAL REPORT
TRANSPORTATION ARTICLE, § 5-201.2

A strong, healthy air transportation system is important to Maryland. The MAA remains grateful for the strong support from the Maryland Aviation Commission on behalf of travelers, businesses, and our communities. I also acknowledge and thank MAA employees for their commitment and good work on behalf of aviation.

SECTION IV

OVERVIEW OF MARYLAND AVIATION ADMINISTRATION AIRPORT ACTIVITIES AND ACCOMPLISHMENTS FOR 2016*

The mission of the Maryland Department of Transportation's 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 (Martin). In addition, the MAA Office of Regional Aviation Assistance develops and regulates aviation activities at Maryland's 36 public-use airports. These efforts are guided by an MDOT mission, which reads:

"The Maryland Department of Transportation is a customer-driven leader that delivers safe, sustainable, intelligent, and exceptional transportation solutions in order to connect our customers to life's opportunities."

Baltimore/Washington International Thurgood Marshall Airport

Based on economic data from Calendar Year (CY) 2014, BWI Marshall supports 97,737 total jobs in the regional economy. Further, BWI Marshall produces \$3.8 billion in personal wages and is responsible for \$7.0 billion in business revenue for the State. In addition, the overall Airport activity produces an estimated \$535 million in tax revenue for State and local governments and \$260 million in federal tax revenue.

In Fiscal Year (FY) 2016, a record 24.7 million passengers flew through BWI Marshall, an increase of 8.4% compared to FY 2015. BWI Marshall remained the busiest airport in the Washington-Baltimore region, surpassing both Dulles and Reagan National airports. The Airport has, on average, more than 300 daily departures to 78 nonstop destinations.

Martin State Airport

Martin is home to the Maryland State Police Aviation Command Headquarters, the Maryland Air National Guard, along with Baltimore County and Baltimore City Police Aviation Units. Martin continues to provide quality facilities and services in support of over 250 aircraft based at the airport and those visiting the greater Baltimore metropolitan area from around the world. In FY 2016, Martin handled nearly 85,000 aircraft operations and generated nearly \$8.5 million in revenue. Aviation fuel sales in FY 2016 exceeded 1.3 million gallons.

Martin continues to be an economic engine for the State of Maryland, supporting business travel activity both nationally and internationally. Economic data from CY 2014 indicates that Martin supports 2,529 total jobs and generates \$287 million in business revenues, up from \$224.5 million in CY 2013, and the associated State and local taxes of \$16.1 million in CY 2014, up from \$10.8 million in CY 2013.

*Activities are for CY 2016, except as noted. FY data is based on FY 2016 (July 1, 2015 through June 30, 2016).

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 2016, \$19.7 million was invested into Maryland's airport infrastructure (excluding BWI Marshall and MTN). MAA provided over \$4.6 million in grants for airport improvements, while the Federal Aviation Administration (FAA) contributed \$13.5 million and airport owners invested \$1.6 million.

Economic data from CY 2014 shows the State's regional airports as a whole (excluding BWI Marshall) contribute 9,368 in total jobs, \$488.5 million in personal income, \$865 million in business revenue, \$239 million in local purchases, and \$51.8 million in State & local taxes.

Partnering with the industry, 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. MAA continues to support the growing interest in Unmanned Aircraft Systems (UAS). Through our collaboration with the University of Maryland, Department of Commerce as well as the Maryland State Police, MAA is engaged in supporting and promoting safe, responsible use of UAS. MAA has outreach tools for the UAS community available through social media and our websites to encourage safe UAS operations.

The 21st Annual Regional Aviation Conference was held in Cumberland, Maryland to promote safety initiatives and discuss various issues important to the airport, pilot and aviation business communities. MAA partnered again with MAMA to promote and support this Statewide event.

Planning and Engineering

An Environmental Assessment (EA) was initiated to review proposed improvements needed at BWI Marshall through 2020 and agency and public scoping was completed, setting the stage for issuance of a draft EA for FAA review in Spring 2017. At Martin State Airport, MAA successfully worked with the U.S. Department of Agriculture and FAA to receive approval of a Wildlife Hazard Assessment and submitted an updated Wildlife Hazard Management Plan for FAA approval.

Environmental compliance activities at BWI Marshall and Martin continued with completion of updates to Spill Prevention, Control and Countermeasures Plans, Stormwater Pollution Prevention Plans, and Asbestos Management Plans. Environmental site assessments were completed for a satellite property in Hanover, Maryland, and the Shell Service Station located on Aviation Boulevard in Linthicum Heights, Maryland. Other compliance activities included continuous training of BWI Marshall and Martin employees in stormwater pollution control, hazardous waste management, asbestos, and lead-based paint awareness and emergency spill response requirements. MAA continues to perform necessary sampling, testing, and reporting to maintain compliance with National Pollution Discharge Elimination System permits. Additionally, as a waste minimization effort, a new program to recycle collected deicing fluids was implemented at BWI Marshall during 2016.

MAA began an update of the BWI Marshall and Martin State Airport master plans, providing a fresh look into the future 20-year need for airport facilities and operations to accommodate

forecasted demand. The BWI Marshall plan update will also address preliminary planning for a new BWI Marshall hotel, a new FAA Air Traffic Control Tower, a Concourse C and D connector as well as other facility expansion requirements to meet airline expansion and passenger growth. Site planning for an airline maintenance facility was completed in 2016, and the planned facility is currently being assessed for environmental impacts.

Several major capacity-enhancing projects are underway at BWI Marshall, foremost the design and construction of the \$92.3 million Concourse E Extension. The Concourse E Extension project is a continuation of the Terminal Enhancement Program consisting of a 150-foot extension to Concourse E and providing six additional gates at the end of the Concourse to accommodate growth in international operations. The Concourse E Extension is being constructed as three projects: North Cargo Area Security Improvements, Concourse E Sitework, and Concourse E Building. The North Cargo Area Security Improvements were completed in 2015, the sitework is well underway with most major elements to be completed in 2016, and design and procurement of the building has been completed to allow for construction in 2017/2018.

Additionally, the Concourse E Extension program includes improvements in the Federal Inspection Service (FIS) facilities to improve the passenger experience. The FIS improvements include wall graphics and lighting in the sterile corridor, static and dynamic signs, a third baggage claim carousel, new restrooms, automatic passport control processing, and mobile passport control processing. These improvements are needed to process current and projected growth of international passengers and will complement the increase of eight international arrival gates being constructed under the D/E Connector and Concourse E Extension. The initial package of improvements was completed in 2016, with the third baggage claim and additional restrooms planned for completion before Summer 2017. Coordination is also underway with U.S. Customs and Border Protection (CBP) for a future program to expand and reconfigure inspection areas to maximize capacity of the existing space by implementing CBP's new "Baggage First" concept.

Construction is well underway on the \$113.8 million D/E Connector and Security Checkpoint. The D/E Connector Program is the second phase of the long-term Terminal Enhancement Program to bring the BWI Marshall facility in compliance with current life safety codes and egress requirements and to provide additional gates to accommodate growth in international operations.

These improvements are geared toward increasing the operational performance of the facility and enhancing the passenger experience. The project consists of modifications to Concourses D and E, including the addition of a new passenger security checkpoint to replace the existing constrained checkpoints at Concourses D and E, and a new secure connector between Concourses D and E. Other elements of the program include providing the capability to serve both domestic and international service gates by constructing a new sterile corridor system that connects to the existing CBP facility in Concourse E; updating mechanical, electrical, plumbing, information technology, security, and fire protection systems to address the expansion of the terminal and aging infrastructure; and improving concession areas by maximizing exposure to passengers moving between the passenger security screening and boarding gates.

During 2016, construction of the sterile corridor was completed in May to allow new gates D3 and D5 to be utilized for international arrivals during the peak summer travel season. The new eight-lane passenger security checkpoint and connector opened as scheduled in Fall 2016, prior

to the Thanksgiving travel season. The final portion of the project, to reconfigure the former checkpoints at Concourses D and E, is underway with completion scheduled in Spring 2017.

Connected to the D/E Connector Program is the \$7.6 million Loading Bridge Replacement Program to replace older loading bridges on Concourses C and D that are no longer manufactured and have become difficult to maintain, as well as to provide new bridges for the D/E Connector project. The new loading bridges were installed on the D/E Connector and on the newly created Gate C8. Gate C8 was created by reconfiguring aircraft parking around Concourse C and has been leased by Southwest Airlines. MAA also utilized a \$2.5 million FAA grant for installation of the pre-conditioned air units related to the loading bridges on Concourse E.

There are two baggage handling expansion improvement projects underway that are related to the D/E Connector and Concourse E Extension programs. The most prominent is the new Checked Baggage Inspection System (CBIS) at the International Terminal. Construction started in Fall 2015 on the new \$22.1 million system. The CBIS project will improve the international baggage screening operation by optimizing the Transportation Security Administration's (TSA) screening operation with a fully in-line system that will increase throughput capacity, improve ergonomics for TSA staff, and provide an environmentally conditioned space to prolong equipment life and enhance working conditions for TSA personnel. In addition, the baggage make-up capacity that existed prior to the installation of TSA's current stand-alone baggage screening operation will be restored by allowing full 360-degree access to the carousels. Testing is underway and the system is scheduled to be operational in early 2017.

The second baggage handling expansion project is the connection of the former ticket counters in the D/E zone of the terminal to the existing in-line screening system being utilized by Delta Airlines. The existing in-line system has significant unused capacity and can easily accommodate the remainder of the ticket counters in the D/E ticketing area. The project is being constructed as a field revision to the D/E Connector project and includes installation of new conveyors from the ticket counter area to the system, a sort system after screening, and fit-out of the new outbound baggage room constructed as part of the D/E Connector project. Completion of the system is scheduled for Spring 2017, which will allow Spirit Airlines to relocate their expanding operations to the area.

On the airside, construction of the seven-year \$353.8 million Runway Safety Area (RSA) Standards and Pavement Improvement program is nearing completion. Beginning at the end of last year, MAA met the federally mandated requirement for not only all RSA Compliance but also the funding requirement that the airfield meet all practicable standards by December 31, 2015. This means that the airfield now meets RSA, geometric, taxiway design, runway incursion risk mitigation standards and all known obstructions have been addressed. Additionally, after MAA completed and handed over the required infrastructure for the new Runway Status Light System under a federal grant, the FAA has begun to commission the system and will have it in service by Spring of 2017. The system gives a final automated visual cue to pilots, through the use of dedicated in-pavement lights, as to whether the runway environment is sterile and they can proceed safely. This year construction continues on the \$89.3 million Airfield Standards and Pavement Rehabilitation project. At the completion of this project MAA will have completed the entire program and fulfilled all of the proposed requirements.

Marketing and Air Service Development

BWI Marshall handled a record 24.7 million passengers and almost 120,000 metric tons of cargo in FY 2016. International passengers flying through BWI Marshall increased more than 25% to a record 1.24 million in FY 2016.

New international service continues to be added from BWI Marshall Airport. British Airways began service between BWI Marshall and London Heathrow Airport with their new Boeing 787-8 Dreamliner aircraft. The new aircraft offers 25 more seats than the Boeing 767-300 it replaced flying from BWI Marshall – an increase of 13%.

WOWair continued to increase their service between BWI Marshall and Reykjavik, Iceland in 2016. They increased service to daily in May and have announced that they will continue to operate daily service in the winter season as well. They operated four weekly flights in the winter of 2015/2016 and five in the summer of 2015. MAA is working with WOWair to promote the nonstop service to Iceland and its many connections across Europe through an ongoing digital advertising campaign on Google.

Condor increased their service between BWI Marshall and Frankfurt by starting their season six weeks earlier than in previous years. They have also announced that they will add a fourth weekly flight for the peak of the summer in 2017, as well as start their seasonal service an extra two weeks early. Seasonal summer 2016 flights to Frankfurt, Germany on Condor Airlines were promoted through a digital advertising campaign targeting millennials and college students in the Baltimore/Washington region. The strategy utilized geo-targeted display and mobile banner advertising. Condor service was also promoted through a targeted e-blast campaign and through advertising in Capital Region USA's English and German guide books.

Norwegian Air Shuttle began service from BWI Marshall to both Guadeloupe and Martinique in December of 2015, marking the first time that the Washington/Baltimore region has had nonstop service to either French Caribbean destination. In 2016 they will add an extra month to their schedule by starting service in November of 2016. MAA is conducting ongoing marketing work with Norwegian to promote the flights.

On August 1, 2016, British Airways upgraded its service between BWI Marshall and London Heathrow to its new, sophisticated 787 Dreamliner aircraft. This improvement offers a new level of comfort for BWI Marshall customers, along with added seats. 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 and working closely with their sales department.

Southwest continues to offer nonstop service to eight international destinations from BWI Marshall Airport, including Cancun, Mexico, San Jose, Costa Rica; and San Jose del Cabo/Cabo San Lucas, Mexico.

New air service by Allegiant Air was announced at a press conference on January 12, 2016. Destinations included Asheville, Cincinnati, Savannah, Knoxville, Lexington and Tulsa. Service began on April 29, 2016 and was celebrated with a launch event at the gate including refreshments, music and a ribbon cutting.

Alaska Airlines began service between BWI Marshall and Los Angeles in September of 2015. Alaska Airlines also recently announced that they will initiate daily service between BWI Marshall and San Diego, CA in March of 2017.

Southwest Airlines started new nonstop service between BWI Marshall and Minneapolis/St. Paul in April of 2016 and also started new transcontinental service to both Sacramento, CA and San Jose, CA in the latter part of 2016. Southwest remains the largest carrier at BWI Marshall with more than 70% of all departures.

Spirit Airlines started new year-round service Orlando beginning in January of 2016. Spirit also initiated nonstop service between BWI Marshall and both Ft. Myers, FL and Tampa/St. Petersburg, FL in November of 2016.

Two new fee waiver agreements were entered into in FY 2016. \$2,512,140 was associated with eight agreements in FY 2016.

No cooperative marketing funds were provided to any airline during 2016.

MAA launched a new marketing campaign in Spring 2016 with the goal of differentiating BWI Marshall from other airports in the mid-Atlantic region and promoting the airport's 'easy come, easy go' qualities. "myBWI" was the campaign theme aimed at encouraging travelers to develop brand loyalty with BWI Marshall and highlighting specific airport features and benefits that make the travel experience more personal. Media elements included television, radio, outdoor, transit, cinema, digital and social media. MAA targeted Maryland and Washington DC sports audiences with advertising messages at the University of Maryland men's and women's basketball and football games, as well as Orioles and Nationals with the "Easy Come, Easy Go" and "myBWI" brand awareness messaging. MAA marketing staff continues to promote BWI's parking products via social media, radio advertising and the BWI website. MAA marketing staff continues to utilize social media including Twitter, Flickr, YouTube and Facebook as well as maintain the BWI website with real-time information and alerts.

MAA produced a dynamic promotional video for Martin to be used at trade shows, conferences, direct outreach, and on social media platforms. The video highlights Martin's rich history, ease of access, customer service, and newly-acquired customs clearance upon request for inbound international aircraft. MAA continues to promote Martin and its fuel provider Phillips 66 with online advertising targeting general aviation pilots, schedulers and dispatchers.

Business Development and Management

AIRMALL Maryland continues its redevelopment of the terminal concession program. Several new restaurants and retail stores have opened in the past year, including: Auntie Anne's, Be Relax, Charm City Candy, Fuel Rod, Green Beans Coffee, Harbor Grill, Hudson News, InMotion Entertainment, Market Express, Marshall Rousso, NYS Collection, Popsations Gourmet Popcorn, Potbelly Sandwich Works, Smoothie King, Starbucks, Sock It To You, and Victoria's Secret.

Additional new restaurants and retail shops scheduled to open in the first quarter of 2017 include Brix & Vine Wine Bar, Chick-Fil-A, DC-3 Hot Dog, McDonald's, Obrycki's, Pie Five Pizza, Starbucks, Subway, The Club at BWI, The UPS Store, Tony & Benny's Pizzeria, and Urban Burger. Additional restaurants and retail concessions currently under construction for the new D/E Connector are Duty Free America, Lug, Pen & Prose Boutique, ROAM Fitness and R&R Seafood.

Revenue to MAA from food and beverage, retail, and services concessions increased 11.4 percent to \$15 million in FY 2016, while total concession sales increased 11.2 percent to \$130.3 million. Participation by Airport Concession Disadvantaged Business Enterprises operators in the concession program for FY 2016 was 35.73 percent overall, with food and beverage participation at 44.7 percent and retail at 17.8 percent.

Airline and aeronautical revenue for FY 2016 was \$133,637,000, an increase of \$2.3 million over FY 2015. This increase includes cost recovery from the signatory airlines for FY 2015 snow removal costs.

The term of the current Use and Lease Agreement is July 1, 2014 through July 30, 2019. There are eleven (11) signatory airlines to the Use and Lease Agreement: Southwest Airlines, Delta Air Lines, American Airlines, United Airlines, Spirit Airlines, JetBlue Airways, British Airways, Condor Airlines, Air Canada, FedEx and UPS.

By July 2016, Southwest Airlines had added holdrooms C-9, C-11 and C-13 to their leased space. The former holdroom C-8, which was being used as a public charging station and lounge area, will be reactivated as an airline holdroom and leased by Southwest in January 2017, bringing Southwest's total preferentially-leased gate complement to thirty-two (32).

In order to enable further planned growth, Spirit Airlines was relocated in May 2016 from Concourse C, where they leased holdrooms C-9 and C-11, to Concourse D where they have increased to three preferentially leased holdrooms, D-10, D-12, and D-14. Spirit will also add holdroom D-8 to their leased space in 2017 upon completed construction of a new egress stairwell in that area, bringing the Spirit complement of preferentially leased holdrooms to four. In Spring of 2017, Spirit's ticket counter will relocate to the larger counter adjacent to Delta Air Lines. Spirit's baggage handling capacity will be greatly increased by tying into the DEBSCI inline baggage screening system and an exclusively leased baggage make-up area.

Allegiant Air is using the new domestic common use ticket counter positions and common-use holdrooms on Concourse D. In October and November of 2016, Essential Air Service (EAS) carriers Via Air and Southern Airways Express initiated BWI Marshall service. These airlines are also using the common-use ticket counters in the domestic terminal and their flights operate from the Concourse D commuter terminal. Via Air uses a common-use gate and Southern Airways preferentially leases holdroom D-37.

Operations and Maintenance

Safety, security, system preservation, and improving customer amenities continued to be the focus for BWI Marshall in 2016. The FAA conducts an annual 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. BWI Marshall passed this annual Airport Safety and Certification Inspection again this year with zero repeat discrepancies and only five (5) minor discrepancies that were corrected before the inspection process ended.

In January 2016, BWI Marshall experienced the historic snow storm Jonas that left 33.5” of snow on Maryland and the surrounding areas. Dedicated MAA employees and supporting contractors worked continuously throughout the storm to complete snow removal efforts in time to see BWI Marshall open for air travel a full 24 hours before neighboring airports to the North and South. As a result of these efforts, BWI Marshall was the first airport to reopen in the northeast region.

Throughout 2016, MAA continuously partnered with key stakeholders in addressing security concerns. MAA maintained a close relationship with the Federal Bureau of Investigation – Joint Terrorism Task Force in intelligence sharing and offered two Active Shooter Training Sessions for the entire Airport Community. MAA worked collaboratively with the U.S. Department of Homeland Security in community outreach efforts related to Human Trafficking and worked extensively with the TSA on vulnerability assessments, enhanced employee screening/inspection initiatives, and delivering a new 2016 ‘See Something, Say Something’ Campaign.

Notable security-related awards received during 2016 include: U.S. Air Force Turkish Evacuation Letter of Appreciation, TSA Partnership Award, Government Security News Magazine 2016 Awards for Most Notable Airport Security Program and for Best Integrated Security Program.

The BWI Marshall Fire and Rescue Department (FRD) continues to upgrade both the vehicle fleet and the personnel safety equipment with the purchase of a 2016 Pierce 100’ aerial platform, the ordering of a new 2017 Chevrolet/Rosenbauer brush truck that will assist in extinguishing vehicle fires in the parking garages, the replacement of the reserve paramedic unit with a 2017 Freightliner PL Custom that will standardize all front-line paramedic units, and submitted paperwork for the replacement of the 2005 E-One crash truck with a 2017 Oshkosh Striker crash truck. All FRD personnel were trained on the new Self-Contained Breathing Apparatus that is currently in-service on all FRD fire apparatus. The new equipment has enabled the FRD personnel to respond to approximately 4,200 fire and emergency medical responses for 2016.

FRD continues to maintain positive relationships with their mutual aid partners in neighboring jurisdictions and has provided these partners the opportunity to assist with the safe handling and mitigation of incidents in and around the BWI Marshall campus.

Operations staff continue to provide the traveling public a safe and efficient experience while using BWI Marshall Airport, responding to incidents involving personal injury, illness, property damage and equipment malfunction. The 175 Pathfinder volunteers handled 675,295 inquiries at the six information desks during FY 2016. In addition, the Lost & Found Office, operated by the MAA, received 2,964 lost items during the year and successfully returned 1,730 items to the patrons who lost them. There were 1,648 items that remained unclaimed and were donated to charity.

Information Technology

Elements of passenger inspections and processing in the Federal Inspections Service area of the terminal, were automated under a project that included the deployment of Automated Passport Control kiosks and a CBP mobile device application known as Mobile Passport Control. The project also included an Ambassador Program whereby customer service agents aid passengers as they make their way through the customs area and make use of these new technologies.

The Common Use Terminal Equipment (CUTE) system was further expanded to accommodate the new activities of the EAS carriers. The CUTE system provides air carriers with a common platform for passenger processing and boarding operations. It was originally installed in the international terminal only and was later expanded into the domestic terminal to accommodate the startup of domestic carriers, such as Alaska Airlines. This most recent expansion for the EAS carriers provided for the installation of CUTE on domestic gates D36 and D37.

A system upgrade of the CUTE system was initiated to ensure that this mission critical system remains on a supportable and “state of technology” platform. The upgrade included software and numerous hardware elements of the system.

Network upgrades were completed to significantly increase the resiliency of credit card transactions at all MAA owned parking facilities. The upgrade provides a much more robust environment.

The BWI Marshall Mass Notification System was expanded to capture the emergency notification requirements at Martin. The system now provides Martin emergency management personnel the ability to target and notify groups of emergency personnel and other affected parties during emergencies with minimal effort.

The eMEDS Electronic Patient Care Reporting system was upgraded and made compliant with the most recent version of the National Emergency Medical Services Information System. The system automates mandated requirements for medical patient care reporting. This most recent upgrade ensures compatibility with the newest changes made to the nationwide patient care reporting system.

ACTIONS TAKEN BY THE MARYLAND AVIATION COMMISSION

- The Commission was regularly briefed and consulted on the following:
 - Air service trends and air service marketing efforts;
 - The State’s general aviation program and operations at several general aviation airports;
 - Quarterly financial results;
 - Airport security issues;
 - Various airport construction projects; and
 - State and federal legislative issues impacting BWI Marshall.

- The Commission reviewed and approved the inclusion of one new major capital project in the Final FY 2017-2022 Consolidated Transportation Program:
 - Consolidated Rental Car Facility Shuttle Bus Fleet Replacement – This project consists of the replacement of twenty-three (23) Compressed Natural Gas buses utilized as dedicated support for the rental car operation. The fleet has surpassed its useful life and is scheduled for replacement. Customer Facility Charges will be to purchase the new buses.

- In accordance with Transportation Article, §5-201.1, the Commission approved the following personnel actions:
 - A one-time merit bonus payment for the twelve (12) management positions over whom it has salary-setting authority;
 - The appointment of and compensation for the Director, Office of Commercial Management; and
 - The appointment of and compensation for the Director, Office of Engineering & Construction.

FINANCIAL RESULTS

Maryland Aviation Administration
Baltimore/Washington International Thurgood Marshall Airport and Martin State Airport
Comparative Statement of Revenue, Expense and Income
Fiscal Years Ending June 30, 2016 and 2015
(Thousands)

	FY 2016	FY 2015	Difference	% Change
TTF Revenue and Expense				
TTF Operating Revenue	\$ 233,419	\$ 224,080	\$ 9,339	4.2%
TTF Operating Expense	\$ 191,654	\$ 186,888	\$ 4,766	2.6%
TTF Surplus/(Deficit)	\$ 41,765	\$ 37,192	\$ 4,574	12.3%
Non-TTF				
Non-Operating Revenue	\$ 81,738	\$ 77,607	\$ 4,131	5.3%
Non-TTF Debt Service	\$ 43,371	\$ 42,975	\$ 396	0.9%
Non-TTF Surplus/(Deficit)	\$ 38,367	\$ 34,632	\$ 3,735	10.8%
Total MAA Surplus/(Deficit)	\$ 80,132	\$ 71,824	\$ 8,308	11.6%
Capital Program Expenditures	\$ 253,401	\$ 214,147	\$ 39,254	18.3%
Enplanements (000's)	12,331,941	11,412,595	919,346	8.1%

In FY 2016, the Maryland Aviation Administration TTF operating surplus totaled \$41.8 million, a \$4.6 million increase from the FY 2015 TTF operating surplus of \$37.2 million. TTF revenue increased by \$9.3 million while expenses increased by \$4.8 million.

FY 2016 BWI revenue increased \$9.4 million. Parking revenue increased \$4.6 million, retail food and beverage concessions \$1.4 million and rental car revenue \$.5 million due to higher enplanements. Rents increased \$3.5 million due to increased airline space rentals and flight activity increased \$1.8 million due to increased airline activity offset by reduced collections of \$2.4 million from airlines for actual snow recovery costs compared to FY 2015. MTN revenue decreased \$0.1 million due to lower FBO fuel sales.

The \$4.8 million increase in FY 2016 TTF operating expense is primarily the result of increased spending on contractual services of \$3.3 million, higher contractual snow removal services \$1.1 million and higher wages and salaries of \$1.8 million offset by reduced shuttle bus fuel of \$.6 million, aviation fuel of \$.6 million and supplies of \$.7 million.

FY 2016 non-TTF revenue increased approximately \$4.1 million as a result of higher enplanements that increased PFC and CFC revenue. CFC debt service remained relatively flat, while PFC debt service and Parking debt increased per the debt payment schedules.

Total FY 2016 MAA surplus is \$80.1 million, an increase of \$8.3 million versus FY 2015. Enplaned passengers increased 8.1% in FY 2016 versus FY 2015.

MARYLAND AVIATION COMMISSION ANNUAL REPORT
TRANSPORTATION ARTICLE, § 5-201.2

FINANCIAL RESULTS

Maryland Aviation Administration
Statement of Revenue
Fiscal Years Ending June 30, 2016 and 2015

	FY 2016	FY 2015	Difference	% Change
<u>BWI Operating Revenue (TTF)</u>				
Flight Activities	\$ 62,672,258	\$ 60,881,610	\$ 1,790,648	2.9%
Rents & User Fees	\$ 68,737,292	\$ 65,225,079	\$ 3,512,213	5.4%
Public Parking	\$ 43,532,939	\$ 38,983,056	\$ 4,549,883	11.7%
Rental Cars	\$ 16,939,402	\$ 16,432,102	\$ 507,300	3.1%
Retail, Food & Beverage	\$ 14,843,080	\$ 13,405,650	\$ 1,437,430	10.7%
Other Passenger Concessions	\$ 4,425,161	\$ 5,214,414	\$ (789,253)	-15.1%
Non-Passenger Concessions	\$ 3,461,928	\$ 3,442,164	\$ 19,763	0.6%
Other Revenue	\$ 10,379,832	\$ 12,011,879	\$ (1,632,047)	-13.6%
Total BWI Operating Revenue	\$ 224,991,892	\$ 215,595,953	\$ 9,395,938	4.4%
<u>MTN Operating Revenue (TTF)</u>				
	\$ 8,427,359	\$ 8,483,931	\$ (56,572)	-0.7%
Total TTF Operating Revenue	\$ 233,419,251	\$ 224,079,884	\$ 9,339,367	4.2%
<u>Non-Operating Revenue</u>				
Customer Facility Charges	\$ 13,465,042	\$ 12,732,573	\$ 732,469	5.8%
Passenger Facility Charges	\$ 48,056,243	\$ 44,745,377	\$ 3,310,866	7.4%
Trustee Retained Parking Revenue	\$ 19,376,852	\$ 19,623,516	\$ (246,665)	-1.3%
Interest Income	\$ 840,125	\$ 505,805	\$ 334,320	66.1%
Total Non-Operating Revenue	\$ 81,738,263	\$ 77,607,272	\$ 4,130,991	5.3%
Total MAA Revenue	\$ 315,157,514	\$ 301,687,156	\$ 13,470,357	4.5%

MARYLAND AVIATION COMMISSION ANNUAL REPORT
TRANSPORTATION ARTICLE, § 5-201.2

FINANCIAL RESULTS

Maryland Aviation Administration
Statement of Expense
Fiscal Years Ending June 30, 2016 and 2015

	FY 2016	FY 2015	Difference	% Change
<u>BWI Operating Expense (TTF)</u>				
Salaries and Wages	\$ 41,396,215	\$ 39,647,753	\$ 1,748,462	4.4%
Technical and Special Fees	\$ 1,661,541	\$ 1,530,487	\$ 131,054	8.6%
Communications	\$ 1,205,342	\$ 1,202,957	\$ 2,385	0.2%
Travel	\$ 304,276	\$ 216,963	\$ 87,314	40.2%
Fuel and Utilities	\$ 13,563,434	\$ 13,478,378	\$ 85,056	0.6%
Motor Vehicle Operations	\$ 2,746,753	\$ 3,388,003	\$ (641,251)	-18.9%
Contractual Services	\$ 81,738,498	\$ 78,831,310	\$ 2,907,188	3.7%
Supplies and Materials	\$ 4,564,797	\$ 5,374,308	\$ (809,511)	-15.1%
Replacement Equipment	\$ 237,541	\$ 85,039	\$ 152,502	179.3%
Additional Equipment	\$ 131,109	\$ 124,065	\$ 7,044	5.7%
Grants/Subsidies/Contributions	\$ 948,396	\$ 935,078	\$ 13,318	1.4%
MEDCO and COPS Debt Service	\$ 17,820,440	\$ 17,856,401	\$ (35,961)	-0.2%
Other Fixed Charges	\$ 1,572,603	\$ 1,527,387	\$ 45,216	3.0%
Land and Structures	\$ 15,884,986	\$ 14,703,177	\$ 1,181,809	8.0%
Total BWI Operating Expense	\$ 183,775,931	\$ 178,901,305	\$ 4,874,626	2.7%
<u>MTN Operating Expense (TTF)</u>				
	\$ 7,877,954	\$ 7,986,789	\$ (108,835)	-1.4%
Total TTF Operating Expense	\$ 191,653,885	\$ 186,888,095	\$ 4,765,790	2.6%
<u>Non-TTF Debt Service Expense</u>				
Passenger Facility Charge Backed Debt	\$ 15,015,431	\$ 14,223,850	\$ 791,581	5.6%
Customer Facility Charge Backed Debt	\$ 8,978,878	\$ 8,985,156	\$ (6,278)	-0.1%
Parking Debt	\$ 19,376,852	\$ 19,765,800	\$ (388,948)	-2.0%
Total Non-TTF Debt Service Expense	\$ 43,371,161	\$ 42,974,806	\$ 396,355	0.9%
Total MAA Expense	\$ 235,025,046	\$ 229,862,901	\$ 5,162,145	2.2%
Regional Aviation	\$ 392,865	\$ 424,742	\$ (31,877)	-7.5%
Capital Program Expenditures				
State Funds	\$ 126,270,933	\$ 91,414,000	\$ 34,856,933	38.1%
Federal Funds	\$ 20,826,874	\$ 31,906,000	(11,079,126)	-34.7%
Other Financing	\$ 106,303,000	\$ 90,827,000	\$ 15,476,000	17.0%
Total Capital Program Expenditures	\$ 253,400,807	\$ 214,147,000	\$ 39,253,807	18.3%

Note:

- Federally funded and other reimbursable security related expenses of \$645,500 in FY 2016 and \$776,000 in FY 2015 are not included in operating expenses shown above

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

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Difference</u>	<u>% Change</u>
BWI Marshall Domestic Passengers	23,427,075	21,768,861	+1,658,214	+7.6%
BWI Marshall International Passengers	1,242,871	993,032	+249,839	+25.2%
BWI Marshall Total Passengers*	24,669,946	22,761,893	+1,908,053	+8.4%
BWI Marshall Aircraft Operations	248,247	243,253	-8,052	+2.1%
Martin Aircraft Operations	84,853	83,538	+1,315	+1.6%

Passenger Activity Comparison

FY 2016

	<u>BWI Marshall</u>	<u>Dulles</u>	<u>Reagan National</u>
Total Commercial Passengers	24,669,946	21,388,490	23,473,626
Percent Change over FY 2014	+2.4%	+0.4%	+8.0%

Total Regional Market:	<u>2016</u>	<u>2015</u>
	69,532,062	65,793,104

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 2016***

Technical and Special Fees		\$10,800
Travel Reimbursement to the Commissioners for Meetings		\$1,266
Contractual Services:		\$2,309
Public Notice Advertisements for Commission Meetings	\$ 928	
Food Services	\$1,381	
Total Maryland Aviation Commission Cost		\$14,375

*Fiscal Year 2016: July 1, 2015 to June 30, 2016