SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF DECEMBER 7, 2011

Mr. Crawford chaired the Business Administration Committee Meeting on December 7, 2011.

Mr. Crawford began by calling the roll of the Committee: Mr. Carter, Mr. Cobey, Mr. Curto, Ms. Hall, Mr. Martire, Mr. O'Reilly, Mr. Session, and Mr. Snelling. He announced that a quorum was present.

Mr. Crawford then said the sole issue for the Committee to address was the recommendation to extend the concession management services contract at both Airports.

Steve Baker, Vice President for Business Administration, presented the proposal. He said that the existing "fee manager" contract with Westfield Concession Management, Inc. should be extended to allow for the re-solicitation of the contract after the cancellation of the original solicitation and the receipt of several protests. An extension of up to one year would allow the staff to prepare a new solicitation document.

Mr. Session asked when the new solicitation was likely to be published; Mr. Baker said the staff expected to publish it by the first quarter of 2012. Mr. Session asked how long the selection process would take; Mr. Baker said he hoped to have a company in place by the middle of the year.

Mr. Crawford called for a show of hands; the Committee unanimously agreed to recommend the extension to the Board.

Mr. Carter asked about the status of a report on the Disadvantaged Business Enterprise (DBE) and LDBE programs. Mr. Crawford said the report had been postponed in November to the next full Committee meeting, which would now occur in January.

Mr. Crawford noted that this meeting would probably be the last he chaired. Mr. Carter said it had been an honor to work with him.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF DECEMBER 7, 2011

Ms. Reiley chaired the December 7, 2011 Dulles Corridor Committee Meeting.

The meeting began with the Metrorail Phase 1 cost report. Pat Nowakowski, Executive Director of the Metrorail Project, reported that expenditures for October had been $58 million, bringing the total to $1.585 billion for the year to date. The estimated completion cost was still $2.75 billion. Staff was still working on mitigation efforts, and would report back in January 2012.

Ms. Reiley pointed out that additional costs had not been overruns from estimates, but new expenses that the staff could not control, such as changing standards for transit construction, unexpected utility relocations costs, and some weather. The press did not quite understand that items covered by contingency were entirely out of the Airports Authority's control. She recommended that the staff do further press briefings to make clear that costs were not out of control, and that much of the additional costs came from safety concerns.

Mr. Nowakowski then turned to the contingency expenses from October. The first drawdown had been $14.3 million to cover the WMATA-required substation remote control and monitoring. $3.6 million had been spent on utility relocation costs, which were nearly complete. $2.7 million went into remaining costs for roadway changes at the Wiehle Avenue station; most of the parking garage costs had been taken as a credit when Fairfax County agreed to construct it. Fireproofing, an allowance item, where the Airports Authority had assumed the risk of escalation, had cost an additional $2.6 million when bid. There were credits for the right-of-way forecasts of $1.6 million and a $1 million cost under-run of the passenger information displays. Cost savings items under $1 million totaled an additional $3.3 million. The total contingency expenditure for the month had been $20.5 million.

In sum, $258.2 million had been spent or obligated on contingency items, leaving $54.1 million. The forecast construction completion date was August 2013.

Mr. Martire said the team had done an excellent job of keeping the traffic moving at Tysons Corner through the holiday season, while working in a very constrained area.

Mr. Carter asked what progress was being made on the lost time caused by inclement weather. Mr. Nowakowski said the contract allowed a certain number of lost days per month; when they were exceeded, the contractor could request a delay. The project had already been delayed from July 31, 2013 into August because of weather impact. The project was not liable for extra costs, but was obliged to extend the completion date. The contract allowed two days of weather delays per month, which usually balanced out, but in years with record snowfall, or a hurricane and an earthquake within the same week, additional delays could result.

Ms. Reiley asked if it would make sense to build more weather days into the Phase 2 contract; Mr. Nowakowski emphatically agreed. Mr. Carter observed there were probably many lessons learned from Phase 1 that could be addressed better in Phase 2.

Mr. Nowakowski said the project was currently largely above ground, which meant weather would not have the same impact. He added that the difficult tasks in the new year would be at the stations, where many crafts would be working at the same time.

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF DECEMBER 7, 2011

Mr. Brown chaired the Finance Committee Meeting on December 7, 2011.

Financial Advisors' Reports – Dulles Corridor Enterprise

Bryan Grote of Mercator Advisors, LLC reported there had been discussions about the Transportation Infrastructure Finance and Innovation Act (TIFIA) process, and plans for a formal application to the Department of Transportation. Such an application would reflect the terms of the Memorandum of Agreement on the Phase 2 project, including the existing TIFIA commitments. It should be ready early in 2012.

There is a December 31 filing deadline for the FY 2012 TIFIA cycle; the Airports Authority is prepared to submit another letter of interest, as it had annually in the past.

Doreen Frasca of Frasca & Associates, LLC reported that there had not been any comparable BBB toll road transactions in the market over the past two weeks. She noted however that the market had improved strongly over the past few days; December 1 was a semi-annual date for redemptions, and there was considerable cash in the market. The MMD rate had jumped as much as 10 basis points in a 24-hour period.

Andy Rountree, Vice President and Chief Financial Officer (CFO), said the staff was asking the Committee to concur in the December TIFIA letter of interest filing Mr. Grote had mentioned; Mr. Brown said the filing would not require formal action. It would be important to write the application in a way that did not suggest the project did not need more TIFIA.

Dulles Toll Road Traffic and Revenue Study Update

Jonathan Pagan of Wilbur Smith Associates said the firm was conducting a comprehensive or "investment grade" study of the Toll Road. The study was on schedule, close to a draft. He said the Toll Road was a mature facility, with heavy peak and off-peak demand in both directions, through a congested region. This meant it was relatively easier to predict traffic and the impact of toll adjustments. The firm expected to be accurate, noting that the prior models had been accurate, within a few percentage points. The prior study had last been done in late 2008 through early 2009, and was dated July 2009 for the 2009 Official Statement, and was updated again in April 2010 for the 2010 Official Statement. It had predicted $97 million for 2011; the actual would be near $95 million.

Mr. Pagan said he expected to be able to discuss revenue requirements with the Financial Advisors in a few weeks. This would assist in determining what toll increase would occur for what years.

The firm had been out on the Toll Road late summer and early fall collecting traffic travel patterns, which may have changed since the last study. The base information was now fully updated through 2011. An independent economist had reviewed the socioeconomic potential of the region and the corridor in more detail.

The Council of Governments, the Metropolitan Planning Organization for the region, had issued a new draft regional traffic demand model and socioeconomic forecast. These had been reviewed and refined, and were now being tested.

The firm had reviewed the regional transportation plans; they were expecting highway budgets to be reduced over the next 30 years. There were multiple factors that had changed since the last study. The new models were better calibrated than the former ones.

Toll changes would be worked out with the Financial Advisors. While there were many moving parts, and many changes had occurred, both positive and negative to the forecast, Mr. Pagan did not expect any major changes to the results that would drive a significantly different toll schedule.

Mr. Snelling observed that 40 years before, Wilbur Smith had done excellent work for the City of Allentown. Mr. Pagan said that the firm had done forecasting for the Toll Road in 1986 that had remained valid until about 2004, when there was a toll increase not expected in 1986. The firm had been in business 60 years, and had been doing toll road forecasts for 50 years. Mr. Brown said some forecasters had misjudged the impact of new toll facilities in recent years, but the Dulles Toll Road was indeed a mature facility, unlikely to provide surprises.

Mr. Brown said the Phase 2 Memorandum of Agreement had included a sample toll schedule based on the July 2009 Wilbur Smith report. He said that Mr. Pagan's report suggested that the previous toll analyses were not likely to change much. The Airports Authority needed to keep on the same track, looking for additional revenues to take the pressure off the toll road users. Mr. Snelling and Mr. Davis agreed.

Roles and Responsibilities of the Staff Investment Committee

Mr. Rountree said that, at the request of the Finance Committee Chairman, the staff occasionally reviewed some of the financial practices; today's report concerned how the investment portfolio was managed. The Staff Investment Committee had its origins in 1989, when the Board approved an Investment Policy, which set out the types of investments that could be made with Airports Authority revenues. It had been amended in 1990 and 2010, the last time to set allowable investments for the Dulles Corridor.

The Policy covered all funds, excepting only retirement funds. The primary objectives of the Policy were threefold: safety of the capital; the liquidity of the portfolio; and the yield on the investments. The Policy also required that the staff develop written investment objectives and procedures.

The Objectives and Procedures established the Investment Committee, made up of staff appointed by the President and Chief Executive Officer (CEO). It was required to meet quarterly to determine the general strategies of the investment activities and to monitor results. The Committee consisted of the President and CEO, who chaired it, the Executive Vice President and Chief Operating Officer, the Vice President for Finance and CFO, the Deputy Vice President for Finance, a position currently vacant, and the Vice President for Business Administration. Management of the program was delegated to the CFO, with day-to-day responsibilities delegated to the Treasury Manager, Nancy Edwards, who served as investment official under the Policy.

The CFO was required to report quarterly to the Committee. These reports consisted of general strategies of investment activities, monitoring of the results of investment activities, the presentation of market conditions, the status of liquidity levels, and setting the investment horizon for the next quarter. The funds were principally operational funds, not borrowed construction money from bond sales. Those construction funds were already invested at the time of borrowing, with a horizon matched against an expenditure plan. Thus the Committee did not have much in the way of decision-making to do with them, or the debt service reserve funds.

The quarterly Investment Committee reports were summarized and presented to the Finance Committee of the Board. The reporting schedule imposed a discipline on the CFO and Treasury Manager.

Mr. Brown said he thought the report useful as a governance matter. He said he thought the Investment Committee strange. In his experience, a Board would set an investment policy, to be carried out by specialized staff. He thought it odd that there was an intermediate staff committee, of which about half were not investment specialists. He thought the investment activity should be entirely the responsibility of the CFO and staff, reporting of course through the CEO. The Board's oversight responsibility would be exercised by direct reports from the CFO.

Mr. Brown said the Investment Committee had been around for a very long time, but he still believed it diluted the Board's responsibility.

On a separate matter, Mr. Snelling said he wished to state publicly that Randy Babbitt, who was retiring as Administrator of the Federal Aviation Administration, had been a good friend of the Washington Airports. He had done major work on reauthorizing the Federal Aviation Administration, and his work on NEXTGEN was very important to the entire aviation network.

SUMMARY MINUTES
STRATEGIC DEVELOPMENT COMMITTEE
MEETING OF DECEMBER 7, 2011

Mr. Conner chaired the Strategic Development Committee Meeting on December 7, 2011. The entire meeting was conducted in executive session.

At the conclusion of the meeting, Mr. Conner advised all present that the Committee had heard and discussed the Air Service Development Report and the continuing plans for the Use and Lease Agreement to be negotiated with the airlines.