

SUMMARY MINUTES
AUDIT – LEGAL COMMITTEE
MEETING OF APRIL 17, 2013

Ms. Hall chaired the Audit – Legal Committee Meeting of April 17, calling it to order at 8:00 a.m. She noted that a quorum was present – Mr. Conner, Mr. McDermott, Ms. Merrick, Mr. Session, Ms. Wells and Mr. Curto, *ex officio*. [Mr. Adams arrived while the Meeting was underway.] Mr. Carter, Mr. Chapman, Mr. Davis, Mr. Griffin, Mr. Stottlemeyer and Mr. Williams were also present. In executive session, the Committee had learned the results of the Financial Statement Audit, conducted by PricewaterhouseCoopers and Bert Smith & Co. Ms. Hall reported that the Committee had received the required communications and additional insights with respect to both the audit process and financial results.

The meeting was thereupon adjourned at 9:06 a.m.

[NOTE: The Audit – Legal Committee Report provided at the April 17 Board Meeting included details of the Committee’s April 17 Meeting.]

SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF APRIL 17, 2013

Mr. Session chaired the April 17 Business Administration Committee Meeting, calling it to order at 10:28 a.m. A quorum was present: Mr. Adams, Mr. Carter, Mr. Griffin, Ms. Hall, Ms. Merrick, Ms. Wells, Mr. Williams and Mr. Curto, ex officio. Mr. Chapman, Mr. Conner, Mr. Davis, Mr. McDermott, Mr. Stottlemeyer were also present.

Recommendation to Award Contracts for Rental Car Concessions at Dulles International. Chris Browne, Vice President and Airport Manager, presented staff's recommendation to award seven five-year rental car contracts to companies at Dulles International, which would begin on July 1, to Advantage Rent-a-Car; Avis Rent A Car System, LLC; Budget Rent A Car System, Inc.; Dollar Thrifty Automotive Group, Inc.; Enterprise Leasing Company; The Hertz Corporation; and Vanguard Car Rental USA, Inc. He noted that of the seven Dulles International rental car ready and return facilities, six facilities were occupied. A solicitation for these contracts had last been advertised in 2008, and the incumbents had bid a total of approximately \$80 million in Minimum Annual Guarantee (MAG) for the five-year contract period, which will expire on June 31. Mr. Browne reported that rental car revenues are the second largest revenue source to the Authority. In 2012, an Invitation for Bid had been issued for a six-year concession opportunity for the one vacant facility; however, the solicitation had been cancelled due to insufficient interest at that time.

Mr. Browne reported that the successful bidders would pay the Authority the greater of their MAG bid, or 10 percent of the gross receipts for each year of the contract. Additionally, facility rent would be paid on five of the seven sites where the improvements are owned by the Authority and the two other sites will revert to the Authority in the next several years. Seven bidders representing nine rental car brands had responded to the solicitation. The MAGs bid totaled just over \$82 million for the five-year contract period. The Authority will also collect just over \$11 million in facility rent over the contract period, representing a \$4.5 million increase over the previous contract award. In total, more than \$18 million in revenues will be generated to the Authority. The contracts also include a 10-percent Airport Concession Disadvantaged Business Enterprise goal.

Historically, Mr. Session explained that with respect to concession contracts, car rental companies are treated differently because of the challenges associated with reaching their DBE goals. He noted that trade organizations had been quite involved over the years regarding this effort, and he stressed the importance of the Committee understanding the limitations imposed on rental car companies operating at airports in achieving set DBE goals. Mr. Session then asked Mr. Browne to identify ways that the Authority may achieve its DBE participation goal in an industry where adequate resources did not exist.

Mr. Browne responded that the rental car companies at Dulles International typically meet the 10-percent goal through the purchase of goods and services. He noted that until car companies are able to purchase vehicles from DBE firms, firms would have a difficult time achieving higher DBE participation rates. Mr. Carter inquired about the typical goods and services provided by DBE firms. Mr. Browne responded that legal, accounting and staffing services were among the most commonly provided.

Richard Gordon, Manager, Equal Opportunity Programs, added that car rental concessions “get a pass” on the DBE program because it is administered unlike other concessions. Like retail, food and beverage concessions, the Authority is unable to set a DBE participation goal on the actual car rental concession and its management. Rather, the goal is set based on the services and goods purchased by car rental companies. Presently, the biggest element used by car rental companies to achieve DBE participation is through the purchase of insurance. Mr. Gordon noted that the Authority certified its first DBE car dealership and that outreach efforts are underway to recruit more dealerships to apply for certification. He acknowledged that the DBE certification process is a challenging process because of onerous paperwork to complete. Additionally, a dealership’s legal structure formation sometimes prohibits it from being certified in the DBE program. Mr. Session noted that strides to increase the eligibility for DBE rental car concessions continued.

The Committee approved the staff recommendation to award the rental car concession contracts.

Pre-Solicitation Terms for a Fixed Base Operator Contract at Reagan National. Paul Malandrino, Vice President and Airport Manager, reported that a Fixed Base Operator (FBO) is an airport service center that handles passengers, fueling, aircraft servicing, maintaining or operating pilot

lounges, and the parking of general aviation (GA) aircraft landing at an airport. He introduced Ron Stange, Manager, Airport Administration at Reagan National, and requested that the Committee concur with the recommended procurement approach to hire a new FBO at Reagan National. The current contract with Signature Flight Support, which would expire December 8, had been originally executed in November 1998, with a base term of eight years with one two-year option. The financial terms were the greater of a MAG or percentage of gross receipts collected, in addition to investment in capital improvement. After September 11, 2001, the federal government had mandated the closing of GA activity at Reagan National, excluding government flights. On October 18, 2005, Reagan National had been reopened to limited GA flights under very strict security protocols.

Mr. Malandrino explained that from 1999 to 2001, Signature's gross receipts had ranged from \$14.2 to \$18 million annually and payments to the Authority had averaged \$3.7 million annually. The number of daily GA flights prior to September 11, 2011 had been approximately 85 to 90. Due to the closing of Reagan National to non-governmental GA aircraft activity from 2002 until October 18, 2005, there had been very little FBO activity. Mr. Malandrino reported that the GA activity level had remained limited due to the very strict federal security protocols. During this time, the FBO's gross receipts at Reagan National had ranged from \$1.5 to \$3 million annually, with an average of one GA landing per day. From 2010 to 2012, the annual gross receipts paid to the FBO had averaged \$4.6 million and payments to the Authority had averaged \$1.2 million, with approximately five daily GA flights.

The new ten-year contract with one five-year option would also include LDBE participation requirements applicable to the design and construction of capital improvements and for goods and services at 25 and 20 percent, respectively. The new terms of the contract would require the contractor to pay the Authority the greater of the MAG or a percentage of gross receipts paid to the FBO. The evaluation criteria included submittal of an operations and management plan; industry experience and qualifications; capital improvements offer; financial offer; MAG bid; and financial ability to perform.

Ms. Wells inquired about the amount of the capital improvement for previous contracts, to which Mr. Malandrino responded \$650,000. She further inquired whether staff anticipated a substantial amount of interest in the solicitation. While the interest is hard to predict, Mr. Malandrino

stated that GA activity had increased since more gateway airports and eligible operators currently existed. He also referenced a new protocol, called the DCA Access Standard Security Program, which sets requirements for armed security officers on private flights.

Mr. Carter inquired whether DBE firms would likely join together to bid on the FBO contract. Mr. Gordon responded that the solicitation would be open to both DBE and non-DBE firms. He offered an example whereby the 20-percent LDBE participation requirement could be achieved by a majority firm partnering with another LDBE firm. Mr. Carter expressed concern about the exposure and liabilities associated with how some joint ventures are structured. Mr. Gordon clarified that well-defined agreements regarding acceptable joint venture agreements existed at the Authority. As joint ventures are undertaken, the agreement would lend the LDBE partner to take on the liability in order to perform as a legitimate joint venture.

The Committee concurred with the terms of the pending procurement.

The meeting was thereupon adjourned at 10:50 a.m.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF APRIL 17, 2013

Mr. Davis chaired the April 17 Dulles Corridor Committee Meeting, calling it to order at 11:51 a.m. Other Committee Members present were: Mr. Adams, Mr. Chapman, Mr. Conner, Mr. Griffin, Ms. Hall, Mr. McDermott, Ms. Merrick, Mr. Session, Mr. Stottlemyer, Ms. Wells, Mr. Williams and Mr. Curto, *ex officio*. Mr. Carter was also present.

Dulles Corridor Metrorail Project Monthly Cost Summary and Project Update. Pat Nowakowski, Executive Director of the Metrorail Project, reported that \$40.3 million had been spent on Phase 1 in February, bringing total expenditures up to \$2.373 billion. The forecasted completion remained at \$2.905 billion. About \$385.7 million in contingency funds had been used or obligated through January 2013; approximately \$6 million in contingency funds had been used in February, most of which had been for spare parts and costs associated with changes to adjacent development. Contingency use through January had been \$391.7 million, with \$70.6 million unobligated. Mr. Nowakowski reported that the forecasted completion date is presently September 6, 2013.

Dulles Corridor Metrorail Project 2013 First Quarter Report on Phase 1 and Phase 2. For Phase 1, Mr. Nowakowski reported that all design is complete and staff is proceeding with as-built drawings. With respect to the utility relocation, close out is underway; the total Phase 1 Project is 96 percent complete. The delivery of the rail cars remained on schedule - the pilot cars would be delivered in February 2014; the production cars would be delivered in August 2014 through 2015. Mr. Nowakowski noted that the Washington Metropolitan Area Transit Authority (WMATA) would use the existing rail car fleet for initial service of the Silver Line. He provided a status update on the West Falls Church Yard, noting that the contractor forecast completion date listed in the report provided for the day's meeting was no longer current; the date had recently been updated to the end of December. Mr. Nowakowski explained that the construction of the West Falls Church Yard had been broken into three major elements: the storage tracks where the rail cars will be maintained; a sound cover box that is required by the Environmental Record of Decision, which captures the squeal of rails and rail wheels and will lessen the noise in the community; and the service inspection building. Unlike the service inspection building, the storage tracks and sound cover box

must be complete before service can begin. Mr. Nowakowski noted that the existing shop building could be used, if necessary. However, if the service inspection building, which is scheduled to be complete in January 2014, is available sooner, WMATA would have access to it. As a part of the update, Mr. Nowakowski reaffirmed the budget, expenditures and contingency totals reported in the monthly cost summary earlier in the meeting.

Mr. Nowakowski then reviewed the status of the Phase 2 package A procurement – the Request for Qualifications Information (RFQI) had been issued to all interested teams in July 2012; the five short-listed firms had been selected in October 2012; and the price proposals were expected to be received by April 19. The contract award would be made in May and the Notice to Proceed would be issued in July. Mr. Nowakowski restated that the contract would be awarded to the lowest responsive and responsible bidder. On April 19, staff would read the bid prices at the table but determination of responsiveness and responsibility would not be completed at that time.

Mr. Davis inquired about the contingencies on the Phase 2 protest. As stated in the Contracting Manual, Mr. Nowakowski responded that an unsuccessful bidder has 14 days from the award to file a protest. Phil Sunderland, Vice President and General Counsel, noted that it is highly unlikely that a protest would occur now since opportunities for protest had existed at each stage of the procurement process. If a protest were filed, it would first be considered by the Procurement Manager and then by the President and Chief Executive Officer. For clarity purposes, Mr. Davis stated that the Board is not involved in the appeal process.

Mr. Session inquired about the steps the Authority had taken to limit change orders on Phase 2. Mr. Nowakowski responded that mitigation had been conducted throughout the contracting process. In collaboration meetings, staff had met with individual teams and had reviewed the contract terms, where the short-listed teams had participated in discussions. Mr. Nowakowski noted that the process had enabled staff to improve the contract terms and to adequately review the design and construction criteria to identify what was expected of each bidder. The results of the collaboration meetings, which must be adhered to, are included in the technical proposals. Mr. Nowakowski stated that he firmly believed that the ability to control change orders is dependent on the quality of the contract terms and conditions, and that staff had conducted an extensive process to achieve high quality. As a result of the Phase

1 process, Mr. Nowakowski noted that the Authority had gained experience and learned lessons, which it is able to apply, regarding the contract terms and conditions for Phase 2.

Mr. Session asked if most of the change orders in Phase 1 were attributed to utility relocation and WMATA changes. Mr. Nowakowski explained that a number of items responsible for cost escalation had been grouped together, but that the allowance items had been the largest factor. In Phase 1, the Authority had taken a risk on subcontracts, which had been put out for bid; however, no allowance items would be included in package A for Phase 2. Mr. Nowakowski affirmed that there were a number of utility relocation overruns, which had resulted in staff changing its approach regarding utility relocations for Phase 2 that now would be included in the contractor's bid. Also, a number of changes requested by WMATA due to safety concerns had resulted in cost escalations in Phase 1; therefore, the WMATA safety changes would be handled differently in Phase 2.

Mr. Davis recalled that the Department of Transportation had initially denied the Authority's request to provide financial assistance for Phase 1 of the Project. He noted that Phase 2 would not include as many utility relocations and complexities that had occurred with Phase 1. Mr. Davis said it would be important for staff to effectively manage the contract.

Mr. Williams inquired about the Board's role in the management of Phase 2, as well as measures to be taken to ensure that the Project would remain on budget. Mr. Davis responded that the Committee met monthly to receive reports and provide oversight. Mr. Potter responded that staff would provide monthly financial updates to the Board and report on any irregularities. Additionally, many levels of review occurred by the Authority and its funding partners, who also received Project reports. He also noted that Dulles Transit Partners (DTP) provided quarterly reports directly to the Board. He added that the Federal Transit Administration oversight for Phase 2 is still being defined.

Mr. Conner said that because Phase 2 is being built to WMATA's design standards, coupled with the amount of experience gained from Phase 1 and the minimal amount of engineering deviation that should be required, he believed that change orders would not be a contributing factor to cost escalation for Phase 2.

Mr. Carter inquired whether the Authority is protected from substantial penalties if there are problems related to Phase 2 since the 100 percent performance bond had been waived. Mr. Nowakowski explained that the Authority had an insurance expert to analyze the maximum exposure of risk and it had determined that \$750 million, the amount of the performance bond required, would exceed the Authority's maximum risk at any point in time during the completion of Phase 2.

Mr. Session recognized the outstanding safety record on Phase 1 and asked if the Project's safety standards for Phase 1 and 2 are comparable to the Occupational Safety and Health Administration (OSHA) 10 standards. Mr. Nowakowski responded that the statistics would be captured the same way. As part of the RFQ process, the teams had to submit their OSHA reporting standards on a yearly basis. To ensure that bidders fully embraced the Authority's safety culture, staff had undertaken an extensive process whereby requiring bidders to include safety plans when submitting their responses to the Requests for Proposals.

Recommendation to Award Contract for the Dulles Corridor Metrorail Project – Phase 2 Program Management Support Services. Mr. Nowakowski presented staff's recommendation to award the contract to Jacobs Engineering Group (Jacobs). To supplement the Authority staff, approximately 20 individuals, such as engineers, financial planners, and managers would provide oversight, perform consulting services and offer expertise in providing program management support services (PMSS). Jacobs, the incumbent, provided similar services for Phase 1 and averaged employing 100-120 people on the Project.

Some of the functions that Jacobs would provide include: design review and oversight; construction oversight; project controls (schedule, costs, and money); schedule reviews; document controls; quality assurance; and communications support. The base contract is for five years, the same length of time as the design-build contract, with three one-year options. The Disadvantaged Business Enterprise (DBE) participation goal is 25 percent, which represents a 10-percent increase compared to the goal used for the Phase 1 contract. The annual cost for services is expected to range between \$20 and \$30 million per year. In regard to selection, Mr. Nowakowski reported that Jacobs had demonstrated outstanding leadership and experience in PMSS on design-build projects, not only for the Authority as evidenced in its work on Phase 1, but throughout the country.

Dulles Corridor Metrorail Project Quarterly Update – First Quarter. Larry Melton, Project Executive Director of DTP, reported that the Project has no environmental issues, and the safety statistics reflect a lost time rate of 0.1, well below the industry standard of 2.1. The recordable incident rate is 1.6, compared to 3.9 throughout the industry. At the existing stage of the Project, Mr. Melton reported that rail operations and safety around a “live” railroad had concentrated focus points. He reported that road shifting would begin on Routes 7 and 123 in the upcoming weeks.

With regard to the schedule, Mr. Melton reported that the Authority and DTP had reached an agreement to incorporate weather delays; the substantial completion date had been adjusted to September 6, 2013. The systems group is now substantially complete on the installation of cable; clearance cars had been running along the line to check the clearance; and dynamic testing had begun. DTP is now beginning to perform close-out work on the construction permits granted at the start of the Project.

Mr. Melton reported that staffing levels had decreased to approximately 1,000 employees, compared to the Project’s peak at 1,800. The vast majority of craft are subcontractors, with most residing in Virginia and Maryland; District of Columbia residents represented only 3 percent of the subcontractors. Mr. Melton speculated that that the low number of District residents can be attributed to transportation challenges with getting to Tysons Corner and a number of competitive projects underway in the District. Mr. Melton noted that while only 3 percent of craft employees reside in the District, many of them have strong ties to Washington, but have chosen to live in Maryland or Virginia because of the location’s proximity to work.

The project had exceeded its 10 percent DBE participation goal of \$184 million, as represented by the \$193 million paid by DTP. Mr. Melton stated that DTP expected to be very close to reaching its \$248 million commitment by the time of Project completion.

Mr. Melton then reviewed the Project milestones and stated that all pedestrian bridges are in place and staff is close to completion of the installation of cables and terminations. The target date for completion of the stations is the middle of June so that staff can begin integrated testing within the stations. On Route 7, road shifts, sidewalks and landscaping is expected to occur in July. The third rail had been energized and the ETS/remote monitoring testing, which is a new feature for the Metrorail

system, had been completed. Dynamic train testing and demonstration testing is on schedule for timely completion.

Prior to close out of the construction permits, DTP would be required to review the Project with the Virginia Department of General Services, Virginia Department of Transportation and the Authority. Mr. Melton then displayed photos to depict the progress made on the project.

Mr. Williams asked staff to provide an assessment of the work provided by DTP. Mr. Nowakowski responded that staff has had a successful professional relationship, which he has enjoyed. He looked forward to sharing the successful completion of the Project with DTP. Mr. Davis added that the quality of the work has been good, without many issues, in spite of disagreements regarding costs.

Mr. Nowakowski pointed to the quality, safety and timeliness of the work throughout the contract, despite the weather-related occurrences, such as earthquakes, hurricanes, and snowstorms. Although DTP had been tested, its staff has worked very hard to maintain the schedule and quality of the Project.

Mr. Holly also endorsed the quality of the DTP's work. Mr. Potter thanked Mr. Melton for his leadership and also recognized his predecessor, George Morschauer. He said that both individuals had focused on delivering the Project in a manner that is safe, timely and as close to budget as possible.

Mr. Williams noted that the Project's previously-reported safety statistics had been impressive. He asked Mr. Melton if a project labor agreement had been used with the Project, to which Mr. Melton answered affirmatively.

Mr. Carter remarked on the great job Mr. Melton has performed thus far, to which Mr. Melton also attributed to the employees who worked on the Project from day to day.

March 2013 Financial Report – Dulles Corridor Enterprise. Mark Adams, Deputy Chief Financial Officer, reported that Toll Road revenues year-to-date had been \$29.7 million, at 23.3 percent of budgeted revenues, up 18.6 percent from the same period in 2012. The 23.3 million toll transactions for the period had been down 5.4 percent, and electronic payments had increased by 4.6 percent to a total of 81.3 percent, which is

0.1 percent lower than forecasted for 2013. Mr. Adams noted that a March 2013 snow event had resulted in the closure of the federal government, which had been attributed to the decreased toll transactions.

Mr. Adams reported that Toll Road expenditures of \$6.5 million year-to-date had increased 3 percent from the prior year before, and had reached 22.9 percent of budgeted expenditures through 25 percent of the year.

The meeting was thereupon adjourned at 12:47 p.m.

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF APRIL 17, 2013

Mr. Conner chaired the April 17 Finance Committee Meeting, calling it to order at 11:11 a.m. A quorum was present: Mr. Carter, Mr. Chapman, Mr. Davis, Mr. Griffin, Mr. McDermott, Ms. Merrick, Mr. Session, Mr. Stottlemeyer and Mr. Curto, ex officio. Mr. Adams, Ms. Hall, Ms. Wells and Mr. Williams were also present.

Financial Advisors Report - Aviation Enterprise

Andy Rountree, Vice President for Finance and Chief Financial Officer (CFO), introduced Patti Grant-Wilkinson and Kirsten McGrath of Jefferies, who presented the report for the Aviation Enterprise. Ms. Grant-Wilkinson reported that the financing team continued to make progress with regard to the 2013 bond issuance. As of April 16, a current refunding of \$180 million in Series 2003-AB Bonds and an advance refunding of \$13 million in Series 2004A Bonds would generate net present value savings in the amounts of approximately \$25 million and \$2 million, respectively. As previously reported, an opportunity to issue additional new money would also be available. Over the first quarter, actual capital expenditures had exceeded original projections by almost \$10 million, which equated to a 20 percent positive variance. Ms. Grant-Wilkinson reviewed the proposed schedule for the issuance – several rating agency meetings and calls would be conducted the week of June 3 or 10; a board workshop would be held on June 13; the Finance Committee and the Board of Directors would consider the bond documents on June 19; and the pricing of the bonds would occur in early July.

Ms. Grant-Wilkinson reported that Moody's had recently downgraded Dallas/Fort Worth (DFW) Airport from A1 to A2. The downgrade had occurred mostly as a result of the increase in the Airport's expected debt level as it accelerated the issuance of its capital program. She noted that in 2013, DFW would have the most outstanding debt among airports in the nation. Fitch had also downgraded DFW from A+ to A, which had been attributed to the Airport's sizeable increase in borrowing to fund its capital program.

Mr. Conner noted that both the Committee and the Board of Directors would consider the bond issuance in June so that the Authority could enter the market.

Mr. Rountree reported that staff would schedule a workshop to review documents relative to the bond issuance. Mr. Conner noted that these types of workshops had been done historically and that non-confidential information discussed would also be made public.

Financial Advisors Report - Dulles Corridor Enterprise

Bryan Grote of Mercator Advisors provided the update, noting that the \$300 million for Phase 2 from the Commonwealth of Virginia could now be officially included in the finance plan. He reported that the Authority is advancing in the Transportation Infrastructure Finance and Innovation Act (TIFIA) process. More detailed information, including the preliminary rating evaluation, would be provided to the Department of Transportation (DOT). DOT would hire its own financial advisor to conduct a detailed credit analysis, which would take a few weeks to complete.

Mr. Session inquired about the timing of the receipt of the \$300 million from the Commonwealth. Mr. Grote explained that \$100 million would be contributed annually in 2014, 2015, and 2016. The requirement would be similar to the process used to secure the \$150 million. Mr. Session inquired further about the administrative process to obtain the funding. With regard to the process, Mr. Rountree explained that negotiation of an agreement would occur with the CFO of Virginia DOT (VDOT), and possibly may include the Virginia Department of Rail and Public Transportation financial team, regarding the details of the disbursement of funds. To satisfy the requirements and receive the \$150 million from the Commonwealth, Mr. Potter noted that the Authority had also submitted a report, which the Federal Accountability Officer had validated, on its progress regarding addressing the DOT Office of Inspector General recommendations.

Mr. Davis inquired whether the Commonwealth could rescind its \$300 million as a result of the legislative appropriation process. After substantial discussion, Mr. Potter committed to providing a written response to address the inquiry.

Mr. Rountree added that the first installment of \$100 million, included as part of the Commonwealth's 2014 Budget, had been appropriated.

However, in order for the Authority to receive the funding, the final details still required negotiations with VDOT. As part of the next step in the TIFIA process, the Authority, as well as Fairfax and Loudoun Counties, would each provide a \$100,000 non-refundable check to DOT, which would serve as a deposit against actual costs and cover their preliminary fees.

March 2013 Financial Report – Aviation Enterprise

Mr. Rountree was joined by Mark Tune, Controller. Mr. Rountree reported that year-to-date revenue was \$166.7 million, an increase of 5.7 percent from the same period in 2012. The end of March represented 25 percent of the calendar year, at which point the Authority had earned 24.7 percent of budgeted revenue. Year-to-date expenses were \$138.4 million, an increase of 0.5 percent from 2012. The Authority had incurred expenses at 22.8 percent of its budget.

Operating income was \$28.3 million, compared to a prior year operating income of \$20 million. Debt service coverage was 1.35. Mr. Rountree noted that the monthly coverage represented an estimate.

The Committee was thereupon adjourned at 11:27 a.m.

SUMMARY MINUTES
STRATEGIC PLANNING AND DEVELOPMENT COMMITTEE
MEETING OF APRIL 17, 2013

Mr. Chapman chaired the Strategic Planning and Development Committee Meeting of April 17, calling it to order at 9:08 a.m. He noted that a quorum was present – Mr. Carter, Mr. Davis, Mr. Griffin, Mr. McDermott, Mr. Williams and Mr. Curto, *ex officio*. Mr. Adams, Mr. Conner, Ms. Hall, Ms. Merrick, Mr. Session, Mr. Stottlemeyer and Ms. Wells were also present.

Virginia Department of Transportation Request for Easement at Dulles International. Phil Sunderland, Vice President and General Counsel, introduced Johnna Spera, Assistant General Counsel, who had previously worked at the Rail Office and had recently replaced Jana Phillips, who had retired.

Mr. Griffin stated that he currently serves on the Fairfax County Water Authority Board and recused himself from the discussion on that easement.

Ms. Spera reported that the Virginia Department of Transportation (VDOT) is working on a project to improve a portion of Route 50 that runs 3.63 miles through Loudoun and Fairfax Counties to widen it from four to six lanes. She stated that a small portion of the project impacts less than 3/10 of an acre on Authority property. Staff had reviewed the request and had addressed concerns with VDOT and its contractor on specific issues. As a result of the discussions, VDOT had agreed to move a security fence and the Airport security road located in the proposed easement area. Ms. Spera reported that the areas would be moved to a new location beyond the easement area at VDOT's cost. VDOT had agreed to reduce the size of the easement by 25 percent. VDOT would not be assessed a charge for the easement because of the Authority's policy of not charging government entities.

The Committee approved the recommendation to execute the easement in favor of VDOT.

Fairfax County Water Authority Request for Easement across the Dulles Toll Road and the Dulles International Airport Access Highway. Ms. Spera reported that the Fairfax County Water Authority (Water Authority) is undertaking the McLean Systems water improvement project to ad-

dress low water system pressure in the Tysons Corner area. A new water main would be installed that would run under the Dulles Toll Road, the Dulles Airport Access Highway and entrance and exit ramps at Spring Hill Road. Ms. Spera explained that the installation requires a 24-foot-wide easement from the Airports Authority for a length of 730 feet. Staff had reviewed the request and had worked with the Water Authority to address concerns, including long-term pavement maintenance issues, traffic disruptions and coordination with planned Airports Authority noise wall construction in the same area. As a result of the discussions, the Water Authority had revised portions of its design and had agreed to restore all curb, gutter, shoulder, and median areas to their original condition. The Water Authority had further agreed to inspect the pavement in the future and repair any damage caused by the installation. The Water Authority had provided traffic concept plans to ensure adequate access to the Toll Road and Access Highway at all times during construction and that traffic patterns would return to normal during rush hours. Ms. Spera noted that the Water Authority would not be assessed a charge for the easement.

The Committee approved the recommendation to execute the easement in favor of the Water Authority. Mr. Chapman noted that in accordance with Mr. Griffin's earlier recusal, he did not participate in the vote.

Mr. Session inquired why a charge would not be assessed to the Water Authority. As stated earlier, Ms. Spera responded that no charge would be assessed because the Water Authority is a non-profit government entity.

Information Presentation for Aviation Capital Construction Program Management Support. Frank Holly, Vice President for Engineering, reported on the management structure of the Aviation Capital Construction Program (CCP). Mr. Holly reported that in previous years the Aviation CCP projects had been much larger in scope, requiring complex scheduling, phasing, intensive management and oversight. The projects had been constructed in areas that affected aircraft movements and passenger activities, requiring continuous coordination with airport staff, airlines and other tenants.

Mr. Holly stated that a full and open competition contract for Program Management Support Services (PMSS) to assist the Authority's staff in managing the projects was in its final year. As projects had been completed or new ones added, the management structure allowed adjust-

ments to the size and level of effort required for PMSS. Mr. Holly reported that over 650 design and construction projects with costs over \$6 billion had been completed at both Airports, and the construction safety record remained below national averages.

Mr. Adams inquired about the support provided by the PMSS. Mr. Holly replied that the contractor had provided the “horsepower” for the projects overseen by Bern Seals, Program Manager for Parsons Management Consultants (PMC). He then inquired about PMC’s eligibility to compete on design projects. Mr. Holly responded that PMC was unable to compete for any other construction or design services offered by the Authority.

Mr. Potter stated that construction varied from year to year depending on the projects so the Authority had chosen PMSS as a supplemental workforce with a maximum budget of \$60 million when a substantial amount of construction activity was underway at both campuses; the level of that activity had now diminished. He noted that Mr. Holly had previously presented the Committee with a plan to re-compete the PMSS contract, which would result in lower costs. Mr. Adams asked if the PMSS would provide construction services. Mr. Potter stated that the PMSS should be considered as supplemental engineering staff.

Mr. Carter asked if PMC would re-compete for the contract, to which Mr. Holly responded that he was uncertain. He noted that the firm is not involved in the solicitation process. Mr. Potter stated that PMC is mentioned as the incumbent in the information paper.

Ms. Wells inquired whether a significant amount of companies would be eligible to participate in the contract award. Mr. Holly responded that a substantial amount of competition is expected.

Aviation Capital Construction Program Update. Bern Seals gave a presentation outlining safety performances for both Airports on projects that had been completed in 2012 and construction project updates for 2013. With regard to the safety performances for 2012, a total of 402,431 hours had been worked, with a recordable incident rate of 2.48, compared to the industry rate of 3.8. The lost time rate had been 0.99, compared to the industry rate of 2.2. As of March 2013, Mr. Seals reported that the 120,000 labor hours had been worked with a recordable incident rate of 1.65 against a national industry average of 3.5 according to the Bureau of Labor Statistics. A lost time rate of 0.0 had been rec-

orded, compared to a national average of 2.0 according to the Bureau of Labor Statistics.

Mr. Seals reported on several projects on Runway 1-19, including safety area improvements, hold apron construction, overlay and taxiway rehabilitation and new approach lighting, which had been completed in 2012. He noted that the approach lighting modifications had been subject to Federal Aviation Administration (FAA) standards, and final FAA testing and certification had been completed in November 2012. Close-out work is underway for each of these projects.

Mr. Seals continued with the presentations for 2013 active construction projects at Reagan National that will enhance service capabilities, as well as projects completed in 2012 at Dulles International, including taxi lane E rehabilitation, concourse C/D passenger boarding bridge improvements, and runway 30 blast pad rehabilitation.

To supplement the workforce, Mr. Holly noted that PMC provided a resident engineer for each project and inspectors who worked under the direction of the Authority's Construction Department.

Ms. Hall commended Mr. Holly, Steve Smith, Deputy Vice President for Engineering, and other staff regarding the improvements at both Airports. She stated that it is important for the public to be aware of the Authority's goal to have two top-notch Airports. Ms. Hall then inquired about the approximate costs of these projects, which she believed should also be made available to the public. Mr. Holly stated that if Ms. Hall's inquiry was not answered in Mr. Smith's subsequent presentation, an answer would be provided separately.

Pre-Solicitation Terms for an Architectural/Engineering/Planning Firm to Provide Program Management Support Services for the Aviation Capital Construction Program. Mr. Smith reported that plans for a revised management structure for the Aviation CCP had been presented to the Committee in September 2012. At that time, the Committee had concurred with the proposed changes to the management structure and the hiring of additional staff for the Office of Engineering, who would assume some of the duties formerly assigned to PMC. Because the PMSS is a task-based contract, the services could either expand or be advertised over the term of the contract, consistent with the Aviation CCP needs. Mr. Smith then presented a summary of the proposed PMSS management structure changes and noted that the contract would be procured

competitively using a Qualifications-Based Selection Process under the Brooks Act. He noted that qualifications would be submitted by a consulting firm, which would then be evaluated; the most qualified firm would be selected and the negotiation process would then begin. A Technical Evaluation Committee will select the highest-rated firm or team based upon written responses to the Request for Qualifications Information. The Contracting Officer would request that the successful firm or team submit a cost proposal, which would be compared to standard industry rates and the contract scope of work. After successful negotiations, and prior to a contract award, a recommendation would be presented to the Committee and the Board of Directors for approval.

Mr. Smith presented a brief summary of the evaluation criteria, including Organization and Management Plan; Firm or Team Qualifications; Experience and Capacity; Personnel Qualifications; and Past Performance. The base contract is for five years with two three-year options, and the Local Disadvantaged Business Enterprise (LDBE) participation goal is 40 percent. Mr. Smith explained that an annual budget would be established once staff completed its annual budget process. Presently, annual costs were estimated between \$6 and \$10 million.

Mr. Session inquired about the incumbent and how long the firm had provided services under the contract. Mr. Smith responded that PMC, the current contractor, had provided services for approximately 18 years under two separate contracts. He noted that PMC had out-performed its competitors both times when the procurement had been advertised.

Ms. Merrick inquired how the existing annual budget and the LDBE participation goal for the contract compared historically. Mr. Smith stated that the current LDBE component is 25 percent and noted that enough resources existed to generate a 40 percent LDBE goal, which would likely be achieved in design support. He explained that the annual budget is developed in June as a result of pulling together the projects prior to presenting them to senior management and the Board for consideration and approval. Mr. Smith reported that PMC's current budget is approximately \$15 million. However, he noted that the budget could potentially be surpassed depending on the Board's approval of the capital budget for 2014.

Mr. Curto clarified that the Committee action required for the day's Meeting is the concurrence of the solicitation terms. Mr. Smith agreed and stated that the dollar amount associated with the contract could not be established until it is awarded.

Mr. Session asked about the staff composition of the evaluation committee. Mr. Smith replied that voting members represented the Office of Engineering, the Rail Office, a representative from each Airport and the Office of Finance. Mr. Session then inquired whether a non-voting member would also serve on the Evaluation Committee as a result of the increase in LDBE participation. Mr. Smith stated that as a standard practice, staff from the Offices of the General Counsel, Equal Opportunity Programs and Procurement and Contracts would serve as non-voting members.

Mr. McDermott inquired about the guidelines of the Brooks Act and whether it allowed more flexibility in the solicitation for professional services contracts. Mr. Smith responded that the Authority is required to comply with the Commonwealth and procure professional services contracts under the conditions of the Brooks Act.

Mr. Davis inquired whether the measurable LDBE requirements will have an effect on the price of the contract. Mr. Smith responded that competitive pricing will exist.

Phil Sunderland, Vice President and General Counsel, stated that the Authority is required to comply with federal rules as noted in the Contracting Manual.

Pre-Solicitation for Architectural/Engineering Design Services for Campus Utility Distribution and Central Plant Improvements at Ronald Reagan Washington National Airport. Mr. Smith provided background on Reagan National's Central Plant which provides all of the heating and cooling to the terminals since the 1990's. He explained that future terminal and airfield development warrants a comprehensive review of the utility structure at Reagan National, as well as the capability to make modifications to the controls and the system for energy efficiency regarding the Central Plant.

The contractor will perform a comprehensive technical review of the Central Plant and all existing utilities and recommend a long-range program to upgrade and improve the facilities and develop designs for improve-

ments at the Central Plant that require immediate attention. The procurement is a professional services contract, competitively procured under the Brooks Act that will lead to a cost discussion and a final selection based on qualifications and a negotiated price. The Technical Committee will evaluate and recommend to the Contracting Officer a prioritized list of consultants, a request for proposal, and the Contracting Officer will negotiate and recommend to the Board for approval. The contract, which will not exceed \$15 million, will have a five-year term with no extension options and include a 30-percent LDBE requirement. The Committee unanimously concurred with the terms of the pending procurement.

Quarterly Air Service Development Report. Mark Treadaway, Vice President for Air Service Planning and Development, briefly reported on the developing merger between American Airlines (AA) and US Airways (US).

At 10:00 a.m., Mr. Curto requested that the Committee recess its Meeting so that the Board of Directors Meeting could begin promptly. He stated that the Committee would reconvene immediately following the Board Meeting to hear a more detailed air service development report.

At 10:48 a.m., Mr. Chapman offered a motion, which was unanimously approved, to reconvene the Strategic Planning and Development Committee Meeting. He noted that a quorum was present – Mr. Carter, Mr. Griffin, Mr. McDermott, Mr. Williams and Mr. Curto, *ex officio*. Mr. Adams, Mr. Conner, Ms. Hall, Ms. Merrick, Mr. Session, Mr. Stottlemyer and Ms. Wells were also present.

Quarterly Air Service Development Report (resumed). Mr. Treadaway reported that the proposed AA/US merger is expected to occur in the third quarter of 2013 and will form the largest airline in the U.S. He stated that the merger was announced in February 2013. To finalize the process, however, approvals are first needed from the federal government through the Department of Justice (DOJ) and subsequently approved by a majority of shareholders.

Mr. Treadaway reported that the new airline will retain the American Airlines' name and plan to integrate operations in 2014 with marketing, branding, customer experience blending and facility co-locations. He noted that the merged carriers will be members of **oneworld** alliance, at which time US will relinquish its Star Alliance membership. The new airline will be largest carrier in the United States in terms of capacity with 25 percent of seat miles flown, and combined revenues of almost

\$40 billion that include a fleet of 950 airplanes with an additional 356 on order. The new airline will have nine hubs -- five AA and four US. Reagan National would serve as its eight largest hub operation and noted Dulles International offers limited AA and US service.

At Reagan National, the new airline will have a total of 67 percent of daily departures and 60 percent of total seats, with two overlapping markets: Nashville and Raleigh/Durham. Mr. Treadaway stated that aviation analysts have suggested the large concentration of slots at Reagan National might result in slot divestiture, which would be a possible requirement in the approval decision by DOJ. This process is being closely monitored, and staff will keep the Board informed of any changes. The Airports Authority will work closely with AA and US to accommodate operational and facility requests while waiting for a decision from DOJ.

In the first quarter of 2013, carriers that provided International service had increased by 6 percent as domestic service had continued to decrease. Reagan National had shown an increase in domestic traffic as a result of the increased airline services last year as airlines decreased their carrier capacity while continuing to impact their financial results.

With respect to new airlines at Dulles International, Mr. Treadaway reported that Etihad Airways had begun service on March 31 and Brussels Airlines will add a second nonstop flight to Brussels five times per week beginning on June 18. Mr. Conner inquired about United Airlines' reduction in its international flights at Dulles International. Mr. Treadaway responded that United had discontinued its service to Accra and Moscow, which had not performed well in the last 18 months. Mr. Conner then inquired about the current status of the service. Mr. Treadaway explained that no change had occurred, but that passenger service had increased 6 percent.

Mr. Treadaway reported that cargo at Dulles International had continued its negative trend, represented by an 11-percent decrease in 2012. Although staff remained optimistic, Mr. Treadaway noted that Dulles International faced the same challenges affecting cargo as other U.S. airports. Cargo facilities remained at near capacity, and occupancy had increased at Dulles International, despite the decrease in tonnage. Mr. Treadaway stated that due to a highly diversified and expanding network of international flights, Dulles International is well positioned for cargo growth. Mr. Treadaway displayed logos of cargo airlines that staff had met with

during the last four months in an effort to increase its cargo opportunities at Dulles International.

Mr. Conner inquired about the percentage of passengers on international arrivals flights at Dulles International compared to those connecting to other flights. Mr. Treadaway estimated the percentage of passengers connecting to other cities is less than 40 percent, and stated that he would provide definitive statistics. Mr. Conner inquired whether there would be an impact as the domestic services at the Airport decreased. Mr. Treadaway responded affirmatively, and noted that network carriers, such as United Airlines, have the opportunity to feed domestic passengers to international flights and vice versa along the east coast through Chicago.

With regard to Abu Dhabi serving as a major entry point for commerce and business activity with India, Mr. McDermott asked if there is any indication that this will be a gateway for any direct activity between Dulles International and cities along the west coast of India. Mr. Treadaway stated that the Authority's Middle Eastern carriers, as well as Turkish Airlines and British Airways and others, carry a tremendous amount of traffic to India. He reported that the largest markets underserved internationally from Dulles International are Delhi and Mumbai. While great revenue potential is associated with India, substantial airlines already serve the country. Mr. Treadaway noted that Authority staff has pursued India as a Dulles International destination for a number of years. Since India is undergoing a facility challenge, opportunities to serve the country and cities of Delhi and Mumbai could benefit from great one-stop service from European gateways.

Mr. Session inquired about low-cost carriers gaining market shares of domestic seats and Southwest Airlines' impact on services at Reagan National and Dulles International. Mr. Treadaway stated that as a result of how Southwest Airlines served our region, its hub operation at BWI ranked highly. Authority staff continues to regularly converse with Southwest Airlines about opportunities, which had resulted in additional markets, such as Denver and continued Chicago service. Mr. Treadaway said that staff continued to explore innovative ideas to convince Southwest Airlines to increase its services at Dulles International.

Ms. Wells inquired about the factors that were of most interest to international carriers when considering opportunities at Dulles International. Mr. Treadaway responded that these carriers are interested in passenger

forecasts, the economic stability of the region and compelling reasons why they would be successful at Dulles International.

Ms. Hall asked how a passenger can fly from BWI to a destination at half the cost charged when departing from Reagan National. Mr. Treadaway responded that the airlines used sophisticated fare models. Because Southwest Airlines has a very large presence at BWI, it can offer lower fares. Due to the premium location of Reagan National, airlines are able to charge higher fares beyond cost. He noted that the DOJ will review this process, in conjunction with the merger.

Mr. McDermott commended Mr. Treadaway on his presentation. The meeting was thereupon adjourned at 11:10 a.m.

[NOTE: The Strategic Planning and Development Committee Report provided at the April 17 Board Meeting included details of the Committee's April 17 Meeting.]