SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF MAY 15, 2013

Mr. Session chaired the May 15 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. Lang, Ms. Wells, Mr. Williams and Mr. Curto, ex officio. Mr. Chapman and Mr. McDermott were also present.

Small Business Contracting Summary (As of March 31, 2013). Steve Baker, Vice President for Business Administration, was joined by Richard Gordon, Manager, Equal Opportunity Programs. Mr. Baker reported that the day's summary represented the first quarterly report compiled using the Oracle system. This system measured the Authority's performance with respect to small and local business participation in the Local Disadvantaged Business Enterprise (LDBE) and the minority and female business participation in the federal DBE Program. Mr. Gordon noted that the summary reflected active contracts awarded January 1, 2012 through March 30, 2013. He referenced the Authority's two Small Business Programs, including DBE, which had a 25 percent goal for Construction and Design Contracts for 2011 through 2013, and the LDBE, which had annual goals for goods and services and construction projects, 20 and 25 percent, respectively. Mr. Gordon reviewed the corresponding slides highlighting aggregate achievements, including awards and payments, for all LDBE construction contracts; DBE construction contracts; LDBE goals and services contracts; and Dulles Corridor Metrorail Phase 1 contracts.

Mr. Carter commended the staff on its diligent work in carrying out the DBE commitments at the Authority. He and Mr. Gordon discussed the Oracle system and its capabilities, as well as PRISM and other similar software, which could aid in the Authority's contract compliance process. Mr. Gordon indicated that the Equal Opportunity Programs (EOP) staff had prepared other draft reports depicting contract awards to various types of businesses, but the Information Technology staff needed to provide assistance before they could be finalized. Mr. Carter said he believed that the Authority should take advantage of available software, which could expedite the contracting process and enable staff to perform their jobs more proficiently. Mr. Potter stated that he would request the new Vice President for Information Technology, who is an expert on the Oracle system, review the existing process in a comprehensive manner.

He believed that additional features, such as including the contractor's requirements and tracking a project's progress, should be considered as part of the comprehensive review to ensure that the EOP staff can use the system independently and perform the types of reporting, in which Directors have expressed interest. Mr. Carter said he appreciated the efforts in moving forward to consider new options.

Ms. Wells recalled a staff recommendation to award rental cars at Dulles International, which had been presented to the Committee at its April meeting. At that meeting, staff had reported that legal services were among those provided by qualified DBE firms that contribute toward the DBE goals for rental cars. Ms. Wells requested that a list of these services performed by DBE firms be provided to the Committee.

Mr. Session reiterated the possibility of embedding certain contract information within the executed contract to make it easier to capture. For clarification purposes, he inquired whether the Oracle system has the capacity to perform required functions, which may be burdensome for staff to refine to produce desired results, or whether a more efficient system, similar to PRISM and DB2, is available for staff's use that may be more cost effective. Mr. Baker responded that an Oracle module, which the Authority did not possess, is available. He said that the new Vice President for Information Technology could explore the feasibility of the Authority procuring the Oracle module or pursuing a different system. Mr. Baker noted that the challenge had been for the Authority to not have more than one system to perform similar functions.

Mr. Baker announced that the first outreach event for the new concessions program, hosted by MarketPlace, would be held the following day at 10:00 am at the Renaissance Hotel in Crystal City. Staff would present the Authority's vision for the new concessions program and provide information on the DBE certification process. More than 200 people had registered to participate in the May 16 event. Mr. Gordon noted that staff had notified DBE firms on regional lists about the upcoming outreach event. Mr. Adams requested that information about these types of events be distributed to the Board in advance.

Mr. Baker also provided an update regarding outreach that the Authority had performed thus far. He reported that staff had contacted all the local chambers of commerce in the area to inform them of opportunities that would be available in the near future. The Authority would change more than 80 percent of its concessions within the next couple years.

Recommendation to Purchase Airport Shuttle Buses Procurement at both Airports. Chris Browne, Vice President and Airport Manager, reported on staff's recommendation to purchase 11 (seven at Dulles International and four at Reagan National) clean diesel buses from New Flyer of America at a total cost of $4.81 million to support the public and employee parking operations at both Airports. The Authority is implementing a multi-year program to replace the aging shuttle bus fleet. Of the 42 diesel buses at Dulles International and 26 diesel and compressed natural gas buses at Reagan National, the average age of each bus is 8 years; the oldest buses are 14 years in age. Mr. Browne noted that staff had considered various alternative fuel technologies before determining that clean diesel is presently the best option due to the investment in significant infrastructure improvements required at both Airports to accommodate other types of equipment.

Mr. Browne reported that in 2012, the Authority had purchased 19 new buses by utilizing an existing Metropolitan Washington Council of Governments (COG) purchasing agreement awarded competitively to New Flyer of America Inc., by the County of Fairfax, Virginia. He noted that in accordance with the Authority's Contracting Manual, staff had evaluated various options and had determined that by using COG's purchasing agreement for the 2013 purchase, the Authority would receive the best purchase price and that it would be in the Authority's best interest.

Ms. Wells inquired whether staff had considered leasing the buses rather than purchasing them. Mr. Browne responded that staff had performed an analysis to compare the benefits of leasing versus purchasing, which had determined that it would be in the Authority's best interest to purchase the buses. Mr. Browne stated that he would provide a copy of the analysis.

Mr. Carter asked whether staff had considered including the purchase of the buses as part of the contract. Mr. Browne stated that staff had considered various options, but had determined that the most benefits would be realized by the Authority purchasing the buses and not requiring them to be purchased by the selected vendor.

Mr. McDermott noted that he appreciated the reference to the Contracting Manual, especially since a significant amount of time had been dedicated to it. He said that it provided confidence to the Board that regular discipline was being followed and that he hoped that references to the Manual would continue, when applicable, for future procurements.

The Committee approved staff's recommendation to purchase the airport shuttle buses at both Airports and referred the matter to the Board for approval.

Information Paper on the Utilization of "Other than Full and Open Competition". Mark Adams, Deputy Chief Financial Officer, reported that staff would report on how the Authority addresses contract awards using other than full and open competition, mainly sole source contract awards. As a result of the new compliance issues relative to sole source contract awards, the Committees and Board would consider substantially more pending procurements.

Liz Bryan, Manager, Procurement and Contracts Department, noted that the day's presentation would help Directors gain an understanding on the use of other than full and open competition with the focus on "sole source"; define sole source; determine when sole source contacting is appropriate; and comply with guidelines that must be followed before contracting through sole source. She stated that while the preferred procurement method to obtain goods, services or construction is by utilizing full and open competition, instances exist when other than full and open competition or limited competition will be necessary. Ms. Bryan identified the following categories in which the use of other than full and open competition may apply: urgent and compelling; airline improvements to Airport facility; and sole source.

Ms. Bryan reported that the Fourth Edition of the Contracting Manual defines "sole source" as "there is only one responsible or one practicable source for required goods, services or construction, and no other suppliers or services will satisfy the Airports Authority's requirements." She noted that sole source procurements, which are non-competitive negotiated procurements used to acquire goods, services and construction, are not unique and every public organization with procurement needs engages in sole source contracting at some time. The information paper provided for the day's meeting also included a forecast of potential sole source awards for the remainder of the year, which may include 18 awards, categorized into four areas: unique or innovative concepts; patents or restricted data rights (which are very rare); proprietary equipment and software; and utility sources and supplies. Ms. Bryan reviewed the Authority's guidelines for sole source contracting: 1) require that potential sole source procurements exceeding $50,000 to be posted on the Authority's website; 2) must be adequately supported by written justification, documenting the conditions which preclude the use of competition;

3) Board approval must be obtained for all sole source procurements above $200,000; 4) Notice of Intent to award a sole source contract exceeding $50,000 must be posted on the Authority website 15 days before award allowing for any challenges to the award of a sole source contract; and 5) information regarding award of the sole source contract will remain posted on the website for 30 days after contract award is made. She referenced Section 2.9.3 of the Contracting Manual, which is explicit as the procedures and process that must be followed when using the sole source contracting method.

Mr. Potter reiterated that the list provided with the information paper identified potential sole source contracts. He said that some staff had become "gun-shy" that they had to determine non-sole source procurement methods for all pending solicitations. Mr. Potter noted that if the sole source procurement is the most practical, logical means of a contract award, the method can still be used. Mr. Session stated that the value of forecasting provides staff an opportunity to perform due diligence and to fully examine the pending procurement before the Committee and Board considers the award.

Mr. Session inquired whether LDBE requirements are included in sole source contracts. Ms. Bryan responded that LDBE requirements are not usually included in sole source contract solicitations since no other supplies or services will satisfy the Authority's requirements. Mr. Session reminded staff to be mindful of contract formation and noted that it had been his experience that procurements sometimes impose artificial barriers, where certain requirements add no significant value to the pending procurement. As a result, competition is often eliminated. Mr. Carter affirmed Mr. Session's comments and stated that he believed that sole source solicitations should include LDBE requirements. Ms. Bryan stated that sole source contracts can be written to encourage LDBE participation if it exists; it is not traditionally mandated. Mr. Potter said that staff will consider LDBE participation in sole source contracts on a case-by-case basis. If opportunities exist to include LDBE firms, Authority staff will pursue them. Mr. Potter reported that staff would be careful not to include any impediments to limit DBE participation when drafting solicitations.

Mr. Adams inquired whether the Contracting Manual addressed the public review of sole source contract awards. Ms. Bryan said that while the Manual did not include a process to challenge a sole source contract award, the Authority adheres to a policy once intent to award a contract has been determined. She explained that a form is included on the website that must be completed to challenge the award. As part of the process, references must be identified and a capability statement of experiences must be provided. Ms. Bryan stated that once staff validates the challenge, the intent to award a sole source contract is removed from the Authority website so that the full and open competition process can begin. Mr. Potter noted that because the normal process to award a contract includes a committee review prior to the full Board consideration, there is approximately 45 days whereby an individual or firm could challenge a sole source contract award.

Quarterly Acquisition Report. Mr. Adams stated that the Fourth Edition of the Contracting Manual requires that a quarterly procurement report, including acquisitions made during the quarter; contract modifications and task order issued during the quarter, including dollar value; contract actions approved by the Board during the quarter; planned procurements for the next quarter; and employees with contracting delegations and any limits to their authorities, be presented to the Board and to the U.S. Secretary of Transportation. He then reported pertinent information for the first quarter of 2013 – 44 contracts had been awarded, totaling $69.3 million; 66 contract modifications had been issued, totaling $81.1 million; 21 task orders had been issued, totaling $18.3 million; and three contract awards had been approved by the Board, totaling $22.1 million. The planned procurements for the third quarter of 2013 included 36 forecast solicitations greater than $50,000; three solicitations that may be $3 million or more and potentially require Board approval after the procurement process had been completed; and one solicitation valued less than $3 million that may impact the traveling public. Mr. Adams noted that the solicitation for Bond Counsel for Aviation had specifically been reserved by the Board for approval, regardless of value. Additionally, no changes had occurred in delegation or re-delegation of contracting authority since the prior quarterly report.

The meeting was thereupon adjourned at 11:30 a.m.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF MAY 15, 2013

Mr. Davis chaired the May 15 Dulles Corridor Committee Meeting, calling it to order at 11:30 a.m. Mr. Adams, Mr. Chapman, Mr. Griffin, Ms. Hall, Ms. McConnell, Mr. McDermott, Mr. Session, Ms. Wells, Mr. Williams and Mr. Curto, *ex officio*, were present.

Dulles Corridor Metrorail Project Phase 1 Monthly Cost Summary and Project Update. Pat Nowakowski, Executive Director of the Metrorail Project, reported that $36 million had been spent in March 2013, bringing total expenditures up to $2.409 billion. The total project budget forecast remained at $2.905 billion.

He also reported that $391.7 million in contingency funds had been used through February 2013; approximately $1.3 million in contingency funds had been used in March 2013. Contingency use through March 2013 had been $393 million, with $69.3 million remaining unobligated. Mr. Nowakowski reported that the substantial completion date for Phase 1 is September 9, 2013.

Mr. Davis provided background on Phase 1 funding and the funding partnership for Phase 2 for the benefit of the new Board Members. He thanked former Dulles Committee Chair Mame Reiley for her help with Phase 1 during a difficult time. Mr. Davis also thanked Mr. Nowakowski for a terrific job. Mr. Nowakowski thanked Mr. Davis for the support he had provided.

April 2013 Financial Report — Dulles Corridor Enterprise. Mark Adams, Deputy Chief Financial Officer, reported that year-to date Toll Road revenues had been $40.5 million, at 31.8 percent of budgeted revenues through 33.3 percent of the year, which had reflected an increase of 21.2 percent from the same period in 2012. While the 31.9 million toll transactions for the period had decreased 2.7 percent for the same period, Mr. Adams noted that they are 1.8 percent higher than the amount forecasted for 2013; toll road collections had been up 4.8 percent for a total of 81.3 percent.

Mr. Chapman inquired about the factor causing the amount of transactions to be higher than what was forecasted. Mr. Adams responded that actual transactions had been approximately 2 percent higher than the forecast and that staff is reviewing the information to determine the cause. Mr. Davis noted that anecdotally he had noticed that traffic on the Toll Road had increased. He said that he assumed that the increase had been attributed to Toll Road users who had initially searched for alternate routes as a result of the toll increases but had later resorted to using the Toll Road. Mr. Chapman agreed with Mr. Davis and noted that traffic on the Toll Road may also be an indicator of an improved economy.

Mr. Adams reported that Toll Road expenditures of $8.6 million year-to-date had increased 7.4 percent from the year before.

The meeting was thereupon adjourned at 11:38 a.m.

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF MAY 15, 2013

Mr. Curto chaired the May 15 Finance Committee Meeting, calling it to order at 8:00 a.m. A quorum was present: Mr. Carter, Mr. Chapman, Mr. Davis, Mr. Griffin, Ms. Lang, Mr. McDermott and Mr. Session. Mr. Adams, Ms. Hall, Ms. McConnell, Ms. Wells and Mr. Williams were also present; Mr. Conner joined the meeting by telephone.

Consideration to Approve Changes to the Authority's Retirement Plans

The Committee first met in executive session to consider the changes to the Authority's retirement plans.

At the conclusion of the executive session, Mr. Curto reviewed the changes in regular session. He noted that the actions had also been reviewed and approved by the Authority's Retirement Committee, on which he and seven Authority employees served. Mr. Curto reported that the Authority currently maintained four retirement plans, including two defined benefit plans, one each for general employees and police officers and fire fighters, which are designed to provide retirement security for all employees and are fully funded over the life of the employees once they reach retirement age. The third plan is a defined contribution plan where employees are given the opportunity to voluntarily contribute pretax dollars into the retirement plans. The last plan is a supplemental executive retirement plan, where the Authority makes annual contributions into certain individual retirement accounts.

Mr. Curto reported that staff, counsel and the Retirement Committee had requested that the Finance Committee consider three different recommendations. The first included a number of recommendations regarding clarifications to the tax-qualified status of the Authority's defined benefit plans with respect to determination letters to be filed so that the Retirement Plans are in compliance with the law going forward. Specifically, these clarifications would revise the provisions that govern the plans' post-retirement death benefit and provide spousal recognition under the plans to spouses in same sex marriages. The second recommendation would establish a new separate plan pursuant to which the Authority would make matching contributions and enable employees to make larger pre-tax contributions into their individual savings retirement accounts, which will provide employees the opportunity to defer taxation on a larger portion of their salaries; it would involve no additional cost to the Authority. The third recommendation, in connection with the supplemental executive retirement program, would discontinue the plan and distribute account balances to plan participants.

Mr. Curto then moved that the Committee approve and recommend that the Board adopt the following: the amended and restated plan documents; the amendment to the Authority's defined contribution Retirement Savings Plan; a new Supplemental Retirement Savings Plan, into which Authority employee-matching contributions would be made; and the termination of the Supplemental Executive Retirement Plan and direct that the balances in the Plan accounts be distributed to the corresponding plan participants.

The Committee approved the recommendations to amend the Authority's Retirement Plans, which had been made by the Authority's Retirement Committee, with input by counsel.

Financial Advisors Report - Aviation Enterprise

Ken Gibbs of Jefferies reported that the Committee and Board of Directors would consider the recommendations for the upcoming bond issuance at the June 19 Meetings. He noted that it continued to be a low-interest environment and that the tax-exempt market is performing extremely well. Mr. Gibbs noted that if new money financing is pursued, the interest rates for 30-year bonds could be executed below 4 percent. The full aggregate present value savings of the refundings could result in Authority savings of almost $30 million.

Guy Nagahama, also from Jefferies, noted that the financial advisors and finance staff continue to track the current expenditure rate of the aviation credit and to review the most recent cash flow projections. He reported that the June 19 recommendation would include $80 million in new money, which would provide funds to meet capital needs through the summer of 2014.

Mr. Nagahama noted that the first draft of the Feasibility Report (Report of the Airport Consultant), including the forecasts on enplanement traffic at both Airports, cost per enplanement and debt service coverage, would be circulated among the working group within the next week. These metrics would be key components for discussions with rating agencies for the upcoming bond transaction.

Mr. Gibbs reported that the Bond Workshop would be held on June 13. At the Workshop, financial advisors and finance staff would review the results of the feasibility forecasts and discuss the important metrics that the rating agencies will consider to measure the Authority's performance.

In the interest of entering the bond market to take advantage of low interest rates, Andy Rountree, Vice President for Finance and Chief Financial Officer, noted that both the Committee and Board of Directors would be asked to consider the bond documents at the June 19 Meetings.

Financial Advisors Report - Dulles Corridor Enterprise

Jim Taylor of Mercator Advisors reported that the financial advisors, along with Authority and Department of Transportation staff, are actively engaged to advance the Transportation Infrastructure Finance and Innovation Act (TIFIA) Letter of Interest process, which is progressing smoothly. He noted that Mr. Rountree hosts weekly conference calls to ensure that requirements are being met. Mr. Taylor stated that he hoped to provide a detailed update, including outstanding variables and how they may impact the Plan of Finance, at the June 13 Workshop.

Mr. Curto inquired whether the financial advisors continued to monitor the debate regarding tax reform for municipal bonds. Mr. Taylor responded affirmatively and noted that resolution was not expected to occur in the near future.

Budget Reprogrammings for the First Quarter of 2013

Mr. Rountree noted that he was joined by Rita Alston, Budget Manager. The budget reprogrammings were within the delegated authority to the President and Chief Executive Officer and are reported to the Finance Committee quarterly. The net impact of any budget reprogrammings had to equal zero; the budget is not increased or decreased. For the first quarter of 2013, one reprogramming occurred within the Aviation Capital, Operating & Maintenance Investment Program (COMIP). Mr. Rountree explained several projects totaling $1.138 million had been moved within existing authorized programs to fund the following projects: Dulles Security Area Network Memory Expansion for video recordings; Dulles Security Camera Expansion Project; and the Reagan National Hanger 4 Roof Replacement.

Quarterly Report on Investment Program

Mark Adams, Deputy Chief Financial Officer, noted that he was joined by Dave Tucker of the Treasury Office; Nancy Edwards, Manager of the Treasury Department, was out of town. Mr. Adams reported that the total portfolio had decreased by $8.6 million since the end of 2012. The Aviation portfolio had increased by $91.2 million in the first quarter of 2013, while the Dulles Corridor portfolio had decreased by $99.8 million. The $91.2 million increase had resulted from an increase in operating funds and accumulation of funds for the April 1 debt interest payment. The Dulles Corridor portfolio had decreased primarily due to construction spending.

Mr. Chapman noted the additional $80 million that the Committee and Board would consider borrowing at the June 19 meetings and inquired whether the debt service reserve is mandatory. Mr. Rountree responded that the debt service reserve is usually borrowed funds. He explained that if it is not required to be used during the repayment of the debt, it is pulled out of reserve and used to make the last debt payment. Debt service reserve is a mandatory reserve, which cannot be spent.

Comprehensive Annual Financial Report for the Year Ended December 31, 2012

Mr. Rountree noted that he was joined by Mark Tune, Controller. He reported that staff had previously provided the preliminary year-end report. The year-end reconciliation and the audit, conducted by PricewaterhouseCoopers (PwC), had now been completed. The CAFR had been publicly posted by the required April 30 deadline. PwC had issued an unqualified opinion, dated April 26, on the financial statements. Mr. Rountree provided the final audited results. For the Aviation Enterprise Fund, operating revenues were $694.9 million for 2012, a 4.7 percent increase compared to revenues in 2011, which had been mainly attributed to an increase in airline rates and charges. Operating expenses were $677.1 million for 2012, an increase of 17 percent compared to 2011, mostly due to a one-time impairment adjustment in 2012 and a depreciation expense recognized in 2012. Mr. Rountree noted that if these one-time adjustments were excluded, the increase was 6.6 percent in 2012 compared to 2011. The operating income was $17.8 million, a decrease of $67.4 million compared to 2011, due to previously one-time expense adjustments. Net remaining revenues were $101.6 million; the airline's share was $61.9 million and the Authority's share was $39.7 million, which was used to fund the Aviation COMIP. The 2012 debt service reserve was 1.35x instead of the 1.31x budgeted amount compared to the 1.37x amount for 2011.

Ms. Hall inquired about the formula used to distribute the net remaining revenues. Mr. Rountree explained that the airlines pay costs to operate at the Airports. Since Airports also operate concessions, additional revenue is derived, which cover costs that are not relative to the airlines. The remaining cash flow once costs and debt service coverage are paid equals the net remaining revenues. Mr. Potter noted that airlines also pay 1.25 percent on each dollar for its debt service coverage. He referenced the Authority's Use and Lease Agreement, negotiated more than 20 years ago, and noted that the Agreement stated that the Authority would share its profit with the airlines in exchange for this coverage. Mr. Rountree noted that the Authority did not issue the airlines a check, but the net remaining revenues impacted the airlines' rates and charges for the next year.

Mr. Session asked how 2012 non-aeronautical revenue compared to 2011. On a budgetary basis as a year-to-year comparison, Mr. Tune responded that parking had increased 1 percent; rental cars had decreased 8.5 percent; terminal concessions had increased 3.3 percent; and terminal services had increased 4.4 percent. Mr. Session noted that the Authority's Use and Lease Agreement lends itself to a hybrid approach using a shared risk/shared profit model.

Mr. Curto congratulated staff on the debt service coverage ratio that it had achieved. Mr. Rountree noted that a refunding had been beneficial in attaining the calculated ratio.

Ms. Hall congratulated staff for meeting its deadline for the CAFR submission.

For the Dulles Corridor Enterprise Fund, the Dulles Toll Road (DTR) operating revenues were $101.6 million for 2012, an increase of 7.3 percent compared to 2011, attributed to the toll rate increase. The DTR operating expenses were $24.8 million for 2012, a decrease of 6.2 percent compared to 2011. The DTR operating income was $76.8 million for 2012, a 12.6 percent increase compared to 2011.

April 2013 Financial Report – Aviation Enterprise

Mr. Rountree was joined by Mr. Tune. Mr. Rountree reported that year-to-date revenue was $224.3 million, an increase of 7.9 percent from the same period in 2012. The end of April represented one third of the calendar year, at which point the Authority had earned 33.2 percent of budgeted revenue. Year-to-date expenses were $185.9 million, an increase of 0.3 percent from 2012. The Authority had incurred expenses at 30.9 percent of its budget.

Operating income was $38.4 million, compared to a prior year operating income of $22.6 million. The debt service coverage estimate was 1.35x.

The Committee was thereupon adjourned at 9:35 a.m.