SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE MEETING
MEETING OF JUNE 18, 2014

Mr. McDermott chaired the June 18 Business Administration Committee Meeting, calling it to order at 10:53 a.m. A quorum was present: Mr. Session, Co-Chair, Mr. Adams, Mr. Carter, Mr. Griffin, Ms. Hall, Ms. McConnell, Ms. Wells and Mr. Williams. Mr. Chapman, Mr. Curto, Mr. Davis, Mr. Gates and Ms. Lang were also present.

<u>Report on 2014 – 2016 Disadvantaged Business Enterprise (DBE) Goal for Federally-Assisted Design and Construction Contracts</u>. Steve Baker, Vice President for Business Administration, was joined by Richard Gordon, Manager, Equal Opportunity Programs, who explained that Department of Transportation (DOT) regulations that govern the federal DBE program require the Authority to establish an overall DBE goal every three years. The Authority must apply DBE goal-setting procedures that are consistent with DOT's regulatory process [for federally-assisted design and construction contracts], as well as advertising the goal for 30 days and receiving written comments from the public over a 45-day period. At the conclusion of the 45-day period, staff would evaluate the comments and report back to the Committee and determine if there is a need to change its goal before it is forwarded to DOT for approval.

Mr. Session requested staff provide additional context on the methodology the Authority used to identify the 25-percent goal. Mr. Gordon explained that a two-step process is used in the DOT guidance for goal setting. The Authority reviews its data as it relates to prime contractors and subcontractors and uses it to compare the DBE number to prime contractors to determine the availability of DBEs for the types of services needed for the projected Airport Improvement Program projects that may be funded during the three-year period. Staff then determines whether factors exist that would prevent the Authority from achieving the participation goal. Mr. Gordon stated that he was unaware of other major competing projects that would prevent the Authority from achieving the 25-percent goal proposed.

Mr. Session asked staff to provide information about concessions goals. Mr. Gordon stated that the process and premise used by the Authority to establish its concessions goals are similar to how the federal DBE goals are established. He noted that because the types of concessions are broadly different, the relevant marketplace data used to determine DBE availability may differ based on the type of concession. The concessions goal will be established only for those concessions that will be re-solicited during the three-year goal period. Mr. Session recognized two Airports Concessions Disadvantaged Business Enterprise operators were in attendance at the day's meeting and recognized.

Mr. McDermott thanked Mr. Baker and Mr. Gordon for the excellent presentation.

The Committee concurred with the staff request to advertise the DBE goal.

Information Paper on AeroTrain System Operations and Maintenance Support. Chris Browne, Vice President and Airport Manager, was joined by Brian Leuck, Manager, Dulles International Engineering and Maintenance and the Contracting Officer's Technical Representative for the current contract.

Mr. Browne reported that the incumbent's contract is scheduled to expire at the end of November and staff believed it would be beneficial to provide an overview of the AeroTrain system to the Committee prior to the Committee and Board considering future procurement options. He reviewed the solicitation process used for the AeroTrain, which had begun servicing passengers at Dulles International in 2009.

Mr. Browne reviewed the important features of the AeroTrain. With respect to the procurement, Mr. Browne reported that staff had used a design, build, operate and maintenance contract (DBOM) and a joint venture with Sumitomo Corporation of America and Mitsubishi Heavy Industries for the current contract. He noted that under the existing DBOM contract, Crystal Mover Services, Inc., a wholly-owned subsidiary of that joint venture, had operated and maintained the system on the Authority's behalf under a fixed-price five-year contract since it began operational service.

Mr. Browne reported that the annual costs to operate and maintain the AeroTrain system are approximately $9.5 million, excluding a performance bonus, which is provided for in the contract. He reviewed the existing contract structure: 1) labor represents approximately 70 percent; 2) supporting contracts, 8 of 13 which are proprietary, represent 15 percent; 3) parts and materials represent approximately 10 percent;

and 4) the contractor's assumption for all risk, responsibility and liability for the maintenance and operation of the system represents approximately 5 percent.

Mr. Browne reported that staff had begun exploring its options for a future contract about two years ago. Labor and extensive maintenance services for these vehicles, which have more than 250,000 miles of service on each, require refurbishment so that they can achieve their 25-year service life. Mr. Browne stated that the Capital Assessment Refurbishment Program (CARP) involves the complete teardown of the train vehicles and will need to occur in a cyclical process over a 10-year period, beginning in 2015. Mr. Browne reported that staff anticipated that the total cost of the CARP would be more than $30 million over a 10-year period. He noted that staff had found that the industry practice is that 80 percent of the $30 million would be mostly for proprietary parts to be acquired through Mitsubishi. Mr. Browne reported that the Authority had hired Lea+Elliott, the contractor it used many years ago, to learn about best practices going forward. He stated that Lea+Elliott had confirmed that the CARP needed to preserve the useful life of these systems are almost always performed by the manufacturer as no competent third-party after-market kinds of opportunities exist. Additionally, the operation and maintenance services are almost always exclusively performed by the manufacturer, partly because of the very specialized experience and proprietary nature of the work and the parts involved. Mr. Browne noted that Lea+Elliott had confirmed that the industry operators have realized benefits in choosing a 10-year contract term. He also reviewed the three options being proposed by staff: 1) compete openly for all future operations; 2) use in-house resources; or 3) negotiate a sole-source operations, maintenance, and refurbishment contract with the manufacturer. Mr. Browne reported that staff would make its recommendation at the July Committee Meeting.

At 11:20 a.m. Mr. McDermott reported that the Committee would meet in executive session to allow the Committee to discuss information regarding potential contract terms for the AeroTrain System operations and maintenance support. He noted that Article IX, Section 3(c) of the Authority's Bylaws permits the Board and its Committees to move into executive session to consider existing or prospective contracts, business or legal relationships to protect proprietary or confidential information of the Authority, any person or company related to the subject matter, and the financial interest of the Authority, or the negotiating position of the Authority.

At 11:45 a.m. the Committee moved out of its executive session. At 11:50 a.m., Mr. McDermott reported that no actions had been taken in executive session.

The Meeting was thereupon adjourned at 11:50 a.m.