

## BOARD OF DIRECTORS MEETING

Minutes of December 10, 2014

The regular meeting of the Board of Directors was held in the first floor Conference Rooms 1A, 1B and 1C at 1 Aviation Circle. The Chairman called the meeting to order at 9:15 a.m. Fourteen Directors were present during the meeting and Shaw McDermott joined by telephone:

Frank M. Conner III, Chairman	Anthony H. Griffin
Warner H. Session, Vice Chairman	Katherine K. Hanley
Earl Adams, Jr.	Richard A. Kennedy
C. Charles Caputo	Barbara Lang
Lynn Chapman	Caren Merrick
Michael A. Curto	Nina Mitchell Wells
Bruce A. Gates	Joslyn N. Williams

The Secretary and Executive Management were present:

John E. Potter, President and Chief Executive Officer  
Margaret E. McKeough, Executive Vice President and Chief  
Operating Officer  
Jerome Davis, Executive Vice President and Chief Revenue Officer

Mr. Conner thanked the Directors for their contributions and commitments throughout the year. He commended Mr. Carter, Ms. Hall and Ms. McConnell for their service. Mr. Conner congratulated Mr. Gates on his reappointment. He also welcomed new Directors, Kate Hanley and Chuck Caputo, who had been dedicated to public service for many years and who he believed would bring a wealth of experience and insight to the Board. Mr. Conner thanked them for their willingness to serve.

## I. MINUTES OF THE NOVEMBER 12, 2014 ANNUAL BOARD OF DIRECTORS MEETING

The Chairman called for the approval of the Minutes of the November 12, 2014 Annual Board of Directors Meeting, which were unanimously adopted.

## II. COMMITTEE REPORTS

### a. Business Administration Committee – Warner Session, Co-Chair

Mr. Session reported that the Business Administration Committee had last met November 12. Staff had presented the pre-solicitation terms for management and operation of the public parking concessions and shuttle bus operations at both Airports. The Committee had concurred with the pending procurement. Staff had also presented the Quarterly Acquisition Report for the Third Quarter of 2014.

### b. Dulles Corridor Committee –Tony Griffin, Co-Chair

Mr. Griffin reported that the Dulles Corridor Committee had last met November 12. Staff had presented the recommendation to award a sole source contract for equipment for the Washington Metropolitan Area Transit Authority (WMATA) Automatic Train Control (ATC) training facility to Alstom Signaling, Inc. He reported that Mr. Kennedy had offered a suggestion that the executed contract will require Alstom, during the period of performance of the contract and at no additional cost to the Airports Authority, to update the ATC training facility equipment and documentation to match any configuration changes it initiated to the existing Dulles Corridor Metrorail Project equipment. The Committee had approved the recommendation, and Mr. Griffin stated that he would offer a resolution later in the day's meeting. He noted that the sole source contract award would require a recorded vote of at least 10 Directors. Mr. Griffin reported that staff had also presented the Dulles Corridor Metrorail Project Monthly Cost and Schedule Update for Phases 1 and 2.

### c. Finance Committee – Caren Merrick, Co-Chair

Ms. Merrick reported that the Finance Committee had met that morning and November 12. At the November 12 meeting, staff had presented the recommended 2015 Budget, which the Committee had approved. Ms.

Merrick stated that she would offer a resolution later in the day's meeting for the Board to consider the recommendation. She noted that the approval of the Budget would require a recorded vote of at least 10 Directors. Staff had also presented the Financial Advisors' Report for the Aviation Enterprise and the Budget Reprogrammings and the Quarterly Report of the Investment Program for the Third Quarter of 2014. Additionally, the Committee had accepted the Financial Advisors' Report for the Dulles Corridor, as submitted.

Ms. Merrick noted that a report from the day's meeting would be provided next month.

### III. INFORMATION ITEMS

#### a. President's Report

Mr. Potter officially welcomed the new Board Members. He stated that Mr. Caputo's experience with the Federal Aviation Administration and as a member of the Virginia House of Delegates representing the Dulles area, and Ms. Hanley's service on the Commonwealth Transportation Board, as well as her service as Secretary of the Commonwealth and Chair of the Fairfax County Board of Supervisors and her work with WMATA, would provide great value to the Authority. He also congratulated Mr. Gates on his reappointment.

Mr. Potter presented an end of the year update on the Authority's 2014 Management Plan (Plan), which he had shared with the Board in January 2014. [A copy of the update is attached.] He reported that the Plan outlined business strategies focused on the following objectives: enhance the organization's reputation; grow the Authority's business to benefit the traveling public; manage financial resources responsibly, with a primary focus on growing business at Dulles International; implement a comprehensive Human Capital Plan; and maintain safe and secure operations.

Additionally, the Plan set forth tactical Corporate Goals that focused on managing cost; growing revenue to keep the Authority competitive; ensuring customer satisfaction for all Authority stakeholders; and fostering employee engagement so that the Authority is the employer of choice.

Mr. Potter reviewed the Authority's 2014 accomplishments relative to each of the organization's business strategies. In an effort to enhance

the Authority's reputation, the following had been achieved: established an Office of Corporate Risk and Strategy, which had worked to close out all of the recommendations from the Office of Inspector General's November 2012 Report; received \$38 million in restricted Federal Funding Grant Agreement funding from the Federal Transit Administration and the first \$100 million that the Commonwealth of Virginia had pledged to the Metrorail Project; opened Phase 1 of the Silver Line; and advanced the Authority's interests and reputation by working with all stakeholders to create an open dialogue and to continue to be diligent to maintain effective communications.

Mr. Potter reported that the Authority had grown its business by pursuing air service at Dulles International in an aggressive manner, which had resulted in new international and domestic service, including ultra-low fare carriers. He noted that attracting new airlines would continue to be a key goal for the future and staff would remain persistent to identify new opportunities. Other accomplishments included increasing year-to-date concessions revenue by 6 percent through October 2014; launching the Silver Line Express bus service from a Metrorail station to Dulles International on July 26, 2014, which, to date, had transported more than 100,000 passengers; and hiring a Chief Revenue Officer and Real Estate Manager to further progress non-airline revenue opportunities.

The Authority had managed its financial resources responsibly through negotiating new Use and Lease Agreements (ten-year term at Reagan National and three-year term at Dulles International) to provide financial flexibility to manage the Airports as a system, which would ultimately reduce cost per enplanement at Dulles International and make the Airport more competitive; refinancing Airport Revenue Bonds for \$111 million debt service savings over the life of the bonds; re-bidding bank facilities, which had resulted in an estimated annual savings of up to \$1.3 million over the next three years; completing the Plan of Finance for the Dulles Corridor Enterprise, including closing on the Transportation Infrastructure Finance and Innovation Act loan with an interest rate of 3.21 percent, which will enable the Authority to keep tolls on the Dulles Toll Road steady for at least five years; and restructuring internal staff by consolidating small purchasing offices under Corporate Procurement, which would likely result in a reduction of costs.

With regard to implementing a Comprehensive Human Capital Plan, staff had re-bid healthcare benefits, which had reduced the annual other post-employment benefits cost by \$6.6 million while increasing the

coverage through restructuring tactics and saving \$7.6 million in costs of the life of the three-year contract; reduced retirement plan administration costs and launched 401(a) savings plan for employees making the Authority a more attractive employer; implemented Pay for Performance and Wellness Incentive Programs; created, with the implementation underway, a strategy for the Authority's Workforce Planning and Development; restructured the organization to align with corporate goals; and recruited employees for critical positions using talents of internal staff.

In regard to managing safe and secure operations, the Authority had responded aggressively to the Ebola crisis while protecting its employees and traveling public; met 100 percent of the Federal Aviation Administration-mandated response times to Transportation Security Administration (TSA) checkpoints; partnered with the National Counter Terrorism Training Center to conduct awareness workshops; developed a Technical Strategic Plan; commenced convergence of Information Technology infrastructure and applications, including the consolidation of the Enterprise Resource Program and radio service help desk, which had reduced support costs by \$3 million without impacting overall performance; and upgraded oracle environment to apply security patches and enhance functionality.

Mr. Potter thanked and commended the management team and the employees across the organization whose talent, hard work and dedication had made the Authority's accomplishments possible. He stated that he was proud to be part of an organization that is embracing change and making such tremendous progress in its dedication to provide world-class transportation services for the passengers that travel through Reagan National and Dulles International and supports the regional and local economy. Mr. Potter also thanked the Board for its leadership and support and wished everyone a safe and joyful holiday season.

On behalf of the Board, Mr. Conner thanked Mr. Potter, the senior leadership and everyone associated with the Authority. He stated that 2014 had been a year of accomplishments. Mr. Conner noted that he believed that the Authority's purpose is to provide the best transportation experience possible within the realm of its responsibility. As a significant engine for economic growth in the region, Mr. Conner stated that the Authority's goal is to be as effective as possible in growing opportunities throughout the region and beyond as it pursued its ultimate mission. Evidenced by Mr. Potter's presentation, Mr. Conner reported

that he believed that the Authority is on its way to accomplishing its goal. He congratulated Mr. Potter, Ms. McKeough and Mr. Davis on the foundation that had been established for the Authority's future growth and success.

b. Executive Vice President's Reports

Ms. McKeough recalled that she had reported last month that positive passenger activity growth had occurred at both Airports in September. She reported that the air traffic statistics for October had been provided in the materials for the day's meeting and reflected another month of growth in passenger levels. At Reagan National, passenger activity had increased 9 percent in October compared to the prior year, which had resulted from the slot changes that had occurred earlier in the year. Ms. McKeough reported that all of the slot changes had been fully implemented and the carriers had begun utilizing all of their slots. Passenger activity at Dulles International had increased 2 percent compared to October 2013. Ms. McKeough pointed out that the most notable increase of 4.1 percent had occurred in domestic passenger activity. She noted that the domestic growth could be attributed to the new Frontier Airlines' service which had begun in August. Based on preliminary observations from the Thanksgiving holiday travel season and the level of travel expected for the December holiday, Ms. McKeough reported that the positive trend is expected to continue at both Airports.

Ms. McKeough acknowledged the superb work of the Airports and Public Safety staff that had assisted to ensure a smooth movement of large volumes of passengers during Thanksgiving. Ms. McKeough also commended the Communications' staff for its efforts addressing the large number of media inquiries during the holidays. Additionally, she acknowledged TSA's performance in screening passengers efficiently and within reasonable clearance times.

Ms. McKeough reported that more than 36,000 passengers had been screened at Reagan National on the Tuesday prior to Thanksgiving, which had been second only to the day after President Obama's first inauguration. Overall, there had been an increase of approximately 12 percent in the amount of passengers moving through the security check points. Ms. McKeough reported that the parking infrastructure had served the Airport well, noting that the new parking reservation system had been well received.

At Dulles International, Ms. McKeough reported that a 5-percent increase had occurred in TSA passenger screening levels during the Thanksgiving travel season. She stated that a record level of activity had been set with ridership on the new Silver Line Express, formerly called the Washington Flyer Bus.

With the completion of a successful Thanksgiving travel season, staff had directed its attention to the December holiday travel with a keen focus on the passenger experience. Ms. McKeough reported that travelers passing through the Airports over the coming weeks would be treated to various forms of festive holiday entertainment.

Jerome Davis, Executive Vice President and Chief Revenue Officer, also presented a Report. As previously discussed, Mr. Davis stated that a key business focus is making Dulles International more competitive, which includes identifying and pursuing new forms of non-airline revenue, as well as enhancing existing sources. While the Authority is placing special emphasis on Dulles International, revenue enhancement is also receiving renewed focus at Reagan National and across the organization.

Mr. Davis reported that concessions are a key area for enhancing existing sources of revenue. The Authority continued to make great progress as demonstrated by the additional revenue being produced as a result of the recently-adjusted parking rates and new and better service options at both Airports. Mr. Davis noted that parking is a large component of the Authority's non-airline revenue as it represented 38 percent of the 2014 concessions' budget with potential to increase. With the opening of new shops and restaurants at both Airports, significant new revenue is expected in the coming year. In addition to new Duty Free contracts, expected to produce approximately \$1 million in additional annual revenue, the ongoing concessions redevelopment is expected to produce nearly \$14 million in Minimum Annual Guarantees. Mr. Davis reported that Authority staff is working to boost revenue from display advertising, a key headline for 2015. He noted that the current contract will expire in August 2015 and that the Request for Proposals would likely be issued in February 2015.

Mr. Davis reported that staff is working to bring new flights to Dulles International with a focus on low-cost carriers that offer domestic destinations. He noted that the arrival of new airlines, including Frontier, Alaska, Air China and Aer Lingus, and additional service by Southwest and United, had been key accomplishments in 2014 at Dulles International. Mr. Davis reported that the Authority is attempting to

embrace a strategy to illustrate Dulles International as a full-service Airport that accommodates all carriers contrary to what had been historically associated with an image of high price. He explained that the strategy would significantly increase the number of passengers using Dulles International, which would help reduce the cost per enplanement and produce additional revenue. Mr. Davis noted that new airline service was projected to contribute \$5.8 million in new revenue in 2014. The Authority planned to intensify its campaign for new passenger and cargo services in 2015.

Mr. Davis also reported that staff is exploring ways to make the most of the Authority's existing assets, one of which is land, known as the most under-utilized asset. He noted that more than 12,000 acres comprise the Dulles campus and that staff had identified a dozen projects consisting of approximately 850 acres, which could be important sources of revenue. Mr. Davis explained that one half of this acreage represents a large vacant parcel known as the Western Lands. He noted that staff is exploring potential options for the use of this land in an effort to identify the best and most practical ways to make it work for the Authority and for economic development. Additionally, staff is also exploring potential uses of land near the Silver Line, including the area around the 606 Station near the Airport, where significant development would occur once Phase 2 is operational.

Mr. Davis stated that staff is also working to capitalize on high-visibility events that bring people to the Washington area by making the Airports a larger and more profitable player in these events. It could help to strengthen the Airports' stature in the community and allow the Authority to better serve its passengers and the public while pursuing the mission of regional economic development.

Mr. Davis reported that a big part of the communications and marketing effort is revising the Authority's on-line presence with a redesigned website that places its focus on the Airport customer. He noted that staff is working closely with Goutam Kundu, Chief Information Officer, and the Information Technology (IT) staff. Mr. Davis explained that the IT Office would own the infrastructure and that the Marketing and Communications Offices would own the content and messaging. Mr. Davis stated that it would bring concessions and other services together with important information such as parking availability, flight times and baggage services and help passengers feel like guests. To ensure that staff is aware of what the Airports' guests want and need, various market segments would be studied to ensure that the customers' needs and



expectations are achieved so that a better traveling experience is provided.

Mr. Davis stated that he is excited about the prospects for providing customers an even better travel experience. He thanked the Board for its support and stated that he is excited to be a part of the Authority team as staff worked to enhance revenue and build a stronger financial position.

Mr. Conner stated that the Board is pleased that Mr. Davis is a part of the Authority team and looked forward to his contributions.

With regard to using the Western Lands for additional revenue sources at Dulles International, Mr. Caputo inquired whether staff would assess the impact on the transportation infrastructure in the surrounding area. Mr. Davis responded that staff would consider how the use of the Western Lands would impact multiple locations, including Routes 50, 606 and 28. He stated that staff is enlisting Mr. Potter's support with a "master plan" to help to determine the leverage and resources that can be used in the Western Land effort. Mr. Potter noted that the Authority had worked closely with officials from Loudoun County and the Commonwealth of Virginia to expand Route 606. He stated that Loudoun County would be engaged in the Western Land discussion as it is critical to the County's economic development to ensure that the parcels are effectively used.

Ms. Wells inquired about the financial potential associated with the accelerated use of digital advertising at both Airports. Mr. Davis responded that the new strategies, combined with a different approach, may provide an opportunity to triple display advertising revenue.

Ms. Merrick inquired whether staff is able to quantify the value that is added from the time a guest arrived at the Airport until the departure. She also asked if an approximate revenue value is associated with each guest and the various characteristics demonstrated. Mr. Davis stated that staff would work with a marketing company to help with segmentation and thus provide a platform to help determine the information that Ms. Merrick had described. He noted that with the completion of market research and tests being conducted by IT, he believed that passengers would better understand the Airports and that staff would be able to target passengers' activities.

#### IV. NEW BUSINESS

##### a. Recommended 2015 Budget

Ms. Merrick moved the adoption of the following resolution:

WHEREAS, The Finance Committee has provided direction to the staff regarding major challenges that the 2015 Budget needs to address;

WHEREAS, The Finance Committee received the details prepared by staff of the draft 2015 Budget at its October meeting;

WHEREAS, The Finance Committee considered the recommended 2015 Budget, prepared by staff, at its November 2014 meeting and recommended its approval to the Board of Directors;

WHEREAS, The recommended budget has been developed in accordance with the terms and conditions contained within the new Airport Use Agreement and Premises Lease that, following execution by the airlines, will be effective January 1, 2015;

WHEREAS, In order to assist the airlines serving Dulles International by reducing the level of debt service included in the 2015 airline rates and charges, the recommended 2015 Aviation Enterprise Fund Budget provides for \$42.5 million of the debt service attributable to the AeroTrain, which otherwise would be included in such rates and charges, to be paid by Passenger Facility Charges revenues;

WHEREAS, The 2015 Budget presents a reasonable level of expenditures, to be made or accrued in 2015, (a) from the Aviation Enterprise Fund, to operate Ronald Reagan Washington National and Washington Dulles International Airports, to repair and maintain the facilities at these Airports, and to undertake needed capital improvements at the Airports, and (b) from the Dulles Corridor Enterprise Fund, to operate the Dulles Toll Road, to repair and maintain Toll Road facilities, to undertake capital improvements for the betterment of the Toll Road and otherwise within the Dulles

Corridor, and to continue construction of the Dulles Corridor Metrorail Project, and that there will be sufficient revenues in 2015 and other funds to cover these expenditures; now, therefore, be it

RESOLVED, That the 2015 Budget, as presented at the December 2014 meeting of the Board of Directors, is hereby adopted;

2. That the following sums, totaling \$968,504,681, are hereby authorized to be expended from the Aviation Enterprise Fund in 2015 for the operation, maintenance, care, improvement and protection of Ronald Reagan Washington National and Washington Dulles International Airports:

- (a) \$656,108,000 for the Aviation Operation and Maintenance Program, including \$309,634,239 of this total for debt service;
- (b) \$63,634,617 for the Aviation Capital, Operating and Maintenance Investment Program (COMIP); and
- (c) \$248,762,064 for the Aviation Capital Construction Program (CCP);

3. That the following sums, totaling \$923,716,126, are hereby authorized to be expended from the Dulles Corridor Enterprise Fund in 2015 for the operation, maintenance, care, improvement and protection of the Dulles Toll Road and for the planning, design and construction of the Dulles Corridor Metrorail Project:

- (a) \$77,495,263 for the Dulles Corridor Operation and Maintenance Program, including \$46,155,187 of this total for debt service;
- (b) \$4,118,480 for the Dulles Corridor Renewal and Replacement Program (R&R);
- (c) \$762,971,383 for the Dulles Corridor Capital Improvement Program (CIP), consisting of

\$57,767,832 for Dulles Corridor Improvements and \$705,203,551 for the Dulles Corridor Rail Project; and

- (d) \$79,131,000 to be transferred to reserve accounts within the Dulles Corridor Enterprise Fund, as identified in the 2015 Budget;

4. That any revenue received or accrued by the Dulles Corridor Enterprise in 2015 that at the conclusion of 2015 has not been expended, obligated or transferred to a reserve account pursuant to this Resolution, or to a reserve fund or account under the Master Indenture of Trust Securing Dulles Toll Road Revenue Bonds, dated as of August 1, 2009, and the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, dated as of August 20, 2014, shall be transferred to the Dulles Corridor Reserve and Toll Rate Stabilization Fund;

5. That the President and Chief Executive Officer is hereby authorized to modify or adjust expenditures within each of the six Programs identified in this Resolution, so long as the total expenditures within any such Program in 2015 do not exceed the level authorized herein; provided, that any such reprogramming exceeding \$10 million in a calendar year for any project in the COMIP, CCP, R&R, or CIP shall be submitted to the Finance Committee for approval and its recommendation to the Board of Directors for approval before it may take effect. All other material budget reprogramming shall be reported to the Finance Committee on a quarterly basis, no later than two months after the end of each quarter at the May, August, November and February Committee meetings, and shall include year-to-date cumulative material budget reprogramming equal or greater than the following:

- (a) Aviation Operation and Maintenance Program (\$250,000);
- (b) Aviation Capital, Operating and Maintenance Investment Program (\$500,000 or any new project, regardless of dollar amount);

- (c) Aviation Capital Construction Program (\$500,000 or any new project, regardless of dollar amount);
- (d) Dulles Corridor Operation and Maintenance Program (\$250,000);
- (e) Dulles Corridor Renewal and Replacement Program (\$500,000 or any new project, regardless of dollar amount); and
- (f) Dulles Corridor Capital Improvement Program (\$500,000 or any new project, regardless of dollar amount).

6. That the new and expanded projects identified in the 2015 Budget, in the amount of (i) \$35,175,100 within the Aviation Capital Operating and Maintenance Investment Program, (ii) \$1,176,418,834 within the Aviation Capital Construction Program, (iii) \$17,550,819 within the Dulles Corridor Renewal and Replacement Program, and (iv) \$44,294,963 within the Dulles Corridor Capital Improvement Program pertaining to the Dulles Toll Road, are hereby approved and hereafter shall be considered a part of their respective approved programs.

Ms. Hanley stated that she wanted to look more closely at some of the budget line items, such as Dulles Corridor improvements, excluding rail, that may be tied to economic impact. She wanted to ensure that the Authority continued to listen to the community and Dulles Toll Road users regarding some of these items included in the 2015 Budget since they were paid solely by tolls. Mr. Conner stated that the Authority is committed to keeping tolls as low as possible and that he thought a future discussion about the items Ms. Hanley noted would be beneficial. The resolution was thereupon approved by 13 Directors.

The final resolution filed in the Board of Directors Office includes a copy of the staff recommendation paper.

b. Recommendation to Award a Sole Source Contract for Equipment for the Washington Metropolitan Area Transit Authority Automatic Train Control Training Facility

Mr. Griffin moved the adoption of the following resolution, which was unanimously approved by 13 Directors present:

WHEREAS, The Airports Authority turned over Phase 1 of the Dulles Corridor Metrorail Project (Project), operating as the Silver Line, to the Washington Metropolitan Area Transit Authority (WMATA) on July 26, 2014;

WHEREAS, A critical element of the Project is the Automatic Train Control (ATC) system, which regulates the safe and efficient movement of trains on the Silver Line;

WHEREAS, The Airports Authority has agreed to provide equipment for a WMATA training facility which will replicate a fully-functional train control room to enable WMATA to train its personnel to reliably and safely operate and maintain the Silver Line and other segments of the Metrorail system;

WHEREAS, The equipment for the WMATA training facility will be procured on a sole source basis from Alstom Signaling, Inc. (Alstom);

WHEREAS, The proposed contract with Alstom is for the design, fabrication, testing and delivery of this ATC training equipment, excluding the installation of the equipment;

WHEREAS, WMATA will perform the actual installation of the equipment in WMATA's existing facility, and WMATA's installation costs will be a reimbursable Project cost;

WHEREAS, As required by the Contracting Manual, notice of this intended sole source award has been published on the Airports Authority's website for the required time period; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a sole source contract with Alstom Signaling, Inc., for the design, fabrication, testing and delivery of equipment for the WMATA ATC training facility; and

2. That, as requested by the Dulles Corridor Committee at its November 12, 2014 meeting, the executed contract with Alstom will require it, during the period of performance of the contract and at no additional cost to the Airports Authority, to update the ATC training facility equipment and

documentation to match any configuration changes it initiates to existing Dulles Corridor Metrorail Project equipment.

The final resolution filed in the Board of Directors Office includes a copy of the staff recommendation paper.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

Mr. Conner stated that the next Board Meeting would be held January 21, 2015. He noted that a celebratory event to thank Directors who had recently left the Board and welcome new Directors may be held on January 20, 2015. Mr. Conner wished everyone a happy and safe holiday season.

The Meeting was thereupon adjourned at 10:15 a.m.

Respectfully submitted:

Quince T. Brinkley, Jr.  
Vice President and Secretary

ATTACHMENT - MWAA 2014 Management Plan/End of Year Update



# **MWAA 2014 Management Plan**

End of Year Update  
December 2014



## Background

- The 2014 Management Plan outlined business strategies to progress the following objectives:
  1. Enhance the Organization's Reputation
  2. Grow MWAA's Business to Benefit the Traveling Public
  3. Manage Financial Resources Responsibly
  4. Implement a Comprehensive Human Capital Plan
  5. Maintain Safe & Secure Operations
- In addition, the Management Plan set forth tactical Corporate Goals that focused the organization on Cost, Revenue, Customers, and People – all with an emphasis on continuous improvement



## Corporate Goal Objectives

**COST**

Manage Cost to Realize Operational Efficiencies

**REVENUE**

Grow Revenue to Keep MWAA Competitive

**CUSTOMERS**

Create Customer Satisfaction for all Authority Stakeholders

**PEOPLE**

Foster Employee Engagement as Employer of Choice

**CONTINUOUS IMPROVEMENT**



## 2014 Accomplishments: Enhance the Organization's Reputation

- ✓ Established Office of Corporate Risk and Strategy, with Deputy Vice President reporting to CEO
  - Successfully addressed 10 of 12 recommendations from the OIG's November 2012 Report and working collaboratively to close out remaining items
  - Facilitated the closure of all outstanding items from FTA's 2013 Procurement System Review
  - Completed 100% of required corrective actions to FTA in support of January 2014 OIG Report
  
- ✓ Received \$38 M in restricted FFGA funding from FTA (an additional \$54 M is under review) and the first \$100 M of \$300 M pledged to the Metrorail Project from the Commonwealth of Virginia
  
- ✓ Successfully opened Phase 1 of the Silver Line
  
- ✓ Advanced MWAA's interests and reputation through continued work with elected officials and organizations such as Committee for Dulles, Dulles Rail Association, Board of Trade, 2030 Group, and local Chambers of Commerce

## 2014 Accomplishments: Grow MWAA's Business

- ✓ Aggressive pursuit of air service at Dulles led to key wins:
  - Air China began international service in June
  - Frontier established Dulles as a hub for its ultra low fare service in August and has served 160 K passengers through October
  - Silver Airways and Elite Airways started domestic service this fall
  - Alaska Airlines returns to Dulles in March 2015 and Aer Lingus will begin service in May 2015
  
- ✓ Increased year-to-date concessions revenue 6% through October – with growth in parking, rental cars, food and beverage, duty free, FBO, and inflight caterers
  
- ✓ Increased annual MAGs \$14 M through Phases 1, 2, and 3 of the Concessions Redevelopment Program, and separately re-bid duty free contract for an additional \$8 M annual increase
  
- ✓ Successfully launched *Silver Line Express* bus service on July 26, which has carried over 100 K passengers and generated \$500 K in gross revenue to date
  
- ✓ Hired Chief Revenue Officer and Real Estate Manager to further progress non-airline revenue opportunities

## 2014 Accomplishments: Manage Financial Resources Responsibly

- ✓ Use and Lease Agreements provide financial flexibility to manage the airports as a system:
  - 10-year term at DCA with extensive capital plan; 3-year term at IAD with minimal capital plan
  - Increased debt service coverage charged to airlines from .25 to .35
  - Enhanced ability to use Net Remaining Revenue from DCA to offset debt service at IAD: \$40 M in 2015-2017; \$35 M in 2018; \$30 M in 2019; and \$25 M in 2020-2024
  
- ✓ Refinanced Airport Revenue bonds for \$111 M debt service savings over the life of the bonds
  
- ✓ Re-bid bank facilities, resulting in estimated annual savings of up to \$1.3 M over the next 3 years
  
- ✓ Completed Plan of Finance for the Dulles Corridor Enterprise:
  - Issued \$421.8 M Dulles Toll Road Bonds in May, with all-in total interest cost of 4.82%
  - Closed \$1.28 B TIFIA loan in August, with an interest rate of 3.21%
  
- ✓ Consolidated small purchasing offices under Corporate Procurement and hired a Deputy Manager, Procurement and Contracts for each Enterprise

## 2014 Accomplishments: Implement a Comprehensive Human Capital Plan

- ✓ Re-bid healthcare benefits (medical, pharmacy, and dental) and reduced annual Other Post-Employment Benefits cost by \$6.6 M; avoided \$7.6 M in costs over the life of the three-year contract, while maintaining strong network of providers
- ✓ Reduced retirement plan administration costs and launched 401(a) savings plan for employees
- ✓ Implemented Pay for Performance and Wellness Incentive programs
- ✓ Created, and in process of implementing, a strategy for MWAA's Workforce Planning and Development, to include:
  - Internal Workforce Development through Supervisory Training, Leadership Development, and Succession Planning initiatives
  - Entry Level Management Intern and Trades Apprenticeship Employment Programs
- ✓ Restructured organization to align with corporate goals
- ✓ Led senior leadership recruitment for critical positions in Engineering, Metrorail Project, Public Safety, Legal, and the Chief Revenue Office

## 2014 Accomplishments: Manage Safe & Secure Operations

- ✓ Aggressively responded to the Ebola crisis and coordinated with mutual aid partners
- ✓ Met 100% of FAA-mandated response times to TSA checkpoints
- ✓ Partnered with the National Counterterrorism Training Center to conduct Counter Terrorism Awareness Workshops
- ✓ Developed a Technology Strategic Plan to:
  - Consolidate and standardize IT
  - Bring thought leadership in-house
  - Simplify contracted support
- ✓ Began convergence of IT infrastructure and applications; consolidated ERP and Radio Service help desks, which reduced support costs by \$3 M, while maintaining overall performance
- ✓ Upgraded Oracle environment to apply security patches and enhance functionality



## Year In Review

This year's accomplishments have strengthened the Authority's relationships and reputation with external stakeholders, enhanced the organization's commitment to its employees while preserving the bottom line, and maintained a steadfast focus on our customers. Highlights include:

- ✓ Managed year-to-date operating expenses below 2014 Budget on a consolidated basis
- ✓ New Use & Lease Agreements provide an unprecedented \$300 M for Dulles over the next 10 years
- ✓ Launched new IAD service with Air China, Frontier, Silver, and Elite; Alaska and Aer Lingus in 2015
- ✓ Re-financings will yield \$111 M in debt service savings; new banking contracts will also save \$3 M
- ✓ Re-bid healthcare benefits and reduced annual Other Post-Employment Benefits cost by \$6.6 M; avoided \$7.6 M cost over the life of the three-year contract
- ✓ Successfully completed Phase 1 and secured TIFIA, which reduced required toll revenue by \$2.7 B
- ✓ Grew non-airline revenue 6% over prior year and generated \$14 M through concessions refresh and \$8 M with new duty free contract
- ✓ Enhanced the customer experience with faster Wi-Fi, Automated Passport Control kiosks at IAD, parking reservation and pay-by-phone programs at DCA, and more E-ZPass only lanes on the DTR
- ✓ Changing MWAA's culture through the modernization of administrative practices, including Pay for Performance, re-organizing select functions, implementing leadership programs, and addressing long-standing employee concerns
- ✓ Effectively recruited top talent for critical positions in Engineering, Metrorail Project, Public Safety, Legal, and the Chief Revenue Office