

## BOARD OF DIRECTORS MEETING

Minutes of March 18, 2015

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 9:45 a.m. Twelve Directors were present during the meeting, and Anthony H. Griffin joined by phone:

Frank M. Conner III, Chairman  
Warner H. Session, Vice Chairman  
C. Charles Caputo  
Lynn Chapman  
Michael A. Curto  
Katherine K. Hanley

Richard A. Kennedy  
Barbara Lang  
William Shaw McDermott  
A. Bradley Mims  
Nina Mitchell Wells  
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 L. Davis, Executive Vice President and Chief Revenue  
Officer

Mr. Conner noted that Arl Williams, former Vice President for Human Resources, and Janet Nowakowski, the wife of Pat Nowakowski, former Executive Director of the Metrorail Project who had been instrumental in the development of Phase 1 of the Dulles Corridor Metrorail Project, had recently passed. He suggested that everyone keep Mr. Williams and Ms. Nowakowski and their families in their thoughts.

Mr. Conner reported that an article relating to the Department of Transportation's (DOT) Office of Inspector General (IG) audit of the Authority's internal audit function was in the day's paper. Although he believed it is inappropriate to comment on the audit report until it is finalized and the Authority's responses are included, he believed it would be appropriate to make general comments. Mr. Conner reported that for

more than three years staff had worked extremely hard to improve internal controls in risk management. He stated that the Authority had found the IG's comments to be extremely helpful. Mr. Conner added that the Authority had been extraordinarily cooperative and supportive of the IG's efforts and that it would continue to do so with regard to DOT and any other agency that chose to audit the Authority. He believed that staff had done a remarkable amount of work to improve internal controls in risk management within the Authority. Mr. Conner noted that all of the policies and procedures that had been implemented by his predecessor had resulted from some of the IG's initial audit findings. Additionally, an internal control section led by Julia Hodge as the Deputy Vice President of Corporate Risk and Strategy had been created. [Ms. Hodge is now Acting Vice President for Audit.] A Risk Management Committee had also been created to provide oversight to ensure that the Authority offers greater scrutiny of the risk management area. Mr. Conner noted that a substantial amount of effort had been dedicated to the risk management function which initially focused only on financial fraud and had transitioned to a broadened focus to include financial, operational and reputational risks. Mr. Conner reported that the Authority welcomed the IG's comments and stated that it would fully comply with the comments and suggestions. He stated that the Authority was making advancements toward changing its risk profile. The Authority remained cognizant of the day's article, and Mr. Conner reported that over a period of time policy, combined with people and culture, help to create good risk management. With Mr. Potter's continued leadership, Mr. Conner stated that the Authority is on its way to achieving it. Additional comments would be made once the IG audit had been finalized.

## I. MINUTES OF THE FEBRUARY 18, 2015 BOARD OF DIRECTORS MEETING

The Chairman called for the approval of the Minutes of the February 18, 2015 Board of Directors Meeting, which were unanimously adopted.

## II. COMMITTEE REPORTS

### a. Business Administration Committee – Shaw McDermott, Co-Chair

Mr. McDermott reported that the Business Administration Committee had last met February 18. Staff had presented two quarterly reports - the Quarterly Acquisition Report for the quarter ending December 31,

2014 and the Small Business Contracting Summary for the quarter ending September 30, 2014.

b. Dulles Corridor Committee – Richard A. Kennedy, Co-Chair

Mr. Kennedy reported that the Dulles Corridor Committee had met that morning and on February 18. At the day's Meeting, staff had presented the Recommendation to Approve the 2015 – 2017 Title VI Program Update for the Dulles Corridor Metrorail Project. The Committee had approved the recommendation, and Mr. Kennedy reported that he would offer a resolution later in the day's Meeting. Staff had also presented the Dulles Corridor Metrorail Project Monthly Cost and Schedule Update for Phases 1 and 2 at both meetings.

At the February 18 Meeting, staff had presented the Recommendation to Award a Sole Source Contract for Equipment for the Washington Metropolitan Area Transit Authority (WMATA) Train Control Training Facility. The Committee and Board had approved the recommendation that day. Hensel Phelps had also presented its first quarterly Update on Phase 2 – Package B – WMATA Rail Yard and Maintenance Facility.

c. Finance Committee – Michael A. Curto, Co-Chair

Mr. Curto reported that the Finance Committee last met February 18. Staff had presented two recommendations, which the Committee and Board had approved that day: Selection of Frasca & Associates, L.L.C. and Mercator Advisors, LLC to provide financial advisory services and a Recommendation to Reassign Underwriting Syndicate Firms and Initiate Limited Competition within the Aviation Enterprise Underwriting Syndicate to Select a Team of Underwriters for the Issuance of the Series 2015B-D Bonds, Including a Bookrunning Senior Manager, Co-Senior Manager and Co-Managers. Mr. Curto stated that staff had also presented the Financial Advisors' Report and the Preliminary December 2014 Financial Reports for both Enterprises, as well as the fourth quarter reports for the Budget Reprogrammings and the Investment Program.

d. Risk Management Committee – Nina Mitchell Wells, Co-Chair

Ms. Wells reported that the Risk Management Committee had met that morning and on February 18. On February 18, the Committee had met in executive session, where staff had presented a report of pending and

recently closed litigation involving the Authority; no action had been taken.

At the day's Meeting, staff had presented the recommendation to amend the Office of Audit Charter (Charter). The Committee had approved the recommendation, and Ms. Wells stated that she would offer a motion later that day for Board approval.

e. Strategic Development Committee – Barbara Lang, Co-Chair

Ms. Lang reported that the Strategic Development Committee had met that morning and on February 18.

At the February 18 Meeting, staff had presented the monthly Air Service Development Report, and the Committee had received a confidential Airline Update in executive session.

At the day's Meeting, the Committee had approved staff's recommendation to approve a Master Plan Amendment for Land Areas on the West Side of Dulles International. Ms. Lang reported that the Board would consider the recommendation later that day.

### III. INFORMATION ITEMS

a. President's Report

Mr. Potter stated that the following day would mark the official start of spring, which is welcome news especially for the many employees at Reagan National and Dulles International who had worked many long hours over the past several weeks as a result of the inclement weather and burst pipes. He reported that Ms. McKeough would provide additional information about the winter weather experience in her report. Mr. Potter thanked the members of the snow teams and all other employees who had responded to issues during the last month.

Mr. Potter reported that several activities and events had been postponed due to inclement weather, including the 'Dulles Matters' seminar, originally scheduled for March 5, for which he had provided details at the February Board Meeting. He announced that the seminar had been rescheduled to April 16 and that Governor McAuliffe and Congresswoman Comstock, along with other key officials who had agreed to take part on March 5, planned to attend. Mr. Potter reported that the

Authority appreciated the key officials' support as the Authority updated regional leaders about the work to make Dulles International more competitive, as well as efforts underway to continue to improve passengers' travel experiences at the Airport and the contributions that Dulles International makes to the local economy. He noted that staff has been working to publicize the Authority's strategies for addressing the business challenges facing Reagan National and Dulles International, and the April 16 event would provide another opportunity to provide an update.

Mr. Potter reported that Authority staff had appeared before the Council of the District of Columbia's Committee of the Whole on March 10 for its annual hearing. He thanked District of Columbia Board Member Barbara Lang, who attended the hearing, and Vice Chairman Warner Session for providing testimony highlighting the Authority's close and very productive working relationships and partnerships with entities in the District. The Authority's messages regarding the Airports' significant positive economic impact on the District and the region, as well as efforts to make Dulles International more competitive, plans to improve facilities at Reagan National and work with community groups concerned about aircraft noise along the Potomac River were presented and reinforced by other witnesses, including Destination D.C., the D.C. Chamber, a representative from one of the Airport's concessions and a District of Columbia community group concerned about noise. Mr. Potter noted that the Authority appreciated the witnesses' testimony and support.

Mr. Potter also reported that the Authority had fared extremely well in this year's session of the Virginia General Assembly. As he had reported last month, the Governor had signed a bill dealing with the regulation of Transportation Network Companies, such as Uber, Sidecar and Lyft, which will ensure that airports have the ability to regulate these new entrants in the ground transportation market that serve passengers. Mr. Potter noted that the Authority is pleased that other proposed legislation, including bills relating to off-site airport parking and weapons in airports, which could have presented significant challenges, had not passed. He thanked and congratulated the Government Affairs team, led by Michael Cooper, Manager, State and Local Government Affairs, for a great job in Richmond.

With regard to an administrative aspect, Mr. Potter reported that significant efforts are underway regarding the Authority's Equal Opportunity Programs, initiated by Warner Session and Shaw

McDermott, who were Business Administration Committee Co-Chairs at the time the work began. He stated that the Authority continues to ensure that its Local Disadvantaged Business Enterprise (LDBE) and DBE programs (small business programs) are robust and utilize best-in-class processes, procedures and maximum participation of the target communities.

Mr. Potter reported that Mr. Davis and his team had completed their preliminary work of the Authority's small business programs and they had initiated first steps to modernize and strengthen them. Additionally, staff had held productive discussions with Earl Adams and Shaw McDermott (current Business Administration Committee Co-Chairs) and the Vice Chairman. Mr. Potter noted that one of the challenges expressed by potential participants was the antiquated processes, which are mostly paper-based. By automating the process, staff believed that the Authority will enhance its outreach and potentially create more robust candidate pools for the small business programs.

While conducting its preliminary work, staff also learned that comparable programs are used across the region. In an effort to streamline and expedite the use of small business programs, staff will determine whether the Authority can accept the qualifications used for those comparable programs to adequately qualify participants in the Authority's programs. Additionally, staff also planned to review the LDBE Program's geographical boundaries. Mr. Potter explained that when the Authority first began its small business programs, the Board had determined that a 100-mile radius around the District of Columbia would be used as the boundary and designated that zone as "local." He noted that the 100-mile radius included Wilmington, Delaware; Fairfield Township, New Jersey; Berkeley Springs, West Virginia; and the Harrisburg, Pennsylvania area. Since the region's population had grown and become denser in recent years, Mr. Potter stated that staff would compare the Authority's geographical boundary information with other benchmarks and determine if the radius used for participation in its LDBE program should be modified. Staff would report its findings to the Committee and present suggestions to modernize the LDBE program. Mr. Potter stated that it would take an extended period of time for staff to automate the process for potential participants in the small business programs and that progress updates would be provided to the Committee regularly. He noted that the Board's approval would be required on all policy issues associated with the small business programs.

Ms. Lang reported that she had been surprised by some of Chairman Mendelson's inquiries, including real estate at Dulles International, at the March 10 annual hearing. She stated that she believed Authority staff had done a superb job in responding to the Chairman's inquiries.

b. Executive Vice Presidents' Reports

As noted in Mr. Potter's remarks, Ms. McKeough reported that March had been a very busy month at both Airports. In addition to the beginning of the spring peak travel season, several unusual special events had occurred, some of which had attracted media attention. Ms. McKeough reported that the latest winter storm had produced the largest amount of snowfall, which had proven to be challenging to remove the snow and maintain operations at both Airports. She noted that, unlike prior storms, the airlines had chosen to continue to operate some of their flights, particularly the international flights at Dulles International. Ms. McKeough extended her appreciation and thanks to the Public Safety and Airport teams for the work that they had performed to keep the Airports operational.

Ms. McKeough reported that the power supply to a number of operating systems had been lost at Dulles International on March 14 for approximately 2.5 hours. The loss of power had predominantly affected jet bridges, elevators, escalators and other systems. Ms. McKeough noted that the back-up generators had fortunately provided power, as intended, to the life safety, essential operating functions, particularly the Air Traffic Control tower, runway lights and runway systems to enable aircraft operations throughout the outage. She stated that the timing of the outage had occurred during the peak of the arrival of international flights and also during a shift change so Airport staff was able to hold over a number of employees to provide customer service and security assistance. Since the jet bridges were inoperable, Ms. McKeough reported that the Airport's supply of mobile lounges had been used to transport passengers from the planes to U.S. Customs and Borders and clearance facilities. As a result of the outage, a number of delays had occurred and passengers had been inconvenienced as airlines worked to regain operations for outbound flights. Ms. McKeough reported that Authority staff would meet with Dominion Virginia Power, who had been very responsive and had arrived on-site quickly once the issues were confirmed, later in the week to gain a better understanding of what had happened to prevent future occurrences. Staff would provide a complete debriefing to management and the causes of the power outage and

lessons learned from the experience would be shared with the Board. Ms. McKeough noted that staff would conduct an extensive review of protocols for back-up power and determine if additional sources are needed for other systems.

Ms. McKeough also reported on a flight disturbance caused by an unruly passenger on a United Airlines' flight from Dulles International. The Public Safety team had responded and transported the passenger to a facility to receive medical attention. Staff is assessing the need to file charges against the passenger.

Ms. McKeough reported that Authority staff dedicates a substantial amount of time to emergency preparedness and responses. She stated that all airports must conduct a full-scale emergency exercise every three years to demonstrate their plans to respond to a potential aircraft incident. The triennial exercise is required in order for airports to maintain their Federal Aviation Administration (FAA) certification. Ms. McKeough invited Directors to attend the May 2 emergency exercise at Dulles International.

Ms. McKeough also reported that the FAA also conducts a comprehensive annual inspection at Reagan National and Dulles International. She stated that the FAA had recently completed its inspection at Reagan National and no discrepancies had been found. Ms. McKeough congratulated the Airport's staff and the Public Safety team on the results and thanked them for their extensive efforts in preparation for the inspection. A similar inspection would likely be held at Dulles International in July.

Ms. McKeough introduced Stephanie Murphy who recently joined the Authority's Emergency Response team.

In addition to staff's efforts to improve and streamline Equal Opportunity Programs, Mr. Davis reported that progress continued on several key initiatives. He provided a slide which illustrated: total year-to-date non-airline revenue had increased \$4.3 million versus the prior year and \$2.8 million versus budget; transportation-related revenue, including rental cars, taxis and parking, had increased \$2.7 million from the prior year and \$1.6 million compared to budget; and revenue generated inside the terminals, including retail, news, food and beverage, duty free and advertising, had increased \$1.6 million from prior year and is consistent with the 2015 budget commitment. Mr. Davis reported that other non-



airline businesses that the Authority managed, including fixed base operators, in-flight kitchen, hotel, gas station and other rents, had increased \$200,000 from the prior year and approximately \$900,000 compared to budget. He noted that revenue earned from other non-airline businesses is a key focus area for the Authority in 2015 as several key contracts would be rebid to execute a broader real estate strategy. As part of that strategy, the Authority had recently announced a new process for unsolicited real estate proposals focused mainly on the undeveloped 426 acres at Dulles International (known as the Western Lands). Mr. Davis stated that staff believed that the Western Lands have high potential for revenue production. The new process to accept unsolicited proposals is expected to enable staff to gain insight of the market and to help assure that the best ways to realize the potential of this property is achieved.

Another area of focus where staff is dedicating its effort is to increase passenger activity at Dulles International, which is the best way to lower costs and increase revenue. Mr. Davis reported that staff continued to focus on bringing new service to Dulles International and had set a goal of announcing four new carriers in 2015. Thus far, Alaska Airlines had recently begun daily service to Seattle and Aer Lingus had announced four weekly flights to Dublin, Ireland beginning May 1.

Additionally, in an effort to give passengers a better Airport experience, which would likely also result in greater revenue, staff had finalized a design for a new Authority website. Mr. Davis provided a sample of the new evolving website. He noted that the landing page would serve as a way-finding instrument to clearly identify appropriate icons and enable users to easily navigate the website. Mr. Davis reported that he would keep the Board updated on the “quantum leap” type website, which would likely be launched in July or August.

Mr. Davis recalled that at last month’s meeting he had informed the Board of the increase in social media use relative to the Authority. As Ms. McKeough had reported with regard to the winter weather impacts on travel, social media activity helped to spread the news. He reported that the Authority continued to show progress with its use of social media options, as illustrated by the slides shown at the day’s Meeting. Mr. Davis stated that a larger amount of social media activity had occurred at Dulles International, which had resulted partially because of dedicated staff responsible for that task. He reported that Chryssa Westerlund, Deputy Vice President for Planning and Development, and

staff from the Offices of Operations, Media Relations and Communications would compose a cross-functional team to help increase the use of social media with regard to Authority-related information.

Mr. Davis reported that the Revenue Office is focused on identifying unique and different trends that other businesses and airports implement as best practices. He noted that staff had recently spent a day in New York talking with counterparts at John F. Kennedy International and LaGuardia Airports to learn how those facilities operate and serve customers to determine if their methods would provide an opportunity to increase non-airline revenues at Reagan National and Dulles International.

#### IV. NEW BUSINESS

##### a. Recommendation to Approve the 2015 – 2017 Title VI Program Update for the Dulles Corridor Metrorail Project

Mr. Kennedy moved the adoption of the following resolution, which was unanimously approved:

WHEREAS, Title VI of the Civil Rights Act of 1964 provides that no person shall, on the grounds of race, color or national origin, be excluded from participating in, be denied the benefits of, or be subject to discrimination under any program or activity receiving federal financial assistance;

WHEREAS, The Airports Authority receives federal financial assistance from the Federal Transit Administration (FTA) in connection with the construction of the Dulles Corridor Metrorail Project (Project);

WHEREAS, The FTA'S Title VI guidance requires the Airports Authority to prepare and submit a Title VI Program every three years that demonstrates how the Airports Authority intends to meet its Title VI obligations;

WHEREAS, The Airports Authority last submitted a Title VI program relating to the Project in 2011, and is now required to submit an updated program to FTA;

WHEREAS, New FTA guidance, issued after the submission of the Airports Authority's Title VI program in 2011, requires that the Board of Directors review and approve the Airports Authority's updated Title VI program prior to its submission to the FTA;

WHEREAS, The Dulles Corridor Committee has reviewed the updated Title VI program relating to the Project, and has recommended that the Board of Directors approve the program and authorize its submission to the FTA; now, therefore, be it

RESOLVED, That the updated Title VI Program for the Dulles Corridor Metrorail Project is approved and its submission to the FTA is authorized.

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

b. Recommendation to Approve a Master Plan Amendment for Land Areas on the West Side of Dulles International

Mr. Kennedy moved the adoption of the following resolution, which was unanimously approved:

WHEREAS, The Master Plan Washington Dulles International Airport (Dulles International) includes an Airport Layout Plan, which is a set of drawings that show the near-, intermediate- and long-term facilities for the Airport;

WHEREAS, An Airport Layout Plan is to be submitted to the Federal Aviation Administration (FAA) for approval and is required by the FAA to be kept up to date and current;

WHEREAS, In November 2005, the Board of Directors approved the Airports Authority's acquisition of approximately 830 acres of land located between the western boundary of Dulles International Airport and Route 606;

WHEREAS, Approximately 414 of these acres were to be purchased to provide land which was needed for a new north-

south runway at Dulles International and for a buffer area between the new runway and the Airport's western boundary;

WHEREAS, These approximately 414 acres of land were later added to the Master Plan and Airport Layout Plan for Dulles International;

WHEREAS, The remaining approximately 416 acres of land that were approved for purchase in November 2005, which are located to the west of the acres then purchased for the new north-south runway, were not added to the Dulles International Master Plan or Airport Layout Plan, pending future analysis of the appropriate use of the land; and

WHEREAS, The FAA has recently recommended that the Airports Authority add these approximately 416 acres of land to the Airport Layout Plan for Dulles International, and staff has agreed with that recommendation;

WHEREAS, At the March 18, 2015, meeting of the Strategic Development Committee, staff recommended that the Dulles International Master Plan and Airport Layout Plan be amended to formally incorporate these approximately 416 acres of land into the Dulles International Airport Layout Plan and to designate this area as "Non-Aviation Commercial" and, in addition, to change the designation of land immediately west of Runway 1L/19R from "Airport Buffer Zone" to "Reserved for Aviation Development"; and

WHEREAS, The Board has determined that it is in the interests of the Airports Authority to amend the Dulles International Master Plan and Airport Layout Plan in the manner recommended by staff; now, therefore, be it

RESOLVED, That amendments to the Dulles International Master Plan and Airport Layout Plan area that have been recommended by staff are hereby approved.

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

c. Recommendation to Amend the Office of Audit Charter

Ms. Wells offered a motion to amend the Charter, which was unanimously approved.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

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

Respectfully submitted:

Quince T. Brinkley, Jr.  
Vice President and Secretary