



Recommendation Paper for the Executive and Governance Committee

Approval of Revisions to the Code of Ethics for Employees

June 2014



PURPOSE

Section 11 of the Code of Ethics for Employees calls for the General Counsel to review the Code from time to time and recommend revisions. The General Counsel requests the Executive and Governance Committee approve and recommend to the Board of Directors that it make two revisions to the Authority's Code of Ethics for Employees in:

- the prohibition against two Authority employees who are relatives reporting directly to the same supervisor and
- the degree to which employees are permitted to have a financial interest in an aviation-related business.



DISCUSSION

Two Relatives Reporting Directly to the Same Supervisor. The General Counsel recommends deleting the prohibition in the Nepotism section against two employees who are relatives reporting directly to the same supervisor. This is an unusual provision in institutional codes of ethics and can be burdensome when employees become relatives after they have been working for the Airports Authority; e.g., they become brothers-in-law.

Aviation-Related Businesses. The General Counsel recommends revising the prohibition against an employee's having *any* interest in an aviation-related business to make it consistent with the language in the Code of Ethics for Directors and the federal statute authorizing the transfer of the Airports to the Authority, both of which permit having some interest so long as it does not rise to the level of a Substantial Financial Interest (generally \$1,000 in income or \$15,000 in equity).



RECOMMENDATION

The General Counsel requests the Executive and Governance Committee approve and recommend to the Board of Directors that it revise the Authority's Code of Ethics for Employees as set forth in the recommendation paper to:

1. Delete from Section 9.c the prohibition against two Authority employees who are relatives reporting directly to the same supervisor and
2. Revise Section 6.f to make it consistent with the Authority's Code of Ethics for Members of the Board of Directors and 49 U.S.C. § 49106(d) to forbid certain employees from having a Substantial Financial Interest in an aviation-related Business.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

**RECOMMENDATION PAPER TO THE
EXECUTIVE AND GOVERNANCE COMMITTEE**

**APPROVAL OF REVISIONS TO THE
CODE OF ETHICS FOR EMPLOYEES**

JUNE 2014

ACTION REQUESTED

That the Executive and Governance Committee approve and recommend to the Board of Directors that it revise the Authority's Code of Ethics for Employees to:

1. Delete the provision that prohibits two Authority employees who are relatives from reporting directly to the same supervisor and
2. Revise the provision that prohibits employees from having any financial interest in aviation-related businesses so that its prohibition only applies when employees have a "Substantial Financial Interest" in such businesses.

BACKGROUND

On September 19, 2012, the Board adopted a major revision to the Authority's Code of Ethics for Employees (the "2012 Code"). Section 11 of the 2012 Code calls for the General Counsel to review the Code from time to time and to recommend revisions to the Board. During the year and a half since the Board adopted the 2012 Code, a number of issues have come up which may warrant revisions to the Code. At this time, two revisions are recommended. It is anticipated that other revisions will be made as part of a comprehensive 2012 Code revision within the next two years.

DISCUSSION

A. Nepotism: Two Employees Reporting to the Same Supervisor

Unusual among institutional codes of ethics, the 2012 Code, in Section 9.c, has a provision that bars two employees who are relatives from reporting directly to the same supervisor. This provision was in earlier versions of the ethics code for employees and was retained in the 2012 Code. As you know, the 2012 Code's definition of "relative" is very broad and goes well beyond an employee's immediate family.

This Section 9.c prohibition is not an issue when the Authority hires a new employee who has relatives working for the Authority since the new hire can be assigned in a manner that avoids the employees' working under the same supervisor. However, as recent events have shown, the prohibition does become an issue when two employees who

report to the same supervisor take steps that make them “relatives.” For instance, an employee in a work unit recently married the sister of another employee in the same unit. This made the two employees brothers-in-law and, since they reported to the same supervisor, a strict application of the 2012 Code would have required moving one of them to a different shift which, in this case, would have involved a loss of premium pay.

It is recommended that the provision in Section 9.c which prevents two related employees from working under the same supervisor be deleted from the 2012 Code. On balance, in our view, the harmful effects that this provision can have on employees who become “relatives” while working for the Authority outweighs the benefit the provision ostensibly delivers. Moreover, the 2012 Code would still prohibit an employee from supervising, controlling, or influencing the work of another employee who is a relative. In addition, were the circumstances surrounding two employees working under the same supervisor to create an appearance of impropriety, management would still have the ability to take corrective action.

B. Prohibited Financial Interests: Interests in Certain Aviation-Related Businesses

The 2012 Code, in Section 6.f, provides that, without a waiver from the President or Executive Vice President, certain employees (and their Immediate Families) are prohibited from holding *any* interest in a business “engaged in the transportation of people or property by aircraft in common carriage or in the provision of aviation or airport services.” A similar, but not equivalent, provision is in the Board’s Code of Ethics, as well as the federal statute authorizing the transfer of the Airports to the Authority (49 U.S.C. § 49106(d)). That provision bars Board members (and their Immediate Families) from having a “Substantial Financial Interest” in businesses providing “an aeronautical, aviation services, or airport services enterprise. . . that can be directly affected by the Airports Authority.” Both Codes define Substantial Financial Interest generally as more than \$1,000 in income or \$15,000 in equity.

It is recommended that the provision in Section 6.f of the 2012 Code be revised to make it consistent with the provision addressing the same subject in the Board’s Code of Ethics. The practical effect of this revision would be that certain Airports Authority employees would be permitted to have some interest in an aviation- or airport-services-related business, so long as it did not rise to the level of a Substantial Financial Interest.

CONCLUSION

The General Counsel requests that the Executive and Governance Committee approve and recommend to the Board of Directors that it revise the Authority’s Code of Ethics for Employees as follows:

6. CONFLICT OF INTERESTS

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f. Interest in Certain Aviation-Related Businesses. Absent a written waiver from the President or Executive Vice President, employees identified in Section 8(a), as well as members of their Immediate Families, shall not have ~~any ownership~~ Substantial Financial Interest in an aeronautical, aviation services, or airport services enterprise that otherwise has interests that can be directly affected by the Authority, derive any income from, or owe any liability to any Business that is engaged in the transportation of people or property by aircraft in common carriage or in the provision of aviation or airport services; provided that any ownership interest in, income from, or liability to a fund, plan, or other entity described above in subsection (a)(1)(g) that owns an interest or has an investment in a Business identified in the prior sentence is not prohibited by this subsection (f).

9. NEPOTISM

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c. An employee may not work in or be assigned to a position which will result in a situation where: (i) a relative of the employee directly or indirectly may supervise, control, or influence the work or the employment status of the employee; (ii) the employee directly or indirectly may supervise, control, or influence the work or the employment status of the relative; or (iii) the employee or relative may supervise, control, or influence the affairs of the organizational unit in which the other works; ~~or (iv) the employee and relative report directly to the same supervisor.~~

Prepared by

General Counsel

June 2014