SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF APRIL 16, 2014

Mr. Session chaired the April 16 Business Administration Committee Meeting, calling it to order at 11:05 a.m. A quorum was present: Mr. McDermott, Co-Chair, Mr. Adams, Mr. Carter, Mr. Griffin, Ms. Hall, Ms. McConnell, Ms. Wells, Mr. Williams and Mr. Conner, ex officio. Mr. Chapman, Mr. Curto, Mr. Gates, and Ms. Merrick were also present.

Adoption of Amendments to Metropolitan Washington Airports Regulations Regarding Ground Transportation. Paul Malandrino, Vice President and Airport Manager, presented the staff recommendation for approval to adopt amendments to the Airports Authority regulations pertaining to taxicab operations at Reagan National, and off-airport rental car permit fees and hotel courtesy shuttle fees at both Airports. He reviewed the original proposal: 1) require taxicabs serving Reagan National to accept credit cards as a form of payment; 2) increase the taxicab dispatch fee to $3.00 per trip; and 3) increase the annual operator's permit fee to $100. He stated that the feedback from the public hearings was generally supportive of the credit card payment option. There was concern with the dispatch fee increase and a greater concern with the increase in the airport taxi operator permit fee. As a result of the concern with the increase in the taxi operator's permit fee, the term of the permit was revised from one year to two years. The new taxi operator's permit fee of $100 will become effective January 1, 2015 instead of calendar year 2014.

Chris Browne, Vice President and Airport Manager, provided an overview of the off-site rental car permit fees at Dulles International. Mr. Browne stated that no comments had been received at the public hearings relative to this proposal because no off-site rental car operations currently existed at Dulles International. He reported the proposal will increase the permit fee for current and future operations from 4 to 8 percent of gross annual receipts that exceed $300,000 at both Airports.

With respect to hotel courtesy shuttles, Mr. Browne reported that accessing a $1 per trip fee for hotel shuttle vans that access the curb is consistent with the industry practice. He stated that the proposal to waive the first 300 monthly complimentary trips before charging $1 per trip was intended to manage the restricted curb more efficiently and to begin recovering some of the revenue associated with that activity. During the public hearings, staff provided annual revenue and expense comparisons to support the proposed change. Mr. Browne reported that public hearing participants had opposed the elimination the first 300 free trips, and stated that hotels had not budgeted for these fees, which could not be recovered from their customers. As a result of the public hearings, the effective date of the proposed fee increase had changed from calendar year 2014 to January 1, 2015.

Staff discussions concluded that the maximum annual fee accessed to each hotel would be $3,600 per vehicle.

Mr. Adams asked for a breakdown of the curbside costs totaling $1.2 million. Mr. Browne stated that a ground transportation cost center is created that includes snow removal and maintenance of the pavement, personnel, compensation and benefits, public safety, and the Automatic Vehicle Identification (AVI) system, which is a transponder that tracks commercial vehicle curb activity. Mr. Browne reported that the curb is the most valuable real estate, noting that if a van lingered for more than 10 minutes, a fee of $1 more is assessed for each additional 10 minutes; this did not occur on a regular basis. Ultimately, the AVI system is used to deter commercial vehicles from lingering on the curb and creating traffic congestion.

As result of additional discussion relative to the proposed fee changes and the affect it may have on the Airports' customers, a decision was made that staff closely monitor the impact of eliminating free access to hotel courtesy shuttles and provide an update at a future Committee Meeting.

The Committee thereupon approved the amendments to the regulations.

<u>Recommendation to Purchase Airport Shuttle Buses for Ronald Reagan Washington National and Washington Dulles International Airports</u>. Mr. Malandrino reported that the Authority is implementing a multi-year program to replace the aging shuttle bus fleets that support the public and employee parking operations at both Airports. He noted that the Authority would use the Washington Council of Governments purchasing agreement, which it had used in the past, to purchase four buses for each Airport.

Mr. Carter inquired whether it was advantageous to lease the buses instead of purchasing them. Mr. Malandrino stated while he did not have the cost analysis that day, staff had collected information in the past to confirm that leasing was a more expensive option. Mr. Browne explained that when the vehicles are fully amortized, their values from a lease perspective are diminished because they undergo interior modifications unique to a specific airport.

Mr. Carter asked staff to provide a comparative analysis on leasing versus purchasing options.

The Committee approved the staff recommendation to purchase eight clean diesel buses for use at both Airports from New Flyer of America at a cost of $3.6 million.

Recommendation to Enter into a Contract to Purchase Electricity from Dominion Virginia Power (DVP) for both Airports and the Toll Road. Mr. Malandrino explained that the staff recommendation to approve a sole source contract utilizing the rate structure negotiated with the Virginia Energy Purchasing Governmental Association (VEPGA which would provide approximately 2.7 percent savings over the DVP commercial rate structure. He indicated that the current DVP contract will expire June 30. Mr. Malandrino reported that the proposed contract is for a one-year period with an estimated cost of $20 million.

The Committee approved the staff recommendation.

Pre-Solicitation Terms for a Toll Revenue Collection System (RCS) at the Dulles Toll Road (DTR). Mr. Browne reported that staff had previously provided an overview of the toll collection system that included a recommended plan to replace the current outdated, cash-based RCS. He stated that the contract will provide the necessary design, development, testing and deployment of a new RCS with features to accommodate the DTR's current revenue collection format, as well as all-electronic tolling systems for future use. Mr. Browne reported that the system will have a fully redundant back-up computer designed to ensure continuous functionality and minimal need for proprietary software, equipment or maintenance support. The solicitation would provide for a two-year base term that will address system installation and start-up and five single-year option periods for providing on-going system maintenance and software support. The solicitation would include a 15 percent Local Disadvantaged Business Enterprise (LDBE) participation requirement and will be evaluated using a full and open competition process achieved through a "Best Value" procurement process.

Mr. Session inquired if the evaluation criteria would be scored. Mr. Browne stated that a panel will score the criteria for technical capability, which would exclude pricing.

Ms. Wells inquired about expected competitive interest in the procurement. Mr. Browne estimated that a minimum of five firms would participate. She then asked about the use of iPhones and other technological specifications as components of the future package. Mr. Browne indicated that he is working with Goutam Kundu, Vice President for Technology, and his team to ensure the system purchased will be scalable to future technology.

Mr. Adams asked about the types of firms that would be used to fulfill the LDBE requirement. Mr. Browne stated a variety of skill sets would be needed and deferred to Richard Gordon, Manager, Equal Opportunity Programs, for further details. Mr. Gordon explained that the solicitation is broken down into different components based on the estimate received from the engineers. He noted that one of the challenges with such a highly-specialized project is identifying LDBEs within the 100-mile radius. Mr. Gordon explained that local LDBEs normally qualify to provide services for non-proprietary solicitations, which keeps the LDBE requirement at a lower level of participation.

Mr. Carter inquired about provisions in the contract to protect the interest of the Authority. Mr. Browne stated that the system would not be used without proven capability. He reported that part of the process would include the procurement of a computer system to provide a level of redundancy during the transition so that the new system will be built in parallel, proving its capability prior to relying solely on the new system. The scope of work will include the contractor's ability to revert back to the old system in the event the new system was not operational, assuring consistent cash collection throughout the process. Ms. McKeough stated that there would be specific performance standards obligated under the current contract, as well as the consideration of the prior experience of the selected firm in operating similar systems on other toll roads.

The Committee concurred with the pending procurement.

<u>Recommendation to Award a Sole Source Contract for Renewal of Technical Support Services for Public Safety Department Software</u>. Mr. Kundu reported that Intergraph Corporation (Intergraph), the incumbent, is a top-tier public safety software company and a primary integrator for pub-

lic safety agencies in the National Capital Region. He noted that staff wanted to renew Intergraph's technical support services contract for one base-year and two option years for a total estimated value of $458,951. Mr. Kundu reported that an alternative analysis of changing the software platform would require a significant investment in excess of $2 million.

The Committee approved the staff recommendation to award a sole source contract to Intergraph to support the maintenance of software for the Authority's Public Safety Department.

<u>Small Business Contracting Summary as of December 31, 2013</u>. Steve Baker, Vice President for Business Administration, provided a brief description of the two small business programs implemented by the Authority. He noted that local business comprised the LDBE and the Disadvantaged Business Enterprise (DBE) is a Federal program.

Mr. Gordon presented the goal requirements, achievements and award amounts for the Small Business Programs for construction and goods and services contracts for both Airports and the Dulles Toll Road. He stated that the DBE goal for both Airports relative to construction and design projects is 25 percent. The LDBE requirement is 20 percent for goods and services and 25 percent for construction and design contracts. Mr. Gordon reviewed aggregate achievements and payments for DBEs and LDBEs in construction, as well as LDBE achievements and payments for goods and services contracts included in the report, which had been distributed and posted to the Authority's website. He reported that the DBE goals for Phases 1 and Phase 2 of the Dulles Corridor Metrorail Project are 13.24 and 25 percent of applicable federal assistance, respectively. Mr. Gordon also reported on the achievements and payments for Phases 1 and 2 of the Dulles Corridor Metrorail Project.

Mr. Griffin asked how the federal goal had been calculated for Phase 2. Mr. Gordon stated that the goal is based on the amount of TIFIA funds the Authority expected to receive for the Project. He noted that because the railcars would be purchased by WMATA, that amount would be deducted from the federal funding.

Mr. Session expressed confidence in Mr. Gordon and Authority staff to determine marketplace participation and establish appropriate percentage goals.

Mr. Carter inquired about Authority intervention for disputes on payments between prime and sub-contractors. With regard to compliance, Mr. Gordon stated that Authority staff monitors the activity and payments to DBEs and LDBEs. If necessary, the Authority withholds payments to the prime contractor until the issue is resolved.

Mr. Carter then asked if the Authority has any legal recourse to resolve a dispute if a determination is made that a prime contractor owes money to a sub-contractor. Ms. McKeough indicated that while there is no legal recourse, the Authority has been quite persuasive in encouraging resolution between the two parties.

<u>Disadvantaged Business Enterprise (DBE) 2013 Achievements for Concessions</u>. Mr. Baker provided a brief introduction of the concession goals for 2012 – 2014, noting that goals for Reagan National are higher than Dulles International because of the composition of its concessions, including hotels, gas stations, foreign currency, and duty free operations which typically have low DBE opportunities and high dollar value contracts.

Mr. Gordon presented the Airport Concessions Disadvantaged Business Enterprises (ACDBE) achievements for 2013. For non-car rental concessions, Reagan National and Dulles International had goals of 29 and 22 percent, respectively. For car rental concessions, both Airports had 10 percent goals. During 2013, rental car companies reported that approximately 11.38 percent of their services were provided by small, minority and women-owned businesses, which represented less than 1 percent of the ACDBEs certified by the Authority. He reported that this is a challenge for airports around the country because of how the Department of Transportation (DOT) defines the goals and how they are set. Mr. Gordon stated car rental companies report that they use DBE firms to purchase cars that are certified in other states, which does not contribute to the Authority's goal because they are not certified with the Authority. He reported that a car dealership in the area had been certified by the Authority in August 2013 and its participation will be reflected in next year's goals. Mr. Gordon noted that the dealership had negotiated with a couple of rental car companies and it is expected that those contracts will increase the ACDBE participation goal beyond 10 percent.

Ms. Wells asked if legal services were provided by DBE firms could contribute toward the rental car participation goal. Mr. Gordon stated that it may involve legal services that do not involve the purchase of vehicles.

He noted that several of the car rental companies use the same DBE insurance companies that have contracts in excess of $1 million. Mr. Gordon stated that construction can be included as part of the DBE goal if work is performed on the facility at the airport.

Mr. Baker reported that the Authority had exceeded its non-rental car concessions ACDBE goals at both Airports and that staff will continue to work to improve rental car concessions' DBE participation.

Concessions Redevelopment Program. Mr. Baker reported that he was joined by Paul McGinn of MarketPlace Development to present an update on the concessions redevelopment program. He stated that packages had been solicited for Phases 1 and 2. Phase 3 is currently in the solicitation process. Mr. Baker reviewed the status of the construction and shared the revenue, DBE results and photos of the future concessions. He presented the goals, redevelopment processes and phasing plans for both Airports. Mr. Baker stated that as a result of the Phase 2 outreach events, more than 185 proposals had been submitted for 24 individual opportunities. He noted that some of the available space had attracted 25 responses. MarketPlace had evaluated the responses and recommended proponents to the Concessions Team and had negotiated the leases with the companies with the Authority's concurrence. In terms of revenue, there was an increase of $7.7 million in the base Minimum Annual Guarantee for Phases 1 and 2. The DBE participation had increased from 31 percent to 40 percent for Phases 1 and 2. Mr. Baker presented a slide show of the Phase 1 and 2 brands at both Airports.

Mr. McGinn reported that the Washingtonian at Dulles International, the first of the MarketPlace renovations, had opened that morning. Mr. Baker stated that coordinated press events would be held for the concessions' openings.

Mr. Baker reported that staff had reviewed the schedule to determine reasons for the lack of responses to available opportunities during the Phase 1 solicitation. The results were attributed to a combination of the Authority's aggressive schedule and un-responsive tenants. In an effort to generate responses, staff had agreed to be more collaborative with the tenants in establishing the schedule. MarketPlace and Authority staff had committed to establishing dialogue with the tenants as design is created. Mr. Baker noted that a disincentive for tenants to be late was included in the tenants' leases.

Mr. Carter asked what percentage of concessions is offered without going through the Transportation Security Administration security lanes. Mr. Baker responded that at Reagan National all of the retail is pre-security which is estimated at approximately 60 percent and the majority of food is post-security. Mr. Baker stated that in the next phase MarketPlace is reviewing a strategy for the North Pier and will provide its recommendations to the Authority.

Directors commended Mr. Baker and Authority staff for a job well done and expressed its satisfaction with the collaborative efforts of MarketPlace as Fee Manager.

The Meeting was adjourned at 12:40 p.m.