

SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF MAY 21, 2014

Mr. Session chaired the May 21 Business Administration Committee Meeting, calling it to order at 8:37 a.m. A quorum was present: Mr. McDermott, Co-Chair, Mr. Griffin, Ms. Hall, Ms. McConnell, Ms. Wells, Mr. Williams and Mr. Conner, *ex officio*. Mr. Chapman, Mr. Curto, Mr. Davis, Mr. Gates, Ms. Lang and Ms. Merrick were also present.

Recommendation for Revisions to the Airports Authority Contracting Manual. Andy Rountree, Vice President for Finance and Chief Finance Officer, reported that staff was recommending that the Committee approve Draft Revision 1 to the Fourth Edition of the Authority's Contracting Manual. Mark Adams, Deputy Chief Financial Officer, noted that the Office of Inspector General had reviewed the Fourth Edition of the Contracting Manual, amended on March 20, 2013, and had suggested technical clarifications in the areas of Evaluation Committees, Sole Source Negotiations and Task Orders. Mr. Adams reviewed the proposed revisions to the Contracting Manual to: 1) clarify that Contracting Officers appoint all members to the Evaluation Committees; 2) clarify that Contracting Officers review all Statement of Capabilities received and determine if competition exists prior to awarding sole source contracts; and 3) clarify procedures for the use of task orders. As a result of the recommendation that the Human Resources Committee had approved that day with respect to the Statement of Functions, all references included in the Fourth Edition of the Contracting Manual to the Airports' purchasing responsibilities would be removed and replaced with consolidated procurement activities within the Procurement and Contracts Department. Mr. Adams reported that the staff recommended that Revision 1 to the Fourth Edition of the Contracting Manual be effective June 15, 2014, which reflected the beginning of a pay period for the purposes of new reporting relationships for staff and would also provide adequate time to ensure that the language is consistent in all other policies and procedures.

Mr. Session stated that he believed that the recommended revisions would improve the overall procurement functions, and he commended Mr. Potter for consolidating the procurement activities. The Committee approved the staff recommendation. Mr. Session would offer a resolution to revise the Contracting Manual later that day at the Board Meeting.

Quarterly Acquisition Report. Mr. Adams presented the quarterly acquisition report as stated in the Fourth Edition of the Contracting Manual (Section 1.7). The quarterly procurement report included acquisitions made during the quarter; contract modifications and task orders issued during the quarter, including dollar value; contract actions approved by the Board during the quarter; planned procurements for the next quarter; and employees with contracting delegations and any limits to their authorities. Mr. Adams reported pertinent information for the first quarter of 2014 – 19 contracts had been awarded, valued at \$18.6 million; 79 contract modifications had been issued, totaling \$91.4 million; 17 task orders had been issued, totaling \$10 million; and one contract award had been approved by the Board, totaling \$8.5 million. The planned procurements for the third quarter of 2014 included 53 forecast solicitations greater than \$50,000; six solicitations estimated to total \$3 million or more and will require Board approval upon completion of the procurement process; no solicitations valued less than \$3 million that may impact the traveling public; and no solicitations that are reserved for selection by the Board of Directors. Mr. Adams reported that one change had occurred in delegation or re-delegation of contracting authority since the prior quarterly report. [After the day's meeting, staff informed the Members of the Business Administration Committee that it had inadvertently omitted two contracts that affect the traveling public, Baggage Carts and Broadcast News, from the Quarterly Acquisition Report. As requested by Mr. Session, a copy of the memorandum staff provided is attached.]

Mr. Session referenced the contract modification information that Mr. Adams had presented and requested that staff provide information about the procedures followed prior to awarding a non-option year contract modification. Liz Bryan, Manager, Procurement and Contracts, responded that staff ensures that the request from the Program Office is within the scope of the contract; requests a cost proposal; prepares an independent cost estimate; conducts a comparison of the pre-negotiating position; enters negotiations if modification is within scope; attempts to achieve settlement; and issues the modification to amend the scope of work, which may either increase or decrease the contract. Mr. Session inquired whether most contract modifications are initiated by the Authority. Ms. Bryan responded that 90 percent of the contract modifications are relative to construction and are requested by the Authority. She noted that instances occurred whereby contractors would submit claims. However, because the Authority did not direct the work in those instances, staff reviewed and evaluated the claims to determine merit be-

fore the contract modification was awarded. If staff was unable to determine merit, the claims would be denied.

Mr. Session requested that staff provide information for contract modifications for Dulles Transit Partners, which totaled \$31 million. Ms. Bryan stated that the information was included as Attachment 2 and noted that all contracts for the Dulles Corridor Metrorail Project began with the number "8". She reported that the first large contract modification for approximately \$21 million had been for the Metrorail extension, as well as ten additional modifications to the scope of work. Ms. Bryan also noted that additional staff support fees had been required since the completion of Phase 1 had been delayed.

Mr. Session inquired about the analysis that staff used to determine whether an option year contract modification is exercised. Ms. Bryan stated that staff conducted a market and price analysis at least 120 days in advance of when the option may be exercised to determine if the negotiated rate is still fair and reasonable. If the rate is still advantageous to the Authority, the option year is exercised. If the rate is no longer advantageous, the Authority may decide to recompetete the procurement. Mr. Session inquired whether the contractor's performance is also evaluated. Ms. Bryan responded affirmatively and noted that the technical staff is responsible for conducting a contractor's performance evaluation, which is documented as part of the procurement history and considered before an option year is exercised.

Mr. Session also inquired how the Authority managed the contracting relationship between prime and sub-contractors. Ms. Bryan stated that the Authority has contracts only with prime contractors, but noted that Authority staff provided assistance to resolve payment issues if they occurred.

Ms. Hall inquired about the different types of audits that were being conducted with respect to the Metrorail Project. Mr. Adams stated that Valerie Holt, Vice President for Audit, and staff are responsible for auditing the indirect cost information. PricewaterhouseCoopers, on behalf of the Office of Audit, conducted the Authority's entire financial audit. For clarification purposes, Mr. Adams noted that the KPMG modification listed on the attachment did not represent an actual audit. KPMG staff is providing assistance to the Authority to help with the transition of the Silver Line to WMATA.

Ms. Hall requested clarification about project management staff. Ms. Bryan explained that Jacobs' support is specifically for the Metrorail Project. There is also staff that supports the Office of Engineering, led by Ginger Evans. Mr. Potter noted that instead of hiring permanent staff to operate the office for the Dulles Metrorail Project, there is a small core group of Authority employees, who are supplemented by contracted administrative staff provided by Jacobs. The entire project management staff reported to Ms. Evans.

Mr. Curto asked staff to describe the process it used to validate the request for additional funds for the Jacobs contract. Ms. Evans responded that almost all program management costs represent labor costs, and the program manager is unable to assign staff without Authority authorization. When the program manager submits its annual project staffing plan based on the amount of construction projects that would occur, the Authority evaluated the level of staff needed in accordance with project needs. Ms. Evans explained that the funding that the Authority had approved for August 2013 through July 2014 assumed that Phase 1 would be completed in the fall of 2013. Therefore, the staffing plan, reviewed and approved by the Authority, contemplated that a significant amount of Jacobs' staff would transfer to Phase 2 of the Project. She noted that Authority staff had since determined that Jacobs' staff had to be extended through July 2014 to complete Phase 1. Mr. Curto inquired whether Authority staff had been comfortable with Jacobs' request. Ms. Evans stated that while she was not present when the funding through July 2014 was approved, she is certain that all program management staff is fully utilized. She noted that staff would be undergoing the same assessment as part of the approval process for funding for next year.

Mr. Curto inquired about the modification for the Parsons Management Consultants (PMC) contract for engineering design. Mr. Potter stated that Ms. Evans is recused from managing the contract and noted that the contract had been modified and extended. He reported that he is working directly with Steve Smith, Deputy Vice President for Engineering, to manage the contract. Mr. Potter noted that in a parallel path, Ms. Evans is restructuring the engineering staff. The Authority's intent is to award a new contract as soon as the Authority staff is restructured and available to accomplish some of the tasks that it had committed to provide over a year ago.

The Meeting was thereupon adjourned at 9:00 a.m.



MEMORANDUM

TO: Warner Session, Co-chair Business Administration Committee
Shaw McDermott, Co-chair Business Administration Committee

FROM: Steven C. Baker, Vice President, Office of Business Administration 

SUBJECT: Solicitation of Two Contracts Affecting the Traveling Public

DATE: May 29, 2014

We would like to request the concurrence of the Business Administration Committee of the Board of Directors to proceed with the solicitation of two contracts that affect the traveling public, Baggage Carts and Broadcast News. These contracts had been mentioned to the full Board at the time of a Notice of an Extension of the Washington Dulles International Airport ("Dulles International") Baggage Cart contract. However, they were inadvertently omitted from the last Quarterly Procurement Report as being contracts that affect the traveling public. As contracts affecting the traveling public, the Committee has the option to approve of the solicitation moving forward or to request additional information. However, in order to meet the extended expiration date of the Baggage Cart contract on August 31, 2014, we need to have the solicitation on the street before the end of June. The Broadcast News contract will expire on October 31, 2014.

The Baggage Cart contract will be solicited in two parts. The first solicitation will be for Ronald Reagan Washington National Airport ("Reagan National") for a Concession contract that provides Baggage Carts for a fee, made available to the traveling public. The second Baggage Cart solicitation will be for Dulles International for a Concession contract that will provide Baggage Carts for a fee, but also includes a service provision for free carts for use by international passengers going through Customs in the Federal Inspection Stations ("FIS") and the International Arrivals Building ("IAB") at Dulles.

The annual revenue derived from the Reagan National contract for Baggage Carts is approximately \$50,000. The Service Baggage contract at Dulles requires the Airports Authority to pay Smarte Carte approximately \$365,000 annually.

The Broadcast News concession supplies news and information in the Terminals and Hold Rooms throughout both Airports. The current Broadcast News concession allows for an annual payment by CNN to Metropolitan Washington Airports Authority ("Airports Authority") of approximately \$100,000 annually for both Airports.

Should you require additional information about the Baggage Cart or Broadcast News solicitations, we would like to be able to present it and resolve any outstanding issues at the Business Administration Committee meeting in June in order to avoid an additional extension of the contracts. Thank you for your assistance and we apologize for the omission of these contracts from the Quarterly Procurement Report.

SCB/ssg

cc: Jack Potter, President & CEO