SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF MARCH 21, 2012

Mr. Session chaired the Business Administration Committee Meeting on March 21, 2012.

He announced the presence of a quorum, with the following members of the Committee in attendance, in addition to himself: Mr. Brown, Mr. Carter, Mr. Conner, Ms. Hall, Mr. Martire, and Mr. Curto, *ex officio*. Mr. Davis and Mr. Stottlemyer were also present.

<u>Pre-Solicitation Terms for Concession Management Services to Lease, Market and Manage Food Services and Retail Concessions at both Airports</u>

Steve Baker, Vice President for Business Administration, said the objective of the new solicitation was to conduct an open, transparent process, where the requirements were clear, the evaluation criteria were clear, and which provided an opportunity for the respondents to distinguish themselves. The purpose was to improve the variety and presentation of concessions, to increase revenues to the Authority, and to reflect the community the Authority served, in terms of both merchandise and merchants.

Kathleen Verret, Manager of Revenue Management, said the contract was to manage food service, retail and news operations at both Airports. The current contract, with Westfield Concession Management, would expire December 31. It could be terminated earlier on a 30-day notice, if the evaluation of competing firms was complete before then.

The new contract would be for five years, with two two-year extension options at the Authority's discretion. The scope would be to market, lease and manage all food service, retail and news operations. One contract would cover both Airports. The contractor would improve revenues by identifying passengers' desires and recommending the optimum use of the space available for the concessions program. The firm would also monitor customer satisfaction, and recommend ways to improve customer experience.

The contract would have a two-tier Disadvantaged Business Enterprise (DBE) structure. The requirement for the firm's management was10 percent LDBE, for the sublease contracts with food service vendors, 35 percent Airport Concession Disadvantaged Business Enterprise (ACDBE), and for retail, 25 percent ACDBE.

The Request for Proposals (RFP) required a minimum level of experience in the management of food and retail operations, a threshold level of financial soundness, and a performance guarantee. The evaluation would be based on three basic criteria: the financial proposal, how much the firm would charge to manage the program; the development and implementation plan; and property management, marketing advertising and promotion.

The plan was to issue the RFP in April, with responses due in June. The staff would have a recommendation for the Committee in August, and the Board would consider it at its September Meeting.

Mr. Carter said the Directors were concerned and focused on quality of service as well as increased revenue. He asked what was different about the current RFP from the previous one. Ms. Verret said the differences were not great. The new RFP would require the improvement of all retail merchandising units at both Airports. The contract would set a floor on the investment in those improvements. This issue was very important at Reagan National. The prevailing firm would also have to keep up with trends at other airports. Finally, the new RFP was much clearer about what was being evaluated. Mr. Baker pointed out that operating rules for the businesses would no longer be included in the contract, but in an Authority policy, which all would be obliged to follow.

Mr. Carter said that it was a good idea to ask for five years of experience in the RFP, but was concerned that a requirement of five *consecutive* years might limit the number of respondents and perhaps favor the incumbent. Ms. Verret said that five years was necessary to evaluate an operation over time, especially when the RFP did not require airport experience.

Mr. Session pointed out that the Committee had delayed approval of the solicitation to the day's meeting so that the staff could address concerns. There had been a good discussion at the February Committee meeting. The original staff suggestion had been to issue an Invitation for Bids (IFB); it was now an RFP, which would facilitate competition. He noted that Westfield, the incumbent firm, had not had airport experience when it was first selected; it had operated malls. It was important to spread the net as wide as possible.

Mr. Session said he was concerned that the experience requirement was for five *concurrent* years of operations *at two locations*. Mr. Baker said the contract called for operating concessions at two locations 15 miles apart, and it was important to know that a firm could do that. Mr. Potter added that five continuous years was important because the staff did not want an operator that had been successful in the 80s. It was important to see how an operator had dealt with changing times, particularly through the recent recession. Ms. Verret added that the five consecutive years had to have occurred within the last ten years.

Ms. Hall said there had been issues in the previous contract and asked what revisions had been necessary. Mr. Baker said the new RFP would try to make the Authority's expectations clearer, especially in the areas of experience, to avoid arbitrariness. A more detailed answer would require an executive session.

Mr. Session said that the contract would also be a partnership process. The contract would not be awarded, with the contractor then left to go its own way. There would be continuous contact.

Mr. Martire asked if other airports used the same approach. Mr. Baker said every airport used a variation of the same theme. Staff had discussed the different models at the prior strategy meeting. There were a number of alternatives.

Mr. Davis asked if the staff was confident this approach would produce the most revenues for the Authority. Mr. Baker said the most revenue could probably be obtained by limiting sales to hamburgers and t-shirts. The concession program tried to represent the region and to do more than just raise revenue. Thus he could assure the Committee that the new contract would produce much more revenue, but he could not say it was the highest revenue possible. Mr. Potter said there would be substantial improvements both on the revenue side and on the passenger satisfaction side.

Mr. Carter asked about the selection process. Would a panel be established? Mr. Baker said the panel was one of the changes. More senior members would be appointed to it, and outside airport representatives would be added. The members of the panel would also be fully educated on the process before the RFP responses were submitted, so they would know what they would be evaluating.

Ms. Hall asked whether operation of a substantial mall would not be sufficient experience without operating two separate facilities. Mr. Baker pointed out that operating airport concessions was much more complicated than operating a mall. There was limited storage available, but at the same time the shops had to turn over far more products than at a mall. There were fewer downtimes at an airport than at a mall. Operationally an airport was more difficult than a mall, especially in terms of access. In addition, there were two separate sites. There would have to be two different management teams on site at the Airports; at a mall there was only one.

Mr. Martire asked what approach the Pittsburgh Airport used. Mr. Baker said it was a developer model. The investment there was in the concession space itself. At the Authority, the stores were already built out; the carts were the only investment. Additional build-out was the responsibility of the tenants.

Mr. Curto said the proceedings could be sped up by scheduling Board approval at the August meeting. Mr. Baker said the schedule was already tight and that he did not think it necessary.

The Committee then voted to concur in the pre-solicitation terms.

Recommendation to Award Contracts for Liquid Runway Deicer for both Airports

Chris Browne, Vice President and Dulles Airport Manager, said the proposal was to approve two contracts, one for each Airport, with Cryotech Deicing Technology of Fort Madison, Iowa, effective in August. The Business Administration Committee had concurred in the solicitation in July 2011. The contract was for the manufacture and delivery of Federal Aviation Administration-approved liquid petroleum acetate, known as E-36. There had been four proposals, all qualified, and price had been the determining factor. The contracts were for a one-year base, with four one-year extension options. The total cost for five years would be $5.5 million.

Ms. Hall said the past winter had been mild, and had not required much deicing. She asked if there was a minimum payment when the product was not needed. Mr. Browne said the Authority would only pay for what was used. He added that he had been concerned about the shelf life of the product. Memphis Airport had tested leftover deicer from 1999 and found it still effective. Thus the Authority could stock up on the product, and order more as it was needed. It was possible, though not likely, that more of the product would not be required for a year.

The Committee then unanimously agreed to recommend that the Board approve the contract awards.

Pre-Solicitation Terms for Two Requests for Proposals for Taxicab Service at Dulles International

Mr. Browne said there were two solicitation processes for taxicab services at Dulles International. The first was to provide taxicab services under the Washington Flyer brand, by contracting with up to four taxicab fleets. The second was a contract with a firm to manage taxicab dispatch functions. The current contracts had run from February 2008 and would expire in January 2013. Three cab companies were currently under contract with 240 cabs each, for a total fleet of 720. Another firm handled dispatching, with a 25 percent DBE goal. The Authority collected $2.50 per outbound trip and an annual per taxicab registration fee of $1000 to $1500, based on each company's bid. In 2010 total gross receipts had been $9.7 million, of which $3.2 million had been paid to the Authority in concession fees.

In September 2011, staff had conducted an outreach program to determine whether there was interest in LDBE participation in providing taxicab service. There had not been demonstrable interest.

The current proposal was to contract with up to four taxicab firms, with an overall fleet increased to 820 cabs. The per-taxicab annual fee would be set at a minimum of $1000, the amount depending on bids. The dispatch fee would be increased to $2.65, and collected in-bound as well as out-bound. There would also be a new per-driver fee of $250. The evaluation criteria for the cab companies included plans for operations and management, the financial offer, industry experience and qualifications, past performance and financial ability to perform. The approach for the dispatch contract would be unchanged; the dispatch criteria were the operations and management plan, industry qualifications and past performance, operating budget and financial ability to perform, and finally the bid on a management fee.

Mr. Martire asked how long the dispatch fee had been $2.50; Mr. Browne said it had been in place since the beginning of the contract in 2008. He said that the Washington Metropolitan Area Transit Commission had approved an increase during the current contract, but it had not been implemented.

Mr. Carter asked how the 25 percent DBE requirement would be met. Richard Gordon of the Equal Opportunity Office said it would have to be established by subcontract or joint venture; in either case, the DBE partner would have to play a substantial role in the management of the concession, not just an investment. Mr. Carter asked when the requirement would be imposed; Mr. Gordon said it would be required in a response to the RFP. The current dispatch firm, the same at both Airports, was 100 percent DBE. Mr. Session observed the DBE statute provided that any participating DBE had to perform a "commercially useful function".

Ms. Hall said she understood that cabs that did not belong to one of the four fleets could not line up in the queue to pick up passengers. Mr. Browne said that prearranged pickups could be made with cabs not in the Flyer fleets. But to enter the queue, a cab had to be a branded Washington Flyer taxi. Ms. Hall then said it appeared a D.C. cab delivering a passenger to Dulles International could not pick up an arriving passenger. Mr. Browne agreed, noting that a Washington Flyer cab could not make a pickup in the District of Columbia. He said the rules were regulatory and the Authority could not change them.

The Committee voted to concur in the pre-solicitation report.

Report on Signature Flight Support Fixed Base Operator Contract Option at Dulles International

Mr. Browne said the staff was planning to extend the contract option term for Signature Flight Support (Signature) at Dulles International from November 1, 2012 through October 31, 2017, subject to three conditions: a defined capital investment in the facility, commitment to develop an aircraft maintenance repair overhaul facility, and adjusted rental provisions.

Signature was one of two Fixed Base Operators (FBOs) operating at Dulles International to serve the needs of general aviation. Its current contract was for 15 years, from 1997 to October 31, 2012. That contract included a single five-year extension option. In 2002, the Board had approved a 30-year Supplemental Agreement to the Signature contract authorizing the firm to sublease a portion of its leasehold for the construction and operation of a corporate hangar facility, with support office space, by Landow Aviation Limited Partnership (Landow). The supplemental agreement provided for many operational and financial arrangements between Signature and Landow through the execution of the sublease, most notably Signature's exclusive right to provide fueling and other FBO services. As the supplemental agreement exceeded the term of the Signature concession contract, it could ultimately be assigned to Signature's successor or the Authority.

In June 2011, staff had discussed with the Committee the Signature extension option period and a separate Landow proposal for a direct lease with the Authority. Staff conducted follow-up discussions with both firms. Later, Signature advised the Authority of its interest in adding a General Aviation Maintenance, Repair and Overhaul Facility (MRO) to its FBO operation. This would be a valuable addition to the Airport, as it would expand the services provided at Dulles International, attract new aviation users, provide Landow's Dulles Jet Center with new tenants, provide some incentive for development of the Western Lands, and motivate Signature to enhance its existing facilities.

To develop this MRO, Signature had asked the Authority to exercise the five-year extension option and consider two more years beyond the five. Under the existing contract, the Authority could renegotiate the business terms to apply during the extension period. Staff proposed increasing the concession fees on fuel sales from 14 percent to 17 percent, and increasing the fuel flowage fee for "put-thru" fuel from 3¢ to 17¢ per gallon. These fees would match what the other FBO, Landmark Aviation, was already paying the Authority. In addition, the extension agreement would be contingent on the establishment of the MRO and a renovation capital investment of up to $2 million during the extra five years. The staff would maintain the Supplemental Agreement between Landow and Signature, and would not yet consider the additional two-year extension.

Mr. Brown asked where the MRO would be. Mr. Browne said Signature would move the 11 aircraft currently based at its facility to the Landow facility. The MRO would be within the existing Signature footprint. Mr. Brown asked how the MRO would get to the Western Lands. Mr. Browne said it added another component. As the MRO was a new business, there would be greater interest in moving as it grew. Mr. Potter said extending Signature for five years gave the staff opportunity to pursue the Western Lands strategy. Mr. Brown said it had long been discussed how to get the FBOs out of the congested area around the Main Terminal and that he was concerned Signature would be too vested in the location with its MRO. Mr. Potter said the arrangement was a five-year deal; at the end of it, the Signature property reverted to the Authority. He also noted that Signature would probably not do the MRO work itself in any event. Further, within five years, it might be possible to land one of the larger anchor tenants in the Western Lands, which in turn would require full infrastructure in the area and make the FBO section of it more attractive.

Ms. Hall asked if Dulles International would be unique for having both a major air carrier maintenance facility and a general aviation maintenance facility. Mr. Browne said it was unusual in the region. She then asked if the United Airlines facility would serve other carriers. Mr. Browne said the carrier could, but he did not believe it would. For that reason, Mr. Potter said, there could be a need for an additional facility for foreign carriers.

Mr. Curto asked about the 11 tenants Signature would be relocating. Mr. Browne said it appeared the arrangements had already been made with Landow; two of the 11 had already moved. If any did not agree, they could always move to Landmark, assuming there was space available.

Mr. Session asked whether the Board-approved 30-year Supplemental Agreement had included an MRO. Mr. Browne said the Agreement had allowed the establishment of special maintenance facilities, subject to Authority approval.

The Committee then concurred in the proposed staff action.

<u>Recommendation to Establish Airport Concessions Disadvantaged Business Enterprise Program Goals for Federal Fiscal Years 2012-2014</u>

Mr. Baker explained that the proposal was to establish proposed goals for the concessions DBE program. They were required by federal rules to be set every three years. The process included examining the contracts to be solicited over the period and the availability of DBE firms to participate.

Mr. Gordon explained that the requirement was to set a goal at each airport for ACDBEs other than rental cars, and a separate goal for rental cars. There were two steps to determining the availability of ready, willing and able DBE firms. First, they had to be identified. Then they were measured as a percentage of all firms within their industry categories.

The major upcoming concessions were the food and beverage and retail contract and the duty free contract.

The next step was to determine what in the marketplace would have a negative impact on the ACDBEs, such as lack of capital and competing opportunities. After considering this, they would combine existing concession DBEs and the new opportunities to establish the goals.

The proposal was to set non-car rental ACDBE goals at 29 percent at Reagan National and 22 percent at Dulles International. The goals for rental cars were 10 percent at both Airports. The goals were the same as for the last three years, except for Dulles International, which had gone up 3 percent. But achievements for Reagan National had been 32.6 percent over the three-year period, and Dulles International had achieved 33.3 percent.

Mr. Carter said the Authority's percentages were impressive, and asked if there was an opportunity to compare the ACDBE performance with that of other airports. Mr. Gordon said it could be done, but had not been done recently. Mr. Potter said the staff would get the numbers for the Committee.

Mr. Conner asked what the achievement numbers for the car rental DBEs had been; Mr. Gordon said they had been less than 1 percent. The staff kept the goal at 10 percent as it worked on the problem. If the rule were changed from measuring gross receipts to just supplies, the goal would make more sense.

Ms. Hall asked why the goals were not higher when they were being exceeded. Mr. Gordon said the goals were based on a statistical calculation, which only changed when obstacles to participation showed up. The achievements had been the result of outreach, and active efforts by Westfield in recruiting qualified DBEs. The Department of Transportation rules called for the statistical basis for goals; the Department knew the Authority could do better, and encouraged it to do so.

Mr. Session said he had attended many Airport Minority Advisory Council conventions and had heard the Department of Transportation focus on statistics. Because the availability of firms played such a large role in the equation, it would be difficult to compare the Authority's goals to those of other metropolitan areas. Authority goals would compare favorably to airports in the Midwest, but perhaps not with Atlanta or others in the South.

The Committee then voted to recommend the goals to the Board.

Review of 2012 Contracting Actions Affecting the Traveling Public

Mr. Baker said the contracts addressed were less than $3 million, which meant they did not require Board approval, but did have an effect on the traveling public. They were presented for information; if there were not any concerns or questions, they would proceed through the procurement process.

Fred Seitz, Manager of Procurement, said the report was made annually. There were four such contracts anticipated for 2012:

- the Airport Consultant, currently Leigh Fisher, a service supporting bond issuances and airline rates and charges, costing approximately $500,000;
- Banking and ATMS, the banks at both Airports, currently Capital One, generating about $663,000;
- Foreign Currency Exchange at both Airports, currently operated by Travelex Currency Services, generating about $1.25 million annually; and
- the Reagan National FBO, currently operated by Signature, and generating about $843,000 annually.

RFPs would be undertaken for the first three contracts. The FBO would be discussed at a future Committee meeting.

Mr. Brown asked about the outlook for real competition for the airport consultant contract. Ms. McKeough said last time the staff had checked the market it had appeared there were two major firms in the business. There would still be a full and open competition in the hopes of more interest. Mr. Brown said the market was always shifting, with people breaking off from one firm to start up another.

Option Year Contracts Requiring Committee Review, April through December 2012

Mr. Baker explained that the Board had decided a few years ago that it would review contracts before extension options were exercised when the Board had approved the initial contract. Management was recommending extension of all the contracts on the provided list.

Mr. Seitz went through the list of contracts, which would expire in the second through the fourth quarter of 2012:

- Air Services Development Consultant – Oliver Wyman of Reston; exercise of the second of two one-year options effective January 1, 2013. The cost was $500,000 per year, with a 25 percent LDBE requirement.
- Reagan National Custodial – Motir Services of Washington, D.C.; exercise of the second of three one-year options effective July 1, 2012. The cost was $5 million per year, a 100 percent LDBE set-aside.

Mr. Curto asked for an explanation of the living wage standard for the Motir contract and when it was last changed. Mr. Seitz said the last time it was changed was the year the contract began; living wage under the Authority's policy was set when a new solicitation was issued. The number was an average of local jurisdiction living wages; it was currently $12.80 per hour. The staff would look at the living wages again when the option year was exercised. Mr. Seitz said there were seven contracts subject to the living wage requirement.

- Reagan National Unarmed Guard – Master Security of Hunt Valley, Maryland; exercise of the second of four one-year options effective November 1, 2012. The cost was $1.7 million per year, a 100 percent LDBE set-aside.
- Reagan National Elevator, Escalator and Moving Walkway Maintenance – Schindler of Beltsville, Maryland; exercise of the first of four one-year extension options, effective November 1, 2012. The cost was $2.1 million per year, 20 percent LDBE requirement.
- Dulles International Elevator, Escalator and Moving Walkway Maintenance – Schindler of Beltsville, Maryland; exercise of the third of four one-year options effective July 1, 2012. The cost was $4.2 million per year, 20 percent LDBE requirement.

- Dulles International Natural Gas – Columbia Gas of Virginia of Columbus, Ohio; exercise of the first of two two-year options effective September 1, 2012. The cost was $3.5 million per years, no LDBE requirement.

Mr. Curto asked if there were any questions about the remaining three contracts. There were not any.

Mr. Session said he had benefited from advance discussions with senior staff, which had enabled the meeting to move along smoothly.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF MARCH 21, 2012

Mr. Davis chaired the March 21, 2012 Dulles Corridor Committee Meeting. He verified the presence of a quorum.

Pre-Solicitation for Selection of an Architectural/Engineering/Planning Consultant for Task Planning Services for the Dulles Toll Road. The meeting began with a pre-solicitation report on a task services contract for the Toll Road. Steve Smith, Deputy Vice President for Engineering, explained that the prevailing firm would provide consultant services to the Planning Department and other offices on capital renewal, replacement, redevelopment and strategic planning on the Toll Road. The contract would be for one year with two one-year extension options. It would have an annual ceiling of $2 million, and a 35 percent Local Disadvantaged Business Enterprise requirement. The evaluation would be based on the key personnel available, experience and qualifications, and past performance of the company. A Technical Evaluation Committee would rank the firms. Negotiations would begin with the highest-rated firm, based upon standard industry rates for the type of work. If necessary, staff would then go to the second-ranking firm. Finally, the proposed selection would be brought to the Committee and the Board for approval. The Committee concurred in the proposed procurement.

Dulles Corridor Metrorail Project Monthly Cost Summary. Pat Nowakowski, Executive Director of the Metrorail Project, reported that expenditures for the month of January had been $66.2 million, bringing the total to $1.771 billion, against the budget of $2.755 billion. The estimated completion cost remained at $2.905 billion, including contingency.

In January, $1.6 million of contingency had been used, consisting of a $1.1 million adjustment in the utility relocation forecast and miscellaneous charges. With a total use of $269.9 million in contingency, $42.4 million remained. The completion date was still August 2013.

February 2012 Financial Report – Dulles Corridor Enterprise. Andy Rountree, Vice President and Chief Financial Officer, said the year-to-date February revenues, at $16.2 million, had increased 12.3 percent over the same period in 2011. Mr. Davis asked if the completion of construction on the I-495 HOT Lanes had encouraged more traffic. Mr. Rountree said it probably had. The increase in revenue had come from the 2011 toll increase. Revenue had reached 15.1 percent of projections at 16.2 percent of the year. There had been 16 million transactions year-to-date, up 2.1 percent, compared to the budget projection of 1.8 percent. Electronic collections had increased 3.3 percent to 78 percent of all transactions.

Expenses year-to-date had been at $4.3 million, up 11.2 percent from 2011 because of a timing difference for the posting of allocated expenses. Expenses were, however, only at 14.8 percent of budget. Days of unrestricted cash on hand were up from 769 in December 2011to 811. Mr. Davis asked if the number of drivers diverted by the toll increase matched projections. Mr. Rountree said transactions were still up 2 percent. Mr. Davis asked if the end of construction had helped. Mr. Rountree said it had helped considerably. He said the fact that revenues were still a bit short of projections suggested that there was more ramp activity, as opposed to mainline activity.

Mr. Cobey observed that North Carolina was opening its first toll road, part of the outer loop in Raleigh. The new road did not have any toll collectors. Drivers paid electronically, or had their license plates photographed, which led to a bill. He asked if a similar approach would be taken on the Toll Road. Mr. Rountree said it would. At a future meeting staff would present the alternative collection systems they had been discussing. Mr. Potter said one the major issues for the North Carolina style of tolling was leakage. There were not any interstate agreements that would enable the collection of tolls from license plates of drivers from other jurisdictions. This would be a particular problem in the Washington area. Mr. Curto observed that the InterCounty Connector in Maryland used the same approach as North Carolina.

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF MARCH 21, 2012

Mr. Conner chaired the March 21, 2012 Finance Committee Meeting. All members of the Committee attended: Mr. Brown, Mr. Carter, Mr. Conner, Mr. Davis, Ms. Hall, Mr. Session, Mr. Snelling and Mr. Curto, *ex officio*. Mr. Martire and Mr. Stottlemyer were also present. Mr. Conner announced that the first item on the agenda, Policy Considerations for Near-Term Dulles Toll Road Rates, would be deferred to the April meeting. The selection of underwriters, the next item on the agenda, would require an executive session.

The Committee thereupon went into executive session at 1:02 p.m. At 1:47 p.m., the Committee returned to regular session.

**Selection of Syndicates for Investment Banking**

Mr. Conner said the Committee had discussed in executive session the underwriting firms staff had proposed for the upcoming aviation and toll road bond issuances. There would be two separate syndicates, one for the Aviation Enterprise and one for the Dulles Corridor Enterprise. He said a proposed resolution had been prepared, and called for a vote on it. Mr. Carter moved approval of the resolution and recommendation to the Board. Mr. Conner asked Andy Rountree, Vice President and Chief Financial Officer, to read the names of the firms in the proposed resolution. Mr. Rountree said 38 firms had participated in the selection process, an unprecedented number, and thanked all the firms that submitted qualifications. He then read the following list of firms:

| Aviation Enterprise | Dulles Corridor Enterprise |
|---|---|
| Barclays Capital | Bank of America |
| Bank of America/Merrill Lynch | Goldman Sachs |
| Citigroup | JP Morgan |
| US Bancorp | Morgan Stanley |
| Davenport | RBC Capital |
| Morgan Keegan | BB&T Capital |
| Loop Capital | Fidelity Capital |
| Siebert Brandford Shank | Janney Montgomery |
| | Piper Jaffrey |
| | Loop Capital |
| | Siebert Brandford Shank |

Mr. Conner thanked all the bankers who had followed the Authority and offered new ideas for financing. He noted that a decision had to be made, and the syndicates could not include all firms. He called for a vote, noting that it would be a recommendation to the Board, to be considered at the April Board Meeting. Mr. Carter's motion was approve unanimously. Mr. Conner noted that the Request for Qualifications (RFQ) for the investment banking services had included a blackout period during which bankers were not to contact Board and staff; it would continue until the Board voted. The selection of book-running senior managers for each team would be made later.

**Quarterly Investment Committee Report**

Mr. Rountree indicated that the Report would cover the final quarter of 2011, ending December 31. From September 30, 2011, the portfolio had decreased $371 million to $1.591 billion.

The Aviation portfolio as of December 31, 2011 had been $1.1 billion, down $170 million from September 30, 2011. The change was in largest part from continued construction spending, but there had also been the usual heavy debt interest and principal payment on October 1, 2011. An annual evaluation of the debt service reserve accounts had also allowed the shifting of an additional $18 million to the construction funds.

The Dulles Corridor portion of the portfolio had dropped $202 million because funds had been transferred to other accounts. $32 million had been pulled into other required reserve accounts. This had fully funded an account for latent defects, for the benefit of the Washington Metropolitan Area Transit Authority (WMATA), to pay for defects that may be discovered after the rail service begins. Construction spending during the quarter had principally used federally reimbursed funds. A $26 million debt service interest payment had been made on October 1, 2011.

A balance sheet calculation of days of unrestricted cash-on-hand showed that the Authority's aviation balance, at 406, was below the 489 median of all airports. This figure would be watched carefully during budget development.

Days of unrestricted cash was not a problem on the Toll Road because the cash coming in was quite high compared to the operating budget of the Road, as required to fund metrorail project and other corridor improvements. The cash-on-hand number was well above the median for all toll roads.

Mr. Brown said he had mentioned late last year his concern about the investment committee as a management committee and its tendency to diffuse responsibility. Other tasks were assigned to specific officers, not committees. He was especially troubled by a staff committee where there was no expertise. The Chief Financial Officer should be directly responsible for investments. He said he hoped the Finance Committee would still consider reform. Mr. Conner said the comments were fair, and that the Committee would be considering it.

Mr. Curto noted that the October debt payment seemed large. Nancy Edwards, Manager, Treasury Department, said debt principal was paid once a year, interest twice. On October 1, 2011 both principal and interest were paid, so the payment was large. Money had been set aside to pay for it when it came due; the size was not a problem.

**Financial Advisors' Report – Aviation Enterprise**

Guy Nagahama reported on the visits to the rating agencies in New York. He pointed out that Moody's still had "negative outlook" attached to the Authority's rating. Moody's would resolve that outlook in 2012, either by taking a rating action or by affirming the current rating. In addition, with respect to the refunding savings possible in a 2012 financing, rates were increasing. A combination of confidence in the economic recovery and an additional supply of municipal sales had increased rates by 25 to 45 points. Last month the net present value savings to be realized as a result of a potential refunding had been estimated at $36 million; now the estimate was $25 million. The Advisors were discussing with the financial staff alternate structures for the bond issue. The current schedule for the 2012 issuance was to go to market as soon as possible, with a presentation to the Finance Committee in May and a potential sale in June.

**Financial Advisors' Report – Dulles Corridor**

Bryan Grote said most items in the report had been covered already, and turned to news stories. In February, the U.S. Department of Transportation had announced that in response to its annual solicitation, it had received 26 more letters of intent for Transportation Infrastructure Finance and Innovation Act (TIFIA) assistance, requesting about $13 billion. This was consistent with applications in previous years. Mr. Grote pointed out that the Dulles Metrorail project, at $1.9 billion, was not the largest applicant; the Pod Train Superhighway in San Diego and the Tappan Zee Bridge in New York had both sought more TIFIA than the Dulles project.

Two other projects were seeking $1 billion. Moreover, 15 of the 26 applications were repeats from 2011, including the Authority's.

In Virginia, a similar discussion was under way on toll support for the Midtown Tunnel Corridor between Norfolk and Portsmouth. As with the Metrorail project, the question was how much the Commonwealth would contribute to reduce the tolls on that facility. In December 2011, the Governor had promised $362 million to the $1.9 billion project, to keep the tolls below $2. Legislators were seeking more, $500 million, to bring the toll down another 50¢.

Mr. Brown noted that the $3 billion Dulles rail project had been promised $150 million, while a project further south two-thirds the size already had more than twice the commitment. The Authority should not be embarrassed about asking for a larger contribution from Richmond.

Doreen Frasca said that she had attended the rating agency presentations, and that the staff been extremely impressive. Addressing the market, she said that the MMD rates had been the lowest since the index was established in 1981. March had not been good, with too many public agencies trying to take advantage of the lower rates.

Mr. Session asked when the Transportation Department would respond to the TIFIA applications. Mr. Grote said he expected decisions before the end of the year.

**February 2012 Financial Report – Aviation Enterprise Fund**

Mr. Rountree reported year-to-date revenues of $106.4 million, up 10 percent from the same period of 2011. The figure was close to budget, 16.3 percent of budgeted revenues at 16.7 percent of the year. Expenses for the same period had been $96.2 million, up 5.1 percent, at 16.7 percent of budgeted expenses. Operating income had been $10.2 million, compared to $5.2 million for the same period in 2011. He said the most significant news was the debt service coverage, estimated at 1.33 as of February. As the staff worked through settlement of the 2011 figures, it appeared the coverage will now be closer to 1.37, better than previously reported. Days of unrestricted cash on hand were 438 at the end of February.

Mr. Carter asked why the operating income was nearly twice the 2011 level. Mr. Rountree said the weather had a major impact; adverse weather in 2011 drove higher expenses. He therefore thought the difference had been in expenses rather than income. Income from the airlines was based on cost reimbursement, and activity from airlines and non-airline business had been level.