SUMMARY MINUTES
AUDIT – LEGAL COMMITTEE
MEETING OF JANUARY 16, 2013

Ms. Hall chaired the Audit – Legal Committee Meeting of January 16, calling it to order at 12:13 p.m. She noted that a quorum was present – Mr. Adams, Mr. Conner, Ms. McConnell, and Mr. Curto, *ex officio*. Other Members present were Mr. Carter, Mr. Chapman, Mr. Davis, Mr. Griffin, Ms. Lang, Mr. McDermott, Mr. Stottlemyer, Ms. Wells, and Mr. Williams.

Status Update on Plans to Enhance Internal Controls. Andy Rountree, Vice President and Chief Financial Officer, introduced Julia Hodge, Department Manager, Financial Strategy & Analysis; Mark Adams, Deputy Chief Financial Officer; Chris Wedding, Assistant Controller; and Mark Tune, Controller. Mr. Rountree explained that in 2011 the Authority had implemented Enterprise Resource Planning (ERP) to enhance the ability to track and monitor its financial and other information throughout the organization. In closing out the first year of operating with the new ERP (the 2011 year), the external auditors had identified 19 control enhancements and had issued the Authority an unqualified opinion. Since then, staff had worked diligently to perform a comprehensive review to ensure that processes, procedures and internal controls for the new system were in place. Mr. Rountree reviewed the progress update included in the materials for the day's Meeting. Ms. Hall noted that an external auditor is responsible for conducting annual audits of the Authority and that Mr. Rountree's presentation was in response to the information identified in the 2011 external audit. She then asked why the dates had been changed in two action items, identified as numbers 6 and 9. Mr. Rountree explained that the items referred to the capitalization of "construction-in-progress" and that the process was an important, complex one. Staff had underestimated the amount of time required to complete the required reconciliations and related transactions. Ms. Hall congratulated Mr. Rountree and his staff and noted that nearly all of the remaining items would be completed before the 2012 audit began.

Monitoring Parking Cashier Activity. Valerie Holt, Vice President for Audit, reported that the Office of Audit, which worked directly for the Board of Directors, was responsible for auditing a wide range of Authority business activities and processes. Ms. Holt explained that staff's major focus was to ensure that revenue due from concessionaires is received and that construction costs and indirect cost rates, as well as construction invoices and contracts, are reviewed periodically. As a result of the reviews, the Office of Audit was able to provide advice and recommendations to management and the Board of Directors for future use.

Ms. Holt noted that parking is the Authority's largest non-revenue source. She then reviewed one of the audits regarding parking cashier activity, noting that staff's objective had been to reduce the risk of cashier fraud or the inaccurate reporting of cash receipts through the consistent application of conducting pre-employment background checks; implementing a program of monitoring, training and progressive discipline for cashiers; and mandating vacation or rotating job assignments. The audit results had revealed that the parking company had maintained effective internal controls over hiring, managing and monitoring cashiers. Ms. Holt stated that there had been some recent challenges regarding this function, but that the improved results had been positive news for the Authority. There were several inquiries from Directors, and Ms. Holt referred them to additional information included in the materials for the day's Meeting.

Shuttle Bus Services for the Public and Employee Parking Lots. Ms. Holt reported that the parking and shuttle bus audit functions had been combined in the past. As a result of prior audits, a decision had been made to conduct separate audits to ensure appropriate focus on each activity. Ms. Holt explained that the shuttle bus service transported passengers between the public and employee parking lots and the Main Terminal 24 hours a day, 365 days a year. The Authority supplied the shuttle buses, a maintenance facility, operator buildings and other equipment. She noted that the contractor provided labor and expertise to operate, manage and maintain the shuttle bus system with 43 buses. The objective of the audit had been to ensure that the contractor was in compliance with the service delivery requirements. Ms. Holt reported that the contractor had been in compliance of all areas, except the requirements to use a global positioning system (GPS) to monitor and report shuttle bus activity. She noted the GPS requirement was a critical one, which the contractor had committed to, because it allowed management to track the activity of each bus and to verify the accuracy of the contracting invoices. The system was also used to confirm that customers were well served and a sufficient number of buses were available. Ms. Holt stated that management is working to ensure that a cost effective GPS would be installed as soon as possible. Additionally, she reported that staff had issued a letter to the contractor demanding a plan to procure and install a new GPS. She noted that the Authority had a different type of positioning system, which would require costly upgrades, before it could track the activity of the shuttle buses. Ms. Merrick observed that the contractor had provided services for three years and that the audit had required a substantial amount of time to complete. She then asked if similar issues could be identified earlier in a contract, and whether any adjustments would be made, or if a consideration would be given for not renewing the remaining contract option years and procuring a new contract. Ms. Holt stated that one of the alternatives would be to include a price adjustment for the contract option years to reflect the cost of the required GPS. Ms. McKeough affirmed that the Authority was committed to enforcing all of its rights under the contract, including the possibility of not renewing it.

Subcontractor Indirect Cost Rate. As stated earlier, the Office of Audit was also responsible for the review of indirect cost rates for contractors and subcontractors for both enterprises. Ms. Holt reported that federal law required that each enterprise be audited and that staff review the indirect cost rates. She explained that the vendor was responsible for submittal of its report within six months after the end of the calendar year. In its review, which had taken a substantial amount of time to complete, staff had identified that bonus expenses had not been fully supported by a qualified bonus plan and that expenses from prior and future years had been incorrectly included in the rate. As a result, Ms. Holt reported that the firm's overhead had been reduced and the contracting officer would recoup the difference.

Toll Violations Processing. A device is used on the Toll Road to record attempts made to enter onto the Toll Road without payment or when a driver's transponder is not engaged. Ms. Holt reported that a record is then sent to the Virginia Department of Transportation contractor. The Office of Audit had conducted a review to ensure the adequacy over processing and collection activities for toll violations. Ms. Holt reviewed the process used to report the violations and the manner in which the payments from the violators are collected. Management agreed it was necessary to obtain complete detailed processing information for each transaction, which would assist in the completion of a more comprehensive analysis. Ms. Holt clarified that present reports were unable to determine if uncollected toll violations existed or if false readings indicating violations had occurred. Ms. McKeough noted that compared to industry standards, the 1.5 percent rate of violations on the Dulles Toll Road was very minimal. As Ms. Holt had reported, Ms. McKeough said that management wanted appropriate reporting in place to ensure accurate toll violations are being collected.

At 12:00 p.m. Ms. Hall announced that the Committee had several issues to discuss in executive session pursuant to Article IX, Section 3(g) of the Authority Bylaws. The Chairman noted that the Audit – Legal Committee Meeting would be the last meeting of the day, and that no other regular sessions would be held.

The meeting was thereupon adjourned at 12:40 p.m.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF JANUARY 16, 2013

Mr. Davis chaired the January 16 Dulles Corridor Committee Meeting, calling it to order at 10:08 a.m. Mr. Adams, Mr. Chapman, Mr. Conner, Mr. Griffin, Ms. Hall, Ms. McConnell, Ms. Merrick, Mr. Session, Mr. Stottlemyer and Mr. Curto, *ex officio*, were present. Mr. Carter, Ms. Lang, Mr. McDermott, Ms. Wells and Mr. Williams, who were not members of the Committee, were also present.

Mr. Davis reported that staff would not present financial reports at the day's Meeting. As part of the normal process to allow for year-end close, the Preliminary 2012 and January 2013 Financial reports would be presented in February.

Frank Holly, Vice President for Engineering, reported that the Authority had made tremendous progress in 2012 on Phase 1 of the Dulles Metrorail Project. In conjunction with dedicated representatives from Fairfax and Loudoun Counties, as well as the Commonwealth of Virginia, and the Washington Metropolitan Area Transit Authority (WMATA), Mr. Holly noted that the Authority had met its expectations regarding schedules and cost estimates that it had forecasted in the beginning of 2012. Additionally, no major issues had occurred with the Federal Transit Administration, which monitored the Authority project on a monthly basis. Mr. Holly reported that the Authority was preparing for a difficult transition period to conduct the final stages of testing and turnover the Project to WMATA.

<u>Dulles Corridor Metrorail Project Monthly Cost Summary and Project Update.</u> Pat Nowakowski, Executive Director of the Metrorail Project, reported that $35.3 million had been spent on Phase 1 in November 2012, bringing total expenditures up to $2.255 billion. The total project budget remained at $2.905 billion.

About $380.8 million in contingency funds had been used through October 2012. Since no contingency funds had been used in November 2012, the contingency used to date had been $380.8 million, with $81.5 million unobligated. Mr. Nowakowski reported that the substantial completion date remained August 2013.

Mr. Carter asked in the event a surplus existed once Phase 1 of the Project had been completed, would it be transferred to Phase 2. Mr. Nowakowski responded that although Phase 1 and Phase 2 consisted of one Project in terms of the Authority's agreement with Fairfax and Loudoun Counties, the federal and state contributions to the Project are fixed amounts and would not vary.

<u>Dulles Corridor Metrorail Quarterly Report.</u> Mr. Nowakowski reported that all Phase 1 design was complete, but noted that one permit for a kiss and ride lot at the Spring Hill station was expected to be secured in the near future; work also continued regarding the as-built drawings. With respect to utility relocation, close-out was underway. Construction was 86 percent complete through the end of November 2012; total project completion was 94 percent. Mr. Nowakowski recalled that WMATA is furnishing the rail cars for the Project at the Project's cost. The four pilot cars for the Project would be delivered in February 2014 and would undergo an extensive testing period by WMATA. Once the pilot car testing had concluded, WMATA would authorize the contractor to proceed with the production cars, which would be delivered between August 2014 and June 2015. Mr. Nowakowski reported that WMATA had committed to using its existing rail cars for the initial service of Phase 1. He explained that all transit fleets had a "spare ratio", which was used to ensure enough vehicles were available when maintenance, overhaul and campaign work was being conducted. WMATA officials had agreed that they would decrease its spare ratio for about six months by advancing much of its required overhaul and campaign activity as possible. Mr. Davis asked the reason for the late delivery of rail cars. Mr. Nowakowski responded that the Japanese builder, Kawasaki, and some of its subsuppliers had been significantly impacted by the 2011 Tsunami. He noted that the pilot cars would be assembled in Japan, and the remaining fleet would be assembled in the United States, but the Tsunami had delayed the timing of the process. Ms. Merrick inquired about the age range for the rail cars that would initially be used for Phase 1, and whether they would be taken from those presently used to serve WMATA's Blue Line. Mr. Nowakowski explained the process that WMATA used with respect to its rail cars as it expanded service and purchased additional rail cars. He noted that in connection with the Authority's purchase of rail cars for the Silver Line, WMATA had also purchased its own vehicles to replace some of its oldest rail cars. Mr. Nowakowski said that rail cars are used throughout the entire system; they are not dedicated to a specific line. He also noted that in compliance with federal requirements, WMATA could not use only new rail cars on a specific line.

In response to a prior inquiry from Mr. Davis, Mr. Nowakowski reviewed the details of the inspection and turnover activities; the contractor's substantial completion activities were scheduled to be finished on August 29. He noted, however, that the date could change due to weather delays. Mr. Nowakowski pointed out that the West Falls Church Yard is scheduled to be completed on December 20 instead of August 29. The operational readiness date, which will be determined by WMATA, would succeed the contractor's substantial completion activities. Additional testing by WMATA would also be conducted. When possible, the contractor and WMATA testing would be coordinated to reduce time.

Mr. Davis asked if Phase 1 was still scheduled to be operational in December. Mr. Nowakowski said that the revenue service date has been projected around the end of 2013. Mr. Davis asked Shiva Pant, a WMATA representative who was in the audience, if Phase 1 would be ready to provide service in December. Mr. Pant said that WMATA is working with the Authority and Dulles Transit Partners (DTP) to conduct a substantial amount of testing by August. After the operational readiness activities had been achieved, WMATA would need an approximate 90-day period to formally accept the Project. Mr. Pant stated that WMATA is still working to achieve the December date for providing service, but it would be dependent upon the operational readiness date. Mr. Potter said that the contractor is working closely with WMATA to perform parallel testing and that everyone is working to achieve the targeted December date. He noted that an act of nature could occur to delay the date, but it would not be the result of a lack of effort and coordination.

Mr. Stottlemyer asked if the operational readiness activities would begin after August 29 or December 20, the scheduled completion date of the West Falls Church Yard. Mr. Nowakowski said that because West Falls Church Yard is an existing yard, the same amount of testing is not required. Mr. Potter reported that the timeline had been thoroughly reviewed at a recent Principals' meeting. If the West Falls Church Yard was not completed, it would add some additional costs but it would not hinder WMATA's ability to operate the Silver Line.

Mr. Nowakowski also reviewed the activities associated with WMATA acceptance that would begin after operational readiness occurred. WMATA would also have a formal acceptance period, which would occur 90 days after operational readiness. At that time, the property and facilities would be conveyed to WMATA and the revenue service date would be established.

Mr. Nowakowski reported that $84.7 million had been spent thus far for Phase 2 of the Dulles Metrorail Project. He then reviewed key events that had occurred in 2012, including the completion of preliminary engineering; the date the county review period had ended; the date the Request for Qualifications Information had been issued; and the date the short-list of Phase 2 teams had been completed. The price proposals would be due in April and the contract award is anticipated in May.

Dulles Corridor Metrorail Project Quarterly DTP Construction Report. Larry Melton of DTP presented the report on Phase 1 construction progress. He began with the safety record. After 11.7 million man-hours of work, the lost time and recordable incident rates were much lower than the rest of the industry. DTP continued to work closely with station subcontractors and systems crafts to ensure they remained thoroughly immersed in the project's safety culture. As live test trains began, it would be essential to ensure that all understood the safety issues surrounding an active season.

Mr. Melton reported that the present focus included fitting out the stations and systems work, which would allow DTP to begin its initial start up and testing. These activities would lead to substantial completion and turnover to WAMTA for testing.

As to schedule, mitigation measures were still being undertaken to make up for delays due to weather-related events. If delays could not be mitigated, they would be included in the next schedule update. Mr. Melton reported that the seventh session with stakeholders had been held; it had been productive. Actions that needed to occur for project turnover and closure had been discussed. He noted that 240 construction projects needed to be closed out before substantial completion could occur. Presently, Phase 1 is 96.8 percent complete.

Staff levels in January were at about 1300, including professional staff, construction supervisors, and subcontractor craft. The tables showing craft workers by residency and race/ethnicity had not changed significantly. Mr. Davis spoke about the concern regarding the lack of representation from the District of Columbia. He said he was aware that meetings had been held to promote this effort. Mr. Session said that he understood that jurisdiction preference could not be used, but that he, too, expressed concern, noting that the DC participation was comparable to Ohio, Pennsylvania and West Virginia. Mr. Melton stated that due to many competing projects in the District, a large number of individuals qualified to perform crafts for the Phase 1 Project are already working on other projects in the District. He also said that because of limited economic opportunities in Ohio, Pennsylvania and West Virginia, those residents are willing to relocate here during the week to work and then return to their home states during the weekend. He also believed that the lack of transportation opportunities from the District to Tysons Corner also contributed to the poor DC representation. Mr. Melton said that the opportunities for DC participation should be greater with the construction of Phase 2 because residents could use the Silver Line for transportation. Mr. Davis said that once contracts for Phase 2 had been awarded that efforts should be made by those contractors to conduct outreach in the District.

The Disadvantaged Business Enterprise (DBE) bar chart showed the goal of $183.9 million, ten percent of current contract value; at the end of November and December 2012, $181.8 million and $18.3 million, respectively, had been paid out, and commitments had reached $248 million. Directors requested that additional information be provided on the DBEs that would include the break-out of Minority Business Enterprises and Women Business Enterprises by jurisdiction.

Mr. Melton then reviewed the construction milestones. He reported that on December 5, 2012, the first WMATA train had traversed the entire alignment of the Silver Line, and the test had been successful. He noted that DTP appreciated the support that it had received from WMATA in assisting with the clearance car to test clearances on the track. Additional testing would occur in early February. At the peak of testing in the upcoming summer, as many as four multi-car trains would be on the track simultaneously. Mr. Davis asked if there would be an opportunity for Directors to participate on the test runs. Mr. Melton said he would check to see if arrangements could be made. He then reviewed the progress and referred to picture slides of the construction activity that had occurred at all the stations. Mr. Griffin inquired about the status of the parking garage at Wiehle-Reston East Station. Mr. Nowakowski said that it was at ground level and on schedule for opening in December. Ms. Merrick asked if the Wiehle-Reston East Station was the only third-party parking structure on Phase 1 of the Silver Line. Mr. Nowakowski responded yes, noting that the original environmental drawings had had only one parking garage. He said that there would be five parking garages for Phase 2 of the Dulles Metrorail Project.

The Chairman noted that Secretary LaHood had commented earlier that day that Phase 1 is a model project; he commended the DTP team.

The meeting was thereupon adjourned at 10:58 a.m.

SUMMARY MINUTES
EXECUTIVE AND GOVERNANCE COMMITTEE
MEETING OF JANUARY 16, 2013

Mr. Curto chaired the Executive and Governance Committee Meeting of January 16, calling it to order at 8:33 a.m.

U.S. Department of Transportation Lease Amendment. Phil Sunderland, Vice President and General Counsel, reported that the Board had approved an amendment to the Lease with the federal government at its December 2012 Meeting. He noted that one part of the amendment was an agreement by the Authority to promulgate new policies in a number of areas, which would then require the Secretary of Transportation's concurrence once adopted. When the Board approved the Lease amendment in December 2012, Directors had requested staff to ask the Secretary of Transportation to consider the possibility for the requirement to get concurrence to include a sunset date, also known as paragraph 11.K. As a result of thorough discussions, a modified sunset provision stated that prior to the end of 2018, which coincides with the conclusion of the Phase 2 rail project, the two parties would sit down in good faith and decide whether to terminate paragraph 11.K at that time or a particular date in the future. If the parties reached an agreement to terminate paragraph 11.K on a particular date, it would terminate on that date. If the parties did not reach an agreement on the termination date, there would be no termination. Mr. Sunderland then recommended that the committee approve the sunset provision.

The Chairman noted that a quorum was present -- Mr. Carter, Mr. Davis, Ms. Lang, Mr. Session and Mr. Stottlemyer. Other Members present were Mr. Adams, Mr. Chapman, Mr. Conner, Mr. Griffin, Ms. Hall, Ms. McConnell, Mr. McDermott, Ms. Merrick, Ms. Wells and Mr. Williams. The motion for the Committee to approve the Lease amendment was moved and seconded. Mr. Adams inquired about the specificity of the definition of "good faith." Mr. Sunderland said it had not been defined. Mr. Adams then asked how the Lease provided for the enforcement of the various provisions that Mr. Sunderland had previously reviewed. Mr. Sunderland responded that the Lease provided two options for remedy. One would allow the Secretary of Transportation to terminate the Lease, which could occur only if the Authority allowed uses of airport property for airport purposes other than those defined in the Lease. Mr. Sunderland said that any other breech of the amendment would be resolved in a civil action to enforce the provisions of the Lease.

The Committee thereupon approved the Lease amendment, with one abstention from Mr. Session.

<u>Recommendation to Amend the Authority Bylaws</u>. Mr. Sunderland noted that one of the Inspector General (IG) recommendations included in the November 2012 report stated that the Authority needed to be more specific regarding the discussions related to audits that could occur in executive session. At the time the IG report had been released, the Bylaws stated that any audit-related matter could be discussed in executive session. In November 2012, the Board had adopted a resolution that identified four specific audit-related areas that the Board could discuss in executive session, including security of the airports or security information; confidential or proprietary employee or vendor information, litigation, or any matter as to which audit professional standards require the discussion be held in executive session. When the Board adopted the resolution in November 2012, it had acknowledged that the Bylaws would have to be amended to incorporate these amendments stated in the resolution. The Committee approved the recommendation to amend Article IX, Section 3 of the Bylaws. The Chairman would offer a motion later in the day's Board Meeting to approve the amended Bylaws.

The meeting was thereupon adjourned at 8:43 a.m.

[NOTE: This is not listed under Committee Reports on the agenda for the February 20 Board Meeting; a report was provided at the January 16 Board Meeting.]

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF JANUARY 16, 2013

Mr. Conner chaired the January 16 Finance Committee Meeting, calling it to order at 10:57 a.m. A quorum was present – Mr. Carter, Mr. Chapman, Mr. Davis, Mr. Griffin, Ms. Lang, Ms. Merrick, Mr. Session, Mr. Stottlemyer and Mr. Curto, *ex officio*. Mr. Adams, Ms. Hall, Ms. McConnell, Mr. McDermott, Ms. Wells and Mr. Williams were also present.

Mr. Conner noted that the Authority was divided into two separate enterprises -- Aviation Enterprise and Dulles Corridor Enterprise. He explained that the Aviation Enterprise was relative to the Airports while the Dulles Corridor Enterprise was relative to the Dulles Toll Road and construction in the Corridor. Mr. Conner reported that the Authority had separate financial advisors for each enterprise.

Financial Advisors' Report – Aviation Enterprise

Andy Rountree, Vice President and Chief Financial Officer, reported that the finance staff worked carefully each month with the financial advisors who provided a detailed summary of activities and updated information. He said that the Authority was very fortunate that Ken Gibbs, President of the Municipal Securities Group of Jefferies, attended the meetings regularly to present the Report.

Mr. Gibbs then summarized the 2012 financing accomplishments. He reported that the underwriting team, comprised of nine firms, had been selected for a three-year period to execute financings. Mr. Gibbs also reported that a successful set of advance refunding opportunities had enabled the Authority to save more than $77 million over the life of the bonds. A substantial amount of these savings would be available in years 2013-2016. Mr. Gibbs noted that rating agency presentations had required more preparation than normal in 2012 (an effort to preserve ratings). He reported that the Authority is one of very few Airports with an AA rating from all three rating agencies, noting that these ratings were all at the bottom of the category (i.e., most airports have lower ratings). Moody's had rated the Authority as negative outlook since 2010, which had been attributed mostly to reduced coverage levels and high cost per enplanements (CPEs), particularly at Dulles International. Mr. Gibbs reported that these ratings would be crucial when the Authority entered the bond market in 2013. He noted that more than $900 million of the total $5 billion debt had been variable-rate financing, which had served the Authority well. Mr. Gibbs said that it was important to recognize that the variable-rate debt had been supported by banks with a normal commitment period of three years. These banking relationship terms had been renegotiated to 3.5 years, which had resulted in a substantial savings to the Authority.

With regard to activities expected in 2013, Mr. Gibbs reported that there would not be a large need for the Authority to request new money. He said that $180 million of bonds would be callable in October, which may result in present value savings of $20 million based on existing finance rates. If the Authority elected not to pursue new money, the transactions would occur at the Finance Committee and Board of Directors Meetings in April and May, respectively.

Mr. Gibbs noted that 2012 had been a phenomenal year of financial decline, which had been very beneficial to the Authority. The market had rallied significantly since January 1. Currently, it is a very favorable market for airport debt.

Mr. Conner noted that the Authority had undergone a significant Capital Construction Program (CCP) over the past 10 years. Although the Authority still needed to complete additional projects, it was nearing completion of its CCP, which is why the need for new money does not exist and the primary focus is refunding opportunities. These opportunities would reduce borrowing costs and ultimately, the proceeds would help decrease the CPEs.

Financial Advisors' Report – Dulles Corridor Enterprise

Mr. Rountree then introduced Bryan Grote and Jim Taylor of Mercator Advisors, LLC; and Mike Wheet, a representative of Frasca & Associates, LLC. He noted that Doreen Frasca, Principal of Frasca & Associates, LLC, routinely attended the meetings but was unable to be present that day.

Mr. Grote reported that the Authority had issued $200 million secured by the remaining Federal Transit Administration grants. He noted that with the recent transaction, along with Commercial Paper notes, the Authority would not have to enter into the market for at least six months, the construction of Phase 2 of the Metrorail Project would be considered to determine the timing. Mr. Grote reported that rating agencies routinely reviewed the credits they rated. With the Toll Road credit, Moody's had recently affirmed its credit rating for three of its four liens. He noted that the remaining lien is for the proposed Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, assuming the Department of Transportation will award it in the future. Mr. Grote reported that the Board had approved the funding agreement for the provision for the grant of $150 million for the Dulles Corridor Metrorail Project. He also noted that the process for the Authority to receive TIFIA funding had begun. Mr. Grote said that the Authority had filed its Letter of Interest (LOI) on October 15, 2012. As part of the formal process, the Authority had received a letter from the TIFIA Program Office seeking clarification and additional information, in particular, how the funding would be allocated to the Authority and its funding partners, as well as how it would structure the loan, including the draw and repayment structure. Mr. Grote said that the information would help the Department of Transportation (DOT) access the credit worthiness of the Authority's loan. He noted that the Financial Advisors and Authority staff would meet and conduct conference calls with the TIFIA staff to officially respond to the letter. In conjunction with the TIFIA activity, Mr. Grote noted that the Plan of Finance would be updated; there would be no substantial changes to the Plan.

Mr. Session asked how long the TIFIA process would take to complete. Mr. Grote responded that he was unsure, noting that it was substantially a new program. He explained that TIFIA funding had been expanded and that 27 LOIs had been submitted to the DOT from organizations seeking loans totaling $39 billion. Mr. Grote said that as part of the multi-stage process, the Authority would submit additional information, including a preliminary rating opinion letter. Once DOT had been satisfied with the Authority's initial filing, it would request a $100,000 payment from the Authority and would hire advisors to conduct formal internal evaluations of the Authority's plan. Once DOT had completed its review and determined a positive outcome for the Authority, DOT would invite the Authority to submit the official application, which would consist of a formal credit review and recommendation to the Secretary. If favorable, the negotiations phase would begin. Three loan agreements would occur for the Authority and Fairfax and Loudoun Counties. If the negotiations proved successful, DOT would then issue term sheets, execute term agreements and obligate funding. Mr. Grote noted that favorable interest rates of 3 percent currently existed.

Mr. Carter asked Mr. Grote to provide additional details regarding the $100,000 payment to DOT. Mr. Grote said that the non-refundable fee represented a fair cost since DOT would use its own financial and legal advisors to evaluate a complicated proposal. He explained that if a successful close occurred, DOT would present the borrower a bill to offset some of the fees it had accrued. However, since some borrowers would not reach a financial close, DOT was requiring applicants to submit $100,000 in advance to ensure that it received funds to cover some of its costs; the payment would be applied to the bill. Mr. Grote said that once the Authority is officially invited to submit an application, the TIFIA loan is guaranteed with the exception of an occurrence of extreme circumstances.

Ms. Hall inquired about the process whereby a federal agency, such as DOT, is charging the Authority to submit an application, but noted that the Authority had agreed to pay successful bidders for Phase 2 of the construction of the Metrorail Project. Mr. Potter, explaining that these were completely separate issues, said that it would cost each of the five finalists for the Metrorail Project more than $4 million to submit a Request for Proposal. To ensure each firm remained committed throughout the entire procurement process, the Authority had agreed that it would reimburse each non-winning firm $1.5 million. He noted that the practice was a common one throughout the industry.

Since several new Directors were in attendance, Mr. Carter suggested that Mr. Grote define TIFIA. Mr. Grote said that it was U.S. DOT's largest discretionary program that provided funding for loans for surface transportation projects. He noted that TIFIA loans had first been offered about 15 years ago. To date, approximately 25 major projects had received TIFIA funding. Initially, TIFIA applied to $100 million projects, but the size amount had recently been lowered to $50 million. TIFIA projects realize the benefit of long-term 30-year Treasury loan financings, currently below 3 percent. Mr. Grote explained that the principal amortization can be deferred up to 25 years, which provided an enormous present value benefit. He noted that recent federal legislation had increased the amount of a TIFIA loan from 33 percent to 49 percent of eligible project costs. While the Authority had sought 49 percent level of financing, consistent with what DOT has been saying, Mr. Grote said that DOT had advised that since the Authority had not presented an extraordinarily compelling reason, it would only be eligible for 33 percent.

He also said that he was unaware of any projects that had qualified for the 49 percent level of financing. The Authority would revise its request to 33 percent of a total project cost of $6 billion, which would be slightly below $2 billion. Mr. Potter noted that there is no obligation for DOT to award the Authority 33 percent TIFIA financing.

Mr. Wheet noted a financial transaction in Virginia that had occurred in January, which had credit terms similar to the Authority; the project had received attractive pricing. He also referred to the Summary of Outstanding Debt for the Toll Road, which he said that the Financial Advisors used to monitor the debt and to consider refunding opportunities.

Mr. Conner recommended that Directors read the financing documents about the history of the Dulles Toll Road. He said that the financing plan used had been a fluid one. Mr. Conner noted that about $1.3 billion of Toll Road debt had been issued in 2009 and 2010 to begin construction for Phase 1 of the Dulles Metrorail Project. A grant from the Federal Transit Administration in the amount $900 million, and contributions from the other funding partners had essentially paid for the Phase 1 project. Mr. Conner noted that the Authority had a Commercial Paper facility of approximately $300 million, half of which had been used thus far, and a Full Funding Grant Agreement, which had been monetized. He said that the completion of Phase 2 may require an additional $2 billion in financing. Because of the benefits associated with TIFIA, the Authority was hopeful that a substantial part of this money would be provided through DOT funding. Mr. Conner said that the Authority was hopeful that it would receive another allotment of funding for 2013. As stated, the Authority would continue to pursue TIFIA and continue to work with the General Assembly. Mr. Conner said the Authority was hopeful that it would have a response regarding TIFIA by May, the timeframe when construction bids would be received. The Authority would likely enter into the bond market for a portion of the remaining money to finance Phase 2. Mr. Conner noted increases in toll rates on the Dulles Toll Road had begun in 2010. Thus far, those increases had been approved through 2014; no increase is presently scheduled for 2015. Mr. Conner said that the Authority is committed to keeping the toll rates as low as possible.

As customary due to year-end activities, Mr. Conner reported that Financial Reports were not available for the January Meeting. These reports would be provided in February.

The meeting was thereupon adjourned at 11:32 a.m.

SUMMARY MINUTES
JOINT FINANCE AND DULLES CORRIDOR COMMITTEE
SPECIAL MEETING OF JANUARY 16, 2013

Mr. Conner chaired the Special Joint Dulles Corridor and Finance Committee Meeting on January 16, calling it to order at 8:05 a.m. He noted that a quorum was present -- all Members of the Committees, except Ms. McConnell, who arrived shortly after the meeting began. Mr. McDermott, Ms. Wells and Mr. Williams were also present. Mr. Conner reported that the $150 million funding grant agreement from the Commonwealth was the only agenda item for the day's Special Joint Meeting. He noted that a special guest was expected, and that the Committee Meeting would recess at that time once the guest arrived.

Phil Sunderland, Vice President and General Counsel, reported that in late 2011, the Authority, Fairfax and Loudoun Counties, the Commonwealth of Virginia, Washington Metropolitan Area Transit Authority, and the Department of Transportation had entered into a Memorandum of Agreement (MOA) relating to Phase 2 of the rail project. As part of the MOA, Virginia had committed to provide $150 million to the rail project. The MOA had defined that the commitment of $150 million would accompany a funding agreement with the Commonwealth. The Commonwealth had recently signed the funding agreement, which is contingent upon action by the Board, at the day's Meeting.

Mr. Sunderland reported that the agreement included the following five substantive provisions:

- Timing of the delivery of funds – the agreement provides Virginia would deliver the funds within 90 days of the Authority's execution of it. It would be deposited into a trustee-controlled account.

- Use of funds – the funds would be used to pay interest on outstanding Dulles Toll Road (DTR) bonds; roughly $30 million annually would be withdrawn in years 2014 through 2017. In 2013, $10 million would be withdrawn and $20 million in 2018. Mr. Sunderland noted that the $150 million had been taken into consideration when the Board established the DTR toll rates for 2013 and 2014.

- Continuing effort to minimize DTR toll rates – the Authority had made an agreement to continue to take reasonable actions to keep DTR toll rates as low as possible and would use funds in the "Toll Rate Stabilization Funds" in a matter to keep tolls as low as possible. Mr. Sunderland noted that the fund stabilization fund is an account, in which surplus toll road revenues are deposited. He referred to Exhibit B attached to the funding agreement, which illustrated the potential contributions (starting in 2038) over the years.

- Project Labor Agreements (PLAs) – the agreement reflected the decisions regarding PLAs which the Board had made in 2012.

At 8:12 a.m., Mr. Conner reported that DOT Secretary of Transportation Ray LaHood had arrived and that the Special Joint Meeting was recessed.

At 8:30 a.m., Mr. Conner reconvened the Meeting, with all Directors in attendance. Mr. Sunderland continued with the PLA provision, noting that PLAs would not be required for Phase 2 solicitations or construction contracts; and prime contractors in Phase 2 would not discriminate against subcontractors based upon their willingness to enter or not to enter into a PLA. Mr. Sunderland then reported on the last provision of the agreement, which is that the Authority and its Phase 2 contractors must comply with the Virginia Right-to-Work law.

Mr. Sunderland stated that staff believed that the agreement was reasonable.

Mr. Conner noted that the DTR rates had been $2.25 in 2012. Those toll rates had increased to $2.75 this year and would increase to $3.50 in 2014. He stated that a decision had not yet been made regarding 2015 toll rates, but that he was hopeful that an increase would not be needed.

As Mr. Sunderland had reported, Mr. Conner said that the $150 million funding agreement would subsidize tolls for the next two years. If the funding agreement did not exist, the DTR toll rates would have increased to $4.50 in 2012.

Mr. Session inquired how the trustee, M&T Bank, had been selected. Andy Rountree, Vice President and Chief Financial Officer, responded that the firm had been selected when the original Master Indenture of Trust had been created for the Authority. He noted that the Authority was obligated to remain with M&T for bondholder protection.

The Committee thereupon unanimously approved the recommendation. Mr. Conner reported that he would offer a resolution for full Board approval at the meeting later that day.

The meeting was thereupon adjourned at 8:33 a.m.

[NOTE: This is not listed under Committee Reports on the agenda for the February 20 Board Meeting; a report was provided at the January 16 Board Meeting.]