SUMMARY MINUTES
AUDIT-LEGAL COMMITTEE
MEETING OF JUNE 20, 2012

Ms. Hall chaired the June 20 Audit-Legal Committee Meeting, calling it to order at 11:30 a.m. Initially, the Committee met in executive session, where PricewaterhouseCoopers presented the annual Report to Management. Valerie Holt, Vice President for Audit, presented the results of two internal audit reports on parking contracts, and the Committee also discussed a past procurement issue.

In open session, Ms. Holt presented a pre-solicitation report on the selection of financial statement auditors. The contract would be for two years, with two one-year extension options. She noted that the Board would select the auditors, relying on the audit staff for technical support, including the development of a Request for Proposals (RFP). The top two evaluation criteria were the quality of the firm and the professional staff assigned to the audit engagement.

The contract would have a 30 percent Local Disadvantaged Business Enterprise (LDBE) requirement. The audit chair of the Audit-Legal Committee would serve as the chair of the technical evaluation committee, which would be composed of Board Members who would be designated later.

Mr. Conner moved that the Committee concur in the terms of the proposed RFP, and the Committee unanimously agreed.

The meeting was thereupon adjourned at 12:00 p.m.

SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF JUNE 20, 2012

Mr. Session chaired the Business Administration Committee Meeting held on June 20, 2012, calling it to order at 1:30 p.m.

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, and Mr. Curto, *ex officio*. Mr. Davis, Mr. O'Reilly and Mr. Stottlemyer were also present.

Airside Snow Removal and Ice Control Services Contract at Dulles International.

Chris Browne, Vice President and Dulles Airport Manager, reported on the staff selection panel recommendation that the contract for airside snow removal and ice control services be awarded to Atlantic Contracting and Material Company of Upper Marlboro, effective in November. A pre-solicitation paper had been presented to the Committee in February 2011; the Request for Proposals (RFP) had been issued, but then canceled before award in January 2012 because of high pricing and limited competition.

In April, the RFP had been reissued with a new scope. Evaluation criteria had not been changed, but the contractor would not be required to provide snow melters. The staff had decided that it would be more cost-effective for the Authority to purchase its own snow melters.

The contract required snow removals from the Concourse B and Z areas, and the area adjacent to Taxilanes C, D, and F. Mr. Browne reminded the Board that most of the snow removal was from the runways and was done entirely by Authority staff and equipment.

Three firms had bid, and Atlantic had received both the highest technical and pricing scores. The contract would be for two years, with three one-year extension options, and a five-year cost of $10,189,125. The cost represented a significant savings over the prior approach. In addition, Atlantic was a 100 percent local disadvantaged business enterprise (LDBE).

Mr. Session asked how much would be saved; Mr. Browne said the savings over five years would be about $7 million. Mr. Stottlemyer asked if the contract price was fixed; Mr. Browne said it was for up to 10 inches of snow. A provision addressed heavy snow years with a payment for each inch over 10 inches, but it also required the contractor to be able to supplement the required base equipment level with additional equipment to deal with serious storms.

Mr. Carter said an accrual system might be better for the Authority. Mr. Browne said the contract had once been for 14 inches. The staff was confident 10 inches was a better approach, and had apparently resulted in a better price for each additional inch.

The Committee then voted unanimously to recommend that the Board approve the award of the contract to Atlantic.

Mr. Carter said he had recently arrived at Dulles International after midnight, and observed the cleaning contractors working very efficiently. The Airport was beautiful at that hour. He also added that the tv monitors were an excellent service, and asked if they provided revenues. Mr. Browne said the flight schedule monitors did not provide revenue, but the information monitors were part of the Washington Flyer Magazine contract and did so.

Mr. Browne also noted that early morning flights were increasing, which complicated the cleaners' work. He said they nevertheless did an excellent job.

The meeting was thereupon adjourned at 1:40 p.m.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF JUNE 20, 2012

Mr. Davis chaired the June 20 Dulles Corridor Committee Meeting, calling it to order at 12:45 p.m. He first verified the presence of a quorum, consisting of Mr. Brown, Mr. Conner, Ms. Hall, Mr. O'Reilly, Mr. Session, Mr. Stottlemyer, and himself. Mr. Curto, the *ex officio* member, and Mr. Carter were also present.

<u>Dulles Toll Road Highway Noise Wall Program Update.</u> Frank Holly, Vice President for Engineering, introduced the subject, noting that the noise wall program along the Dulles Corridor had been under development for several years. He said Steve Smith, his deputy, would present the results of modeling and the eligibility of certain neighborhoods for new noise walls. Local officials had been briefed the previous week, and answers were being prepared for some of their questions.

Mr. Smith said the project involved the construction of new and replacement noise walls. The Highway Traffic Noise Policy had been developed in 2010, about a year after the Authority had assumed responsibility for the Toll Road; the Board had approved it in February 2011. Since then, some changes had been required by the Federal Highway Administration and the Virginia Department of Transportation, so an amended Policy had been adopted in 2012. The Authority Policy was consistent with federal and state standards, with one major exception: the Authority chose to review the conditions in existing neighborhoods and bring them into compliance with the new Policy, which the standards did not require.

Five neighborhoods qualified for new noise walls, a total of 1.6 miles of wall, at a cost of $13 million. Construction would begin in 2013. The five were Worldgate Condominiums; McLean Hamlets; Odricks Corner; Dulles Greene Apartments; and Courtyard by Marriott and Summerfield Suites.

About 1.8 miles of existing noise walls in two neighborhoods were considered non-performing because of insufficient noise attenuation and structural issues. The projects to repair them, at Wolftrap Meadows and the Bluffs at Wolftrap, would begin in 2013 and 2014, respectively. The cost was estimated at $11.4 million.

An additional 4.2 miles of existing walls at nine developments were performing adequately, but were in need of repair. That work would occur in 2012, at an estimated cost of $2.4 million. Noise walls along 1.5 miles of three developments were performing adequately and did not require repairs. A community outreach program would begin soon; the communities could opt not to have noise walls.

Mr. Davis asked if Toll Road funds would be paying for the structures. Mr. Smith said they would. Ms. Hall asked about the life of the existing noise walls near Wolf Trap National Park. Mr. Smith said a noise wall would normally have a 30-year life span. Walls might not be performing because of vegetation; in the case of Wolf Trap, modeling had shown that they were not meeting the new Authority standards. Mr. Carter asked if there was a sinking fund to cover the replacement and repair costs; Mr. Smith said there had been a budget item for replacement as well as new walls. There was, however, a recurring fund for repairs.

Mr. Davis asked how many communities wanted noise walls but would not get them. Mr. Smith said he did not know how many, but that there were about 6.2 miles of highway that did not have walls and did not qualify for them under the Policy. After the effective date of the Policy, any new developments would be expected to fund their own noise abatement measures.

<u>Dulles Corridor Metrorail April Cost Summary and Project Update.</u> Pat Nowakowski, Executive Director of the Metrorail Project, reported that $47 million had been spent on Phase 1 in April, bringing total expenditures up to $1.908 billion. The total project budget had just been increased at the Board Meeting to meet the completion forecast of $2.905 billion. That forecast did include contingency for unknowns; it was not yet all committed.

As to the contingency fund, $3.1 million had been used or obligated in April, making the total $303.5 million. Remaining unobligated contingency, not including the $150 million budget amendment, was $8.8 million. Substantial completion was still forecast for August 2013.

Mr. Carter asked what the original preliminary engineering cost forecast had been for Phase 1. Mr. Nowakowski said the project had been discussed for many years with a number of budgetary estimates. Preliminary engineering probably had not been completed until 2006. Mr. Holly said the original estimate had been about $2.5 billion, but that had been before Federal Transit Administration review. The number thereafter had been $2.75 billion, which served as the basis for the federal participation. At this point, the costs were tracking about $150 million higher than at the start.

<u>Dulles Corridor Enterprise May 2012 Financial Report.</u> Andy Rountree, Vice President and Chief Financial Officer, introduced Mark Adams, the new Deputy Chief Financial Officer. He had spent eight years as the Chief Financial Officer of Loudoun County; before that, he had spent eight years in the City of Pittsburgh.

Mr. Rountree reported that Toll Road revenue year-to-date through May had been $42.4 million, up 8.8 percent from 2011. At 41.7 percent of the year, 39.3 percent of budgeted revenues had been collected. Transactions year-to-date were at 41.5 million, a decrease of 1 percent from 2011. The target had been to maintain the same level. Electronic toll collections were up 3 percent for the period, at 77 percent.

Expenditures, at $9.6 million year-to-date, were down 6.5 percent from 2011. They had reached only 33.6 percent of budget. The unrestricted cash-on-hand level was high, at 1016 days.

Mr. Stottlemyer asked if the Authority had a position on the proposal to charge a monthly fee for the use of the E-ZPass. Mr. Rountree said the Authority had not been asked to comment. For the Authority, it would reduce the fee it paid to the Virginia E-ZPass office. Establishing the charge would shift fees from the toll collectors to the pass users.

The meeting was thereupon adjourned at 1:05 p.m.

SUMMARY MINUTES
EXECUTIVE AND GOVERNANCE COMMITTEE
MEETING OF JUNE 20, 2012

Mr. Curto chaired the Executive and Governance Committee Meeting of June 20, calling the first session to order at 9:30 a.m. He began by noting that Mr. Crawford and Mr. Cobey would be participating by telephone. A quorum (the Chairman, Mr. Carter and Mr. Session) was present. Ms. Hall, Mr. Conner, Mr. O'Reilly and Mr. Stottlemyer were also present. Mr. Davis joined the meeting later.

Mr. Curto began by stating that Governor McDonnell had notified both Mr. Martire and the Authority that he was ending Mr. Martire's tenure on the Board and replacing him with Caren Merrick. As this situation had not occurred before, he wanted to make certain, as he knew his colleagues did as well, that the Board address the situation thoughtfully, respectfully and with careful adherence to the law. Accordingly, on June 18 the Authority had filed a lawsuit in Fairfax Circuit Court. The reason for doing so was the clear desire to have a quick and definitive resolution to the issue. The Directors all agreed that on a matter as complex and important as this, they should be guided by a timely, legally sound decision from a court. They did not want to debate the issue in the media, and did not want questions to linger about which member was entitled to the seat. He could assure Governor McDonnell, Mr. Martire, Ms. Merrick, and anyone interested in the institution that as soon as the court ruled, the Authority would fully and promptly comply with the decision. He understood that Mr. Martire had asked that a letter stating his position be placed in the record; he had agreed to do so, and had offered Ms. Merrick the same opportunity to provide a written statement. Both would be incorporated in the minutes.

Mr. Curto then outlined the schedule for the rest of the day: following an executive session of the Executive and Governance Committee, the Audit-Legal Committee would meet in executive session as well, followed by an open session. The Executive and Governance Committee would then reconvene in open session.

The Committee then moved into executive session, which continued until 11:30 a.m.

At noon, the Committee reconvened to consider two items in regular session.

Amendments to the Freedom of Information Policy

Gregory Wolfe, Counsel to the Board, said the Freedom of Information Policy had not changed from the draft the Committee had seen in May. It had been taken back to assure that there were not any changes necessary as a result of the Department of Transportation Office of Inspector General (OIG) audit.

He said that "Freedom of Information" was something of a misnomer; most Freedom of Information rules described what did not have to be released. Because the Authority had followed that model, its current Policy was not very useful to requesters. One could claim as a matter of transparency that any record is available to the public, but if the public did not know where to get it, or how to ask for it, it might as well be hidden.

The new Freedom of Information Policy began with a statement of important documents that are freely available and information on where to get them, largely on the Authority website. In the past few months, many records had been posted there, including all the Authority's basic documents: for example, the legislation establishing the Authority, the Lease with the United States, Board papers, Code of Ethics, delegations of authority, and a great deal of information on contracting. There was also an entire page of links on the Metrorail project. The Freedom of Information Policy now told requesters how to find these documents.

If a requester did not find a desired record on the internet, the Policy advises the requester to call the office holding a record, if known.

The Policy also established a new Freedom of Information Officer, whom requesters could call about any request for records, especially records they cannot find elsewhere.

Finally, where there were still issues whether documents must be released, part 4 of the Policy stated the traditional grounds for withholding, and provided an address for submission of a formal freedom of information request. If some documents were withheld, and the requester was not satisfied with the decision, there was an appeal to the Chairman of the Audit-Legal Committee, whose decision would be administratively final. It could be taken to court.

The issue of fees needed some further explanation. Routinely, fees were not assessed for any document requests. There were, however, some requests that require a great deal of search time, often because of their general nature. Whenever the costs of a search were expected to exceed $250, a requester would be notified and asked to make a deposit. This was important, as some open-ended requests cost a lot of money.

Mr. Carter asked if there had been any feedback on the extensive information on the website. Mr. Wolfe said the webmaster could advise on its usage; he did not know of any responses. The availability had not yet been widely advertised, but the documents were probably being found by those who naturally searched through the website. Mr. Carter asked if the proposal was consistent with the OIG report. Mr. Wolfe said the OIG report had not addressed Freedom of Information, but that the release of documents was a key element of enhanced transparency.

Mr. Curto said his understanding was that the new Policy was centralizing the function with a Freedom of Information Officer. Inquiries would come to that officer, who would review them and seek legal guidance, as appropriate. If there was a concern about the request, the requesters could appeal to the Chairman of the Legal Committee, Mr. O'Reilly. Most of the documents, commonly the subject of freedom of information requests, were already on the website. They included financial data, annual reports, regulations and policies, Board minutes, agendas, and resolutions. All could be found at mwaa.com.

Mr. O'Reilly asked whether, if the officer said there would be a fee and required a deposit, such a decision would be appealable to the Chairman of the Legal Committee. Mr. Wolfe said it would, as requiring an excessive fee was the same thing as refusing to release documents.

Mr. Session asked if the Secretary would be the Freedom of Information Officer; Mr. Curto said he would. Mr. O'Reilly then moved that the Committee approve the Policy and recommend that the Board adopt it. The Committee unanimously agreed.

Amendments to the Statement of Functions

Arl Williams, Vice President for Human Resources, said that in Resolution No. 01-20, the Board had reserved the right to approve any change in the functions of officers reporting to the President and Chief Executive Officer or the Executive Vice President and Chief Operating Officer. There were before the Committee two such proposed changes that required Board approval. The first was the moving of the procurement and contracts function, with 15 positions, from the Office of Business Administration to the Office of Finance. The second was moving the equal opportunity employment (EEO) function, one position, from the Office of Business Administration to the Office of Human Resources.

Both moves would be seamless, with little impact on the performance of the functions. Organization charts and explanatory materials had been provided with the regular Board packages.

Mr. Carter asked what would happen to the 15 employees. Mr. Williams said nothing. They would simply change their line of reporting; their pay and rank would not be altered. Ms. Hall said she was concerned about existing oversight issues in Finance, and asked whether the reassignment might create further burdens. Mr. Williams said the procurement function would report to the new deputy chief financial officer in the Office of Finance.

Mr. Potter said the move had not been made until the deputy's job was filled. It had been vacant for several years. There had been some issues about staffing levels in various finance offices; two new accountants had just been hired. An internal control group would also be established, with three additional employees. Ms. Hall asked if the proposal had anything to do with the spread of procurement functions between the central office and the airports. Mr. Potter said it did not. The current action was the first step in dealing with that issue.

Mr. Session asked for the underlying rationale for the two moves. Mr. Potter noted that the EEO function would stay in Business Administration; he said that any function related to employees was better located in the Human Resources office. As to purchasing, he had found that purchasing functions aligned with finance functions always put better controls over programs and policies. It was a better corporate structure in his mind, producing more discipline in the purchasing area.

The Committee thereupon voted unanimously to recommend the realignments to the Board.

The meeting was thereupon adjourned at 12:15 p.m.

Mr. Conner chaired the June 20 Finance Committee Meeting, calling it to order at 1:07 p.m. All members of the Committee attended: Mr. Brown, Mr. Carter, Mr. Conner, Mr. Davis, Ms. Hall, Mr. Session, Mr. Stottlemyer and Mr. Curto, *ex officio*. Mr. O'Reilly was also present.

Report on the Sale of the 2012 Airport System Revenue Refunding Bonds, Series 2012

Andy Rountree, Vice President and Chief Financial Officer, reported that on June 5 the Authority had sold $311.8 million in Airport System Revenue Refunding Bonds, Series 2012 A-C. Originally the plan was to refund three tranches; the C designation, however, had not been used. It had been set up for a taxable debt refunding, which under current market conditions would not have produced adequate savings. The sale had included $291 million in Alternative Minimum Tax (AMT) bonds and $21 million in non-AMT bonds. The net present value refunding savings had been $40.6 million or 11.1 percent of the refunded par.

The transaction had been structured to produce greater savings in the early years. From a budgetary standpoint, this allowed lower debt service costs while the capital program peaked, with debt service already at a maximum. The overall total interest cost (TIC) had been 3.82 percent.

The three rating agencies had confirmed the Authority's ratings of AA^{3}, AA- and AA-. There had been significant interest shown by retail buyers; they had ordered about $115 million, and bought most of the non-AMT series. Bonds maturing in certain years were undersubscribed, and Barclay's, the senior bookrunning manager, had taken about $25 million of them. Overall, the sale had been very successful.

Mr. Brown asked about the structuring, whether the past savings had been spread out evenly over the years. Mr. Rountree said that advancing the savings had not been an issue in the past. Mr. Brown said he did not oppose front-loaded savings, but he just thought the Authority should remember the savings it had provided the airlines if they sought further relief from rates and charges and when the Authority prepared its budget. He asked that staff include this information in the materials that would be provided for the 2013 Budget session. He also noted that after the four years of savings were used, the debt service costs would return to what they had been before.

Financial Advisors Report – Aviation Enterprise

Guy Nagahama of Jefferies observed that the $40 million of savings from the bond sale was exactly what had been expected in May. It had been the highest savings available since the market had been tracked for the refunding, beginning in January. He said that the savings would reduce the cost per enplaned passenger at Dulles International by 75¢. It would also improve coverage by about 1.5 basis points.

The transaction had been at the lowest rates the Authority had ever executed. Spreads had been much tighter than in 2010-2011. The Board should understand that the finance team had done an extraordinary job in conveying the Authority's story to the rating agencies, particularly Moody's, which had concerns about the Authority's debt levels. There would be an ongoing discussion with Moody's.

Mr. Nagahama added that there were four items to be worked on in 2012. There would be $1.5 billion in bonds callable over the next five years, and plans would be developed. There would be an additional opportunity for a taxable refinancing in the fall, with or without a new money transaction. A new money issuance of up to $200 million was targeted for early in the fourth quarter, to refinance commercial paper and to fund ongoing capital projects.

The third item was a bank solicitation to provide credit facilities for extending or refinancing a portion of current facilities that expire in 2013. The solicitation would be out by the end of the month, with responses due in July. The banks would provide up to $200 million in new money and $200 million to refinance bank facilities would expire in 2013.

Finally, Moody's was expected to be taking credit actions against certain banks in the near futures. The financial advisors would evaluate the impact of any such downgrades on the Authority.

Financial Advisors Report – Dulles Corridor Enterprise

Jim Taylor of Mercator Advisors LLC reported that with respect to the near-term toll adjustments, the Financial Advisors were still working on the questions that Members of the Committee had raised at its May meeting. They were also considering the impact of adding a quarter to ramp tolls instead of collecting it at the main toll plaza. In July, they would return with near-term toll proposals that could be released to the public for review. Decisions would not be required until the fall, with action most likely in November.

They were also working on the finance plan for the rail project, not awaiting the pending Loudoun decision. One consideration was the possibility of leveraging the federal Phase 1 grant funds that would arrive after Phase 1 was complete. He offered two news items. The Commonwealth Transportation Board was meeting that day to consider a project in Loudoun County and the U.S. 460 project to the south, projects that together would exhaust the current resources of the Virginia Infrastructure Bank. The City of Chesapeake had an existing toll road and a new one, and was considering a range of toll schedules over a number of years, much like the Authority's situation. Operators of many toll facilities faced similar problems.

Doreen Frasca of Frasca & Associates, L.L.C. said that the market had been very good in May, with rates around the 3-percent level. The market began to back up in June; a new low in municipal market data (MMD) of 3.04 percent had been set June 4; the rate was currently 3.15 percent. About $3 billion in toll road and highway bonds, a large volume, had come to market since the beginning of May. The market had absorbed them well, probably because most were AA credits.

Mr. Brown said that the $150 million Virginia grant was very important in setting toll rates. He asked if a grant agreement could be negotiated with the Commonwealth by September. Mr. Rountree said there had been an initial discussion with finance officers of the Virginia Departments of Transportation and the Rail and Public Transportation, and found them prepared to move quickly.

Mr. Conner said that the week before there had been a meeting with the Commonwealth, Loudoun and Fairfax on the finance plan, where the alternatives were fully discussed. The participants had been supportive, and interested in reaching agreement on the path forward.

Mr. Session asked how the toll-setting public hearing process would work. Mr. Rountree said it would be principally a staff effort. The Office of Communications would set the date and place; the staff would be at all sessions. Mr. Davis asked how many had been attending such sessions. Ms. McKeough said 50 to 75 citizens had attended each session. Mr. Davis asked about time limits on speakers; Ms. McKeough said the sessions were not formal public hearings, but open meetings. Attendees would visit the various exhibits, and staff would speak directly with them.

May 2012 Financial Report – Aviation Enterprise

Mr. Rountree reported that year-to-date revenues had been $262.2 million, up 4.3 percent over the same period in 2011. The amount had constituted 40.2 percent of the budgeted level, at 41.7 percent through the year.

Year-to-date expenses had been $228.4 million, an increase of less than 0.1 percent, and at 37.7 percent of budget. Operating income to date had been $33.8 million; in 2011 it had been $23.1 million. Coverage was up to 1.29x, and unrestricted cash on hand had increased to 437 days.

The meeting was thereupon adjourned at 1:30 p.m.