SUMMARY MINUTES
AUDIT – LEGAL COMMITTEE
MEETING OF NOVEMBR 14, 2012

Ms. Hall chaired the Audit – Legal Committee Meeting on November 14, 2012, calling it to order at 8:04 a.m. She noted that a quorum was present – Mr. Conner, Mr. Session, Mr. O'Reilly, and Mr. Curto, *ex officio.* Mr. Carter, Mr. Chapman, Mr. Crawford, Mr. Davis, Ms. Lang, Ms. Merrick, and Mr. Stottlemyer also attended. Valerie Holt, Vice President of Audit, stated that the Department of Transportation/Office of Inspector General (DOT/OIG) had recommended that the Authority discuss more audits in open session. The Office of Audit requested that the Authority Bylaws be amended to require that most "audit matters" be discussed in open sessions and limit the use of executive sessions to four specific exceptions – 1) Airport security and information security audits; 2) Personally identifiable information or sensitive information in personnel actions and procurement matters, including vendor proprietary information and employee names, unique titles or recommendations to discipline or terminate employees; 3) Matters involving litigation, whether actual or potential, that may invoke the attorney-client privilege; and 4) Discussions with the financial statement auditors and the Vice President of Audit where the professional standards applicable to such auditors, when conducting a financial statement audit, require the discussion to be held in closed sessions. The Committee accepted the recommendation.

At 8:06 a.m., Ms. Hall announced that the Committee would recess and reconvene later at the conclusion of the day's Business Administration Committee Meeting to complete its remaining business.

At 12:55 p.m., Ms. Hall reconvened the Audit – Legal Committee Meeting. A quorum was present – Mr Adams, Ms. McConnell, Mr. O'Reilly, and Mr. Curto, *ex officio.* Mr. Carter, Ms. Lang, and Ms. Merrick were also present.

Ms. Holt reported that the Office of Audit conducted and reviewed audits to determine if risks are being managed, management and delivery capacity are being maintained, control is being exercised and appropriate results are being achieved. She presented the Calendar Year 2013 Risk Assessment and Audit Plan and reviewed the evolving risk profile and key risks associated in developing it. Ms. Holt also discussed plans to ensure that the new policies and procedures that resulted from the DOT/OIG audit are implemented and adhered to.

Ms. Hall inquired about the results from prior year audits and how they compared with the recent DOT/OIG audit. Ms. Holt identified some of the more significant audits conducted during her tenure, including: 1) a cleaning company contractor had overcharged the Authority by more than $3 million – the Authority had recovered $1.4 million; 2) a parking contractor had to repay the Authority $735,000; 3) an audit that supported a $1.2 million judgment against a surface transportation company; 4) a general aviation company had returned over $1 million to the Authority; 5) a second general aviation firm had not reported additional earnings estimated to be as much as $3.2 million – the revenue had not been recovered; and 6) an audit of the contingency fund for the Dulles Rail Project had revealed a shortfall in the contingency fund. Ms. Hall stated that she had learned that the audit staff provided a very useful profile of what was occurring at the Authority; she had been very impressed with the effectiveness of the audit staff and wanted everyone to be aware of its responsibilities. Ms. Hall noted that some of the issues included in the DOT/OIG Report had already surfaced due to the audit staff's efforts. Ms. Holt then introduced the Audit Managers, Jane Kee, Edythe Poole and David Griffin. She noted that audit office included two additional employees and also used contractors. Ms. McConnell inquired about the total the staff audits had saved the Authority. Ms. Holt responded that she included the information in her annual Performance Management Partnership, the Authority's evaluation system.

Ms. Holt described the results of two overhead results, without disclosing proprietary information.

Andy Rountree, Vice President and Chief Financial Officer, recognized Mark Adams, Deputy Chief Financial Officer, and introduced Julia Hodge, Department Manager, Financial Strategy and Analysis, and Acting Manager, Internal Controls & Compliance. Ms. Hodge provided a quick overview of the control enhancements that had been implemented. She noted that significant progress had been made in the preparation and review of account reconciliations. Ms. Hodge referred to the Controls Enhancement Dashboard, which had been distributed, and noted that all enhancements except one, related to audit deliverables, were on track for completion by December 31. For information purposes, Ms. Hall stated that external auditors conducted an audit each year. The auditors' results were presented to the Audit – Legal Committee. Staff used the Controls Enhancement Dashboard to provide detailed information on the status of the auditors' recommendations. Ms. Hall said that Mr. Potter had referenced the "dashboard" earlier; a similar report would be used to track the status of the IG recommendations. She then stated that the targeted completion date for a couple actions had changed and asked for an explanation. Ms. Hodge responded that the Office of Finance had used a very aggressive schedule. She said that staff needed supporting documents to validate and verify that each action item had been completed prior to it being labeled complete on the dashboard. Ms. Hodge explained that staff was working to resolve historical items so that the process would be fully completed. As of October, finance staff was preparing and reviewing account reconciliations in a timely manner, consistent with the adopted policy. Ms. Hall noted it would be very important to adhere to the schedule; the Authority would soon begin another audit year.

The open session of the meeting thereupon adjourned at 1:50 p.m. A motion was made and accepted for the Committee to move into executive session. Mr. O'Reilly noted the Audit – Legal Committee moved into executive session pursuant to the Bylaws which permitted the Board and its Committees to consult with legal counsel or staff regarding issues or matters affecting or involving the Authority, including pending or potential litigation.

In executive session, Phil Sunderland, Vice President and General Counsel, presented information regarding the consideration of the protest relating to the contract for the marketing, leasing and management of the fold service and retail concessions at both Airports.

The meeting was thereupon adjourned at 2:25 p.m.

SUMMARY MINUTES
AUDIT – LEGAL COMMITTEE
MEETING OF NOVEMBER 19, 2012

Mr. O'Reilly chaired the November 19, 2012 Audit – Legal Committee Meeting, calling it to order at 10:00 a.m. in Conference Rooms 1A/1B/1C. A quorum of the Committee attended: Ms. Hall, Ms. McConnell, Mr. Session and Mr. Curto, *ex officio*.

Mr. O'Reilly reported that the Committee would consider the Westfield Concession Management LLC (Westfield) protest appeal. Westfield had filed a protest from the decision of the President and Chief Executive Officer to the Board. The Board had delegated the appeal to the Audit – Legal Committee, as was customary and as provided for in the Authority Contacting Manual. The Committee had met on November 14 and had reviewed the appeal and documents relating to it. Mr. O'Reilly stated that the Committee had been provided with all documents that any Member of the Committee needed to reach a complete understanding of the appeal. The Committee had made a determination at that time that it was not necessary to have additional formal presentation of either testimony or documentation. The Committee had decided it could meet publicly and take action in connection with the appeal.

As Chair, Mr. O'Reilly reported that he would entertain a motion from a Committee Member that would deny the protest for the reasons which would be set forth in a written decision that the Committee had prepared. If the Committee agreed, the Co-Chairs would sign it; approve and adopt that written decision; authorize the release of the decision by the Secretary or his designee; and instruct the Secretary or his designee, following the meeting, to send a copy of the decision to the attorneys representing Westfield in the appeal. Ms. Hall then offered a motion, which was seconded by Mr. Session. Mr. O'Reilly reiterated that the Committee had reviewed the complete record and had had an opportunity to obtain all evidence it needed to reach a decision. He stated that he was delighted that the Committee had been able to resolve the issue before his term's expiration.

The meeting was thereupon adjourned at 10:05 a.m.

SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF NOVEMBER 14, 2012

Mr. Session chaired the Business Administration Committee Meeting of November 14, calling it to order at 12:06 p.m.

He announced the presence of a quorum, with the following other members of the Committee in attendance: Mr. Adams, Mr. Carter, Ms. Hall, Ms. Merrick and Mr. Curto, *ex officio*. Mr. Chapman, Mr. Conner, Mr. Davis, Ms. Merrick, Mr. O'Reilly and Mr. Stottlemyer were also present.

Steve Baker, Vice President for Business Administration, addressed Ms. Lang's comment regarding the location of the upcoming Business Opportunity Seminar (BOS). He said that this year marked the first time the BOS had been held in Maryland. Due to the Authority's schedule and hotels' availability, Mr. Baker reported that staff was unable to confirm a hotel that was metro accessible. He noted that before confirming the location, staff had learned that only 7 percent of BOS attendees used public transportation. Additionally, the Gaylord Hotel offered shuttle bus transportation between Reagan National Airport and its location every 30 minutes to commuters.

Ms. Lang reiterated that access to metro should be a requirement when selecting future locations.

Small Business Contracting Summary

Mr. Baker said the Committee had requested a report on small business contracting. The Enterprise Resource Program system was still being adapted to report and analyze small business participation by expenditure; in the interim, the staff had manually prepared a report that analyzed the 15 largest construction contracts, the 15 largest goods and services contracts and the three Dulles Corridor Metrorail contracts.

Richard Gordon, Manager, Equal Opportunity Programs, presented the Summary. For the non-federal construction contracts among the top 15, the total awards had been for $123 million, with $34 million in Local Disadvantaged Business Enterprise (LDBE) awards, 27 percent of the total. Actual LDBE payments of $12 million were 46 percent of the total, but overall only $26 million, 21 percent of the total, had been paid out so far.

For construction contracts with a DBE requirement, $7 million had been awarded, 27 percent of which, $2 million, had gone to DBE firms. Actual DBE payments of $1 million had been 20 percent of the total awarded; $5 million had been paid overall.

In goods and services, a total of $87 million had been awarded, including LDBE contracts for $48 million, or 55 percent of the total. Actual payments had been $34 million, 53 percent of the total, including $18 million in LDBE payments.

On the rail project, the aggregate total award amount had been $2.1 billion; the DBE award amount had been $300 million. Aggregate payments had been $1.8 billion, and DBE payments had been $.2 billion, 11 percent of the total.

Mr. Gordon noted that the 15 largest construction contracts represented 92 percent of all outstanding construction contracts. The 15 largest goods and services contracts represented 57 percent of all goods and services contracts.

Mr. Session noted that staff had manually selected the 15 largest contracts primarily because of operational issues with the Oracle system. Mr. Baker stated that the system was not at a point where it could capture the data. Margaret McKeough, Executive Vice President and Chief Operating Officer, said that the Oracle system captures the data, but that staff had been unable to extract the data it needed to produce the reports. Mr. Session said it was his understanding that Oracle captured information pertaining to prime contracts only. Mr. Baker responded yes and noted that those providing assistance with Oracle are working through the issue to provide information on subcontractors. Mr. Session inquired when future contracting reports would be sorted according to jurisdictions. Ms. McKeough responded that the year-end report, through December 31, 2012, would be presented in February 2013. Mr. Session asked if staff was familiar with PRISM software. Mr. Baker said that the Equal Employment Opportunity had explored PRISM, but that the Offices of Audit and Finance had expressed some concern with others accessing the Enterprise Resource Planning system externally. Ms. McKeough reassured the Board that staff is committed to developing the data in these reports that the Board has historically received. The Authority had migrated away from a 25-year history using Business Functions operating with information technology systems. It had spent a significant investment to migrate its data on an enterprise platform using the Oracle system and that a number of resources are working closely with the Business Administration staff to make this a seamless process in the near future. Mr. Carter asked whether staff would be able to extract the subject data from Oracle by the implementation of Phase 2, to which Ms. McKeough responded positively.

<u>Reappointment of the Employee Relations Council</u>

Janice Borneman-Eckels, Labor Relations Specialist, reported that staff was recommending Board confirmation of eight incumbents and one nominee for a two-year term, which would expire January 31, 2015, to serve on the Employee Relations Council (ERC). She stated that the Authority Labor Code had established the ERC, which had processed 34 cases since 1999, consisted of nine members, named by the mutual agreement of the President and Chief Executive Officer and the labor organizations of the Authority. These members, who were paid $1,200 per diem for services performed on an as-needed basis, were selected based on their labor relations experience and expertise. ERC members were eligible for reappointment, with no limit on the number of terms a member may serve.

The ERC is composed of three panels -- Impasse Disputes, Representation Matters and Unfair Labor Practices and Negotiability Disputes, the most active one throughout each two-year term. It resolved negotiability disputes and issued orders regarding allegations that a person has engaged in an unfair labor practice. Ms. Borneman-Eckels identified each member that served on the Panels; eight of which were incumbents, and one new member.

Mr. Session inquired about the appointment of the ERC Members. Ms. Borneman-Eckels responded that as provided for by the Labor Code, the Authority received a random list of ERC candidates from the Federal Mediation and Conciliation Service. The President and Chief Executive Officer, represented by Labor Relations, and members of the unions discussed the candidates; the CEO made the final determination.

Mr. Chapman noted that the selection of ERC Members did not follow a normal administrative procurement process and asked if there were any advantages gained from routine ERC Member turnover. Ms. Borneman-

Eckels responded negatively and stated that the Authority had been very fortunate to have well respected individuals to serve on its ERC. Approximately three to five cases were processed during each two-year term. Additionally, almost of half of the ERC had served for more than 10 years. Mr. Potter noted that it was comprised of fair-minded individuals; employees and management were both satisfied.

Mr. Session inquired about the number of labor organizations. Robin Wade, Manager, Labor and Employee Relations, responded that there were five; three for public safety employees and two for trade employees. AFG 2303 represented the general maintenance employees at Dulles International and AFG 1118 represented those at Reagan National.

The Committee thereupon approved the recommendation.

Recommendation to Award Radio Technical Support Services Contract

Syed Ali, Acting Vice President for Information Systems and Telecommunications Systems, said that staff was recommending the award of a contract for Radio Network Technical Support Services to L-3 STRATIS of Reston, Virginia, effective January 1, 2013.

The incumbent, L-3 STRATIS, had been the only firm to submit a proposal. The Procurement and Contracts Department had contacted other vendors from the plan holder list and verified that the requested work in the published Request for Proposals was out of their capacity. Staff had determined that it was in the Authority's best interest to proceed with the L3-STRATIS proposal and found that the proposal was fair and reasonable. The term of the contract was one year ($2,696,155), with four one-year option periods, with an overall contract value of $13,310,537. The contract had a 30 percent LDBE participation requirement, which would be met by Astegic, Inc., of Vienna, Virginia.

Mr. Ali reported that the model used to support the entire radio program would be reviewed and analyzed during the first contract year prior to the option year consideration.

Mr. Adams inquired why only one firm had submitted a proposal. Mr. Ali said he understood that other firms had either not performed these types of services or had no experience relative to the logistics of campuses similar to Reagan National or Dulles International Airport. Mr. Potter stated that the contract had been competitively bid, but that staff had expressed concern as a result of only one proposal submittal. Since only a one-year contract would be awarded, staff would review the solicitation and undertake an analysis to determine if it could be advertised differently to create more competition. Mr. Adams stated that he would support the recommendation, but encouraged staff to strongly consider the results of the solicitation analysis. Mr. Potter stated that staff would recomplete the contract if pertinent information was learned as a result of the analysis, which would be one of the first assignments for the new Vice President for Information Systems and Telecommunications.

Ms. Hall asked whether the contract had been structured differently and had there been more competition when it had been awarded five years prior. Ms. McKeough responded that the scale and scope of the Authority's radio program had changed since that time. She stated that several vendors had participated in the pre-bid conference and that there had been no indication for concern at that time; staff had been surprised to receive only one proposal submittal. Further dialogue had revealed that due to the robust growth of the Authority's radio system to support the required post- September 11, 2001 needs, the Toll Road operations and growth of Dulles International, the Authority had potentially outgrown its existing system.

Mr. Curto inquired how option years would be addressed. Ms. McKeough responded that option years for all Board-awarded contracts were awarded only after staff had provided a written report and consulted with the Board.

Recommendation to Execute Agreement with JetBlue Airways for Facility Improvements at Reagan National

Paul Malandrino, Vice President and Airport Manager, reported that staff was recommending a business agreement between the Authority and JetBlue Airways (JetBlue) to construct approximately $6 million of needed near-term baggage handling facility improvements in Terminal A to accommodate its increased air service, consistent with section 1.2.5 of the Contracting Manual. He also noted that funding for these facility improvements had been recommended in the draft 2013 budget, which would be considered by the Board at its December Meeting.

JetBlue had agreed to procure and complete the design and construction of the upgrades and to be reimbursed in an amount not to exceed $6 million. It would be obligate under an Authority agreement to competitively complete the work and to achieve the Authority's LDBE goal. All costs associated with the project would be independently documented and subject to review and approval by the Authority for eligibility.

Mr. Session asked if JetBlue's increased service had resulted from the recent slot swap. Mr. Malandrino responded yes and noted that JetBlue had doubled its flights to 18. It had also converted half of its regional jets to larger aircrafts, which had significantly increased its passenger traffic.

Ms. Hall agreed that expansion was needed for baggage security screening, but she inquired about the need to increase the baggage carousel. Mr. Malandrino stated that presently only one screening machine existed. Mr. Potter noted that Terminal A serviced JetBlue and Southwest Airlines, and they were responsible for more turns on their gates than any other airline historically in Terminal A. A large demand on baggage handling also existed as travelers did not pay for their bags when flying Southwest so it was important to the airline to place additional emphasis on baggage. Mr. Potter noted that the Authority would make a separate investment in Southwest; for the first time, the bags could be taken at the curb.

Mr. Adams asked about the benefits gained in JetBlue constructing its facility improvements. Mr. Potter stated that because multiple other projects were also under construction by Engineering, the projects would be completed sooner when sharing the workload. Staff clarified that $6 million was the limit for the improvements; JetBlue would be reimbursed only for the amount it spent up to $6 million.

The meeting was thereupon adjourned at 12:50 p.m.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF NOVEMBER 14, 2012

Mr. Davis chaired the November 14 Dulles Corridor Committee Meeting, held in Conference Rooms A and B at Washington Dulles International Airport, calling it to order at 11:55 a.m. Later in the Meeting, Mr. Davis acknowledged that a quorum was present. [The entire Committee (Mr. Adams, Mr. Chapman, Mr. Conner, Ms. Hall, Ms. McConnell, Ms. Merrick, Mr. O'Reilly, Mr. Session, Mr. Stottlemyer and Mr. Curto, *ex officio*) was in attendance.] Mr. Carter was also present.

Mr. Davis noted that earlier discussions had occurred regarding Phase 2 of the Metrorail Project. He cautioned the Directors that the entire contract process would be handled at staff level and that Directors should not meet with potential bidders. It needed to be a "clean" process with the lowest possible bid. Mr. Davis noted that the financial advisors had reported on low interest rates available for the issuance of bonds. He said that it would be important to complete the contract process timely so that the Authority could take advantage of these rates.

<u>Dulles Corridor Metrorail Project Monthly 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 September, bringing total expenditures up to $2.154 billion in a total project budget of $2.905 billion.

About $371.6 million in contingency funds had been used or obligated through August. In September, $ 0.6 million had been used, most of which had gone to an allowance item on the West Falls Church yard. Contingency use to date had been $372.2 million, with $90.1 million unobligated. The substantial completion date remained August 2013.

Mr. Davis noted that Phase 1 of the Metrorail Project would be turned over to the Washington Metropolitan Area Transit Authority (WMATA) in August 2013, and that WMATA would likely not accept it until December 2013. Mr. Davis then asked who would own the Project until WMATA accepted it. Mr. Nowakowski responded that WMATA would not take action to adopt the Project as part of its regional system until all testing and training had been completed. It would remain the Authority's property until that time. Mr. Nowakowski stated that the Authority's Board would also act on the Project to complete the transaction. In preparation, he noted that staff had already begun to organize property transfers, condemnations, and conveyances.

Mr. Davis requested that staff provide the Committee with details about the changeover process, potential contingencies and liabilities, and complications that could result in delays in WMATA accepting the Phase 1 Metrorail Project. Mr. Nowakowski stated that a tremendous amount of testing would be required as part of the Project and that staff would coordinate with WMATA to reduce the amount of replicated training, when possible.

Mr. Potter noted that the Authority had built strong working relationships with WMATA and teams had been integrated to eliminate surprises during the transition. As Mr. Nowakowski had reported, complexities were involved regarding the legal process, but Mr. Potter said that he remained positive about the Authority's ability to transition, but understood the need to remain cautious.

Mr. Davis asked if there had been any complications regarding the bidding process. Mr. Nowakowski stated that the names of the five short-listed teams had been presented to the Committee in October. Since then, staff had been meeting individually with all five teams on a biweekly schedule. Mr. Nowakowski said that the first round of meetings had been completed, and that the second round had begun the prior day. Progress was being made so that the firms could submit their proposals in February 2013.

Mr. O'Reilly noted the $90.1 million unobligated remaining contingency and stated that as the Project's completion date approached, less surprises would be expected. Mr. O'Reilly asked if staff was presently aware of any remaining issues where this contingency would be used. Mr. Nowakowski said that staff continued to complete a monthly forecast and perform its due diligence; the Project completion remained on budget.

<u>October 2012 Financial Report – Dulles Corridor Enterprise.</u> Mr. Davis inquired about the impact of Hurricane Sandy. Mark Adams, Deputy Chief Financial Officer, joined by Mark Tune, Controller, reported that the federal government had been closed on October 28 and 29. As a result, Toll Road transactions had been approximately 440,000 lower, equivalent to a loss of about $450,000. Mr. Adams reported that Toll Road revenues year-to-date had been $85.4 million, at 79.2 percent of

budgeted revenues at 83 percent through the year, up 7.6 percent from the same period in 2011. The 83.9 million toll transactions for the period had been down 1.5 percent, and electronic payments had been up 3.6 percent, to 77.2 percent.

Mr. Davis asked if the opening of the HOT lanes would impact the Toll Road. Mr. Adams reported that staff would monitor the activity and report back to the Committee.

Mr. Adams said that Toll Road expenditures of $20.3 million year-to-date were down .1 percent from the year before, and had reached only 70.7 percent of budgeted expenditures, at 83.3 percent of the way through the year. Days of unrestricted and reserves cash on hand was at 1205 days as of September 30, up from 1102 at the end of August, and 769 as of the end of 2011.

The meeting was thereupon adjourned at 12:05 p.m.

SUMMARY MINUTES
FINANCE COMMITTEE MEETING
MEETING OF NOVEMBER 14, 2012

Mr. Conner chaired the November 14, 2012 Finance Committee Meeting, calling it to order at 10:45 a.m. He noted that a quorum was present – Mr. Carter, Mr. Chapman, Mr. Davis, Ms. Lang, Ms. Merrick, Mr. Session, Mr. Stottlemyer, and Mr. Curto, *ex officio.* Other Members present were Mr. Adams, Ms. Hall, Ms. McConnell, and Mr. O'Reilly.

Recommended 2013 Budget

Andy Rountree, Vice President and Chief Financial Officer, introduced the 2013 Budget describing that the Committee had received a briefing of a draft budget in October. Mr. Rountree described the changes within the recommended budget that were incorporated since the October draft had been discussed.

The Committee approved and recommended to the Board a 2013 Budget as summarized below:

1) The following sums, totaling $967,005,000 are recommended to be *expended* from the Aviation Enterprise Fund in 2013 as follows:
   a. $670,192,000 for the Operation and Maintenance Program of (including $322,829,000 for debt service),
   b. $60,911,000 for the Capital, Operation and Maintenance Investment Program (COMIP), and
   c. $235,902,000 for the Aviation Capital Construction Program (CCP).

2) The following sums, totaling $795,126,535 are recommended to be *expended* fro the Dulles Corridor Enterprise Fund in 2013 as follows:
   a. $88,754,000 for Operation and Maintenance Program (including $60,509,000 for debt service).
   b. $12,624,530 for Renewal and Replacement Program.
   c. $657,123,005 for the Capital Improvement Program (CIP).

3) The new and expanded *projects approved*, which are identified in the 2013 Budget within their respective programs are as follows:

a. $33,850,000 within the Aviation COMIP Program,
b. $131,424,000 within the Aviation Capital Construction Program,
c. $2,285,000 within the Dulles Corridor Renewal and Replacement Program, and
d. $8,741,000 within the Dulles corridor CIP (primarily pertaining to the Dulles Toll Road).

4) <u>*Highlights*</u> of the six budget programs are as follows *(not intended to be an all inclusive list, which may be obtained from the budget document itself):*
   a. Aviation O&M:
      i. The total budget including debt service will increase by only 2.5 percent compared to the prior year budget,
      ii. Excluding debt service and certain capital equipment costs, O&M expense will increase by only 1.8 percent,
      iii. Gross debt service will increase by only 1 percent, and net of the application of $42 million of Passenger Facility Charges to help offset the underground people mover at Dulles (Aerotrain) will only increase by .5 percent,
      iv. Debt service now comprises approximately 48.2 percent of the total O&M budget.
      v. 2012 salary adjustments are funded at $3 million for incumbent employees equivalent to an average of 3 percent increase.
      vi. Zero net new positions are authorized as a result of ten unfilled positions previously authorized being reclassified to positions in the areas of Internal Controls and Compliance, Procurement, Accounting, and Public Safety and Reagan National,
      vii. Service Contract Escalation Costs amount to $2.9 million,
      viii. Average Signatory Airline Cost Per Enplanement is at $14.73 for Reagan National Airport and $27.30 for Dulles International Airport ($21.74 for domestic), and
      ix. Debt service coverage is estimated at 1.31 for 2013.
      x. $9,000,000 in capital equipment and projects are included in Reagan National's budget, which might have otherwise been funded through the COMIP budget. The purpose was to free up sufficient

resources to create an *airport cost stabilization reserve* within the COMIP budget, as noted below.

b. Aviation COMIP:
    i. Includes $9,000,000 for funding an *airport cost stabilization reserve.*
    ii. Includes $5,000,000 for the Authority's Metrorail Contribution for Non-PFC Eligible Costs.
c. Aviation CCP new or expanded projects:
    i. Reagan National Runway 15-33 and 4-22 Runway Safety Area Improvements of $60,950,000,
    ii. Police Range and Training Facility at $12 million, approximately half of which is expected to be paid by Arlington County,
    iii. Reagan National Terminal B/C long-term improvements of $5 million, and
    iv. Reagan National Terminal A near and long-term rehabilitation of $11.3 million.
d. Dulles Corridor O&M:
    i. Revenue estimate reflects an approved toll increase of $0.25 at both the mainline plaza and ramps effective January 1, 2013,
    ii. Toll Road operating expense is budgeted at 1.27 percent below the previous year, and
    iii. Debt Service is budgeted at $60,509,000 which is primarily to cover debt related to the Metrorail Extension.
e. Dulles Corridor R&R:
    i. $800,000 for guardrail, traffic barrier, and fencing rehabilitation,
    ii. $500,000 for bridges, structures, and canopy repairs, and
    iii. $400,000 for erosion repairs.
f. Dulles Corridor CIP new or expanded projects:
    i. $5.6 million for new sound walls.

Recommendation to Approve the Proposed Resolution Authorizing Extension and Substitution of Letters of Credit and Direct Purchase of Bonds for Airport System Revenue Variable Rate Bonds, Series 2003D, Series 2009D, Series 2010C and Series 2010D

Mr. Rountree described that the Aviation Enterprises total level of debt was approximately $5 billion. Variable rate debt is part of this portfolio, which must be supported by underlying credit facilities. Four underlying credit facilities for the variable rate debt expire in 2013. The majority of expiring facilities are associated with "hedged" variable rate debt, which makes it cost effective to continue these as variable rate debt to avoid costly termination payments associated with the hedges. In September, and as a result of competitive proposals, the Committee consented to negotiation of extension and replacement of credit facilities expiring in 2013.

The Committee approved all substantially completed bond documents and recommended to the Board the proposed resolution to:

1. Substitute the bank product for the Series 2003D Bonds from a Letter of Credit (LOC) with Wells Fargo Bank, NA to a Direct Purchase Bond (DP) with Banc of America Preferred Funding Corporation with a term through 2016;
2. Substitute the LOC provider for the Series 2009D Bonds from Bank of America NA to TD Bank NA with a term through 2017;
3. Extend the LOC with Barclays Bank PLC from 2013 to 2015; and
4. Extend the DP Index Rate Period with Wells Fargo Bank NA from 2013 to 2015.

Recommendation to approve the Proposed Resolution Authorizing the Issuance of Full Funding Grant Agreement Notes, Series 2012

Mr. Rountree reported that in lieu of a 2012 Dulles Toll Road revenue bond issue, the Financial Advisors and staff previously recommended securitization of future receipts from the Federal Transit Administration under the Full funding Grant Agreement (FFGA).

In September, the Committee gave consent to negotiate a fixed rate direct loan secured by future FFGA receipts with Bank of America (BofA), which was selected from 11 competitive proposals.

Under the $900 million FFGA, the Airports Authority had received $611.1 million and expects to receive approximately $288.9 million of funding for Phase 1 of the Dulles Metrorail Project over the next four years.

The transaction would provide approximately $187 million of proceeds for the Rail Project expenditures and preserve existing Commercial Paper capacity, enhancing flexibility with regard to the size and timing of the next long-term Dulles Toll Road Revenue Bonds.

The benefits include quick execution with no public marketing or investor education period, no credit rating required, low cost of funds (anticipated in the 2.2 percent range), and final maturity in 2016 with the ability to prepay debt without penalty after one year.

Financial Advisor Jim Taylor of Mercator Advisors, LLC commented that this was an efficient way for the Authority to enter into the market to leverage the FFGA.

The Committee approved substantially completed bond documents and recommended the Board approve the proposed resolution to:

1. Authorize the issuance of FFGA Notes, Series 2012, in the amount not to exceed $200 million, with Bank of America, and
2. Appoint the authority Trustee and Custodian, Manufacturers and Traders (M&T) Trust Company, as the Trustee and Custodian for the Notes.

Report on Investment Program for the Quarter Ended September 30, 2012

The Investment Program for the quarter ended September 30, 2012 showed that as of September 30, the total portfolio was $1,741,795,031, including $1,235,775,867 in the Aviation Enterprise and $506,019,165 in the Dulles Corridor Enterprise. The Committee accepted the report as presented, without further discussion.

Budget Reprogramming for the Quarter Ended September 30, 2012

The report showed that in the quarter ended September 30, $731,000 was reprogrammed from certain Aviation Capital, Operating and Maintenance Investment Program (COMIP) budget accounts to other program accounts within the same program. The net effect of all reprogramming is zero.

The Committee accepted the written report as presented, without further discussion.

The Financial Advisors' Report - Aviation Enterprise

Aviation Financial Advisor, Guy Nagahama of Jefferies, reported that there was nothing substantive that had not already been addressed through the Committee's actions related to variable rate program credit facilities earlier. He indicated that the financial advisor and staff would be meeting to develop the 2013 plan of finance, which would be reported to the Committee at a later date.

Financial Advisors' Report - Dulles Corridor Enterprise

Co-Financial Advisor for the Dulles Corridor Enterprise, Doreen Frasca of Frasca & Associates, LLC, provided a brief market update, indicating that if the Authority issued Dulles Toll Road Revenue Bonds in the current market, it would have very favorable interest rates in the 2.5 percent range. Although the Authority was not planning to be in the market in 2013, it is hopeful that rates can be in this range next year when the Authority may be in the market.

Co-Financial Advisor for the Dulles Corridor Enterprise, Jim Taylor of Mercator Advisors, LLC, added that it is anticipated that the FFGA Securitization as approved by the Committee earlier in the meeting, would be closed prior to year end.

Bryan Grote, also with Mercator Advisors, LLC, provided a Transportation Infrastructure Finance and Innovation Act update. Including the Authority's Letter of Interest, the U.S. Department of Transportation had received 18 Letters of Interest for 2013. The requested loan amounts are for up to 49 percent of their estimated project costs, which total over $27 billion. Mr. Grote commented on the five largest projects. One other project, the Tappan Zee Bridge sponsored by the New York State Thruway Authority, is similar in size to the Metrorail Project. If invited to apply to the program, the application process is likely to take many weeks to complete.

Aviation Enterprise Financial Report for October 2013

Mr. Rountree provided a financial report for October 2012, noting that Hurricane Sandy shut down travel activity at both Airports for two full days (October 29 and October 30) and reduced travel activity for several days beore ramping back up to its normal volume. Additionally, most businesses and the Federal Government offices were closed for two business days. Approximately 3,700 flights had been cancelled. Mr. Rountree reported that following year-to-date information:

1) Revenue was $535 million. This represented an increase of 4.6 percent compared to the prior year. The end of October represented 83.3 percent of the calendar year, at which point the Authority has earned 82 percent of budgeted revenue.
2) Expenses were $465.8 million. This represented an increase of 3.9 percent compared to the prior year. At 83.3 percent of the calendar year, the Authority had incurred expenses at 75.4 percent of budgeted expenses.
3) Operating Income was $69.2 million, compared to a prior year operating income of $62.8 million.
4) Debt Service Coverage was at 1.35 times as of October 2012. It was 1.37 times as of the prior month. It was budgeted at 1.31, and so we are showing coverage better than budget at this point in time.

The meeting was thereupon adjourned at 11:55 a.m.

SUMMARY MINUTES
JOINT FINANCE AND DULLES CORRIDOR COMMITTEE
SPECIAL MEETING OF NOVEMBER 14, 2012

Mr. Conner called the Special Joint Finance and Dulles Corridor Committee Meeting to order at 8:10 a.m. A quorum was present: Mr. Adams, Mr. Carter, Mr. Chapman, Mr. Davis, Mr. Hall, Ms. Lang, Ms. McConnell, Ms. Merrick, Mr. O'Reilly, Mr. Session, Mr. Stottlemyer, and Mr. Curto, *ex officio*. Mr. Crawford was also present.

Adoption and Amendment to the Regulation Establishing Toll Rates on the Dulles Toll Road

Mr. Conner stated that the topic had been formally presented and discussed in October with the joint Committees; however, due to the appointment of many new Board Members, a decision had been made to defer this action item to the day's meeting.

Mr. Conner further explained that the day would be the final action of the Committees in setting toll rates for the Dulles Toll Road for the period under consideration, which is 2013 through 2015. Staff would present two proposals for the Committees' consideration.

He further provided context for the discussion. The Committees and staff had been working towards this decision on tolls for a considerable amount of time, which included three public hearings that were broadly advertised through 25 notices in nine separate newspapers, a public comment period with multiple avenues for providing comments, and a briefing to seek advice from the Dulles Corridor Advisory Committee. The financing plan that underlies the toll decision has long been consistent, reviewed by multiple parties, and has held up to the test of time. New Board Members additionally were provided with a working session to further enable understanding of the finance plan, history, comparative tolls, and recommendations of the Dulles Corridor Advisory Committee. The work session explored all potential additional funding sources with the intent to minimize toll increases. With the current project finance plan, there is consensus that the plan does not have sufficient government funding. Seeking alternative funding sources to replace tolls will be an ongoing endeavor. Some of the potential options will have more of an impact than others, such as the availability of a material Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from U.S. Department of Transportation (DOT). The Committee would receive two potential recommended resolutions from staff. Mr. Conner said that it is important to note that both resolutions assume the Authority will receive $150 million from Virginia; if it didn't, the Authority would be looking at 2013 tolls being much higher at $4.50 for a full one-way trip on the Dulles Toll Road vs. the proposed $2.75. The obligation to raise tolls in the period is largely a fiduciary responsibility for the Authority to live up to its obligations under the Permit and Operating Agreement for the Dulles Toll Road and to its investors in Toll Road Revenue Bonds for bonds already issued.

Andy Rountree, Vice President and Chief Financial Officer, noted that the day's presentation included approximately fifteen slides that had been previously reviewed with the Committees in October, but were important to the decision, and therefore he would briefly repeat that material.

The overview included a description of the Airports Authority's regulatory process to set the toll rates, including public notices, public hearings, a public comment period, and a public meeting with the Dulles Corridor Advisory Committee.

Several slides from the public hearing process were presented including:

- The planned contributions from funding partners,
- Current and anticipated debt service related to the Metrorail Project,
- Use of toll revenue for Metrorail construction financing, Dulles Corridor Improvements, Renewal and Replacement program on the Dulles Toll Road, and Operations and Maintenance for the Toll Road,
- Proposed toll rate adjustments for 2013, 2014, and 2015,
- Current toll rates in the Region, and
- Toll mitigation strategies.

Mr. Rountree provided an overview of the public comment themes, which had also been presented in October. Specifically 567 individuals submitted comments, and in some instances, individuals commented on multiple themes:

- Economic impact (334 comments)
- Alternatives to toll increase (316 comments)
- Fairness of the toll increase (309 comments)

- Dulles Toll Road operations (62 comments)
- Tax character of the toll increase (61 comments)
- Noise Wall Program (3 comments)
- Support of Toll Increase (16 comments)

Mr. Rountree noted that the full public hearing materials had been included with materials provided for the day's meeting and posted on the Authority's website.

Recommendations from the public meeting with the Dulles Corridor Advisory Committee were discussed. Working under the assumption of a three-year toll increase plan, the Dulles Corridor Advisory Committee (which is comprised of representatives from the Commonwealth, Loudoun, and Fairfax governments, and the Airports Authority), recommended:

- Implement the toll increase effective January 1, 2013 as proposed in the public hearing materials.
- Implement Option A of the proposed toll rate increases effective January 1, 2014, which was presented in the public hearing materials, and
- Implement Option B of the proposed toll rate increases effective January 1, 2015 which was presented in the public hearing materials. However for 2015, consider a possible alternative that would change the proposed increase in the Main Toll Plaza toll by an increasing it by an additional $0.25 and decrease the Ramp toll by a corresponding $0.25.

Mr. Rountree then provided an overview of supplementary materials including:

- The estimated impact of proposed rates on traffic and revenue,
- Multi-axle cost comparisons between the Dulles Greenway and the Dulles Toll Road,
- The potential trip cost on the Dulles Toll road versus the Metrorail once opened, and
- A summary of Potential alternative funding sources.

One of the most significant funding sources that can impact tolls is a US DOT Federal TIFIA Loan. Jim Taylor, Co-Financial Advisor with Mercator, LLC, was asked to provide an update on the status of work to obtain a TIFIA Loan. He described that the Airports Authority had worked with its funding partners, Loudoun and Fairfax, and jointly submitted a Letter of Interest to U.S. DOT for the Dulles Corridor Metrorail Project seeking the maximum amount of TIFIA assistance possible under the program ($2.9 billion, which is 49 percent of the total project cost of $6 billion). The Letter of Interest had been submitted October 5, 2012. Mr. Taylor explainer that there are two primary steps: 1) submission of the Letter of Interest, and 2) the application process. Those submitting a Letter of Interest can only submit an applicator once invited to do so. It will be a process that spans several months to close a TIFIA loan once invited to apply. The TIFIA Loan can moderate significantly the amount of expensive Capital Appreciation Bonds that would otherwise need to be issued to finance the project. In doing so, the lower interest rates and flexible repayment terms can have a significant impact on lowering expected future toll increases. Preliminary analysis indicates that a TIFIA loan of at least $1 billion could reduce projected toll rate by an average of about 25 to 30 percent over the 25-year period following project completion.

Mr. Rountree then presented Management's recommendation that the Committees approve and recommend to the Board of Directors adoption of a regulatory amendment to adjust the toll rates on the Dulles Toll Road in one of two ways:

1. That the rates be adjusted in each of the next three years (2013, 2014, and 2015) effective on January 1 of each such year, to the levels for these years set out in the toll rate schedule recommendations of the Dulles Corridor Advisory Committee, or

2. That the rates be adjusted in each of the next two years (2013 and 2014) effective on January 1 of such year, to the levels for these years set out in the toll rate schedule recommendation of the Dulles Corridor Advisory Committee, and that the Airports Authority expressly reserve the option, which may be exercised no later than June 30, 2013, to further adjust the toll rates, effective January 1, 2015, to levels no higher than the rates for that year set out in the Dulles Corridor Advisory Committee toll rate schedule recommendation.

It was further recommended that the Committees approve and recommend its Regulatory Amendment to the full Board on this November 14 meeting date, to ensure adequate implementation time for any increases effective January 1.

Mr. Davis commented that it was important for the Authority to listen to its funding partners, as evidenced from the past, and he was pleased that the Management recommendations took into account their views.

The benefits of the public hearings beyond the legal requirement were discussed in that they served to be educational and informational. By the very nature of the obligations upon the Authority, the public hearings had little bearing on the fact that tolls must ultimately be increased in order to fulfill the fiduciary responsibility to complete the Metrorail project, and ultimately pay debt service.

Mr. Stottlemyer thanked management and staff for their efforts and leadership throughout this process. He suggested that the Authority continue to fully examine all viable alternatives for funding, as well as toll collection strategies. Mr. Potter discussed distance-based tolling as a future alternative; however this would require a substantial capital investment and would take time.

Phil Sunderland, Vice President and General Counsel, was asked to comment on whether the public had preferred any of the alternatives that were presented for years 2014 and 2015 as there were two tolling options presented during the public hearings for those years. Mr. Sunderland replied that there were some comments, but nothing overwhelming for either one over the other.

Mr. Rountree was asked to comment on rating agency reaction to either of the proposed recommendations. He replied that he believed that the rating agencies would be very comfortable with either recommendation.

Mr. Potter discussed that TIFIA was being aggressively pursued to secure as much funding as possible. With the actual TIFIA highly probable, but yet unknown, it would support the option to defer setting the toll rate increase for the 2015 year.

Mr. Conner described that the day's approval would position the Authority to have rating reaffirmed in mid-2013, so that it could proceed with the financing plan as required. The financing plan has been very consistent, and the Authority has the confidence of its funding partners.

There being no further discussion, the joint committees unanimously approved recommending to the full Board later that day the second option presented by Mr. Rountree earlier. Specifically, that:

> **That the rates be adjusted in each of the next two years (2013 and 2014) effective on January 1 of such year, to the levels for these years set out in the toll rate schedule recommendation of the Dulles Corridor Advisory Committee, and that the Airports Authority expressly reserve the option, which may be exercised no later than June 30, 2013, to further adjust the toll rates, effective January 1, 2015, to levels no higher than the rates for that year set out in the Dulles Corridor Advisory Committee toll rate schedule recommendation.**

The resolution includes both 2-axle and multi-axle toll increases, however, the 2-axle tolls are predominant on the Dulles Toll Road. This Regulatory Amendment increases the 2-axle tolls effective January 1, 2013 by $0.25 at both the Main Plaza and the Ramps, for a total trip cost of $2.75. Effective January 1, 2013 the 2-axle tolls will increase by $0.75 at the Main Plaza only for a total trip cost of $3.50.

The meeting was thereupon adjourned at 9:04 a.m.

SUMMARY MINUTES
NOMINATIONS COMMITTEE
MEETING OF NOVEMBER 14, 2012

Mr. Crawford called the Nominations Committee Meeting to order at 8:00 a.m. It was held in Conference Rooms A and B at Washington Dulles International Airport. Mr. Crawford noted that the other two Members of the Committee (Mr. Carter and Mr. O'Reilly) were also present. Other Directors present were Mr. Chapman, Mr. Conner, Mr. Davis, Ms. Hall, Ms. Lang, Ms. Merrick, and Mr. Curto, *ex officio*.

Mr. Crawford offered the Committee's recommendation to advance the following candidates for the election of officers at the day's Annual Meeting:

Michael A. Curto	Chairman
Thomas M. Davis III	Vice Chairman
Quince T. Brinkley, Jr.	Secretary

Mr. Crawford then asked if there were other nominations to advance additional candidates. Hearing none, the Committee's recommendation was accepted.

The Meeting was thereupon adjourned at 8:02 a.m.

[NOTE: This is not listed under Committee Reports on the agenda for the December 12, 2012 Board Meeting; a report was provided at the November 14, 2012 Annual Board Meeting.]