SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF OCTOBER 17, 2012

Mr. Session chaired the Business Administration Committee Meeting of October 17, calling it to order at 8:15 a.m.

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

Staffing Services Contract for the Dulles Toll Road

Mike Stewart, Manager of the Airport Administration Department at Dulles, said the staff was recommending the award of a contract for staffing the toll gates on the Dulles Toll Road to Faneuil, Inc., of Hampton, Virginia. The contract would be effective December 12.

The Committee had heard a pre-solicitation report in November 2011. The incumbent firm, Abacus, had come with the toll road, its contract having been awarded by the Virginia Department of Transportation. The new contract called for approximately 119 toll collectors, 8 fiscal assistants and 3 supervisors. It would run for one base year, followed by two one-year extension options. The base year cost was not to exceed $3.55 million; the three-year cost $10.87 million. The contract had a 20 percent Local Disadvantaged Business Enterprise requirement, which would be met by the retention of Adept Professional Staffing of Bowie, Maryland.

Mr. Carter asked what the pay and benefits would be; Mr. Stewart said they had not yet been provided, and that the contract was not subject to the "living wage" requirements. Ms. McKeough noted that the offeror had indicated in its proposal that it did provide health, welfare and time-off benefits, as well as an employee-recognition program and compensation for uniforms.

Mr. Session asked who would be responsible for the contract; Ms. McKeough said Chris Browne, the Vice President and Airport Manager, would be. It would be administered by Cindy Ward, the Toll Road Manager.

Mr. Session asked how the staffing effort worked. Ms. McKeough said the proposal was not at hand, but she believed Adept would handle the recruiting.

The Committee then unanimously agreed to recommend the award to the full Board.

Proposed Regulation for Pre-Employment Criminal History Records Checks

Elmer Tippett, Vice President for Public Safety, requested the Committee's concurrence in issuing a proposed regulation to authorize criminal history checks of applicants with a conditional offer of employment with the Authority. The final regulation would have the force of law.

Mr. Tippett explained that the Department of Transportation Inspector General audit had found some deficiencies in the suitability for employment process. The staff had therefore considered a full review of the process, and had decided that a regulation on criminal history checks would enhance the process and bring it in line with best practices in the region.

The current system required broad review of credit records, driving records, employment history and educational records by Public Safety Division officers. Virginia law allowed criminal record checks by subdivisions of the Commonwealth, including the Authority.

Mr. Tippett therefore asked the Committee for the authority to publish a notice of proposed regulation, with a request for public comments, hold a public hearing, and return with a final regulation for full Board approval.

Mr. Session asked when the regulation would be back for Board approval. Mr. Tippett said he hoped to finish the process in December, with Board approval in January 2013.

Ms. Hall asked the reason for a public hearing; Phil Sunderland, Vice President and General Counsel, said the Authority has its own rulemaking procedure, mandated by the Lease with the federal government. The procedure was not often used, so such public hearings were not common. The same procedure had been used for setting tolls. Ms. McKeough said such hearings often generated very little interest.

The Committee then unanimously agreed to authorize the regulatory process to proceed.

2013 Medical and Dental Insurance Programs and Proposed Premium Rates

Warren Reisig, Benefits and Retirement Manager, presented the medical and dental insurance programs for approval, as was required annually. The Authority offered three medical plan options, a PPO and a HMO by Aetna, both with CVS Caremark as the prescription drug manager. Kaiser provided an MPO program, and MetLife Insurance provided the dental insurance program. Costs were shared; the Authority paid 80 percent of the cost, while employees paid 20 percent. For the dental plan, the Authority paid 45 percent. All plans but Kaiser were self-insured.

Mr. Reisig then showed a table of the federal and Washington local government health care costs, all of which were rising faster than the Authority's program. One program had been added to meet the requirements of the Healthcare Reform Act. It would cover eight types of women's preventive healthcare with no cost sharing; the impact to the Authority plans would be minimal, less than .2 percent.

He reported that the average premium rate increase would be 2.7 percent, quite modest, especially considering that there had not been an increase for 2012.

The request was that the Committee recommend the Board approve the 2013 plans at a cost of $23.99 million.

Mr. Stottlemyer said his firm used the same providers, and asked whether the staff had considered the Aetna partnership with INOVA known as "Innovation Health". The result would be lowered premiums. He indicated that his firm could not qualify because its employees were scattered, but 40 percent of Authority employees lived in Northern Virginia. Mr. Reisig said he was aware of the partnership, and said he would be looking at it in the next year. He thought it would be of benefit for tight groups, which normally resulted in discounts. The Authority had to cover retirees who lived all over the country. The current plans covered about 1300 employees, with an average family size of 2.5.

Mr. Session asked if any other provisions of the Healthcare Reform Act would affect the Authority program. Mr. Reisig said nothing new would be required in 2013. Before the Act, the Authority was already covering preventive care without cost sharing. The Act also required summary benefit reports for employees, which would be produced at the end of the year.

Mr. Stottlemyer asked how the relatively exact cost figure could be produced when the Authority was a self-insurer. Mr. Reisig said expenditures were projected for the budget, based on experience. Mr. Stottlemyer asked how the budgeted amounts compared year to year. Mr. Reisig said the budget reflected the 2.7 percent growth rate, but also increases in the number of employees selecting the coverage and in the number of retirees. Ms. McKeough said the budget-to-budget variation would be about 7 percent.

Mr. Carter said the 80 percent contribution rate was fairly liberal, and asked how other jurisdictions structured their programs. Mr. Reisig said the federal government used a 70-30 match, but that many local governments used 80-20. He said the Authority was competitive, but not overly so. Mr. Adams asked whether a wellness program initiative would be developed and brought to the Board; Mr. Reisig said the Authority already had a wellness program and staff was working on it to better coordinate with the medical programs. The effort was to incent behavioral changes. Mr. Stottlemyer noted that the 80-20 split was very favorable compared to the private sector.

Mr. Curto asked for additional clarification regarding the budget-to-budget variation. He thought a 2.7-percent increase in cost to the employees was commendable. Ms. McKeough reiterated that there had not been an increase from 2011 to 2012. Mr. Reisig explained the process. Staff developed a projection of what claims would be. The number of participants was then multiplied by the premium rates to see if the current rates covered the costs. For 2013, they did not. He noted that there were also variances in head counts. Mr. Potter observed that the plan was a good one, and more were migrating towards it, with employees changing from individual to family participation. He said the staff was benchmarking both health and other compensation and benefits industry-wide.

Mr. Crawford asked about the possibility of a gym at both facilities as part of a wellness program. Mr. McKeough said the wellness plan paid gym memberships, and the employees used them.

The Committee then unanimously agreed to approve the insurance program and premiums.

<u>Operational Insurance Policy Renewals</u>

Steve Baker, Vice President for Business Administration, noted that Mike Natale, who was responsible for the insurance programs, was unable to attend the day's meeting. He was therefore presenting the annual information briefing on insurance renewals for the October 1 through September 30 time period. There were two brokers: AON and Wells Fargo.

For the coming year, premiums had decreased by 4.2 percent, or $274,988. There were several reasons. The airport liability premium had decreased 17.3 percent, even while the coverage was enhanced. Terrorism coverage under the federal TRIPRA program had been increased to $750 million, and offsite vehicle deductibles had been lowered from $1 million to $200,000.

The property coverage premiums had gone up 3.8 percent, driven by additional property being brought on line. Workers' Compensation coverage was up 14.3 percent because of increased medical costs and salaries. A new coverage had been added: network security and privacy at a cost of $70,931 and with a limit of $10 million.

For the Dulles Corridor Enterprise, there was a separate casualty program for auto and general liability. Most of the Corridor coverage, however, was an extension of aviation operations insurance. Total premiums for the Corridor had decreased 32.6 percent, resulting particularly from successful marketing of auto and general liability to Liberty Mutual. Dulles Corridor Metrorail premiums were down 68 percent, chiefly because a ten-year policy had been paid off in the second year in 2012.

Mr. Davis asked how many employees were on disability. Mr. Baker said he did not know, but two years before a program had been undertaken to get people working in jobs less physically challenging. Ms. McKeough said there were about 30 to 40 disabled.

Mr. Carter asked if the premium reductions suggested that the Authority had been "ripped off" in the past; Mr. Baker said that was not so, as the largest reduction had resulted from the single payment for a ten-year policy.

Mr. Session asked the scope of the terrorism coverage. Mr. Baker said it provided coverage in a situation short of an act of war, and had only been available through the federal program. An act of terrorism had to be certified by the Secretary of State and the Attorney General. This coverage was very important to the Authority, given the location of Reagan National. The Authority had been unable to get coverage until about three years before, when the federal program had been authorized.

Ms. Hall asked if risks were declining, particularly on the Silver Line. Mr. Baker said the project would shift from an insured construction risk to an insured property risk when it was completed, which carried a lower rate.

Mr. Session asked the status of the general aviation operations at Reagan National, which were still very limited. He asked if there was any impact on insurance at Reagan National. Ms. McKeough said the premiums for Reagan National were driven by the regular air service and were probably not significantly affected.

2012 Business Opportunity Seminar

Mr. Baker said the seminar was an outreach event to inform small, minority and women-owned businesses of upcoming business opportunities with the Airports Authority. This year's seminar would be held at the Gaylord National Hotel and Convention Center in Maryland on November 15, and would run from 9 a.m. to 4:30 p.m.

The attendees, large and small businesses, could hear briefings on upcoming opportunities at both Airports and in the Dulles Corridor, and then discuss them with Authority officials. They could also network with each other. For the first time, Authority contractors would be on the panels to discuss their experiences working with the Authority.

Mr. Carter asked if Prince Georges County leadership and businesses would be involved; Mr. Baker said they would be invited to the seminar. Mr. Carter noted that the County Executive had expressed an interest in the event. Mr. Curto stated that that an invitation would be extended on behalf of the Board. Ms. Merrick asked if the staff tracked the effectiveness of the annual seminar; Mr. Baker said there had been some follow-up in the previous year, but there were not many returns. It was difficult to identify exactly which of several events had actually generated a success story. Anecdotally, the attendees had always said they found the event very worthwhile, and had again urged the Authority to keep the seminars going.

Mr. Adams asked how the event was marketed; Mr. Baker said through newspapers, trade journals, and the Authority's website. The marketing appeared to be very successful; over 875 had attended in 2011.

Mr. Carter noted Mr. Crawford's exceptional leadership and involvement regarding the BOS and thanked him for his efforts.

Mr. Crawford said that he had requested information on the success rate regarding District of Columbia contractors who attended the BOS annually. He noted that the participation rates for District of Columbia contractors in Authority contracts were very low. He wanted more emphasis placed on the District. It was not clear what was wrong. It seemed to him the District was not favored. Mr. Baker indicated that the information Mr. Crawford requested was available; it would be provided.

Mr. Session also acknowledged Mr. Crawford's participation. He said he had attended the Business Opportunity Seminars for many years, and found them excellent. He noted, however, that they were even a victim of their own success as there was occasionally too much demand for the business available.

The meeting was thereupon adjourned at 9:07 a.m.

SUMMARY MINUTES
DULLES CORRIDOR COMMITTEE
MEETING OF OCTOBER 17, 2012

Mr. Davis chaired the October 17 Dulles Corridor Committee Meeting, calling it to order at 12:52 p.m. Mr. Conner, Ms. Hall, Mr. Martire, Mr. O'Reilly, Mr. Session, Mr. Stottlemyer and Mr. Curto, *ex officio,* were present. Mr. Chapman, Ms. Lang and Ms. Merrick, who were not members of the Committee, were also present.

Report on the Status of the Phase 2 Design-Build Contract. Mr. Davis said the first agenda item was most important, and turned the floor over to the staff. Margaret McKeough introduced Eric Carey, the contracting officer for the contract.

Mr. Carey said Phase 2 was actually broken into three packets; today's session would focus on the largest. The contract was for the construction of the line from Wiehle Avenue through the Airport to Route 778 in Loudoun County, and all the systems' work that went along with it. The estimated cost was between $1.4 and $1.6 billion, and the contractor would be allowed five years to build it.

On February 17, the Board had approved a two-step approach for the contract award. Step one was for qualifications; step two was a Request for Proposals (RFP), broken into two parts. The first part was a technical plan, the second pricing. The award would be made to the firm that passed the technical level and offered the lowest price.

The Request for Qualifications Information (RFQI) had been issued in July; responses had been received in September. The solicitation had stated that no more than five firms would be shortlisted at this level. The first team, Bechtel Transit Partners, was headed by Bechtel, which was doing the work on Phase 1. The second, Capital Rail Construction, was headed by Clark and Kiewit, both firms that had done a lot of work at the Airports. The third was Dulles APC Railbuilders, new to the Authority, made up of Archer Western, PCL and Corman. The fourth, Dulles Metrorail Connectors, was headed by Skanska, an enormous international player in design and construction, teamed up with Granite, Wagman, Trumbull and Facchina, which had done a lot of work at the Airports and had rebuilt the Pentagon. The fifth was Silver Line Constructors, consisting of Fluor, which was doing the hot lanes for Virginia, Tutor Perini and Stacy and Witbeck. Mr. Carey said the firms were all excellent, and that he expected all of them to pass the technical test.

The next step would be to give each team a draft RFP, then schedule a meeting. The idea was to assure that they understood the project, and had their technical plans in order. This process would be concluded in February 2013; the request for pricing would be issued in March 2013, pricing would be due in April 2013 and an award made in May 2013. Any team that passed the technical test but did not win the contract would be given a stipend of $1.5 million to pay part of the cost of preparing a proposal.

The RFP itself had two sets of terms, one commercial, and the other technical. The lead partner had to do at least 25 percent of the work. For insurance, the Authority would purchase an owner-controlled policy that covered both the Authority and the construction firms. They would, however, have to cover their own workers' compensation costs. The Disadvantaged Business Enterprise requirement was 14 percent. There was also a 10-percent proposal bond that would protect the project from a winner walking away.

The Department of Labor would set a floor on wages that could be changed, as they did throughout the country. These wages would be monitored by the Authority by review of the entire payrolls.

Preliminary engineering documents were the basis for the Authority estimates. There were published performance standards, which had copied Washington Metropolitan Area Transit Authority (WMATA) standards.

When the draft RFP went out in two days, the idea was to assure that all firms understood the requirements, that they had a schedule, had a plan to manage design, had a plan to manage construction, and had a plan to mitigate risk. Risk was very important, working in the middle of the Access Road, an active Airport, and on the Greenway. It had to be made clear they could not disrupt any activities of the Airport.

Meetings would start the week of October 29; in February 2013 the final RFP would be issued. If the contract is awarded in May 2013, work would start in July 2013, with completion in mid-2018.

The staff had learned many lessons from Phase 1. They were very careful about utilities, and very careful about land acquisition. There were 60 parcels to acquire, and were actually some utility relocations as well. The problems were not nearly as serious as they had been around Tysons Corner.

Mr. Davis asked if the same committee was deciding all the steps. Mr. Carey said that it was. Mr. Davis asked Phil Sunderland, Vice President and General Counsel, for advice on how to respond to inquiries from the public or the firms involved. Mr. Sunderland said that Directors should not respond; the process should run entirely internally, on the management side.

Mr. Davis asked what should be done about complaints about the process. Mr. Sunderland said they should be referred to the single contact for the contract, Mr. Carey. Mr. Davis asked that the Board be kept informed about any serious complaints about the process. Mr. Carey said he could provide occasional reports. Mr. Curto said a curtain had come down when the RFQI had been issued; there should not be any Board involvement in the process.

Mr. Chapman asked how the evaluation would deal with the technical complexity. Mr. Carey said the evaluation had been broken down into separate subjects, for example: design management, safety management, construction management, and mobilization plan. He would meet with each vendor on each one of the subjects. Over three months, the requirements of the RFP would be developed from this effort. Mr. Chapman asked if all five were expected to pass the technical step. Mr. Carey said the firms were all large players, and that he expected they would.

Mr. Stottlemyer asked if the contractor on Phase 1 had any advantage in the Phase 2 selection. Mr. Carey said that in his experience with major aviation contracts that were broken into two phases, he had not seen any advantage for the incumbents bidding on a second phase. He said the firms bidding were very good at competitive work, as opposed to negotiated work, and would not expect an incumbent advantage.

Ms. Lang asked if basing a final award on price was a general rule at the Authority. Mr. Carey said that Authority construction contracting was always done on a low price basis. Some agencies used a "best value" system, combining technical qualifications, planning and pricing. Mr. Potter said the Authority had the flexibility to use best value procedures as well, and had done so recently.

Mr. Session asked about the scope of Package A. Mr. Carey said there were three elements: an 11-mile guideway, six stations, and a series of communications systems, control systems, and traction power systems. Thus Package A provided all that was necessary to run trains. Package B was a maintenance facility for WMATA on Dulles grounds. This would involve a different set of contractors. Package C consisted of five parking garages. Mr. Session asked for the size of the packages. Mr. Carey said the estimate for Package A was $1.4 to $1.6 billion. Package B, originally at about $400 million, was being downsized as a result of the LaHood cost reductions. The parking garages would cost roughly $250 to $300 million.

Mr. Martire said he was concerned about the 25 percent self-performance requirement. Did that mean 75 percent of the project could be subcontracted? Mr. Carey said that his 30-year experience in the federal government had been with a 12-percent self-performance rule on very large projects, which was thought to get the best pricing. He thought 25 percent was quite sufficient. Mr. Martire asked whether the different federal wage rates between Fairfax and Loudoun could cause problems. Mr. Carey said he had reviewed them and found the differences were small; the entire area was urbanized.

Mr. Davis asked if the rates would change by the time the contract was underway. Mr. Carey said the wage rates were set at the pricing stage. The Department of Labor changed the rates every month; the Authority did not change them in its contracts. Mr. Davis asked if that meant in three years an old rate would still be in place. Mr. Carey said that was so, but the rate was a minimum. There may be cost-of-living raises in agreements with the workers. Also, there were actually two rates, one for each county. They applied where the work was done.

Mr. Martire asked again about the difference between county rates. Mr. Sunderland said he had reviewed the rates a while ago, and found only a few differences, all of which were a matter of cents. Mr. Martire cautioned that he had known workers to leave over a nickel's difference. Mr. Potter said Mr. Martire had raised the issue before, and the staff had investigated. Mr. Davis said the contractor would have to deal with the problem; Mr. Carey agreed.

Mr. Curto asked if there had been a comparable Davis-Bacon wage rate issue on the Metrorail system, as it had moved from the District to the suburbs. Mr. Carey said there had been an issue on Phase 1, where a manufacturing yard had been built on the Dulles reservation, in Loudoun County. A second wage-rate determination had to be made. He had not been involved in the Metrorail work. Mr. Curto asked how the contractor had dealt with the yard issue; Mr. Carey said that in a prosperous area, the contractors were usually paying more than the minimum rates anyway.

Mr. Curto asked about the technical process, with the extensive interviews with the finalists. It appeared the standards would be applied rigorously. Mr. Carey agreed, and noted that other organizations would not have taken this step. It was, however, important to nail everything down before getting to pricing. Mr. Curto asked about revising the parameters of the RFP; if such changes were made, would the Board be informed? Mr. Carey said it would.

Mr. O'Reilly said he was impressed with the quality of the five shortlisted teams.

Ms. Merrick asked whether the names of the panel members had been released. Mr. Carey said they had not. They had, however, released the names of some consultants who were assisting in the process. The names would not be released. Ms. Merrick asked if they would be released to the Board; Mr. Carey said the policy had been that they would not be released to anyone. Ms. Merrick then asked if it could be said with confidence that Directors did not know the members of the panel. Mr. Potter said the Directors certainly did know the individuals, but did not know which of them served on the panel. They were all Authority employees. Ms. Merrick then asked if the panel members all had equal votes. Mr. Carey said that was spelled out in the contracting manual; each panel had voting and non-voting members. Non-voting members were there to observe and provide technical assistance. Voting members were all independent and their votes all counted equally. Every panel had a chair, with a single vote like the other members.

Ms. Hall asked if the B and C packages would be handled by any of the five teams; Mr. Carey said they would not. The Package A contractors were being assembled to build the rail system. A different set would bid on the smaller maintenance facility, and still another set on the parking garages.

Mr. Davis asked if there would be penalties for late delivery. Mr. Carey said the RFP would have a significant liquidated damages clause, with a fee assessed for every day late. It was not called a penalty, but a cost of doing business. Mr. Davis asked if there was an incentive for finishing early. Mr. Carey said there was not, and that he did not believe there should be. Mr. Martire said the hot lanes project had included an incentive, and the contractor had collected it. Mr. Sunderland said incentives had been added to the Phase 1 contract, but it had not changed anything. An incentive often meant the agency simply paid money to save money, without any particular benefit. Mr. Carey pointed out that WMATA had its own schedule for starting operations. It was not likely WMATA could accelerate to meet an early finish of construction.

Mr. Stottlemyer asked if there was a disincentive to an early finish, particularly with respect to finance. Mr. Carey said an early finish would add to the cost of the project.

Dulles Corridor Metrorail Project, Phase 1, August Cost Summary and Project Update. Pat Nowakowski, Executive Director of the Metrorail Project, reported that $76 million had been spent on Phase 1 in August, bringing total expenditures up to $2.107 billion in a total project budget of $2.905 billion. The forecast was that the project would be finished within that budget amount.

About $2 million in contingency funds had been used in August, most of which had gone to an allowance item on the West Falls Church yard and a revised right-of-way forecast. Contingency use to date had been $371.6 million, with $90.7 million unobligated. The substantial completion date remained August 2013.

Mr. Curto asked if the $90.7 million was enough to finish the project. Mr. Nowakowski said forecasts were reconsidered every month and were still valid.

Vehicle Accident Statistics for the Dulles Toll Road. Mr. Davis asked if the road was safer for drivers now that the hot lanes project was open. Deputy Chief Gary Hart agreed. Mr. Davis said it was remarkable there were not more accidents during the construction period, and the police deserved credit. Mr. Davis asked if HOV violations were being pursued. Deputy Chief Hart said they were. Mr. Davis said he understood that the Authority did not receive the fines; Deputy Chief Hart confirmed his understanding. Mr. Davis said that should be corrected by legislation. Mr. Potter pointed out that the Authority did not have a court. Mr. Davis said that was not necessary; moreover, it would be a good idea to tell drivers the Authority was pursuing additional revenues to hold down tolls.

Dulles Corridor Enterprise September 2012 Financial Report. Andy Rountree, Vice President and Chief Financial Officer, reported that Toll Road revenues year-to-date had been $76.9 million, at 71.3 percent of budget 75 percent through the year, up 7.9 percent from the same period in 2011. The 75.5 million toll transactions for the period had been down 1.2 percent, and electronic payments had been up 3.5 percent, to 77 percent. The primary reason appears to have been that there were fewer work days in September 2012 than September 2011.

Mr. Rountree said that Toll Road expenditures of $18.3 million year-to-date were down 3.6 percent from the year before, and had reached only 63.3 percent of budgeted expenditures, three-quarters 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 1:45 p.m.

SUMMARY MINUTES
EXECUTIVE AND GOVERNANCE COMMITTEE
MEETING OF OCTOBER 17, 2012

Mr. Curto chaired the Executive and Governance Committee Meeting of October 17, calling it to order at 8:05 a.m. After noting that the Nominations Committee would be delayed until Mr. O'Reilly arrived, he identified Mr. Carter, Mr. Session and himself as a quorum of the Committee. Mr. Adams, Mr. Chapman, Mr. Conner, Mr. Crawford, Ms. Hall, Ms. Lang, Ms. Merrick and Mr. Stottlemyer were also present.

1. PROPOSED AMENDMENTS TO THE BYLAWS

Gregory Wolfe, Counsel to the Board, said the Bylaws were the Authority's basic governance document, prescribing when and where it met, how it voted, and what the duties and responsibilities of the Chairman were, among other matters.

The Bylaws also included several items found in the charter statutes, most notably, how many Members there were. The proposed changes were ministerial, for the most part; the Bylaws had been amended more substantively in February. The amendments reflected the increase to 17 Members and the distribution to each jurisdiction. This also meant the quorum had to be changed, as well as provisions requiring a supermajority. A quorum would now be nine. For bond issues, the annual budget, and the appointment of a President and Chief Executive Officer, the requirement was ten affirmative votes, a majority of the Board plus one.

One change was more substantive. Since the Authority had been created, it had been subject to the "Metzenbaum amendment" in the original 1986 Metropolitan Washington Airports Act, which required a supermajority to authorize the award of a sole-source contract for goods and services or for concessions, costing or providing over $200,000. It had not been included in the Bylaws; it would be added with the current amendments.

Mr. Carter asked how the sole source requirement had been left out of the Bylaws. Mr. Wolfe said he did not know; it had happened 25 years before. He noted that the Congress had twice amended the size of the Board but had not amended the sole source voting requirement. The new Bylaws provision had been changed to ten votes, to match the original Congressional intent.

Mr. Curto called for a vote of the Members of the Committee on recommending the amendments to the Board; the Committee unanimously agreed.

The meeting was thereupon adjourned at 8:10 a.m.

[NOTE: This is not listed under Committee Reports on the agenda for the November 14 Annual Board Meeting; a report was provided at the October 17 Board Meeting.]

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF OCTOBER 17, 2012

Mr. Conner chaired most of the October 17 Finance Committee Meeting, calling it to order at 11:40 a.m. A quorum of the Committee was present: Mr. Carter, Mr. Conner, Ms. Hall, Mr. Session and Mr. Curto, *ex officio*. For a short time, Mr. O'Reilly, who was temporarily appointed to the Committee, chaired the Meeting.

Draft 2013 Budget

Andy Rountree, Vice President and Chief Financial Officer, said the draft budget was normally presented to the Finance Committee in October. The current version was a working draft; a recommended budget would be ready in November. He introduced Budget Manager Rita Alston and Rates and Charges Manager Teri Arnold.

The first step in the budget process was to look at the aviation projections; an updated set of projections had just been received from the air traffic consultant. Generally, these projections were very conservative by nature. Mr. Rountree showed a summary of the enplanement projections by airport. Where Reagan National was up, Dulles International was down. In sum, the projections were fairly flat.

He explained that there were actually six budgets; that would be explained further in November. Mr. Chapman asked what the national forecast was for 2013; Mr. Rountree said he understood it was flat as well. Mr. Conner said it was obvious the two Airports were not meant to be competitive with one another, but with the rules changed by the Congress, passengers still preferred Reagan National, at the expense of Dulles International.

The total value ($663 million) of the proposed operations and maintenance (O&M) budget was financed by actual costs recovered from the airlines, through rental fees and rates and charges, and also from concession revenues. The O&M budget, as drafted, would grow only 1.5 percent over 2012. Nearly half the budget covered debt service; of the remaining operating expenses, about half were personnel expenses, and 30 percent was for services. In totality, there was very little flexibility in the budget, given debt service and personnel expenses.

As to revenues, the 2013 draft projection was for $734.6 million. There would be a small increase over 2012, about 1 percent. Rental car revenues were down, as the market tried to right-size itself, and to recover from overly aggressive bids in the past. The next large item was parking at Dulles International, which was declining slightly. Mr. Adams asked about the reduction in Transportation Security Administration (TSA) security fees; Ms. McKeough explained that the reduction was nationwide. Mr. Adams asked the impact of the cut; Ms. McKeough said it was very small.

Ms. Lang asked about the possible impact of sequestration on the budget. Mr. Potter said it would affect security fees, but would not affect construction grants. If sequestration hits Customs and Border Protection and the TSA, it would mean long lines for passengers. If the problem became serious enough, airports would take over some of the functions, and have to pay for it. The problem was the same for all airports.

Mr. Rountree said in the draft 2013 budget, $3 million had been built in for the pay-for-performance program. Health insurance costs, as the Board had recently heard, were estimated to grow at 7.9 percent. Pension funds had annual contributions; all were 100 percent funded, an unusual and favorable position. As to personnel, a net of five new positions was recommended. Procurement, accounting, and internal control oversight were being strengthened. Service contracts were going up, most notably for the custodial contract at Reagan National. Utilities were fairly stable, though staff was always looking for better pricing. The $4.50 Passenger Facility Charges from Dulles were being used to pay debt service on the underground people mover. There is an irrevocable commitment to do this through 2016, and the PFC application allows us to do this through 2038. PFCs from Reagan National would later be used to pay the Authority's share of the rail project. Mr. O'Reilly asked how much of a pay increase would be financed by $3 million; Mr. Rountree said an average of 3 percent, but that the distribution could be higher or lower for employees, depending upon performance ratings. Ms. Hall asked about the $40 million of PFCs paid to the airlines to reduce their fees; Mr. Rountree said the Authority was committed to paying at least $35 million through 2016, the payment is actually for debt service which benefits the airlines rates and charges.

Mr. Rountree next provided a table of capital equipment and maintenance projects, which totaled $33.9 million at both Airports. Capital construction was largely funded through bonds, sometimes with some grant money. At Reagan National, new debt would be issued, about $48 million, matched by $41 million in grants, for the Runway 15/33 improvements. At Dulles International, the goal was not to add indebtedness when the business was down. With the cancelation of some old projects, the net indebtedness would increase only about $1 million.

As to the Dulles Corridor Enterprise, operating expenses were down slightly. Mr. Carter asked why the Airports were so heavily leveraged. Mr. Rountree said that was normal when building for the future, though he did believe Dulles International was too leveraged. Mr. Potter said a critical element of the upcoming use and lease negotiations would be an additional set of projects to improve the passenger experience, especially at Reagan National.

Quarterly Report on the Investment Program

Mr. Rountree said the investment program report was about the liquid assets. The portfolio was down because of anticipated expenditures. The Aviation portfolio had declined $17.5 million because of some construction payments and a substantial bond interest payment. The increase for debt service principal was being set aside for an upcoming payment. The Dulles Corridor portfolio was also down, by $85.9 million. Debt service interest was a large item; federal grant money was being spent on construction. The calculation of unrestricted (operating) cash on hand showed the Aviation Enterprise slightly below Moody's average. On the other hand, the Toll Road had a good cash flow, with unrestricted cash well above the industry average.

Financial Advisor's Report – Aviation Enterprise

Guy Nagahama, of the Jefferies' financial advisor team, had served the Authority for many years. He said that about $5.1billion of outstanding aviation debt included $971 million of outstanding variable rate bonds, some of them hedged. $530 million were supported by bank facilities that would be expiring in 2013. Staff and advisors had looked into other available banks. They had solicited 45 banks; nine had responded, with a capacity of $2 billion. They had then developed a plan to extend the facilities out to 2015, 16, and 17. The program would go longer at a lower rate. Documentation was being worked on; no problems had been identified, and the transaction would be ready for the Committee in November and the Board in December. Mr. Stottlemyer asked if targets were set, or rates were market-based. Mr. Nagahama said the Authority had targeted about 15 to 20 percent for variable rate exposure, given the low rates on fixed-rate issuances in recent times. Mr. Rountree said the Authority did rely on the market, especially when it had to sell bonds, and had long used variable rate paper for diversification and flexibility. Mr. Curto said the Joint Committee on Taxation had mentioned the tax exemption for certain debt, and the possibility of its termination. Mr. Nagahama said the variable-rate debt would cost more if the exemption were removed, but none of the fixed-rate debt would change. With the bank renewals, it would be possible to lock in LIBOR, which would not change with loss of tax exemption. Mr. Stottlemyer asked if the capital program should be accelerated while the interest rates were low. Ms. McKeough said the construction program was fairly set for a while, and there was nothing major to accelerate.

Financial Advisors' Report – Dulles Corridor Enterprise

Mr. Rountree introduced Bryan Grote of Mercator Advisors. LLC and Doreen Frasca of Frasca & Associates. LLC. Mr. Grote noted that, now that toll rates were crystallizing, the Transportation Infrastructure Finance and Innovation Act (TIFIA) had become more important as a way of mitigating them. The Authority's Letter of Interest had already been submitted to the TIFIA office, where it would be used to determine eligibility. The office then might seek further information. If things were going well, they would ask for credit ratings and a $100,000 payment for their costs of hiring financial and legal advisors. Then the Authority would be asked to make a formal application. The Authority was seeking the maximum TIFIA participation, 49 percent of the total project costs, in the Dulles rail case, $6 billion, Phase 1 and Phase 2 combined. He noted that all other applicants would be seeking the same 49 percent. The Department of Transportation had already received over 19 letters, with projects covering $27.5 billion. The Department had estimated $15 billion would be available over the next two years. The Dulles application was the largest; the Tappan Zee Bridge was just behind it, at $5.9 billion. The program was still competitive.

On the securitization of the Full Funding Grant Agreement, negotiations had begun with the Bank of America. The Project has already received $611 million, leaving $289 million to go. Securitizing that payment would allow payoff of the Phase 1 financing, and allow preservation of the commercial paper for Phase 2. By the next meeting in November, the financial advisors hoped to have finished a proposal, for Board approval in December.

As to the $150 million Virginia grant, it would be used to pay some of the debt service costs to slow the rise in tolls.

Mr. Session asked how long the Department would take between the letter and the grant. Mr. Grote said the procedure had changed to one of rolling approvals. The Authority's application was backed by three different credits, the Toll Road and Loudoun and Fairfax Counties. Project readiness would also be key. The award of the design-build contract would help the application, as the Department would like the certainty of the price. Mr. Session asked about any competitive advantages the Authority may have. Mr. Grote said the biggest one was that the Department knew the project very well, while some knew the credits very well. Ms. Hall asked if the staff was working closely with Kevin Chapman, who should have some inside knowledge about the transactions. Mr. Curto noted that Secretary LaHood had already praised the project as a very important one.

Doreen Frasca said Mr. Conner had already noted that the Authority would not be in the market for fixed-rate debt until the middle of next year. It was important as financial stewards to keep track of the markets. She said MMD was an index used in the industry as a benchmarking instrument for interest rates. It was compiled by Thompson-Reuter on the basis of a series of annual serial maturities from 2013 to 2030. Each year had an interest rate associated with it. This daily index was used as a jump-off point to determine how an AAA rating would compare to a BBB. The market had been quiet in September. She hoped that the market conditions would prevail next year, when the Authority went to market.

Mr. Curto again asked what would happen to the Authority's program if the tax exemption were removed. Ms. Frasca said conservatism had been built into the plan of finance for the Toll Toad. Rates in the financial model ranged from 6 to 8 percent. If debt had to be taxable, the Toll Road would fall in that range. The results would not be good, but they could be handled. Mr. Rountree noted that TIFIA was pegged to the Treasury rate, which meant it would go a long way, especially if the other debt became taxable.

Mr. Rountree pointed out that the credit rating on the Toll Road, a separate and distinct credit, was a BBB+. On the aviation side, the rating was AA-.

Aviation Enterprise – September 2012 Financial Report

Mr. Rountree introduced Mark Tune, the Controller, and said year-to-date revenues of $481.5 million were up 5 percent from the same period in 2011, at 73.8 percent of budged revenues at 75 percent through the year. Expenses year-to-date were at $420.2 million, up 4 percent from 2011, but at 67.6 percent of budget.

Operating income was at $61.2 million, compared to $54.2 million in 2011. Debt service coverage had to be at least at 1.25; it was back up to 1.37. Days of unrestricted cash on hand stood at 456.

Mr. Curto asked how increased traffic at Reagan National affected the reports; Mr. Rountree said they were all rolled in and accumulated.

The meeting was thereupon adjourned at 12:37 p.m.

SUMMARY MINUTES
NOMINATIONS COMMITTEE
MEETING OF OCTOBER 17, 2012

The Nominations Committee Meeting of October 17 was called to order at 9:07 a.m. by Mr. Curto, who said that the Committee was made up of the senior member of each appointing jurisdiction -- Mr. Crawford, Mr. O'Reilly and himself. Each delegation was able to substitute another candidate. The Maryland delegation had decided to substitute Mr. Carter for Mr. Curto.

Mr. Curto then recognized Mr. O'Reilly, who nominated Mr. Crawford to serve as Committee Chairman. As a second part of his motion, he moved the following schedule for the Committee: candidates for any elective position and any members advancing the nomination of any other member should notify any member of the Committee in writing not later than October 26; that the Committee Chairman should produce a list of candidates to be advanced as officers and distribute that list in an e-mail to all Members not later than November 9; that the election of officers will take place at the Board Meeting of November 14; that this process was not exclusive as Members could make other nominations at the November Board Meeting; and that, having completed its business, the Committee would be adjourned.

The Committee unanimously agreed to Mr. O'Reilly's motion, Mr. Crawford accepted the Chairmanship, and the meeting was adjourned consistent with Mr. O'Reilly's motion at 9:10 a.m.

SUMMARY MINUTES
JOINT FINANCE AND DULLES CORRIDOR COMMITTEES
MEETING OF OCTOBER 17, 2012

Mr. Conner chaired the October 17 Special Joint Meeting of the Finance and Dulles Corridor Committees, calling it to order at 10:33 a.m. He said the schedule had been shifted because of the importance of the agenda, which was to set tolls for 2013, 2014 and possibly 2015. The financing scenario was very complicated, and the tolls affected everyone, and Board Members needed to be fully informed.

The original plan had been to make a recommendation to the Board at the current meeting, but the arrival of four new Board Members had led to a decision not to take any action. There would be some workshops organized for the new Directors, and anyone else who was interested.

Mr. Conner said he would make some opening remarks. They would reflect his own views, but he was confident most of what he would say was accurate. He would allow time for others to supplement, disagree, or concur.

The process of toll-rate setting began, for the Board, in 2009, when rates were set for 2010, 2011 and 2012. It was now time to set tolls for 2013, 2014 and 2015. It would be possible to set them for one, two or all three years.

The Authority had gone through an extensive public process on the proposed rule setting the new tolls. There had been three public sessions, and a meeting with the Dulles Corridor Advisory Committee. Mr. Conner said he and other Directors had attended one of the sessions. Looking through the comments, there had been four major concerns.

People were concerned that tolls would be too high, and would divert traffic to the secondary highway system, which would cause greater congestion and greater costs to the localities for upgrading their road systems. Many suggested that high tolls would destroy the viability of the Dulles Corridor.

There was also a fairness issue; why should the motorists be shouldering such a large part of the cost of the rail project? The Board was vitally concerned about those issues as well. One might call the project rail to

Dulles, which was true, but it was also rail to develop the Corridor. The last thing the Authority wanted to do was impose a toll rate structure at a level that ultimately undermines what the Authority was trying to do.

There were some comments about matters the Authority did not control. The first went to the desirability of the overall Silver Line project. The second went to the use of Dulles revenues strictly within the Dulles Corridor.

The Board's role has two parts: to build the Silver Line all at once, and to finance it at the lowest possible cost. There was therefore an obligation to set the tolls at a rate that would support the Project. Mr. Conner observed that it had been a brilliant stroke by the politicians to hand that obligation to the Authority.

Because the Authority set the tolls, there was also a suggestion that the Authority should make a larger contribution to the Project. The Authority was looking at all alternatives in good faith, but there were real legal limitations on raising revenues elsewhere on the Airport and devoting it to the debt service on the Silver Line. For example, many had urged that the Access Road to Dulles should also be tolled. While the Authority could legally do that, there were at least six legal agreements that would have to be renegotiated. The Use and Lease Agreement provided that 50 percent of revenues had to be shared with the airlines. There was an indenture for the aviation debt that precluded the use of aviation revenues on non-aviation items.

There was also a perception that the Authority had a pot of gold, that it could spend whatever it wanted to. This was not so. The Authority was actually highly leveraged, largely because it had been obliged to spend so much on the Dulles Terminal. The Authority's contribution was $240 million; $180 was to be financed from Passenger Facility Charges. The remaining $60 million had to be financed. It would not be easy to do.

The second perception was that the Authority had a greater obligation to pay for the Silver Line than the other partners. Mr. Conner then set out the funding arrangement. The United States had contributed $900 million on Phase 1, and then had stopped. Virginia had given $425 million, including the recent $150 million, on both phases, plus the Toll Road revenues. Fairfax was going to contribute 16.1 percent, Loudoun 4.8 percent, and the Authority 4.1 percent. The percentages had been the subject of intense negotiations, based on the number of track miles, the number of stations, and other items, including the Authority's donation of the land. The question was, why should the Authority contribute more if the other partners were not doing the same?

As things stood now, 54 percent of the cost would be paid by the Dulles Toll Road. No one thought that was appropriate or fair. It was a reflection of the fact that the society needed a collective revenue source to pay for such large infrastructure projects.

Historically, it had never been contemplated that 54 percent of the construction costs would be paid by the toll; the assumption had been 25 to 30 percent. That was the level the Authority should work to get to. Under the current Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program, the Authority could borrow at a deeply subordinated level at less than 3 percent, at 2.7 or 2.8 percent. The rate on $1.3 billion outstanding debt was just over 6 percent. This was a remarkable difference in cost that would have a remarkable impact on toll rates.

Under recent legislation, the TIFIA program had grown considerably. The Department of Transportation (DOT) currently had about $130 million in TIFIA authorizations. That number is multiplied by ten to produce the available loan amounts. Many asked why the Government had not provided more already. The Authority did not have a project fully scoped and approved by all the funding partners before July 3. The Government could not make a grant or a loan until it had received a completed and scoped project. The Authority was working on that; all had seen the Letter of Intent.

Mr. Conner said the Congressional delegation, Senator Mark Warner, and Representatives Jim Moran, Frank Wolf and Gerry Connolly had been working on the federal funding. They had met with DOT officials and had held frank discussions about the need for federal support. The Department had also been helpful and engaging.

Mr. Conner was confident the rail project qualified as a priority project for the Transportation Department. No one was looking for a handout; the project was 80 percent funded by localities; and connected the Capital with its international airport. It was a project the federal government should support.

Even if Phase 2 was not built, tolls would have to go up in 2013 and 2014 to support existing debt, $1.3 billion in bonds and $150 million in commercial paper. 2015 was another matter; it would be impacted materially by any TIFIA grant.

One reason to go three years was to satisfy rating agencies, so they would understand the long-term commitment to raise tolls, despite unpopularity. But the Authority was likely to hold off even issuing debt until the middle of 2013. This meant the Authority would not have to go to the rating agencies until June 2013. Thus between now and the end of the first quarter of 2013, the Authority would know about the availability of TIFIA and will have awarded the main Phase 2 construction contract. These would affect the toll rates for 2015.

Mr. Conner said that one of the largest investors in Toll Road bonds had asked about a former Director's public letter that said the financing plan was fundamentally flawed and doomed to failure without government support. He wanted to know if the Authority would disavow it. For the record, Mr. Conner had said the letter did not reflect the views of the Board or the management and did not reflect the views of any other Directors or any of the underwriters.

The financing plan was in fact conservative and sound, and the project could be financed without any government funding, even though that outcome was not appropriate or prudent, and that all hoped that the Government would provide further assistance. 80 percent of the cost of such a significant project should not be borne by the localities.

Mr. Davis, co-chairman of the Committee, said that building rail had not been the Authority's choice. The role had been thrust upon the Authority, because the leadership believed that the Authority could more easily raise tolls. Raising tolls in Richmond would have been problematical; they could have been scored as a tax increase, and were in any event a tough decision for legislators along the right of way. The Authority would welcome additional support from Richmond. With the changes in the D.C. law and the ensuing changes to the Board, the Authority's standing was now better with the Richmond Republicans, who had been dissuaded from providing more money. There were now better chances of obtaining aid from the Commonwealth.

He noted that the original plan had been 25 percent from local tax district, 50 percent from the federal government, and 25 percent from Virginia, paid from Toll Road revenues. That was the reason Virginians claimed their share was already being paid, even though thousands of the toll payers came from the District and Maryland.

The Authority would continue to push the Government, chiefly for TIFIA, which would help a lot. The tolls were high; Mr. Davis said he rode the Toll Road every day. When tolls go up, the costs made the area less attractive for development. Thus the Commonwealth had an interest in keeping tolls low.

Working together, in frank, honest discussions, would help resolve the difficult questions. Board Members had had serious differences, but they had largely been worked out after the rail station location had been settled.

Mr. Session asked for an explanation of TIFIA, an unusual acronym, for the new members. Mr. Conner said the acronym stood for Transportation Infrastructure Finance and Innovation Act. It basically provided very low interest loans, subordinated to other debt, and a deferred payback schedule. It was still debt, but the most remarkable step next to a full grant. About 15 projects were competing against the Authority for TIFIA loans. The main thing was rather than going to the markets for debt at 6.6 percent, obtaining a TIFIA loan at half that would have an enormous impact.

Andy Rountree, Vice President and Chief Financial Officer; Phil Sunderland, Vice President and General Counsel; and Jim Taylor of Mercator Advisors, LLC began the presentation.

Mr. Rountree explained that regulations, which were necessary to set tolls, required public hearings, which were well advertised. Three hearings were held instead of the required one. Attendance had been 195, and attendees had provided 54 comments. An additional total of 584 comments had been received from 567 individuals. Fifty-six percent of the comments had come from Fairfax residents, and 32 percent from Loudoun residents. For reference, there were roughly 240,000 cars on the Toll Road every day.

The staff had also visited the Dulles Corridor Advisory Committee (DCAC), which had been set up in the Virginia Department of Transportation permit and operating agreement for the Toll Road. At the time, it had been considered important that the local officials and the Commonwealth could continue to advise the Airports Authority. The Committee consisted of the Loudoun and Fairfax chairs and chief executives, the Authority Chairman and Chief Executive Officer, the Virginia Secretary of Transportation or his designee, and the Northern Virginia member of the Commonwealth Transportation Board. Staff had presented the same information to the Committee it had to everyone else.

Mr. Rountree explained the table on page 6 of the PowerPoint, which set out the sources of capital funds for the $5,594,695 project. The Government had provided $900 million in grants. The Commonwealth had initially provided $275 million, and had offered an additional $150 million, which was not counted as a capital contribution, as it would be used to pay debt service. Beyond these grants, the local partners had agreed to contribute together 25 percent. The residual fell to the Toll Road, in an amount now estimated at $3 billion.

It had always been understood that tolls would be raised over time to pay for the increasing debt. When the deal was agreed to, Phase 2 was estimated at a much smaller number. Estimates were now better, and would be set when the contract was awarded in May 2103.

The data shown on the table on page 7 was a profile of debt under the current plan, without a TIFIA loan. The Authority had already issued $1.3 billion in debt; an additional $2 billion would be necessary. The table showed the need for toll increases in the near term, to cover debt already issued.

This information and related tables had been used at the hearings and the DCAC meeting.

Another table, on page 8, showed the costs underlying the tolls. Operations and maintenance, and renewal and replacement were relatively stable; the growth was all in the debt service payments.

Mr. Rountree then explained toll options A and B, as set out in the table on page 9, and how the DCAC had supported option A for 2014 and B, slightly modified, for 2015.

He next showed a chart (page 10) that compared toll rates on the Toll Road with the Greenway and the Maryland Intercounty Connector. Mr. Stottlemyer at this point took up the issue of the differential in fees for larger, or multi-axle, vehicles. He was concerned that trucks would be undercharged, particularly compared to the Greenway and analyzed the comparative cost per mile.

Mr. Rountree said the tolls had been changed in the out years for more than 2-axle vehicles in the proposal. They had used the same proportion between each class of rates as they cover the out year. Mr. Stottlemyer said he understood that, but that multiple axles still would not match the Greenway per-mile rates when the 2-axle tolls did.

Jim Taylor said Mr. Stottlemyer was right on the cost per mile, but the Greenway was a revenue-maximizing firm, not concerned about diversion. The Authority was a public agency, and had to account for fairness and diversion. He believed the multiple-axle rates should be a multiple of the 2-axle rates; not based on a cost per mile.

Mr. Potter said there had been a vigorous debate on these rates. Multi-axle vehicles were about 3 percent of the traffic, and communities were concerned especially about diverted truck traffic. Given that the number was small, staff thought the less aggressive approach better.

Mr. Martire asked if congestion pricing would make a difference. Mr. Rountree said it would amount to spreading the rates around to reach the same totals. Mr. Stottlemyer pointed out that diversion was likely to occur midday and late at night, so that congestion-based pricing might make good sense. Mr. Potter said a consultant had been engaged to address that issue and open-road tolling as well.

Mr. Rountree said the staff had made clear that the Authority was doing all it could to minimize tolls, pursuing additional grants, working to minimize project costs, working on TIFIA, and looking for other sources of revenue.

Mr. Rountree offered a breakdown of the comments he received:

- 334 dealt with the economic impact of toll increases, how they wouldn't improve traffic, what impact they would have on local businesses, and how they would cause diversions

- 316 dealt with alternatives, including more funds from the Commonwealth and the Government, higher Metrorail fares, and tolls on the Access Highway

- 315 questioned the validity of the project

- 309 questioned the fairness of using tolls; the project doesn't benefit the drivers, residents and businesses, but others throughout the region

- 52 addressed operational issues; the Toll Road needed better toll booths, better signs, more lanes, and all electronic toll collection

- 61 said tolls were a hidden tax (this had been litigated multiple times)

- 3 said more funds should be committed to noise abatement

- 16 positive comments supported the Project and the toll increase

The full report included answers to these comments.

Mr. Carter asked if the public was being told about the effectiveness of a TIFIA loan. Mr. Rountree said it was, and turned to the board that he had used to do so.

Mr. Potter said comments had been encouraged. The table that was most popular was the finance table staffed by Mr. Rountree and Mr. Taylor. There had been keen interest in financial alternatives.

Mr. Stottlemyer asked how Metrorail fares would affect toll road traffic. If fares were cheap, would people abandon their cars? Were we aware of the Metrorail fares? He said the Washington Metropolitan Area Transit Authority (WMATA) should impose a capital surcharge if the fares were lower than the tolls. Mr. Taylor said WMATA fares would exceed tolls until far in the future.

Mr. Rountree turned to a slide (page 11) on other sources of funds, but was then asked to wrap up.

Mr. Chapman asked what the original financial agreement had been. Mr. Davis said it had been 50 percent federal, 25 percent Virginia, financed by the Toll Road, and 25 percent local, financed by special tax districts. When the costs had gone up, the federal contribution had not; it was frozen at $900 million.

Mr. Chapman said the tolls would be zero under the original agreement; Mr. Davis said the Virginia 25 percent would always have come from tolls. It would not, however, have been a 54-percent share.

Mr. Chapman asked what the time frame was for other financing. Mr. Conner said that whatever was done on tolls had to be done by December for 2013 and 2014. The decision would be made at a special Committee Meeting and the November Board Meeting. Because there was no need to deal with rating agencies for some time, there was not much advantage to setting a 2015 toll currently. In May 2013 there would be a new set of numbers.

Mr. Stottlemyer reiterated his concern about low WMATA fares. He again suggested it should add a capital surcharge.

Mr. Potter noted that WMATA was already allowing garage fees to pay for the garages rather than it going to operating expenses. If there were a surcharge, where would it go? The Authority wanted people to ride.

Mr. O'Reilly thanked the staff for its outreach; he had encountered many in the corridor who had been well educated. Secondly, he noted that the DCAC was made up of partners the Authority had ignored in the past. It should not do so in the future.

The meeting was thereupon adjourned at 11:40 a.m.