

SUMMARY MINUTES  
BUSINESS ADMINISTRATION COMMITTEE  
MEETING OF SEPTEMBER 21, 2016

Ms. Merrick chaired the September 21 Business Administration Committee Meeting, calling it to order at 8:00 a.m. A quorum was present during the Meeting: Mr. Session, Co-Chair, Mr. Gates, Ms. Hanley, Ms. Lang, Mr. Mims, Mr. Pozen, Mr. Tejada, Mr. Williams and Mr. McDermott (*ex officio*). Mr. Caputo, Mr. Griffin, Mr. Sudow, and Ms. Wells were also present.

Recommendation to Award a Contract for Baggage Handling Operation and Maintenance Services at Washington Dulles International Airport. Chris Browne, Vice President and Airport Manager, presented the staff recommendation to award a contract to John Bean Technologies, Corporation, the incumbent. The proposed contract consists of a three-year base period with three single-year options and a 20 percent Local Disadvantaged Business Enterprise (LDBE) participation goal. In September 2015, the Business Administration Committee concurred with staff's recommendation to issue, under full and open competition, a solicitation requesting proposals for the operation and maintenance of the baggage handling systems (BHS) at Washington Dulles International Airport (Dulles International), which consist of seven miles of conveyors. Mr. Browne reported that the best value procurement method was used for the solicitation, which resulted in four submittals.

Mr. Browne reviewed the contractor's responsibilities and stated that the contractor is compelled to work closely with the Transportation Security Administration (TSA) because the BHS connect with TSA screening devices and equipment. He reported that the West Bag and South Bag Basements, International Arrivals Building, and the ticket counter bag belts in the Main Terminal, with the exception of United Airlines, which operates and maintains the conveyance systems for its kiosk, are included in the BHS contract. Mr. Browne further reported that the contract contains various performance requirements, such as system availability, and is subject to payment deductions for noncompliance. He stated that the Technical Evaluation Committee included non-voting members from the airline community because staff believed it was important to get their input because of their expertise.

Ms. Merrick stated her appreciation that others from the industry had been involved in the procurement. She inquired as to the percentage of

procurements when this practice was used. Mr. Browne responded that while he was unsure, the Airports Authority includes others if they can be identified and can provide value. He noted that a Southwest Airlines' manager had helped the Airports Authority staff to develop a Statement of Work (SOW) for the solicitation. Margaret McKeough, Executive Vice President and Chief Operating Officer, added that the Airports Authority will identify non-Airports Authority staff for inclusion on procurements when a specialized system is involved. She noted that the AeroTrain at Dulles International was another example of the occurrence.

The Committee approved the recommendation. Ms. Merrick reported that she would present a resolution later in the day's Board Meeting.

Recommendation to Award Contracts to Supply Bulk Sodium Chloride for the Dulles Toll Road and Washington Dulles International Airport.

Mr. Browne presented the staff recommendation to award two separate contracts (using one solicitation) to Eastern Salt Company for the provision of road salt for the Dulles Toll Road and Dulles International. Each contract has a three-year base period and two one-year option periods. On April 20, the Business Administration Committee concurred with the staff recommendation to issue, under full and open competition, a solicitation requesting proposals for the supply of road salt for the DTR and Dulles International. Mr. Browne stated a two-step Invitation for Bids (IFB) procurement method was used. A robust competition resulted with the submission of six proposals, all of which were deemed technically acceptable. He noted that the first step of the IFB required Offerors to submit qualifications, and he reiterated the importance of the accuracy of the product specification and timely deliveries to the DTR and Dulles International. Mr. Browne reported that the three-year base period award amounts for the DTR and Dulles International are \$1.1 million and almost \$1 million, respectively. The total award amounts, including the option periods, are estimated at \$1.8 million for the DTR and \$1.5 million for Dulles International.

The Committee approved the recommendation. Ms. Merrick stated that she would present a resolution later in the day's Board Meeting.

Recommendation to Award a Sole Source Contract for Sanitary Sewer Treatment Service for Ronald Reagan Washington National Airport.

Mr. Sudow reported that he represented Arlington County on a small matter and that he was recusing himself. He stepped away from the table.

Paul Malandrino, Vice President and Airport Manager, presented the staff recommendation to enter into a sole source contract with Arlington County Department of Environmental Services, effective October 1.

The Committee approved the recommendation. Ms. Merrick reported that she would present a resolution later in the day's Board meeting.

Recommendation to Award a Sole Source Contract for Potable Water Service at Ronald Reagan Washington National Airport. Mr. Griffin stated that no alternatives existed for the two sole source contract awards considered by the Committee at the day's meeting.

The Committee thereupon approved the recommendation to enter into a sole source contract with the District of Columbia Water and Sewer Authority. Ms. Merrick reported that she would present a resolution later in the day's Board Meeting.

Reconsideration of an Agreement for the Airports Authority to Reimburse Delta Air Lines for Hangar Tenant Improvements at Ronald Reagan Washington National Airport. In July, the Business Administration Committee and Board of Directors approved a reimbursement agreement with Delta Air Lines (Delta) for an amount not to exceed \$300,000 for these improvements, which was based on an initial cost estimate. Mr. Malandrino reported that competitive bids were solicited for design and construction services, resulting in actual costs of more than \$650,000. He explained that code requirements for mechanical and electrical systems, which were not included in the preliminary bid, are primarily responsible for the increased amount now required. Mr. Malandrino stated that the Airports Authority Engineering staff reviewed and validated the updated costs. He noted that additional funding is available in the 2016 Capital Construction Program (CCP) budget to complete this critical path enabling project to the New North Concourse construction. Mr. Malandrino reported that all other terms of the reimbursement agreement between the Airports Authority and Delta will be consistent with the terms presented [and approved] at the July meetings.

The Committee approved the reconsideration. Ms. Merrick reported that she would present a resolution later in the day's Board Meeting.

Recommendation to Approve an Agreement for the Airports Authority to Reimburse American Airlines for Hangar Tenant Improvements – An Enabling Project for Construction of the New North Concourse at Ronald Reagan Washington National Airport. Mr. Malandrino presented a staff recommendation to approve an airline reimbursable agreement with American Airlines (American) for an amount not to exceed \$16 million. He noted that the project is a critical path to support Ronald Reagan Washington National Airport (Reagan National) CCP. Mr. Malandrino reported that the construction of the New North Concourse will require the demolition of Hangars 11 and 12 and relocation of associated airline facilities. He stated that American currently leases space in Hangars 11 and 12 and will be required to relocate to comparable space in the South Hangar Line. Additionally, American's aircraft maintenance function will relocate to Hangar 4 to available space as a result of Delta's relocation. American's ground support equipment maintenance function will relocate to vacant areas and currently-leased American space in Hangar 3.

Mr. Malandrino reported that funding for the enabling project is included in the approved 2016 CCP budget. He stated that it is in the Airports Authority's best interest for American to manage the project directly since the scope impacts its daily maintenance operations. Mr. Malandrino noted that the arrangement is consistent with the Contracting Manual. He reported that the project is considered a major renovation because of the activity associated with the move to Hangar 4. Several of the major factors include the change from a water/fire suppression system to a foam/fire suppression system, which costs approximately \$5 million, and changes involving code requirements. American will solicit competition for the design and construction services and be required to achieve an LDBE participation rate of 25 percent. American will be required to submit originals of all paid invoices with a detailed accounting of the payments before the Airports Authority issues reimbursements. American will ensure title to the improvements shall vest in the Airports Authority immediately upon substantial completion and acceptance by the Airports Authority.

Ms. Wells inquired about the Airports Authority's involvement with the bidding process to evaluate the competitive nature of the bids. Mr. Malandrino stated that the Airports Authority's procurement staff will be aware of the bids and ensure that the process is valid and handled appropriately. Margaret McKeough, Executive Vice President and Chief Operating Officer, and Mr. Malandrino noted that a minimum of three

bids would be required for the solicitation for the design and construction services.

Mr. McDermott inquired about the use of the term “critical path enabling project” and its economic implications. Ms. McKeough indicated that it is an industry term used in construction and engineering to identify components of the scope of work that are critical to progressing the project. She noted that if a critical path associated with a project is not achieved, it would have an effect on scheduling for the entire CCP. Mr. McDermott inquired as to the number of critical path issues that the Committee would review, to which Ms. McKeough responded that the critical paths, which would be reviewed by the Engineering staff, may change monthly. She clarified that the Delta and American projects were being presented for approval at the day’s meetings because of the financial component and procurement methodology used.

Mr. Session inquired about the schedule regarding the Delta and American projects. Mr. Malandrino stated that Delta would relocate from Hangar 4 to Hangar 3 by October 31, and American would move into that space by March 31, 2017. Airports Authority employees would also relocate from the Corporate Office Building to a new location by March 31, 2017. Mr. Session also requested that staff keep the Board informed regarding the competitive process associated with the Delta and American hangar tenant improvements.

The Committee approved the recommendation. Ms. Merrick reported that she would present a resolution later in the day’s Board Meeting.

Recommendation to Award Contracts to Provide and Implement Software-as-a-Service for Human Capital Management and Financial Systems. Goutam Kundu, Chief Information Officer, presented the staff recommendation for contract approvals to Workday, Inc. (Workday) and Sierra-Cedar, Inc. (Sierra-Cedar). He reported that Workday will provide a Software-as-a-Service (SaaS) platform for Human Capital Management (HCM) and Financials in an amount not to exceed \$8.7 million. The contract will include a base term of five years, with one five-year option period. Mr. Kundu reported that Sierra-Cedar will provide for systems integration, deployment and configuration support of the SaaS platform in an amount not to exceed \$7.25 million for a contract period of two years.

Mr. Kundu reported that the Airports Authority currently utilizes a variety of software to conduct back-office business operations. The current business environment is highly customized, with standalone systems, and fragmented processes that require a substantial amount of manual transactional work. Mr. Kundu stated that these systems are expensive to maintain, many of which are approaching their end-of-life support. In July 2015, the Airports Authority issued a Request for Proposal (RFP) to select a HCM vendor. Mr. Kundu reported that the RFP was canceled. Based on feedback received, the Airports Authority learned that the RFP's requirements were restrictive and there was limited competition. Additionally, the market was moving towards a fully-integrated SaaS system, and the best practice would be to purchase a SaaS enterprise-wide solution with core HCM and financials built into it. Mr. Kundu reported that once the market analysis was completed, the Airports Authority formed a team of staff from the offices of Finance, Human Resources, and Information Technology (the Team) to collaborate on the results to gain a better understanding. The Team concluded that the Airports Authority's focus had been centered around the HCM component.

Mr. Potter explained that while a robust competition was initially expected, the outcome was that very few offerors participated because the Airports Authority was in search of a product that was no longer considered the industry norm. Instead, the Team sought a broad-based, fully-integrated core package. Mr. Kundu reported that SaaS is a licensing subscription model, which is a vendor-hosted, web-based service. He reported that the vendor is responsible for the upgrades, the compliance, and the maintenance of the system. The Team concluded that transitioning to SaaS would provide significant benefits, including lowering operating costs, greater operational efficiencies, enhanced system integration, and strengthened business continuity and security controls.

Mr. Kundu reported that the Denver International Airport recently conducted a full and open solicitation for financials and HCM software and awarded contracts to Workday for product subscription and to Sierra-Cedar for system implementation. He further reported that these two competitively-procured vehicles will satisfy the Airports Authority's needs and provide access to similar terms and conditions, including advantageous pricing and discounts that are in the Airports Authority's best interest.

Mr. Mims wanted assurance that Workday will meet all of the Airports Authority's future human resources and finance requirements. Tony Vegliante, Vice President for Human Resources, responded affirmatively. He stated that the Workday product, which is well accepted in the human resources community, has a full suite of offerings and is also easy to use. Mr. Vegliante further stated that the objective with procuring Workday is to emphasize and increase self-service opportunities through the systems.

Mr. Rountree noted that the Team's goal was to secure the best system to meet the Airports Authority's three major goals. He stated that there is no one system that will meet all the needs specifically and perfectly. With regard to the financial-related system, Mr. Rountree indicated that Workday adequately meets the Airports Authority's needs. He added that there are some areas that may be weaker than others, but as a whole, Workday meets the needs. Mr. Rountree stated that he was enthusiastic about the reporting capabilities of the Workday system, which are superior compared to the current systems.

Mr. Vegliante added that an interoperable system like Workday will allow data sharing across the functions, which does not exist with the Airports Authority's current system. He reported that Workday will allow access to various types of data and create more efficient reporting that can be analyzed and managed.

Mr. Potter stated that the biggest challenges with the existing systems are the ability to share data and the complexity in terms of users, which indicated that the systems were outdated. In order to move forward, a fully-integrated financial, human resources and procurement system in a SaaS environment is essential.

Ms. Wells inquired whether the cost of maintenance was included in the \$8.7 million contract. Mr. Kundu replied that the maintenance costs will be included during the entire 10-year contract term. Ms. Wells also inquired whether Workday would have an onsite service team. Mr. Kundu explained that the Workday contract is comprised of two parts. Sierra-Cedar will provide the services for the one-time implementation, which requires data migration from the existing systems. The SaaS-based system is a subscription model where the Airports Authority will pay a user fee for maintaining the ongoing support and upgrades that are required for the back-end functions, as well as compliance and regulation changes to keep the system up to date.

Mr. Potter provided an overview of the transition to Workday. He stated that the computers will be owned and protected by Workday. The Airports Authority will have a telecommunication line connected to the Workday system. Workday has a diverse and broad user base that is constantly giving feedback on how to improve and upgrade the systems. Additionally, Workday keeps its systems compliant with the law, as well as migrates them in accordance with best practice as part of the subscription fee. Mr. Potter stated that once the implementation is completed, staff is able to access a Workday service desk which allows the organization's needs to be achieved.

Ms. Merrick stated that since Workday is a service that the Airports Authority will pay based on a per user cost. She noted that the per user monthly cost is not very expensive based on the number of employees that will access the information.

In terms of a dedicated service team, Ms. Wells stated that it appeared that all the services would be performed offsite and inquired about the service component included in the Workday contract. Mr. Kundu explained that the Airports Authority will pay for the software to be managed and hosted by Workday. The subscription will include training and software assurance for the system's implementation with a system integrator, which ensures that the best practices for implementation will be used. Workday will also provide services throughout the entire term of the contract.

Mr. Kundu reported that the subscription includes business continuity planning (BCP), which is similar to a disaster recovery built into the licensing fee. BCP guarantees that the system will remain operational for a certain period of time in the event of hardware or software failure. Mr. Kundu reported that Workday will also provide application and hardware level security that meets industry standards. Any issues involving software support will also be provided by Workday.

Ms. Wells inquired about Workday's client base. Mr. Kundu reported that Workday has over 1,200 clients, including Hewlett-Packard, Coca-Cola, government agencies, the State of Maryland, Georgetown University, and the City of Orlando. Mr. Potter added that PricewaterhouseCoopers had recently become a client.

Mr. Session referenced a previous statement that Mr. Potter made with regard to the robust competition that was initially expected that resulted

in limited participation because the Airports Authority was in search of a product that was no longer considered the industry norm. He then inquired about the protocols and philosophies that are considered when comments from the industry are received as a result of RFP issuances and the process staff uses to determine whether revisions should be made to the RFP (or other types of solicitations). Mr. Session stated that he was not expressing concern with the current procurement, but requested that the topic be discussed at a future meeting. Mr. Potter stated that staff could have an off-line discussion.

Mr. McDermott inquired whether the business continuity protocols available through the pending SaaS contract with the Airports Authority would help its profile, coverage requirements, and costs with its insurer. He also inquired whether there is any indication that Workday can react promptly in the event of a hacking occurrence. Mr. Kundu reiterated that Workday's software has been hosting and supporting more than 1,200 customers in over 40 countries for at least eight years. He reported that Workday is a very sophisticated product with built-in security and business continuity function features based on feedback from its clients.

Mr. Vegliante stated that all of the Airports Authority's procurements for potential contracts are reviewed by the Office of Risk Management so that the insurance requirements can be verified by its brokers and that staff may make any insurance adjustments that are needed. Additionally, the Airports Authority has recently increased its cybersecurity insurance and its existing coverage is currently being evaluated. Mr. Vegliante stated that the Airports Authority also has recovery insurance.

Mr. Mims inquired whether staff conducted due diligence to determine whether it was advantageous to solicit proposals for the product or whether a decision was made to proceed with Workday. Mr. Potter stated that all products on the market were researched to determine those most capable of meeting the criteria for the Airports Authority's needs. Because of its great price and its existing contract with Denver International Airport, Workday was selected. Mr. Potter reported that Airports Authority staff collaborated with Denver International Airport staff to compare notes and to gain a full understanding about SaaS. He noted that the process allowed the Airports Authority to use a fully-competed recent contract that satisfied the organization's needs.

In view of the proposal to outsource some of staff's major activities, Mr. Griffin inquired whether there would be a review of the Airports Authority's Information Technology in-house staffing to determine a potential reset. Mr. Potter responded affirmatively. He stated that Mr. Kundu had shared a new organizational structure with him and Mr. Vegliante, which would be effective within the next couple of years and allow the current systems to be maintained and enable the current staff to transition into productive roles. Mr. Potter explained that this plan is underway for many elements of the Airports Authority's Information Technology system due to a significant transition. He stated that the Airports Authority is fortunate to have an existing team that is capable of maintaining the system, and that the team had been advised of the plan and how it will be affected in terms of an organization.

Ms. Merrick stated that over the past 18 months, Mr. Potter and Mr. Kundu have been presenting a vision for the Airports Authority's Office of Information Technology, which includes much more than technology. She noted that the Airports Authority's goal is to serve all of its constituents in a modern and efficient way. Ms. Merrick indicated that she believed that this recommendation is consistent with the vision for Information Technology, which will advance the Airports Authority in a significant way. She noted that an internal team of experts had also contributed to determine what the Airports Authority needed to better serve its constituents.

The Committee approved the recommendation. [Ms. Merrick would present a resolution later in the day's Board Meeting.]

Pre-Solicitation Terms for the Airport Guest Information Assistance Services Contracts at Washington Dulles International and Ronald Reagan Washington National Airports. Mr. Browne presented staff's request to concur with issuance of a Request for Proposals to select a firm to manage and provide volunteer labor to deliver airport guest information assistance services for both Airports. He reported that the requirements for airport guest information assistance services at both Airports include volunteer labor to provide on-airport directions, answer questions about the airport/airlines, help customers resolve their travel problems, and assist disabled customers. Additionally, access to social services is provided to travelers, as needed. Mr. Browne reported that services are provided daily at four information counters at Reagan National and ten locations at Dulles International. He noted that both Airports also utilize mobile guides who roam the terminals providing

assistance to customers. Mr. Browne stated that Dulles International also utilized four information podiums stationed around the Airport. He reported that airport guest information assistance services are provided up to 14 hours daily, including holidays. Mr. Browne reported that the successful vendor will be reimbursed for a small paid management and supervisory staff to recruit, train, and schedule a volunteer workforce to meet the requirements of the SOW. He noted that presently, there are approximately 400 and 200 volunteers providing these services at Dulles International and Reagan National, respectively. Mr. Browne reported that the current contract with Travelers Aid International Inc. will expire in December. As a result of the solicitation, one contract, with a three-year base term and two single-year options, will be awarded for each Airport. Mr. Browne reviewed the evaluation criteria, and noted that a management fee for the provision of services will also be included in the contract. He reported that more than 10,000 daily interactions had occurred between volunteers and passengers in August at Dulles International.

Mr. Griffin inquired as to how the volunteers are recognized. Mr. Browne reported that the Airports Authority hosts an annual celebration luncheon. Additionally, both employees and volunteers are often recognized by passengers for their services and frequently receive "Going the Extra Mile" awards.

Mr. Caputo inquired whether the volunteers received discounts at the Airports. Mr. Browne responded that they receive free employee parking privileges and employee identification badges. The volunteers, who are well versed at both Airports, enjoy the full benefits of credentialed employees.

Ms. Merrick observed that the volunteers were candidates for a great personal interest story, to which everyone agreed. She inquired as to the types of training that are required for the volunteers. Mr. Browne responded that they received the same type of security training as employees, as well as robust onsite informational training, which includes a curriculum developed and administered by the employees. The Committee concurred with the terms for the pending procurement.

Quarterly Acquisition Report. Julia Hodge, Vice President for Supply Chain Management, reported that 24 base term contracts were awarded in the second quarter of 2016. She also reported that 55 procurements [greater than \$50,000] were planned for the fourth quarter of 2016. Ms.

Hodge noted that the Board had approved two contract actions in the second quarter. She reported that the contract award to Turner Construction Company (Turner) for the redevelopment of Terminal B/C at Ronald Reagan Washington National Airport was the largest contract awarded in the second quarter of 2016.

Ms. Wells asked about the details of the CIBER, Inc. contract for IT staff augmentation for an amount not to exceed \$2.5 million. Ms. Hodge explained that the IT contract would be used to allow Mr. Kundu to acquire specialized skillsets on a timely basis to augment existing staff, as needed, for short-term IT projects.

Mr. Mims expressed the importance for Turner to continue its community outreach efforts regarding future procurement opportunities. Ms. Hodge stated that she believed that the contract was off to a good start. She reported that Turner had held two pre-bid events thus far. Ms. Hodge further reported that the package for the south hangar line had been advertised. She stated that the Department of Supplier Diversity is keeping the LDBEs registered with the Airports Authority apprised of these opportunities, as well as educating them on how to get pre-qualified with Turner so that they can compete for the existing hangar contract and future opportunities.

The meeting was thereupon adjourned at 9:06 a.m.