

Proposed Resolution

Approving Amendment to Airports Authority Living Wage Program and Adopting an Airport Workers Wage Policy for Certain Businesses Operating on the Airports

WHEREAS, Under the Airports Authority's current Living Wage Program, businesses that are under certain specified contracts with the Airports Authority to provide services which are delivered by employees of the businesses are required to pay all employees performing those services at no less than a "living wage" hourly rate that is set by the Airports Authority (currently, \$14.27), which rate is to be paid whether or not the business employers provide health or other benefits to the employees;

WHEREAS, In late 2015, the Airports Authority received a proposal from the Service Employees International Union ("SEIU") that the Airports Authority establish a set of minimum wage requirements that would apply to businesses delivering various support services to airlines operating at Reagan National and Dulles International Airport ("Airports");

WHEREAS, In late 2015, the Airports Authority also received a proposal from another labor organization, Unite Here, that the Airports Authority establish a requirement that, as a condition to doing business at the Airports, businesses operating retail, food and beverage, and other concessions enter a "labor peace agreement" with any labor organization seeking to organize employees of the businesses;

WHEREAS, Following receipt of the SEIU and Unite Here proposals, the Chairman of the Board of Directors established an Ad Hoc Committee on Labor Issues ("Ad Hoc Committee"), consisting of six Board members, and requested that the Ad Hoc Committee (i) review the SEIU and Unite Here proposals and report to the Board the results of its review and the actions, if any, it recommended the Board consider taking in connection with the SEIU and Unite Here proposals, and (ii) review the Airports Authority Living Wage Program and report to the Board the results of its review and the actions, if any, it recommended the Board consider taking to modify the program;

WHEREAS, In response to the Chairman's request, the Ad Hoc Committee has conducted an extensive review of the SEIU and Unite Here proposals and the Airports Authority Living Wage Program;

WHEREAS, During this review, the Ad Hoc Committee, among other activities, met with representatives of SEIU and Unite Here, with representatives of airlines and concessionaires operating at the Airports, and with Airport workers, reviewed correspondence from many of these parties and other entities and individuals, including those presenting the views of the broader business community such as chambers of commerce, and received multiple briefings from staff;

WHEREAS, The Ad Hoc Committee has submitted a report to the Board ("Ad Hoc Committee Report") in which it presents the results of its review, and recommends: (i) that the Board expand the Living Wage Program to apply to all contracts entered by the Airports Authority under which a business delivers services to the Airports Authority that are performed by its employees ("Personnel-Based Service Contracts"); (ii) that the Board adopt an "Airport Workers Wage Policy" for those businesses operating on the Airports that provide support services to the airlines pursuant to a permit issued by the Airports Authority ("Airline Service Providers") or deliver concession services to the traveling public under a lease or other form of authorization executed by the Airports Authority or an agent of the Airports Authority ("Concessionaires"), all as outlined in the Ad Hoc Committee Report; and (iii) in large part due to recommendation in clause (ii), that further consideration not be given to the SEIU or Unite Here proposal;

WHEREAS, In its report, the Ad Hoc Committee explains in detail the reasons for and purposes of its recommendations;

WHEREAS, In particular, with respect to its recommended Airport Workers Wage Policy and the payment of increased compensation to low-paid employees working at the Airports for Airline Support Providers and Concessionaires, the Ad Hoc Committee determined that this increased compensation will generate significant benefits for the Airports Authority and the Airports' workplace, including: by reducing employee turnover; by producing over time a more stable on-Airport workforce consisting of longer-term, more experienced employees; by growing employees' understanding of and familiarity with the Airports' workplace; by improving employees' job skills and knowledges, performance and productivity, and the quality of service they deliver to the airlines and the traveling public; and by increasing employees' commitment to the Airports' workplace;

WHEREAS, The Ad Hoc Committee also determined that these beneficial consequences of providing increased compensation to low-paid employees are of critical importance to the Airports Authority and the Airports because Reagan National and Dulles International Airports, due in significant part to their location in relation to the nation's capital, (i) face continually a unique set of potential security threats and dangers which pose significant risks to the safety of the thousands of passengers who pass through the Airports every day; (ii) are governed by an intricate set of security rules and procedures designed to thwart these security threats and dangers; and (iii) demand that all workers within the Airports' workplace be aware at all times of the threats and dangers at which these rules and procedures are directed, and be prepared at all times to identify and respond in accordance with such rules and procedures to any threat or danger which may present itself at an Airport;

WHEREAS, The Ad Hoc Committee further determined that it is essential to the security of the Airports and the safety of passengers who travel through the Airports that all individuals who work at the Airports, whether pre- or post-security, recognize the unique nature and characteristics of the Airports' workplace environment and the security challenges the Airports face, understand and comply with all security rules and procedures applicable to the Airports, and are capable of recognizing and properly responding to any abnormal or questionable circumstances that pose an imminent threat to the Airports' security or otherwise warrant alerting appropriate authorities;

WHEREAS, The Ad Hoc Committee also determined that a workers wage compensation program which would provide for reasonable increases in the level of compensation earned by currently low-paid workers employed at the Airports by Airline Service Providers and Concessionaires can be expected over time (i) to reduce the worker turnover rates experience by many Airlines Service Providers and Concessionaires; (ii) to deliver a long-term, more stable and experienced on-Airport workforce whose members, due to their longer tenure and enhanced on-Airport experience, will possess the critical worker characteristics and traits described in the Ad Hoc Committee Report and prior paragraphs of this Resolution; and (iii) to produce an overall improvement in the job performance of these workers and in the quality of service they deliver to passengers and other patrons of the Airports;

WHEREAS, The Ad Hoc Committee further determined that a workers wage compensation program providing for reasonable increases in the level of compensation earned by low-paid workers employed at the Airports by Airline Service Providers and Concessionaires can be expected over time to lead to significant enhancements in the security and safety of the Airports and of the

passengers and other individuals using the Airports, and in the level of Airport patron satisfaction;

WHEREAS, The Board concurs in these determinations and findings of the Ad Hoc Committee, as well as the reasoning which underlies them, as set out in the Ad Hoc Committee Report and prior paragraphs of this Resolution, all of which demonstrate the substantial benefits the Airports Authority would derive from the establishment of a workers wage policy, as recommended by the Committee;

WHEREAS, The Board believes and determines that the workers wage program consisting of (i) the "Airport Workers Wage Policy" recommended by the Committee and (ii) a set of rules, requirements and procedures prepared by the President and Chief Executive Officer's ("President") for the implementation and administration of the Airport Workers Wage Policy will significantly enhance the security and safety of the Airports, will improve the quality of services received by Airport passengers, airlines operating at the Airports and other Airport patrons, and will meaningfully advance the interests and mission of the Airports Authority as the sole entity responsible for the operation of the two Airports serving the nation's capital; and

WHEREAS, The Board expresses its appreciation to the members of the Ad Hoc Committee for their substantial work and valuable contributions; now, therefore, be it

RESOLVED, That the Report of Ad Hoc Committee be and hereby is accepted by the Board of Directors;

2. That the Airports Authority Living Wage Program be and hereby is expanded to apply to all Personnel-Based Service Contracts executed by the Airports Authority, as recommended by the Ad Hoc Committee and described in the Ad Hoc Committee Report, and that the President be and hereby is authorized and directed to take all necessary and appropriate actions to implement this expansion of the Living Wage Program;

3. That the Airport Workers Wage Policy which has been recommended by the Ad Hoc Committee, and is described in the following subparagraphs (a) through (e), be and hereby is adopted and established as a policy of the Airports Authority:

- (a) Base Wage Rate. Any business covered by the Airport Workers Wage Policy (defined below as a "Covered Business") must pay its workers who are employed and work at Reagan National or Dulles

International Airport (defined below as a “Covered Worker”) no less than the following hourly wage rates:

- (i) \$11.55 starting on January 1, 2018;
- (ii) \$12.15 starting on January 1, 2019;
- (iii) \$12.75 starting on January 1, 2020; and
- (iv) starting on January 1, 2021, and on January 1 of each subsequent year, a rate equal to the prior year’s rate adjusted to reflect the change over that prior year in an appropriate Consumer Price Index selected by the President.

These wage rates will apply whether or not a Covered Business provides health or other benefits to its Covered Workers;

- (b) Covered Business. A business covered by the Airport Workers Wage Policy is (i) any business providing support services on Reagan National or Dulles International Airport to one or more airlines and operating on the Airport pursuant to a Commercial Aviation Services Permit (or similar authorization) issued by the Airports Authority or pursuant to a lease with the Airports Authority, and (ii) any business providing concession services on Reagan National or Dulles International Airport (e.g., the sale or provision of retail goods, food and beverages on an Airport to Airport patrons, and the sale or provision to airlines operating at an Airport of catered meals or food prepared on the Airport) pursuant to a lease with or other authorization from the Airports Authority or a lease with a concessions program manager under contract with the Airports Authority;
- (c) Covered Worker. A worker covered by the Airport Workers Wage Policy is any worker employed by a Covered Business who works on Reagan National or Dulles International Airport for the Covered Business, whether on a full-time (*i.e.*, 40 hours per week) or part-time basis. Covered Workers will be compensated at no less than the applicable hourly rates in subparagraph (a) for all work performed on the Airport; provided, that “works on . . . an Airport” shall not include the making of deliveries on an Airport or performing similar irregular or occasional “on Airport” work for a Covered Business;
- (d) Tipped Worker. A Tipped Worker is a Covered Worker who customarily and regularly receives more than \$30 a month in tips while working on Reagan National or Dulles International Airport for a Covered Business and whose tips are considered by the Covered Business as part of the worker’s wages; and
- (e) Wage Payments to Tipped Workers. A Covered Business shall pay its Tipped Workers no less than \$2.13 an hour in direct wages for hours

worked and shall be able to demonstrate that the Tipped Workers receive on average in any pay period at least the applicable base hourly wage rate set out above in subparagraph (a) when the direct wages and tips they receive during the period are combined. When the combined direct wages and tips received in a pay period by a Tipped Worker produce an average hourly rate of compensation during the period that is less than the applicable base hourly wage rate in subparagraph (a), the Covered Business employer of the worker shall make up the difference;

4. That the President be and hereby is authorized and directed to prepare a set of rules, requirements and procedures for the implementation and administration of the Airport Workers Wage Policy addressed in paragraph 3 of this Resolution, which may be published in an Orders and Instructions at each Airport and whose terms may be incorporated into Commercial Aviation Services Permits, Concessionaire leases and other authorizations issued by the Airports Authority permitting a Covered Business to operate on Reagan National or Dulles International Airport; and, further, that the President be and hereby is authorized, in the course of preparing and administering these rules, requirements and procedures, to make minor adjustments to the provisions in subparagraphs (b) through (e) of paragraph 3 of this Resolution, so long as the President finds the adjustments to be necessary or appropriate for the effective and efficient implementation and administration of the Airport Workers Wage Policy and provides notice of such adjustments to the Board Chairman and Vice Chairman at least 30 calendar days prior to their becoming effective;

5. That, in adopting the Airport Workers Wage Policy addressed in paragraph 3 of this Resolution and in providing for the policy's implementation and administration by Airports Authority management in paragraph 4, the Board (i) is acting pursuant to its proprietary rights and powers as the operator of Reagan National and Dulles International Airports and (ii) is not enacting any law, regulation, rule, requirement or other provision having the force and effect of law;

6. That this Resolution shall be effective upon its adoption, except as follows:

(a) Resolved paragraph 2, and the expansion of the Airports Authority Living Wage Program it authorizes, shall be effective upon the adoption of this Resolution, but such expansion shall not apply to any Airports Authority Personnel-Based Service contract the solicitation for which was first publicly noticed before the adoption of this Resolution, unless the party contracting with the Airports

Authority agrees in the contract to comply with the expanded program;

- (b) Resolved paragraph 3, and the Airport Workers Wage Policy it adopts and establishes, shall become effective on January 1, 2018; and
- (c) Resolved paragraph 4, and its authorization of the President to prepare a set of rules, requirements and procedures for the implementation and administration of the Airport Workers Wage Policy, shall be effective upon the adoption of this Resolution, and the rules, requirements and procedures prepared by the President pursuant to such authorization shall become effective on the date or dates established by the President;

7. That, during calendar year 2019, and in no event no later than December 31, 2019, the Board shall review the Airport Workers Wage Policy established by this Resolution and the Airports Authority's experience under the Policy, and determine whether revisions to the Policy, or to the rules, requirements or procedures issued by the President pursuant to paragraph 4 of the Resolution, are warranted; and

8. That the Board conveys its appreciation to SEIU and Unite Here for having presented their proposals to the Airports Authority and for the assistance they provided the Ad Hoc Committee in the course of its work; to airlines, concession businesses and Airport workers for the various forms of input and assistance they provided the Committee during its work; and to all other entities and individuals who provided information and presented their views to the Committee.

For Consideration by the Board of Directors on April 19, 2017