



BOARD OF DIRECTORS MEETING

Minutes of January 15, 2014

The regular meeting of the Board of Directors was held in the first floor Conference Rooms 1A, 1B and 1C at 1 Aviation Circle. With great pleasure and confidence, Mr. Curto formally passed the gavel to the new Chairman, Mr. Conner, who called the meeting to order at 9:00 a.m. Fourteen Directors were present during the meeting:

Frank M. Conner III, Chairman
Warner H. Session, Vice Chairman
Earl Adams, Jr.
Richard S. Carter
Lynn Chapman
Michael A. Curto
Bruce A. Gates

Anthony H. Griffin
Shirley Robinson Hall
Barbara Lang
William Shaw McDermott
Caren Merrick
Nina Mitchell Wells
Joslyn N. Williams

The Secretary and Executive Management were present:

John E. Potter, President and Chief Executive Officer
Margaret E. McKeough, Executive Vice President and Chief
Operating Officer

Mr. Conner said that it couldn't be a greater honor than to work with Board Members, staff and partners who had helped the Authority with its accomplishments. He thanked Mr. Curto for his extraordinary two years of service as Chairman. Mr. Conner also thanked the Board Members who had focused on the Authority's mission. He congratulated Jack Potter on his appointment to the Federal Aviation Administration (FAA) Management Advisory Council, which reflected favorably on how the Department of Transportation thought about what he is doing for the Authority. Mr. Conner reported that he had recently spoken to Richard Kennedy, the Presidential appointee who would complete the Authority's 17-Member Board. Mr. Kennedy hoped to be confirmed before the February Board of Directors Meeting and had been advised not to attend Board Meetings until his confirmation.

Mr. Conner stated that the Authority would have a “heavy workload” in 2014. He referenced the completion of Phase 1 of the Silver Line Project (Project) and the financing for Phase 2 of the Project. Over the last two years, the Authority had dedicated substantial time to dealing with issues that had been identified that led the Authority to reposition its thinking, approach and perspective to allow more focus on both Airports, particularly in light of the strategic challenges, airline consolidation and slot swaps and slot divestitures. It would be essential for the Authority to focus on the Airports’ major challenges that need to be addressed with attention dedicated to its customers, consisting of the flying public and the airlines. Management had done well in navigating the economic downturn and would need to continue to exercise expense controls.

Mr. Conner reported that he had changed the committee structure to highlight areas that he believed needed more attention. These changes included the naming of two Co-Chairs for each Committee, which would allow Board Members to take advantage of learning opportunities and become more engaged in longer-term issues that required education, such as the Airport Use Agreement and Premises Lease.

Most importantly, Mr. Conner reported that the Authority is an economic engine for the region. He stated that he had created a Human Resources Committee that will focus on innovation for Authority employees, as well as the community, for training and apprenticeships. While Mr. Conner said that he and Tony Vegliante, Vice President for Human Resources, had great ideas about the development of innovative opportunities, he had also asked Andy Rountree, Vice President for Finance and Chief Financial Officer, to act as a corollary to help engage services of local banks that would ultimately reinvest in the community.

With respect to contracting opportunities, Mr. Conner also reported that he had asked Directors Session and McDermott as Co-Chairs of the Business Administration Committee to compose a working group on policy for the Disadvantaged Business Enterprise (DBE) and Local DBE programs. The members of the working group would be announced at the February Board of Directors Meeting. The group would be charged with assisting in the development of a concise overall policy that the management team would implement on a consistent basis.

Mr. Conner reported that the Authority had dedicated substantial focus on policies and practices and that he had created a Risk Management

Committee. He stated that Jack Potter would lead efforts pertaining to Sarbanes-Oxley.

Lastly, Mr. Conner reported that the Board would continue to conduct its business in a transparent manner. He commended Mr. Curto, who had led the Board in this effort during the past two years. Mr. Conner said that he had asked Phil Sunderland, Vice President and General Counsel, and Quince Brinkley to identify ways to improve transparency. While the Authority would attempt to limit its use of executive sessions, Mr. Conner stated that they would sometimes be necessary to conduct Authority business regarding personnel, litigation and sensitive issues. He stated that an executive session would be held later that day.

I. MINUTES OF THE DECEMBER 11, 2013 BOARD OF DIRECTORS MEETING

The Chairman then called for the approval of the Minutes of the December 11, 2013 Board of Directors Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Business Administration Committee – Warner H. Session, Co-Chair

Mr. Session reported that the Business Administration Committee had met that morning and on December 11, 2013.

On December 11, 2013, Richard Gordon, Manager of the Equal Opportunity Programs, had presented the small business contracting summary as of September 30, 2013.

Goutam Kundu, Vice President for Technology, had presented an information paper on upgrades to the 800 MHz trunk radio system technology.

At the day's meeting, Mr. Kundu had presented the recommendation to award a radio system technology refresh contract to Motorola Solutions, Inc. The Committee had approved the recommendation and Mr. Session would offer a resolution later in the day's Meeting.

b. Dulles Corridor Committee – Anthony Griffin, Co-Chair

Mr. Griffin reported that the Dulles Corridor Committee had last met on December 11, 2013. Staff had presented the Dulles Corridor Metrorail Project Phase 1 Monthly Cost Summary.

c. Strategic Planning and Development Committee – Lynn Chapman, Co-Chair

Mr. Chapman reported that the Strategic Planning and Development Committee had last met December 11, 2013.

Mark Treadaway, Vice President for Air Service Planning and Development, had presented the Air Service Development Report and proposed 2014 Annual Air Service Plan. The Committee had concurred with the 2014 Annual Air Service Plan, and the Committee had met in executive session to hear some of the key competitive issues that will affect the industry.

Mr. Chapman reported that the Committee had also approved the request for easements at Dulles International for the widening of Route 606. At its December 11, 2013 Meeting, the Board had authorized the President and Chief Executive Officer to execute the easements.

Mr. Conner announced that detailed summary minutes had been provided to Directors and were available for the public to view. If the Committee Reports focused mostly on actions, Mr. Conner said he believed that they would represent a clear description of what had occurred at the meetings.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter wished everyone a Happy New Year and welcomed the new Chairman, Vice Chairman and Co-Chairs of all the Committees. He reported that several new managers had recently joined the Authority. Mr. Rountree reintroduced Anne Field, who had served as the Corporate Controller during 2002 to 2009. Ms. Field would replace Mark Tune, Metrorail Project Controller, who had announced his retirement. Steve Baker, Vice President for Business Administration, introduced Sandy

Greene as the new Revenue Development Manager. Mr. Potter welcomed both employees.

Mr. Potter reported on a couple of critical issues and challenges facing both Airports in 2014. He noted that Reagan National had reached a record number of passengers in 2013, primarily because a number of flights had shifted from Dulles International, driven largely by regulatory decisions. Mr. Potter reported that with the new American Airlines (American) merger and slot divestitures associated with it, growth in passengers at Reagan National, which is placing significant strain on the Airport's facilities and continues to negatively impact the number of domestic passengers at Dulles International, would likely continue. Mr. Potter noted that Ms. McKeough would present greater details of the potential impact of the merger on passengers at both Airports.

Another area of focus in 2014 would be security. Mr. Potter reported that the Authority is working with its partners, including the Transportation Security Administration (TSA) and Customs and Border Protection, to facilitate improvements in their processes. He said that the Authority is proud of the progress being made, especially with the Pre-Check and Global Entry programs, noting that Reagan National and Dulles International are national leaders in helping to move these programs forward. Mr. Potter noted that the new Secretary of Homeland Security, Jeh Johnson, and TSA Administrator John Pistole had held a media event at Dulles International the prior day to showcase the new Pre-Check Enrollment Center and to discuss the advances underway to help expedite passengers through the Airport.

Mr. Potter reported that the Authority's concessions redevelopment is progressing. He noted that several business locations are temporarily closed for renovation and large signs about future openings, such as Legal Sea Foods and Ben's Chili Bowl restaurants at Reagan National, had been displayed.

Mr. Potter congratulated Mr. Kundu and his team on the important upgrades to the free Wi-Fi service at both Airports, which is used by more than 25,000 travelers weekly.

Mr. Potter reported that the Authority is gathering input from hotel and taxi operators that use the Airports' facilities on its proposed changes to regulations and fees regarding cabs and hotel courtesy vans. He noted that two hearings had been held the prior week and that drivers and op-

erators had submitted comments and suggestions. The formal public comment period would remain open through the end of the following week and all points of view would be considered when staff formulated its final recommendation prior to Board consideration.

With respect to the Metrorail Project, Mr. Potter reported that staff is working with contractors and the Washington Metropolitan Area Transit Authority to bring Phase 1 of the Silver Line to substantial completion. Mr. Potter reported that most of the recent testing with the Automatic Train Control system, which required complex and time-consuming modifications to its software, had been successful. The next step, which is a full-scale system performance demonstration, is an extensive and important test that must be conducted during the overnight hours on weekends when the Metro system is running reduced passenger service. The demonstration is presently scheduled during the weekend of January 25 and 26. Mr. Potter reported that Pat Nowakowski, Executive Director of the Metrorail Project, would provide further details of the Phase 1 close-out process, as well as an update on Phase 2, later in the day. Mr. Potter thanked everyone for their understanding and patience as the important safety elements of the Project are addressed.

Lastly, Mr. Potter reported that the recent period of extremely cold temperatures had challenged some infrastructure at Reagan National. Several burst ceiling pipes responsible for large amounts of water into a baggage claim area had added to routine issues that staff expected in the wintertime. Employees had responded quickly and effectively and had ensured that passengers were not endangered or inconvenienced. Staff's collaborative effort had been impressive and much appreciated by the airlines and travelers who had continued to receive outstanding service. The media had portrayed staff's response as fast, efficient and a true team effort during a news segment that had appeared on television the evening of the incident.

b. Executive Vice President's Report

Ms. McKeough reported that the November 2013 passenger statistics had been included in the materials provided for the day's Meeting. She noted that statistics for December 2013 would be provided the following month.

Ms. McKeough referred to a PowerPoint about trend lines for passenger levels at both Airports for the past several years, which had been distributed to the Directors that morning. [The PowerPoint was subsequently

posted to the Authority's website with the other meeting information for the day's meeting.] With respect to 2013, Ms. McKeough reported that forecasts predicted that another record year of passenger level activity would occur at Reagan National. The expected 20.4 million passengers at the Airport in 2013 would represent an approximate 4 percent increase compared to 2012, marking the fourth consecutive year of record growth at Reagan National.

At Dulles International, Ms. McKeough reported that forecasts predicted that 7 million passengers would use international service by the end of 2013, representing an increase of approximately 5 percent over 2012. She noted that international activity at Dulles International comprised approximately 30 percent of total passenger activity at the Airport. Multiple factors, including the diversity and number of international airlines offering service and route structure, had contributed to the growth. Domestic passenger activity for 2013 at Dulles International, forecast at approximately 15 million passengers, would represent a decline of approximately 6 percent over 2012. While the 2013 forecast would mark the fourth consecutive year of decline in domestic activity at Dulles International, it would also represent the lowest level since 2003.

Ms. McKeough noted that five major factors contributed to the declining trend line at Dulles International over the past five years: 1) the number of mergers and consolidations that has occurred within the entire industry; 2) the significant system-wide decline of domestic service by all airlines in the United States; 3) the global economic conditions that have impacted the United States and other countries; 4) the regulatory changes that have occurred at Reagan National and their adverse impact on Dulles International; and 5) the degree of commercial slot transactions at Reagan National and the airlines' ability to sell and lease aircraft slot permission rights to operate at the Airport.

Ms. McKeough reported that while patterns in 2014 are not expected to change, they may become even more unpredictable due to the continued change in landscape. One of the major changes was the Reagan National slot divestiture process underway by the new American and the Department of Justice (DOJ). Ms. McKeough reported that 52 total divested slot pairs were required to be divested by the new American to other airlines. Eight slot pairs would be retained permanently by Jet Blue. Airlines interested in being awarded the remaining 44 slot pairs were required to submit financial offers that would be decided by DOJ and American using an auction/bid process. With the continued growth in

passenger activity expected at Reagan National, staff would need to facilitate required changes in airline facilities and space assignments to accommodate the airlines receiving the slots. There were likely to be challenges in Terminal A since the airlines located there were expected to be beneficiaries of the new slots as the focus of the divestiture was to increase the market share of low-cost carriers at Reagan National. Ms. McKeough noted that \$50 million had been previously invested in Terminal A to make adjustments to baggage systems, ticket counters and checkpoints to accommodate the growth that occurred as a result of past regulatory changes in the slots at Reagan National. The existing slot divestitures were expected to present some similar facility demands. With the increased presence of the new American, Ms. McKeough reported that Authority staff is also working to resolve challenges between the North Pier and commuter operations.

Ms. McKeough noted that staff continues to be concerned about the final impact of the slot divestitures on domestic activity. History has shown that changes in regulatory structure equate to servicing more markets at Reagan National, with larger aircraft to maximize the benefits associated with the slots, that ultimately reduce the services offered and passenger activity at Dulles International.

With respect to 2014, Ms. McKeough reported that the Airline Use and Lease Agreement will expire in the fall. She stated that negotiations were underway with airline carriers and this strategic business decision would allow the Authority to manage existing changes, as well as those expected to occur in 2014.

Ms. McKeough reported that the FAA reauthorization legislation would be considered at the federal level in 2015. Since 2000, three changes had occurred with the federal regulatory structure at Reagan National. Historically, the vehicle for the implementation of these changes has been the FAA reauthorization legislation. She noted that staff will continue to monitor the issue and will educate all Members of Congress on the impacts of regulatory changes.

Mr. Potter stated that staff is waiting to learn the outcome of the divestiture process and its impacts. He noted that the 10 percent growth predicted to occur at Reagan National during the next couple years would cause significant impact on the Airport's operations.

With regard to the most recent FAA reauthorization bill, Mr. Conner reported that staff had made a concerted effort to convince the Commerce Committee that further changes were not necessary. Unfortunately, at that time, only projections were available and staff's attempt had been unsuccessful. Mr. Conner believed that future attempts in educating federal and state delegations about the impacts of changes to the FAA reauthorization bill would need to be more aggressive.

Ms. Merrick noted the decline in domestic passenger activity and inquired why Reagan National is continuing its record growth. Ms. McKeough responded that Reagan National supports a large metropolitan area and is perceived to be the most convenient and accessible Airport to the District of Columbia. Ms. Merrick asked whether other airports comparable to Reagan National are experiencing the same growth trend and what the Authority could observe about how others are navigating similar issues. Ms. McKeough responded that airports in high-growth economic areas, such as Houston, are experiencing growth. She noted that she would provide the requested information in next month's report.

Mr. McDermott referenced the facility challenges that would occur in Terminal A as a result of the slot divestitures and requested that staff closely monitor customer satisfaction regarding Terminal A. He also requested that staff aid the Board in developing an understanding of issues regarding the FAA reauthorization so that it can be ambassadors on Capitol Hill, where appropriate. Mr. McDermott suggested that extra attention be devoted to longer-term development for major enterprises headquartered in Fairfax and Loudoun Counties in an effort that they may be able to communicate with the airlines that it would be more convenient to conduct business at Dulles International instead of Reagan National.

Mr. Conner reported that the February 19 retreat would include a tour of Terminal A and that he was certain that the Authority's customers would be satisfied with the improvements that had been made to the space. He noted that several of the slides presented during the Executive Vice President's Report would be used again as a great deal of time would be spent on strategic issues in 2014.

IV. NEW BUSINESS

- a. Recommendation to Award a Contract for a Radio System Technology Refresh to Motorola Solutions, Inc.

Mr. Session moved the adoption of the following resolution, which was unanimously approved:

WHEREAS, The Airports Authority operates a Motorola Trunked Radio System purchased in 1997 that provides mission critical communications for Reagan National and Dulles International, the Dulles Toll Road operations and the Authority's mutual aid partners;

WHEREAS, This radio system is comprised of proprietary hardware and software components, some of which are no longer supported by Motorola Solutions, Inc. (Motorola) and others that are reaching the end of their life cycle;

WHEREAS, It is now necessary that this radio system be upgraded and the project to implement this will consist of several phases to be deployed over the next five years;

WHEREAS, The first phase involves refreshing the Airports Authority's master radio site and selected components of the existing radio system that are no longer supported and will be implemented over a two-year period at a cost not to exceed \$8.5 million;

WHEREAS, Additional investments for subsequent phases will occur over a three-year period and will address capacity, redundancy and business innovation requirements, with a total cost of the refresh not to exceed \$20 million;

WHEREAS, Paragraph 1.3.1 of the Contracting Manual permits the Airports Authority to obtain required goods and services by utilizing a contract previously awarded by a government entity using competitive procedures;

WHEREAS, The Authority will utilize the competitively-procured Prince William County contract at the same price and/or discounts and terms and conditions with Motorola to implement all phases of this radio system upgrade project;

WHEREAS, Acquisition of goods and services through such government-sponsored purchasing agreements is authorized

in the Contracting Manual, but only up to a cost of \$3 million without Board approval;

WHEREAS, The Business Administration Committee has reviewed the terms of this purchase as presented by staff, and recommended that the purchase should be made; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a contract with Motorola Solutions, Inc., for all phases of this radio system upgrade project, consistent with the terms presented to the Business Administration Committee at its January 15, 2014 meeting.

The final resolution filed in the Board of Directors Office includes a copy of the staff recommendation paper.

b. Appointment of Members to the Ethics Review Committee

Mr. Conner moved that the following Members be appointed to the Ethics Review Committee: Anthony Griffin, Chairman, Earl Adams, Jr., Shirley Robinson Hall and Shaw McDermott. The Board unanimously approved the Committee membership.

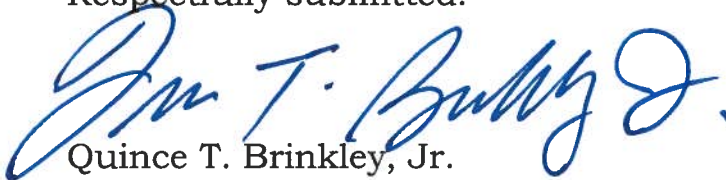
V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Meeting was thereupon adjourned at 10:02 a.m.

Respectfully submitted:



Quince T. Brinkley, Jr.
Vice President and Secretary

Approved 2/19/14