

BOARD OF DIRECTORS MEETING

Minutes of September 18, 2013

The regular meeting of the Board of Directors was held in the first floor Conference Rooms 1A, 1B and 1C at 1 Aviation Circle. The Chairman called the meeting to order at 10:06 a.m. Fourteen Directors were present during the meeting;

Michael A. Curto, Chairman	Barbara Lang
Thomas M. Davis III, Vice Chairman	Elaine McConnell
Lynn Chapman	William Shaw McDermott
Frank M. Conner III	Caren Merrick
Bruce A. Gates	Warner H. Session
Anthony H. Griffin	Nina Mitchell Wells
Shirley Robinson Hall	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

Chairman Curto welcomed everyone to the September meeting of the Metropolitan Washington Airports Authority Board of Directors.

Chairman Curto congratulated the Dulles Airport team for another very successful Dulles Day and Plane Pull event held on September 14, which had been filled with fun and games and had benefitted several charitable causes.

At Reagan National, Chairman Curto reported that the Triennial Emergency Exercise would be held on September 21 to allow staff to test its emergency response capabilities. Progress also continued in the renovation of Terminal A – the oldest part of Reagan National. New flooring, lighting, windows and other updates are creating a bright, modern appearance. Although work is still underway, the changes made thus far have made a striking difference.

Chairman Curto reported that staff would present an update on the re-development of concessions at both Airports, including improvements to existing concessions and some exciting new additions. An update on the Silver Line Metrorail Project would also be presented.

Lastly, the Chairman noted that the *Conde Nast Traveler* magazine and *Bloomberg Business News* had highlighted the use of new technology at Dulles International to provide real-time information to passengers on security-line wait times. Both articles had reported that Dulles International is the first Airport in the country to use this technology, which help passengers get through the Airport quicker and easier.

I. MINUTES OF THE JULY 17, 2013 BOARD OF DIRECTORS MEETING

The Chairman then called for the approval of the Minutes of the July 17 Board of Directors Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Dulles Corridor Committee – Tom Davis, Chairman

Mr. Davis reported that the Dulles Corridor Committee had last met on July 17.

At that July 17 meeting, staff had presented the Dulles Corridor Metrorail Project Phase 1 Monthly Cost Summary and Project Update. Frank Holly, Vice President for Engineering, had reported that \$40 million had been spent in May 2013, bringing the total expenditures to \$2.454 billion. The total project budget forecasted remained the same at \$2.905 billion.

On July 17, Mr. Holly had also presented a report on the Dulles Corridor Metrorail Project Quarterly Update on Phase 1 and Phase 2 – Second Quarter. He had reported that construction was 94 percent complete. At that time, project staff was discussing a proposal from Dulles Transit Partners, LLC (DTP) to extend the date of substantial completion. Mr. Davis said that he was sure the Committee would receive an update later that morning at the Dulles Corridor Committee Meeting. Mr. Holly had

also reported that the contract for package A for the Phase 2 Project had been awarded to Capital Rail Constructors in May and the Notice to Proceed had been issued in July.

Larry Melton, Project Executive Director of DTP, had presented a report on the Dulles Corridor Metrorail Project Quarterly Update on Phase 1 – Second Quarter. Mr. Melton had reported that the Project had no environmental issues and the lost time and recordable rates remained significantly lower than the industry standards. He noted that the DTP staff had been asked to evaluate whether additional scope items would be included as part of the contract. At that July 17 Meeting, Mr. Melton said that staff was reviewing those items and working to assess their impact on the date of substantial completion. He had reported that the Project had exceeded its Disadvantaged Business Enterprise participation goal – DTP had paid \$208 million. Mr. Melton had provided a brief report on the progress made at each of the stations – West Falls Church Yard, McLean, Tysons Corner, Greensboro and Spring Hill.

Mr. Davis reported that a considerable amount of time had been dedicated to a discussion regarding a potential delay on the substantial completion date. As he had noted earlier, the Committee would receive an update later in the day's meeting.

Mr. Davis reported that staff had also presented the July 2013 Financial Report – Dulles Corridor Enterprise. Mark Adams, Deputy Chief Financial Officer, had reported that Toll Road revenues year-to-date had been \$62.7 million, an increase of 22.4 percent over the same period last year. Year-to-date toll transactions for June had decreased 2.3 percent compared to the prior year. Toll Road expenditures of \$12.5 million year-to-date had increased 2.1 percent from the prior year.

Mr. Davis then reported that at its July Meeting, the Committee had also considered and had approved (1) the recommendation for the Dulles Corridor Metrorail Project – Phase 2 Cooperative Agreements with the Airports Authority and the Washington Metropolitan Area Transit Authority (WMATA), Loudoun County and Toll Road Investors Partnership II, L.P. and (2) the recommendation for the grant of an easement to WMATA for Phase 1 Silver Line Rail Facilities on Authority property. The Board had approved both recommendations at its July 17 Meeting.

b. Executive and Governance Committee – Michael A. Curto, Chairman

Mr. Curto reported that the Executive and Governance Committee had met briefly that morning.

The Committee had considered the recommendation to amend the Airports Authority Bylaws, which addresses audit-related matters that may be discussed by the Board or its Committees in executive session.

Based on the Office of Inspector General review of the amendments the Board had adopted in January, it had recommended that Section 3(g) be amended to delete the phrase “Vice President of Audit” and to identify the “professional standards” referenced in the section. A red-lined version of the recommended amendment to Article IX, Section 3(g) had been included in the materials for the day’s meeting.

Mr. Curto reported that the Committee had approved the amendment earlier that morning and the Board would consider it later that day. He noted that a recorded vote of a minimum of 10 Directors would be required to amend the Authority Bylaws at the Board Meeting.

c. Finance Committee – Frank M. Conner, Chairman

Mr. Conner reported that the Finance Committee had met that morning to discuss the continued process to select senior managers to help implement the Plan of Finance for the Dulles Corridor Metrorail Project. He noted that the process had been impacted for the first time by the Authority’s new procurement rules. Mr. Conner reported that the Committee had clarified the structure of the financing, which included three financing instruments: 1) interim financing of up to \$400 million; 2) long-term, fixed-rate financing of about \$250 million; and 3) the Bond Anticipation Note (BAN), which would serve as an opportunity to borrow funds at a short-term interest rate until receipt of the potential loan associated with the Transportation Infrastructure Finance and Innovation Act, which would likely save interest costs. The Finance Committee had approved the recommendation to authorize management to proceed to negotiate with three firms for interim financing while reserving any actions

regarding long-term financing and the BAN. Mr. Conner reported that he would offer the resolution later in the day's meeting.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter reported that the substantial completion date for Phase 1 of the Metrorail Project remained November 2013. He noted that Pat Nowakowski, Executive Director of the Metrorail Project, would provide more details later in the day's Dulles Corridor Committee Meeting, but stated that great progress on the testing and tasks necessary to finish the Project had occurred. Mr. Potter said that safety and performance have been and will continue to be top priorities. Everyone is looking forward to the day when passengers ride the Silver Line.

With respect to Phase 2, Capital Rail Constructors had begun its initial preparations, including geological testing, survey work and design work. Additionally, businesses and homeowners along the route who may be impacted by the construction are being contacted and informed about the Project in order to minimize any disruptions or concerns. Mr. Potter reported that Marcia McAllister, Manager of Communications for the Metrorail Project, had maintained constant communications to keep the communities informed about events before they occur so that questions and concerns can be addressed.

As previously reported, Mark Tune had moved to the Rail Office and is now serving as Financial Controller for the Project. He is supported by Steve Hildebeitel, a member of the Internal Controls, Compliance and Financial Strategy Division, who is also dedicated to the rail project. Mr. Potter reported that the Authority is transitioning to Oracle as the primary financial management system for the Project to unify its financial filing and document management with the rest of the Authority. To augment staff's efforts, management planned to secure the expertise of an external consultant to review the administrative and oversight structure on the Project. Mr. Potter said that the overall goal is to make the Metrorail Project the best run public transportation project in the country.

Mr. Potter reported that the Authority had continued to make progress in closing out the recommendations from the Department of Transportation Inspector General's (IG) audit from last year. He noted that staff would present a quarterly acquisition report later that day at the Business Administration Committee Meeting, which had been one of IG's recommendations.

Mr. Potter also reported that Dulles International is quickly becoming one of the leading venues for Transportation Security Administration Administrator John Pistole's effort to expand Pre-Check and to streamline the passenger screening experience. Nearly a quarter of all passengers at Dulles International now participate in Pre-Check screening, which is largely due to the Airport's commitment to the program. Mr. Potter reported that Dulles International is one of the first airports to use managed inclusion, which allows passengers in the standard security line to be randomly selected for risk-based screening and proceed through Pre-Check lanes. Because passengers are not required to remove their shoes and may keep their laptops inside carry-on bags, it results in a faster trip through the line. Mr. Potter reported that later this fall, Dulles International will host one of the first two "Trusted Traveler" enrollment centers in the nation.

As Chairman Curto had noted, Reagan National would host its triennial emergency preparedness exercise on September 21. A simulated aircraft accident, including victim recovery from the Potomac River, and a helicopter crash would test the Airport's emergency response. Mr. Potter reported that the Federal Aviation Administration requires these full-scale exercises be held every three years, and responders from Operations, Police, Fire/Rescue and the Authority's mutual aid community partners would participate. Mr. Potter stated that the tragic event at the Washington Navy Yard earlier that week had illustrated the importance of being prepared for an unexpected emergency situation. He said the thoughts of everyone at the Authority are with the families of the victims and everyone affected by that tragedy. Mr. Potter reported that the September 21 exercise would provide another opportunity to test and enhance the advanced victim tracking system, which individually identifies victims via a bar code that is regularly updated with photos, injury specifics, and location as the patient is treated, including treatment in the ambulance while being transported to the hospital. Staff would ensure that everyone

would be aware of the drill, particularly passengers in the terminal, who might see the activity occurring on the tarmac. Mr. Potter said that while everyone prayed that the skills practiced in these drills would never be needed, it is critical to make sure that Reagan National and Dulles International will always be ready to respond.

As *The Washington Post* had reported, the refurbishment of Terminal A is the largest passenger facility project undertaken at Reagan National in quite some time. Mr. Potter expressed appreciation to passengers for their patience while the work was being performed. He noted that additional work still needed to be completed, including an expansion of the security check point to allow for easier passenger flow. Mr. Potter thanked the Engineering and Operations staffs for their work in making the vision a reality.

Mr. Potter reported that management is proud of the work Steve Baker, Vice President for Business Administration, and his staff had performed in the plan to redevelop retail and dining options at both Airports. Business Administration Staff had worked closely with MarketPlace Development to achieve a first-class plan that will enhance many of the Authority's current concession options. Mr. Potter thanked Mr. Baker, who would present the details of the redevelopment plan to the Business Administration Committee later that day, and his staff.

Mr. Potter thanked all Authority employees who work every day to help improve the customers' experience on the Dulles Toll Road and at the Airports. He reported that more than 16,000 people had attended the recent 21st Dulles Day Plane Pull, won by the Chesapeake Sheriff's Office. The Dulles team had also added the 5-K on the Runway race, which had attracted 2,000 participants, including Chris Browne, Vice President and Airport Manager, and other Dulles employees. More than \$225,000 had been raised for the Special Olympics of Virginia.

With regard to employees helping the community, Mr. Potter shared a recent news clip of Kevin Jones, Support Services Supervisor. Mr. Jones, affectionately called "Coach Moose" by the children he coaches and mentors, explained that he and Terrance Judge had created a basketball league, Metropolitan Ball, in 2000 in an effort to inspire at-risk youth to choose basketball and books over violence. Mr. Potter introduced Mr.

Jones, who received a round of applause. He then acknowledged his volunteer efforts and said that the Authority is proud to have Mr. Jones as part of its family. Mr. Potter said the Authority is proud of all its employees who provide service to the communities.

Mr. Potter reported that Mr. Holly had overseen \$10 billion worth of construction projects during his tenure as Vice President for Engineering of more than 20 years at the Authority. Mr. Holly then announced that he would retire from the Authority in January 2014. He said that he had been fortunate to have a key role in developing the Airports into world-class facilities and to have gained the support from the Board of Directors and senior-level management. Mr. Holly reported that it is rewarding to him that Phase 1 will be completed this year, and that work on Phase 2 is underway to extend the Metrorail service through Dulles International into Loudoun County by 2018. He believed that he had accomplished the goals he had hoped to achieve. Mr. Holly received a standing ovation. Mr. Potter thanked Mr. Holly for his leadership.

On behalf of former and present Directors, Chairman Curto thanked Mr. Holly for his service. As a native Washingtonian, Chairman Curto said he had witnessed the transformation of the Washington Airports and the Dulles Corridor over the years, which had occurred under Mr. Holly's stewardship. He offered Mr. Holly best wishes on his approaching retirement.

b. Executive Vice President's Report

Ms. McKeough reported that a busy and successful summer travel season had occurred at both Airports. She noted that a 1 percent increase in passenger activity had occurred during the summer season in June and July throughout the U.S. aviation industry. The Authority's combined system during that time at both Airports had been consistent with the industry's 1 percent increase. At Reagan National, record increases in passenger activity levels had occurred in June and July, at 3.5 and 2.5 percent, respectively compared to the same period in 2012. At Dulles International, a strong international travel season had occurred in June and July, reflecting an increase of 4 and 7 percent, respectively. Ms. McKeough reported that domestic activity had continued to decline approximately 2 to 3 percent throughout the summer season.

Ms. McKeough reported that the Airports' system as a whole was experiencing a year-to-date increase of 1 percent, attributed to a 7 percent increase in domestic activity at Reagan National and a 5 percent increase in international activity at Dulles International offset by a slight decline in domestic activity at Dulles International.

Ms. McKeough reported that a 7 percent decrease in cargo activity had occurred in the summer season, which had been influenced by a decline in domestic cargo. She noted that international cargo is becoming more constant as indicated by a slight volume increase in June and July.

IV. NEW BUSINESS

a. Recommendation to Amend the Airports Authority Bylaws

Chairman Curto moved the adoption of the following resolution, which was unanimously adopted by all 14 Directors present:

WHEREAS, In January 2013, the Airports Authority Bylaws were amended to implement certain recommendations made by the Department of Transportation's office of Inspector General relating to the discussion in executive session of audit-related matters by the Board of Directors and Board committees;

WHEREAS, The Bylaws amendments adopted in January 2013 amended Section 3(g) of Article IX to limit the discussion of audit-related matters that may occur in executive session and to define those limits;

WHEREAS, Following its review of these Bylaws amendments, the Office of Inspector General has recommended that a further amendment be made to Section 3(g) of Article IX to include an identification of the "professional standards applicable" to auditors that are referenced in the section;

WHEREAS, An amendment to Section 3(g) of Article IX implementing the Office of Inspector General recommendation (attached to this Resolution) was approved, and recommend-

ed to the Board of Directors for adoption, by the Executive and Governance Committee at its meeting in September 2013; now, therefore, be it

RESOLVED, That the Airports Authority Bylaws be amended deleting current Section 3(g) of Article IX and inserting in place thereof a new Section 3(g) as set out in the attachment to this resolution.

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

b. Recommendation to Appoint Senior Managing Underwriter or Dulles Toll Road Credit

Mr. Conner moved the adoption of the following resolution for the Finance Staff and financial advisors to engage in negotiations for an interim loan to provide sufficient construction liquidity for the Dulles Metro-rail Project, which was unanimously approved:

WHEREAS, The plan of finance for the Dulles Corridor Metro-rail Project (Rail Project) provides, in part, for the acquisition in late 2013 of interim financing sufficient to provide short-term construction liquidity for the Rail Project and the issuance in early 2014 of long-term, fixed-rate Dulles Toll Road revenue bonds;

WHEREAS, To facilitate the securing of this interim and long-term financing, among other things, the Airports Authority issued a Request for Proposals (RFP) in July 2013;

WHEREAS, The RFP was distributed to the 11 investment banking firms that the Board of Directors appointed in April 2012 to the Dulles Corridor Enterprise (DCE) Underwriting Syndicate;

WHEREAS, The RFP requested that interested firms respond to a series of questions relating to the financing of the Rail Project, including questions asking for the firms' views and

recommendations regarding the structure and terms of interim financing that the Airports Authority might secure in late 2013, and the structuring of the long-term, fixed-rate Dulles Toll Road revenue bonds that the Airports Authority might issue in early 2014;

WHEREAS, Ten of the 11 DCE Underwriting Syndicate firms responded to the RFP, two of which expressed an interest only in performing a co-manager role in connection with the issuance of long-term Dulles Toll Road revenue bonds;

WHEREAS, A staff evaluation committee, assisted by non-voting members, reviewed the RFP responses submitted by these firms and, using criteria in the RFP, evaluated the firms based on their responses to the questions that the RFP posed; WHEREAS, The results of the evaluation committee's review were presented to the Finance Committee at its September 2013 meeting, following which the Committee made recommendations to the Board of Directors; and

WHEREAS, The Board of Directors has reviewed and accepted the recommendations of the Finance Committee with respect to interim financing; now, therefore, be it

RESOLVED, That (i) the following firms from the DCE Underwriting Syndicate are selected to engage in negotiations with finance staff, assisted by the Airports Authority's financial advisors, regarding the firms' provision of interim financing to the Airports Authority that will be sufficient to provide short-term construction liquidity for the Dulles Metro Corridor Project, as this interim financing component of the plan of finance is described in the staff paper presented to the Finance Committee at its September 2013 meeting: Bank of America/Merrill Lynch, JP Morgan and RBC; and (ii) finance staff will present the results of these negotiations to the Finance Committee for approval at its October 2013 meeting; and

2. That the selection of firms and the identification of roles these firms might play in conjunction with the issuance in

early 2014 of long-term, fixed-rate Dulles Toll Road revenue bonds to provide permanent financing for the Dulles Corridor Metrorail Project will be addressed by the Board at a later meeting.

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

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Meeting was thereupon adjourned at 10:42 a.m.

Respectfully submitted:

Quince T. Brinkley, Jr.
Vice President and Secretary