

SUMMARY MINUTES  
STRATEGIC DEVELOPMENT COMMITTEE  
MEETING OF APRIL 15, 2015

Mr. Chapman chaired the April 15 Strategic Development Committee Meeting, calling it to order at 10:54 a.m. A quorum was present during the Meeting: Ms. Lang, Co-Chair, Mr. Curto, Mr. Gates, Ms. Hanley, Mr. McDermott, Mr. Mims, Mr. Session and Mr. Conner, *ex officio*. Mr. Adams, Mr. Griffin, Ms. Merrick and Ms. Wells were also present.

Air Service Development Information Report. Mark Treadaway, Vice President for Air Service Planning and Development, provided an update on bilateral aviation activities occurring of interest to the Authority's air service development efforts. He reported that since the United States and Cuba had begun to open relations, a slow and cautious process about air service ties and routes was developing. In March, the United States and Cuban aviation authorities had technical discussions for paving the way to more formal negotiations to allow greater travel. Presently, only charter service is allowed between Cuba and the United States.

Mr. Treadaway reported that network carriers are directing some comments at the U.S. Departments of Transportation, State, and Commerce regarding open skies agreements because Middle Eastern carriers believe they are being subsidized and thereby are limiting U.S. carriers' ability to compete. He noted that, in general, open skies agreements have resulted in a positive contribution to the growth of international air service at Dulles International.

Mr. Treadaway reported that jetBlue would begin nonstop service in June from Reagan National to Nantucket on Fridays, Saturdays, and Sundays. At Dulles International, Alaska Airlines had begun its daily Seattle service in March. Additionally, Aer Lingus would return to Dulles International beginning May 1 to offer four flights a week [to Dublin]. Mr. Treadaway reported that Air China would increase its four flights per week service to five nonstop flights per week between Dulles International and Beijing from July 23 through August 23.

Mr. Treadaway reported that Authority staff had recently attended the Routes Asia Conference that provided an opportunity to meet with airlines that staff may not otherwise visit, as well as meetings with existing carriers, to explore new opportunities.

Mr. Treadaway reported that China had been the largest market for tourism in the region last year. He noted that the Authority had participated in a number of activities with United Airlines in the United States, Asia and Europe. He stated that the Authority's Airline Incentive Program had generated a number of new prospects.

Mr. Treadaway reported that Authority staff had attended a recent International Air Transport Association conference in China. Several meetings had been held to discuss cargo, including pharmaceutical options, which is a niche market with the potential to increase cargo tonnage at Dulles International.

Briefing on Reagan National and Dulles International Capital Construction Program. Mr. Chapman provided a preliminary introduction and expressed his enthusiasm about the first look at the capital program at Reagan National. Though the day's informational briefing is not concrete, Mr. Chapman stated that it would be a helpful summary for Directors to consider the status of the project.

Ginger Evans, Vice President for Engineering, recalled that the Use and Lease Agreement with the airlines had been signed in January. She reported that the Airport's engineering staff had been working diligently on advanced planning for a design services contract, which would be presented to the Board next month. Although a substantial amount of details could not be disclosed at the day's meeting and refinements would be made during the design process, Ms. Evans stated that staff is confident that the framework would provide insight into the capital improvement program.

Roger Natsuhara, Deputy Vice President for Engineering, stated that the day's presentation would provide an overview of Reagan National's Capital Construction Program (CCP), the procurements proposed by staff, the environmental review process and a review of Dulles International's CCP.

Mr. Natsuhara reported that most of the costs for Reagan National's CCP would be associated with the buildings. The largest cost would be the redevelopment of the B/C terminal, including the new North Concourse, the secure terminal and the enabling projects. Building improvements would include utility systems' upgrades, repairs, airfield projects, roads and parking. Mr. Natsuhara reported that Reagan National's CCP improvements would total approximately \$1 billion.

Mr. Natsuhara first reviewed the current layout of the proposed Terminal B/C Redevelopment areas for the New North Concourse and enabling projects, including the demolition of Hangar 11 and the possible demolition of Hangar 12. He noted that the Corporate Office Building would be demolished and relocated. Mr. Natsuhara reported that Reagan National's capacity would not increase but that the New North Concourse would provide customers a much better experience and improve the level of service.

Mr. Natsuhara also reviewed the layout of the Secure Terminal [National Hall], which he explained would allow passenger movement between terminals B/C piers with no [additional] screening; allow post-security passengers to access concessions in the National Hall; and relieve congestion in the piers, especially during inclement weather when flights were impacted.

As a result of the advantages that Secure National Hall would provide to Reagan National passengers, Ms. Evans reported that it would be completed before the New North Concourse. She explained that some of the immediate relief afforded to passengers using Gate 35X included access to rest room facilities and amenities not currently available to them. Mr. Natsuhara reported that Secure National Hall would also eliminate an existing safety issue caused by the current busing operation between the center pier and the North Concourse. He noted that rescreening would still be required for transfer passengers between the Terminal A gates and the Terminal B/C gates.

Mr. Natsuhara reviewed the increased area of the National Hall, which would result from moving Transportation Security Administration (TSA) check points at the entrance of each existing concourse. The relocation of the check points will provide a potential increase in concession areas and allow easy access between the existing piers and the new North Concourse. This transition would ensure that passengers coming to Reagan National would be able to continue their normal travel patterns. Mr. Natsuhara stated that the space allotted for meet and greeters, and concessions in the new security screening area is still being analyzed during this preliminary stage. Once staff approached the detailed design phase, the Chief Revenue Office would help to identify as much space available for meet-and-greeters and concessions in that area.

Mr. Natsuhara reported that TSA requires that secure and non-secure areas be separated and that designers would create a partition for these areas.

In accordance with the National Environmental Protection Act (NEPA), Mr. Natsuhara reported that an environmental assessment would be conducted for the redevelopment of the B/C Terminal. He stated that the contract had been awarded and that meetings would be held with the resource agencies on the scoping later in the month. Although public scoping meetings and the public draft meetings are not required, Mr. Natsuhara stated that they would be held no later than early June in an effort to keep the public informed and get their input.

Mr. Natsuhara continued to highlight other building improvements at Reagan National and the cost breakdown associated with them, as well as airfield projects, utilities, road improvements and a structured parking garage. As Ms. McKeough had reported, an analysis of all the parking and rental car requirements was underway, which would provide options to address a reduction in parking capacity as a result of the relocation of the corporate headquarters.

Ms. Hanley asked if a height limitation existed on the parking garages. Ms. Evans responded affirmatively but noted that that the garage was not constrained at four levels. She stated that the four levels had been based on an earlier estimate of the demand.

Mr. Natsuhara stated that the remainder of the costs for Reagan National included other planning and programming studies, security infrastructure enhancements, severe storm resiliency improvements and some imagery of the Airports.

With regard to project delivery methods, Mr. Natsuhara reported that staff had proposed using the Construction Manager at Risk method, which it believed is the most efficient, for the Terminal B/C redevelopment, the new North Concourse, enabling projects and the secure terminal. He stated that the more traditional design-bid-build method would be used for the other construction contracts.

Mr. Natsuhara reported that a three-year CCP totaling \$126 million would be used at Dulles International for buildings, airfield, roads, utility systems and various other projects. With regard to the buildings, Mr. Natsuhara explained that existing facilities would be maintained and

some of the existing systems would be improved and recapitalized. He noted that the impacted buildings included Concourses A/B and C/D, as well as some of the office buildings that the Authority owns on the Airport.

Mr. McDermott asked if staff would anticipate altering the Airport's capital project budget if a change in demand occurred at Dulles International. Ms. Evans responded that some under-utilized capacity existed so the CCP would depend on the demand.

Mr. Session noted that the NEPA schedule would extend through June 2016. He inquired if any activities would occur before the NEPA process concluded and when the first solicitations would be bid for actual construction. Ms. Evans explained that there are some elements of the CCP called unconnected actions, under the federal regulations existed for projects that need to be completed without the reconfiguration of the building being contemplated with the new North Concourse. She noted that some utilities are undersized and that construction on those improvements would occur next year in advance of the environmental assessment (EA) process. Ms. Evans stated that even without the environmental process, it would take a year to design any kind of major airport facility. She noted that the critical path to starting construction is the Corporate Office Building relocation in approximately two years. She reported that bidding would not occur in advance of the EA final schedule so the big packages would be issued sometime in late 2016 for the following spring.

Mr. Mims asked about the timing on the Terminal A projects. Ms. McKeough reported that money is included in the capital program for planning and programming in Terminal A as part of the Use and Lease Agreement but that a decision needed to be made regarding Terminal A's infrastructure. She explained that Southwest Airlines (Southwest), the major tenant in Terminal A, had begun its full schedule in November 2014 and had requested some time to work with the current infrastructure. Ms. McKeough reported that prior to Mr. Mims joining the Board, it had approved a significant investment of money over the past couple of years for renovations in Terminal A. She stated that the Authority needed to learn Southwest's planned operation to strategically plan the Terminal A facilities.

Mr. Adams asked about the Board's role with respect to approval and oversight regarding the ultimate design of the Terminal B/C changes.

Ms. Evans stated that she was not aware of any formal approval but noted that staff would provide updates to the Board on a regular basis. Mr. Adams also inquired whether the external structure of Terminal A was a historic landmark. Ms. Evans responded that the actual banjo is not a historic landmark. Lastly, Mr. Adams inquired about the relocation plan for the Corporate Office Building. Ms. Evans responded that employees would move to portions of existing space in the historic terminal, as well as Hangars 3, 4, 5 and 6. She noted that the Board Office and the conference room would be located in the historic terminal.

Mr. Curto asked that staff outline the solicitations and the dollar amounts associated with them that would be presented to the Board for approval. Ms. Evans responded that staff had presented the solicitation for the major Architect/Engineering (A/E) firm to the Board last September. She reported that staff is in the final stages of that procurement process, which would be presented to the Board for formal approval next month. Ms. Evans noted that the subsequent presentation would request solicitation approval of some support contracts. She stated that all the professional services contracts in excess of \$2 million [staff incorrectly reported \$2 million at the meeting] would be presented to the Board for approval, consistent with the normal process. Ms. Evans noted that construction contracts were not presented to the Board. Ms. Evans stated that the construction projects and all of the professional services contracts to support this program would likely be in excess of \$3 million [staff incorrectly stated \$2 million at the meeting]. Mr. Curto inquired whether staff would present these contracts to the Board. Mr. Potter responded that A/E contracts and professional services, by policy, would be presented to the Board. By policy, the construction contracts are not presented to the Board. Mr. Conner commented that the Board would have opportunities to provide input. Mr. Chapman stated that he believed that the briefing had been an excellent initial presentation.

With regard to the Board's involvement of the CCP design, Mr. Adams asked if staff is considering the airlines' needs, as well as the Authority's long-term needs as part of the CCP. He recalled that when Terminal B/C had first been constructed, some people believed it became obsolete soon thereafter because a substantial amount of long-term planning had not occurred. As part of the planning contract that the Board had approved last October, Ms. Evans reported that a micro-analysis of how passenger behavior changes had occurred and a forecast would be prepared. She stated that the detailed data collected from analysis would be provided to

a design consultant to compile a requirements document to determine the design's specifications.

Mr. Potter stated that a complicating factor is added with regard to Reagan National versus any other airport in America because it is a regulated Airport. He noted that if airlines maximized all of their slots and they up-gauge their aircraft to the maximum number of passengers, 25 million to 26 million passengers could be serviced at Reagan National so the goal would be to ensure capacity to accommodate to that level. Ms. Evans stated that customer service would be a major tenet of the concepts.

Mr. Conner suggested that a future Board workshop be held to discuss some of the inquiries and observations shared at the day's meeting, to which Mr. Potter agreed. Ms. Evans stated that staff wanted to provide a formal briefing about the developments thus far and that staff would also welcome a workshop.

Pre-Solicitation Terms for Multiple Task Order Contracts for Aviation Construction Management, Contract Administration and Project Controls Support Services for the Metropolitan Washington Airports Authority.

Ms. Evans recalled that the Committee had reviewed these contracts a few months ago when she had presented the management briefing on its plan to reorganize the Engineering Department and split up the services into a series of smaller support contracts. She stated that the day's presentation represented a set of contracts as a group to provide a better perspective on future contracts. Ms. Evans explained that all the contracts were related and would provide all the technical support services needed to ensure the Authority receives a quality product that is managed in accordance with best practices.

Steve Smith, Deputy Vice President for Engineering, stated that Parsons Management Consultants (PMC) had provided support for the CDP at both Airports from 1988 to 2015. In September 2012, the former Vice President for Engineering had briefed the Committee on proposed changes to the Office of Engineering. Mr. Smith stated that day's presentation would be consistent with that September 2012 briefing. He reported that the list of contracts that he would present at the day's meeting was a subset of the contracts included in the management briefing that Ms. Evans had referenced. Ms. Evans clarified that the Committee had reviewed the planning and programming contract in September 2014.

Mr. Smith explained that the basis for the reorganization is to bring work in-house and simplify how the contracts would be procured, which would improve the accountability for how programs would be managed.

Mr. Smith reviewed all seven contracts, their contract structures and the overall Local Disadvantaged Business Enterprise (LDBE) Program participation goal. He explained that the contract structures would be indefinite delivery, quantity-type delivery contracts, task order contracts. Mr. Smith reported that staff is recommending a five-year term for each contract, not to exceed \$2 million per year per contract for a total not to exceed total of \$14 million per year for all seven contracts. He noted that two of the contracts - the project controls estimating contract and the construction administration contract - would have two one-year options, which could add a total of \$8 million to the total product. Mr. Smith reported that the overall LDBE participation goal would be 75 percent and reviewed individual goals associated with the different types of contracts. Ms. Evans noted that the LDBE goal on the PMC contract had been 25 percent.

Mr. Smith presented the evaluation criteria and noted smaller firms would not be required to have direct aviation experience. He stated that the goal is to pursue firms that had managed similar types of construction projects. Mr. Smith noted that in-house staff had the management experience to provide the aviation-specific focus.

Mr. Chapman asked if the Committee should have any concerns with the projects combined as multiple task order contracts instead of individual ones. Ms. Evans stated that individual contracts would have resulted in seven different recommendation papers instead of a combined request with all the contracts listed on one slide. Mr. Chapman stated that the Committee would approve the selection of each contract individually and Ms. Evans agreed.

Mr. Session inquired about the sequence of procurements noting that the initial solicitation began with a Request for Qualifications Information (RFQI) followed by a Request for Proposals. He asked if the Authority would qualify a group of selected contractors and issue task order contracts on an as-needed basis. Mr. Smith Explained that when a certain scope on the task order contract is sought out for these types of services, an overall scope and cost are negotiated. Once the tasks were assigned to the contract, costs are added to that contract. Ms. McKeough added that very technical professional services would be

purchased, which are procured within the industry using an RFQI approach.

Mr. Conner commented that a great deal of discussion occurred on all projects regarding DBE and LDBE commitments. He stated that he believed that there had not been an issue of difference of opinions on the commitment to those programs because they are critical to ensuring that the Authority allocated the economic benefits of this organization in a fair manner. Mr. Conner also stated that the difference of opinions had occurred with how to accomplish the goals. He noted that he agreed with the approach and that he believed that the Authority would achieve better results.

Mr. Curto stated that he also fully supported this approach. He asked Mr. Potter to comment on how these changes to the Engineering Department and throughout the Authority are progressing. Mr. Curto noted that it is evident throughout the organization that the process aligned well with this approach. Mr. Potter stated that a lot of work had been done in the Information Technology (IT) area using this approach. He recalled umbrella-management contracts, mostly in the engineering and IT areas, where contractors subcontracted with others, which limited the Authority's limited input. Mr. Potter reported that additional in-house management had been hired to accomplish much of the work that was not demand-oriented. He stated that overall costs had been eliminated, more control had been gained by analyzing these contracts, and the change in terms of LDBE participation had been broken into components for direct control instead of the use of umbrella contracts. Mr. Potter thanked Goutam Kundu, Chief Information Officer, Ms. Evans and others who had embraced that it was best to have staff perform much of the work and decision-making in-house and have a direct relationship with those who work with the Authority. He also thanked the Board for its patience with the approach, and noted that employees are embracing the direct control concept and delivering the benefits that he had just described.

The Committee concurred with the pending procurement.

The meeting was thereupon adjourned at 11:55 a.m.