

## BOARD OF DIRECTORS MEETING

Minutes of July 17, 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 10:30 a.m. Eleven Directors were present during the meeting;

Michael A. Curto, Chairman	Barbara Lang
Thomas M. Davis III, Vice Chairman	William Shaw McDermott
Frank M. Conner III	Warner H. Session
Earl Adams, Jr.	Nina Mitchell Wells
Bruce A. Gates	Joslyn N. Williams
Anthony H. Griffin	

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 July meeting of the Metropolitan Washington Airports Authority Board of Directors.

He reported that the Board had welcomed its newest Board Member, Bruce Gates, at last month's meeting. Chairman Curto said that he was pleased to extend an official welcome and congratulations to the Honorable Anthony Foxx, the new U.S. Secretary of Transportation, who had succeeded Secretary Ray LaHood. He noted that former Secretary LaHood had been a great national leader and a strong supporter of the Authority's efforts. He had also been instrumental in moving the Silver Line project forward and in helping to make the Authority a better organization. Chairman Curto thanked and applauded Secretary LaHood. He said that the Authority looked forward to an equally productive relationship with Secretary Foxx.

Chairman Curto noted that one of Secretary Foxx's first responsibilities in his new job had been to deal with a major accident involving a commercial airliner. He extended condolences to the passengers, the crew, and their loved ones who were affected by the tragic incident in San Francisco.

As the investigation into that accident continued, Chairman Curto said that the Authority, as well as the entire aviation community, are watching and hoping to learn valuable lessons from the findings by the National Transportation Safety Board and other agencies looking. He noted that all involved in the airport business continuously work to refine their ability to respond to emergencies, which is why the Authority had staged an extensive emergency drill at Dulles International several weeks ago. A similar emergency exercise for Reagan National is being planned for September. Chairman Curto said that while everyone hopes that an accident like the one in San Francisco never happens at Reagan National or Dulles International, it is our job to always be ready.

Chairman Curto reported that a number of important issues, including the cooperative agreement among the Silver Line Phase 2 partners and the granting of an easement to the Washington Metropolitan Area Transit Authority (WMATA) to accommodate operations of Phase 1, would be discussed at the day's Meeting.

As discussed earlier at the day's Dulles Corridor Committee Meeting, Chairman Curto noted that the Authority is exploring ways to help assure the start of revenue service for Phase 1 of the Silver Line Project begin as early as possible, but with the safety of the system always being its first and foremost priority. The Authority is committed to working with all the parties involved in the rail project to ensure that Phase 1 is completed with the confidence that all systems have been built and tested to WMATA's satisfaction and that the Silver Line will provide the traveling public with a safe and reliable service. Senior management is fully engaged, closely monitoring and working cooperatively with all our partners. Chairman Curto said that the Board looked forward to receiving future updates on the progress being made on the Project.

Chairman Curto reported that later in the day's meeting Mr. Potter would present another update on the Authority's continuing response to the

November 2012 audit by the Department of Transportation's (DOT) Inspector General (IG), as well as an update on the discussion from last month regarding personnel moves and enhanced administrative processes initiated for the Phase 2 rail project.

As all were aware, Chairman Curto announced that Phase 2 had formally started with the issuance of the Notice to Proceed to Capital Rail Constructors on July 8. He said it is important, as the Authority moved forward, to realize that the organization is building on the lessons learned and experiences during Phase 1 and ensuring that this project is the best run in the country.

#### I. MINUTES OF THE JUNE 19, 2013 BOARD OF DIRECTORS MEETING

The Chairman then called for the approval of the Minutes of the June 19 Board of Directors Meeting, which were unanimously adopted.

#### II. COMMITTEE REPORTS

##### a. Audit – Legal Committee – Earl Adams, Jr., Co-Chairman

Mr. Adams reported that the Audit – Legal Committee had last met on June 19. Valerie Holt, Vice President for Audit, had presented several audits at that meeting. The first was the Compliance Review for Change Orders of the Dulles Metrorail Project – Phase 1. Ms. Holt had reported that Audit staff had concluded that change order policies and procedures are in place and being appropriately followed. There were no recommended changes going forward.

Ms. Holt had also presented an audit on the Public Parking Contract. She had noted that public parking is the Authority's largest source of non-aviation revenue. Audit staff had concluded that controls over accounting and reporting are generally adequate to ensure accurate and timely reporting of reimbursable expenses.

The Office of Audit had conducted an Annual Follow-up Audit to review management's success in implementing recommendations included in prior year audit reports. With respect to internal audits, Ms. Holt had

reported that 88 of the 118 recommendations from prior year audits had been closed; substantial progress had occurred on 25 recommendations; five were incomplete and 15 of 31 had been completely closed and included in the report.

As a result of Directors' inquiries about the amount of authority that the General Counsel and the President and Chief Executive Officer (CEO) should have regarding settlement of claims, a working group had developed a proposed policy, consisting of two subject areas, to define and assign authority.

Mr. Adams reported that the first part dealt with the settlement of claims brought against the Authority, officials or employees of the Authority. The proposed policy stated that if the amount to be paid to the plaintiff(s) is \$200,000 or less, the authority to settle the claims on behalf of the Authority is delegated to the General Counsel. If the amount is greater than \$200,000, the authority is delegated to the Audit – Legal Committee to approve the settlement.

The second part addressed agreements reached outside of litigation by the Authority with employees who, as part of the agreements, are ending their employment with the Authority. The proposed policy stated that when an agreement between a departing employee and the Authority is reached, which involves a payment by the Authority of \$200,000 or more, the agreement would be presented to the Committee for review and comment, but that the President and CEO would ultimately make the final decision whether to move forward and sign the agreement.

Mr. Adams reported that after discussion and expressions of concern from Directors, the Committee had agreed to recommend the proposed policy to the Board of Directors, with the following amendments: (1) to require written concurrence of the President and CEO for all settlement less than \$200,000 and (2) clarification that provisions regarding employee separation agreements would not apply to the three employees that answer to the Board directly – the President and CEO, the Secretary, and the Vice President for Audit.

Mr. Adams said that he would offer a resolution later in the Meeting for the Board to consider the Proposed Policy to Settle Claims Presented in Litigation Against the Authority and Certain Other Matters.

Mr. Potter had presented a Status Report on KPMG's Performance Audit of the Dulles Corridor Metrorail Project for Phase 1. The report had concluded that the controls were working as intended and that they are appropriate for the size and complexity of the project. Mr. Potter had reported that 16 of 20 recommendations had been completed. Additionally, Oracle would be the Authority's single system of record for Phase 2 to enhance controls and allow staff the ability to easily retrieve information. Mr. Potter had also briefed the Committee about staffing changes that would occur for Phase 2, noting that Mark Tune, Controller, would become the new Rail Project Controller and three other staff positions would be added at the rail office.

In executive session, the Committee had discussed a Summary Report on Indirect Cost Audits; the Management Letter for the CY 2012 Financial Statement Audit; and a Pension Audit for Regular Employees and Police and Firefighters.

b. Business Administration Committee – Warner H. Session, Chairman

Mr. Session reported that the Business Administration Committee had met earlier that morning and on June 19.

At the day's meeting, Mr. Session reported that staff had presented a recommendation for less than full and open competition for Fairfax Water to Supply Services for wholesale potable domestic water to Dulles International. Dana Pitts, Manager of Airport Operations at Dulles International, who was acting Airport Manager in Chris Browne's absence, had reported that Fairfax Water is the incumbent and the current contract will expire on September 30. The new contract term is for one base year, followed by three three-year option years. Mr. Pitts noted that Fairfax Water is the only supplier with the infrastructure necessary to supply potable water to Dulles International. The sole source contract is permitted under Section 1.4.1 (3)(d) Utility Services and Supplies of the Contracting Manual, with proper justification. The Committee had approved the sole

source contract award that morning and had recommended that the Board consider it later in the day's Meeting. Mr. Session said that he would offer a resolution for the Board to approve the award to Fairfax Water, which would require a recorded vote of a minimum of 10 Directors.

At the June 19 Meeting, Mr. Browne had presented the pre-solicitation terms for maintenance and repair services of the vertical and horizontal pedestrian conveyance systems at Dulles International. He had reported that Schlinder Elevator Corporation presently provided these services for the escalators and elevators. The proposed solicitation consisting of a two-year base period and five one-year options is expected to exceed \$4.1 million annually. Mr. Session reported that the Committee had concurred with the terms of the pending procurement.

Mr. Session reported that staff had also presented a recommendation to award a sole source contract for support of Common Use Airline Equipment, Software Licensing and Software Maintenance Services at Dulles International. Mr. Browne had reported that the Authority had built its first Common-use Airline Gates in 1998 as part of the capital construction and expansion of the B Concourse at Dulles International. In order for multiple airlines to share and cooperatively use these gates as intended for maximum flexibility and efficiency, specialized equipment and software referred to as Common Use Terminal Equipment (CUTE) had to be embedded into the ticket and gate counters. The CUTE system hardware is supported by the proprietary vMUSE software, which had been installed by ARINC, Inc. as part of a competitive bid process.

Due to the proprietary nature of the procurement, changing the vMUSE service would require the Authority to replace the entire CUTE system and cost 30 airline users a maximum of \$30,000 each. With the retention of the existing contractor, Mr. Browne reported that the Authority would incur costs for licensing and maintenance of existing products and allow uninterrupted services to continue. The contract term consists of a five-year base period with five one-year option periods for a total amount of \$2.8 million.

Mr. Browne had noted that as required by the Contracting Manual, a notice of the intended sole source award had been published on the Au-

thority website for the required time period; no queries of interest had been received.

Mr. Session reported that the Committee had approved the staff's recommendation to award the contract to ARINC, Inc. He stated that he would offer a resolution later in the day's meeting to approve the sole source contract award to ARINC, which would require a recorded vote of a minimum of 10 Directors.

Staff had also presented a recommendation to award the taxicab concession contracts at Dulles International. Mr. Browne had reported that Checker Airport Taxi, Inc.; Dulles Airport Taxi, Inc.; and Dulles Taxi Systems, Inc. presently provide inbound and outbound taxi services under the Washington Flyer trademark. He had presented the recommendation to award three contracts with terms of three years and two one-year options, effective October 1, to Checker Airport Taxi, Inc.; Dulles Airport Taxi, Inc.; and Regency Cab, Inc.

After considerable discussion about how financial offers are computed, the manner in which the new contract is expected to generate substantially more revenue, the strict standards imposed by the Washington Flyer trademark and the differences between the taxicab concessions at Reagan National and Dulles International, Mr. Session reported that the Committee had approved the recommendation to award the three contracts.

Mr. Session also reported that the Committee had recommended that the Board approve the award of the taxicab contracts. At a reconvened Board Meeting on June 19, Mr. Session had presented a resolution to approve the award of the three taxicab contracts to Checker Airport Taxi, Inc.; Dulles Airport Taxi, Inc.; and Regency Cab, Inc.

c. Dulles Corridor Committee – Tom Davis, Chairman

Mr. Davis reported that the Dulles Corridor Committee had met that morning and on June 19. At the day's Meeting, staff had presented the recommendation for 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. (TRIP). Phil Sunderland, Vice President and General Counsel, had reported that in 2007 at the start of Phase 1, cooperative agreements had been executed with three partners – WMATA, Fairfax and VDOT. With Phase 2 to soon start, Mr. Sunderland had noted that cooperative agreements are needed for this stage of the Project, including the two entities that did not have an agreement in Phase 1 – Loudoun County and Toll Road Investors Limited Partnership II, L.P. (TRIP), the owner of the Dulles Greenway. The 2007 agreements with Fairfax and VDOT will remain in place, with minor updates, for Phase 2. Mr. Sunderland had reviewed the new agreements with WMATA, Loudoun County and TRIP. Mr. Davis reported that the Committee had approved the Phase 2 cooperative agreements. He said that he would offer a resolution later that day to authorize the President and CEO to execute the agreements.

Mr. Sunderland had also presented the recommendation for the grant of an easement to WMATA for Phase 1 silver line rail facilities on Airports Authority property. The two segments of Phase 1 of the Silver Line are built on property the Authority leases from the federal government: along the Dulles Connector Road (DCR) between Interstate 66 and VA Route 123, where the rail line enters the Tysons Corner area and along the Dulles International Airport Access Highway (DIAAH) between VA Route 7, where the line exits Tysons Corner and Wiehle Avenue. Mr. Sunderland had reported that WMATA will operate Phase 1 once it “accepts” it from the Authority. One condition of this acceptance is that WMATA has been conveyed sufficient property interests in the land on which Phase 1 rail facilities are located. To satisfy this condition, staff had proposed that an easement be granted to WMATA for the facilities located along the DCR and DIAAH.

WMATA had agreed to accept an easement recognizing that the Authority, as lessee, is unable to convey greater interests. The Commonwealth and Fairfax County will also provide easements to WMATA for the Phase 1 facilities within VA Routes 7 and 123 in the Tysons Corner area. Consistent with long-standing practice, WMATA will not be assessed a charge for the easement.

Mr. Davis reported that the Committee had approved the recommendation to grant an easement to WMATA for Phase 1 Silver Line rail facilities

on Authority property. He said that he would offer a resolution later in the day's Meeting for the Board to authorize the President and Chief Executive Officer to execute the proposed easement. Mr. Davis noted that remaining agenda items discussed at the day's Committee Meeting would be provided at the September Board Meeting.

At the June 19 Meeting, Pat Nowakowski, Executive Director of the Metrorail Project, had presented an update on the Dulles Corridor Metro-rail Project Monthly Cost Summary. He had reported that \$22.1 million had been spent on Phase 1 in April and that the total project budget remained at \$2.905 billion. Contingency use through March had been \$393 million and contingency used/obligated in March had been \$4.2 million.

Mark Adams, Deputy Chief Financial Officer, had presented the May 2013 Financial Report – Dulles Corridor Enterprise. He had reported that Toll Road revenues year-to-date had been \$51.9 million, an increase of 22 percent over the same period last year. Toll transactions had decreased 2 percent compared to the prior year, but are 2.5 percent higher than the amount forecasted for 2013. Toll Road expenditures of \$10.6 million year-to-date had increased 9.9 percent from the prior year.

Mr. Session inquired whether Mr. Davis still had an interest in setting parameters for change orders. Mr. Davis said that he still wanted to pursue the discussion and reminded Mr. Potter that he had requested detailed information, to which Mr. Potter promised to provide.

d. Finance Committee – Frank M. Conner, Chairman

Mr. Conner reported that the Finance Committee had met that morning and on June 19. At the day's Meeting, the Financial Advisors for the Aviation and Dulles Corridor Enterprises had presented reports. With respect to the Aviation Enterprise, the Board had authorized the sale of the Series 2013A-C Airport System Revenue Refunding Bonds; a report had been provided.

At the day's Meeting, the Committee had approved and recommended that the Board approve CDM Smith, Inc. to provide traffic and revenue consulting services for the Dulles Corridor Enterprise. Mr. Conner said

that he would offer a recommendation later in the day's Meeting to award the three-year contract, with two one-year extension options to CDM Smith.

e. Strategic Planning and Development Committee – Lynn Chapman, Chairman

In Mr. Chapman's absence, Mr. Griffin reported that the Committee had last met on June 19. Mark Treadaway, Vice President for Air Service Planning and Development, had presented the Quarterly Air Service Development Report. He had provided information about new service offered by Southwest Air and Etihad Airways and the promotional efforts that the Authority is engaged in regarding emerging and new international markets at Dulles International. Mr. Treadaway had also provided an update on the merger between American Airlines and US Airways; and told the Committee that selected radio stations had begun airing ads to promote the travel opportunities available at Dulles.

Bill Lebegern, Manager of the Planning Department, had presented an information report on the Authority's support to regional transportation planning efforts. He had provided a historical view of the Authority's involvement and its position regarding highway access to Dulles International. For the past two decades, the Authority had supported highway projects as an opportunity to capitalize on Dulles as an asset to increase overall economic benefit.

As a point of information, Chairman Curto noted that all Minutes could be found on the Authority website.

### III. INFORMATION ITEMS

a. President's Report

Mr. Potter also welcomed Secretary Foxx and sent thanks, congratulations and best wishes to Secretary LaHood. He noted that the Authority had been fortunate to have worked closely with Secretary LaHood, whose leadership and commitment to the Silver Line and to improving the Authority as an organization were invaluable. Mr. Potter said that the Authority would always be grateful for Secretary LaHood's contributions

and leadership and that the Authority looks forward to working with Secretary Foxx in the months and years ahead.

Mr. Potter then offered condolences to those affected by the tragedy in San Francisco. He stated that everyone in the aviation industry knows that major airline accidents are rare, but as Chairman Curto had noted, it is our job to always be prepared and ready to respond. The Authority and the rest of the aviation industry will learn from this tragedy.

As staff had noted, Mr. Potter reported that the expected completion date for construction of Phase 1 is being extended to accommodate the work needed to assure that all the Phase 1 systems are performing as expected. He said that the Authority is committed to delivering WMATA a project in which it would have the utmost confidence. Mr. Potter reported that he had been in contact with the leaders of WMATA and with other partners in the project and he assured the Board that the Authority is working cooperatively to minimize any impact on the “revenue service date” – the time when the Silver Line begins carrying passengers. As tests are conducted and information gathered, Mr. Potter said that staff would be able to determine the accuracy of the current eight-week time-extension estimate for substantial completion. He noted that a more precise assessment would be provided at the September Board Meeting once staff had a better knowledge of how the tests are proceeding and a better estimate of the additional time that will be required. Mr. Potter said that it is too early to speculate on the substantial completion and revenue service dates. He shared the Board’s commitment to ensuring that the Authority turned over to WMATA a Phase 1 project that meets all specifications for safety and performance.

With regard to Phase 2 of the rail project, Mr. Potter reported that on July 8, a Notice to Proceed had been issued to Capital Rail Constructors for Package A, the major design/build portion of this phase, including the tracks and stations of Phase 2. With the issuance of the Notice to Proceed, the Authority had effectively kicked off the last stage of the project. While no actual construction is expected to begin until next year, Mr. Potter reported that Capital Rail Constructors will soon have crews in the field doing surveying, geological assessments and technical work and will be working to finalize design of the rail to Loudoun. The Notice to Pro-

ceed had set a deadline for substantial completion of Phase 2 for the third quarter of 2018.

Mr. Potter stated that the Authority would adopt the lessons staff had learned in the Phase 1 process to guide and inform efforts as Phase 2 moves forward. He said he was pleased to report that some of the administrative and oversight changes the Authority is making as it moved into Phase 2 had already been completed. Mark Tune had been deployed to the rail office and now serves as the rail project controller to oversee all financial aspects of the project, including the final testing of the transition to Oracle as the primary financial management system for the project. Mr. Potter reported that Mr. Tune's transition is an important one as it puts the finances of the rail office and the rest of the Authority on a single system assuring integration of information and a more efficient process for accessing records.

In addition to Mr. Tune, Mr. Potter reported that Steve Hildebeitel had been dedicated as a member of the Internal Controls, Compliance and Financial Strategy Division to the rail project full time. Mr. Hildebeitel will ensure compliance with policies and procedures for Phase 2 procurement and financial reporting.

As noted at the day's earlier Finance Committee Meeting, the Authority had sold Series 2013 Bonds totaling \$245.6 million on June 27. Mr. Potter reported that all but \$80 million of these bonds had been sold to take advantage of refunding opportunities to lower interest costs on outstanding debt. Because the municipal bond market had been extremely turbulent, the Finance team had monitored the market on a daily basis. The Finance team had worked with the Chairman of the Finance Committee, as well as Chairman Curto and Vice Chairman Davis, and they had jointly authorized the sale to proceed. With the sale, the Authority had achieved net present value savings of \$13.7 million or 6.8 percent of refunded par, which is a terrific outcome. Mr. Potter expressed thanks to the Board.

Mr. Potter said that the successful execution of the sale is attributed to the diligence of the Authority's Finance team. Mr. Potter thanked and congratulated all involved.

Mr. Potter reported that the Authority had continued to make progress in addressing the recommendations in last November's audit by the DOT's IG. The Human Resources Competitive Hiring and Compensation Policy had been finalized and implemented. Staff is also nearing completion of its initial administrative improvement process.

As all were aware, Mr. Potter stated that the Authority had revised or developed and then implemented new policies for ethics, travel, business expense and procurement. All of these policies had been designed to improve the Authority's procedures and enhance its governance with the goal of making the organization more efficient and effective and, most importantly, strengthening public trust.

Mr. Potter reported that the Authority continued to work with the IG's office to gain concurrence on the actions taken and to ensure that the Authority is addressing all of IG's concerns. He noted that creating and implementing new policies is just the first step. It is equally important to ensure that the Authority is living up to these new policies, which is an ongoing and long-term process. The Authority would need to live with these new systems and monitor its performance before saying that the job has been finished. The Internal Controls, Compliance and Financial Strategy Division is working to ensure that everyone is following the new guidelines and to identify any items that may need enhancement, clarification or strengthening.

Mr. Potter reported that Brussels Airlines had begun providing non-stop, five-day-a-week service from Dulles International to Belgium. At Reagan National, Southwest Airlines is expanding service. Beginning August 4, Southwest will fly daily from Reagan National to Hobby Airport in Houston, one of Southwest's focus cities. Mr. Potter said that this will be a welcome new service as the Authority works to broaden the choices for our travelers.

Mr. Potter also reported that the Authority is making good progress in its efforts to offer passengers a broader array of high-quality concessions, from dining, to shopping, to rental cars and parking services, at both Airports. The Authority's Concessions Redevelopment Program is underway. Thus far, the Authority had received proposals for 12 newsstands and five retail outlets. Mr. Potter noted that at least 18 additional

proposals for food, news and retail locations were expected by the end of that day.

The program to revamp and revitalize concessions at Reagan National and Dulles International is based on feedback from passengers on the types of eating and shopping options they would find most desirable, as well as other factors. In the coming months, Mr. Potter said that Authority staff is expected to announce new stores, restaurants and other services at both Airports, including 12 food and newsstand locations in the newly-renovated Terminal A at Reagan National, which is also making excellent progress. He invited everyone to stroll through the terminal and see the ongoing renovations.

Mr. Potter congratulated Dana Pitts and staff for the fine work they performed on July 11 when the downpour of an unexpected thunderstorm caused flooding in several areas of the Airport, which disrupted operations and required many people to work extra hours. Fortunately, it had occurred after 10 p.m., a light-activity time in the terminal, but Mr. Pitts and his crew had spent the night at the Airport working the issue. Mr. Potter said that the recent event was another example of the fine work staff performs.

Mr. Potter reported that the Authority Summer Jazz Series would begin the following week. About 15 jazz performers will treat passengers to music in the terminals at Dulles International and Reagan National through August. Mr. Potter said that it is a popular program that always receives great reviews from the public.

In an effort to continue its tradition of corporate citizenship, Mr. Potter reported on a number of events and activities that highlight the Authority's commitment to the communities served. At Reagan National, in cooperation with the Transportation Security Administration (TSA), the Authority would donate its growing collection of "lost and found" clothing to the U.S. Department of Veterans Affairs. Mr. Potter noted that these jackets, scarves, gloves and other items were left at TSA screening stations throughout the Airport. Every effort had been made to return the articles, which had been held for at least two months, to their owners. Rather than simply throw the unclaimed clothes away, Mr. Potter said that new legislation allows TSA to work with the airport to identify a local

charity that can use them. Staff is in the process of setting a delivery date for the first batch of unclaimed garments, and the Authority would continue to make additional donations as clothing accumulates.

At Dulles International, the Authority is bringing the community to the Airport. Mr. Potter noted that Dulles International is a founding partner of the George Washington University *‘Teachers in Industry Project’*, which is an initiative to provide middle and high school core content teachers the opportunity to experience firsthand the work environment for which they are preparing their students. On July 10, teachers from Loudoun and Prince William counties had been invited to Dulles International for a day-long tour of the Airport and a behind-the-scenes look at everything it takes to make it function. Mr. Potter explained that the goal is to highlight the role of science, technology, engineering and math in the operation of the Airport. As a result of the tour, the teachers would be able to share their experiences with their students and explain first-hand the importance of science and technology to our daily lives and the importance of studying those subjects in school.

In addition to the tour, Mr. Potter reported that five teachers from Loudoun County had recently spent several days at Dulles International and Reagan National receiving an in-depth education in baggage processing, airport operations, environmental controls, maintenance operations and more. Experts at the Airports had briefed the teachers and answered many questions, which will help them translate the summer experience into practical applications in the classroom. Mr. Potter said that the Authority had been proud to host such a wonderful experience for the teachers in the community.

Mr. Potter reported that staff is in the final planning stages for this year’s Dulles Day celebration, which will be held on September 14. In addition to the always-popular “plane pull” event to benefit Special Olympics Virginia and the other traditional activities, the Authority will host its first ever “5-K on the Runway,” a marathon-style event for runners. The run will start at 7:30 a.m. and a link for registration and more information about the event is posted on the Authority website. Mr. Potter reported that more than 10,000 people normally attend the event, filled with activities for children to enjoy.

## b. Executive Vice President's Report

Ms. McKeough provided a status update on construction projects underway at both Airports and the Dulles Toll Road. She reported that the seven distinct, separate construction projects underway in Terminal A at Reagan National are on track and progressing toward the goal of completion by the start of the November holiday travel season. Specifically, the Terminal A lobby remodeling should be completed by the end of the summer.

Construction on the next phase of the Runway Safety Area project had begun on the remaining two runways at Reagan National. Ms. McKeough noted that Runway 15-33 would be closed late in the evenings for the next few months to facilitate the work. Since Runway 15-33 is not a main runway used for late evening arrivals and departures, its closure would not present any challenges.

Ms. McKeough reported that an expansion of the security checkpoint at the North Pier of Terminal C at Reagan National had been recently completed. She noted that the purpose of the expansion is to facilitate the increased level of passenger activities in an effort to manage TSA wait lines.

At Dulles International, Ms. McKeough reported that United Airlines is continuing to make progress on construction of the maintenance hangar the airline is building. Within the next couple of months, the Authority would begin construction on the portion of the taxiway connection from the main airfield to the location of the new hangar, for which it is responsible. The forecasted completion date for the entire project is late fall.

Mr. McKeough reported that the Authority, in conjunction with TSA, continues to make progress on the expansion of the east-west airline baggage makeup areas where automated equipment would be installed. She noted that the exterior renovation of the former air traffic control tower, adjacent to the Main Terminal at Dulles International, would soon begin.

With respect to the Dulles Toll Road and Access Highway, Ms. McKeough reported that maintenance and pavement work would occur over the next

couple months, including a major roadway renovation located eastbound past the main toll plaza.

Ms. McKeough then reported that a 2 percent increase in passenger activity had occurred in May throughout the U.S. aviation industry. The Authority's combined system at both Airports had increased its passenger activity by 1 percent. At Reagan National, passenger activity for May had increased 9 percent compared to the same period in May 2012. At Dulles International, international activity had increased 2 percent and domestic activity had decreased 8 percent for the month of May. Ms. McKeough reported that the Airports' system as a whole was experiencing a year-to-date increase of slightly more than 1 percent, attributed to the domestic growth at Reagan National and international growth at Dulles International.

With the completion of the May passenger activity period, Ms. McKeough noted that a new baseline benchmark had been established when reviewing future air traffic statistics. She explained that May 2013 had completed a full twelve-month cycle of the shift of flight activity that had occurred between Dulles International and Reagan National caused by airline mergers and slot divestitures. Ms. McKeough noted that future air traffic statistic reports would result in a smaller comparative percentage than prior years.

Ms. McKeough noted that a 6 percent decrease in cargo activity had occurred in May, which had been primarily triggered by a decline in domestic cargo. While international cargo activity is becoming more constant, it had decreased by 1 percent in May.

Chairman Curto asked if the 6 percent cargo decline is consistent with past activity. Ms. McKeough responded it was consistent and added that it is associated with United downsizing its aircraft it used to serve West Coast destinations.

Mr. Gates asked if the Authority is required to maintain the operational capability of the former air traffic control tower at Dulles International. Ms. McKeough clarified that the Authority's responsibility for the tower pertains only to the physical maintenance of the facility.

Mr. Session referenced a recent *Washington Post* article about the Bi-County Parkway that had stated that it had implications on cargo traffic. Ms. McKeough commented that any road improvements in Northern Virginia, particularly in the area of Dulles International, are a positive influence for the Airport and that cargo activity is aligned with the growth of the local and global economy. She noted that the Parkway would be helpful to the Airport but it would not be a catalyst for cargo growth itself.

#### IV. NEW BUSINESS

- a. Recommendation to Award a Sole Source Contract for Support of Common Use Airline Equipment, Software Licensing and Software Maintenance Services at Dulles International

Mr. Session moved the adoption of the following resolution, which was unanimously approved by all 11 Directors present:

WHEREAS, As part of the capital construction and expansion of the B Concourse at Dulles International in 1998, the Authority introduced and built its first “Common-Use Airline Gates” designed to support multiple airline users at different times throughout the day;

WHEREAS, Such gates provide the Authority with maximum flexibility and are well suited for the kind of international operations offered at Dulles International;

WHEREAS, Common Use Terminal Equipment (CUTE) permits the airlines operating at Common-Use Airline Gates, along with other airlines, to process passengers while utilizing a common platform connected to their unique company systems;

WHEREAS, The CUTE hardware is supported by the proprietary vMUSE software;

WHEREAS, The Authority contracted with ARINC, Inc. of Annapolis, Maryland in 1998 to install the CUTE hardware and

supporting vMUSE software following a competitive procurement;

WHEREAS, The vMUSE software is proprietary intellectual property wholly owned by ARINC, Inc., consisting of licensed software and offsite support services capable of monitoring the conditions of the CUTE workstations throughout the Airport;

WHEREAS, The current contract with ARINC, Inc., expires on July 31, 2013;

WHEREAS, If the Authority were not to continue to utilize the vMUSE software system under a contract with ARINC, Inc., it would be required to replace the entire CUTE system since it is supported only by vMuse software, an action that would be disruptive and unreasonably costly to both the airlines and the Authority;

WHEREAS, Continuing to contract with ARINC, Inc., will allow the Authority to incur software maintenance and licensing costs of approximately \$206,000 annually for existing installed products and also will allow services to continue uninterrupted;

WHEREAS, As required by the Contracting Manual, notice of this intended sole source award was published on the Authority's website for the required time period; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a five-year contract, with five one-year extension options, for a total contract of \$2,850,000, with ARINC, Inc., consistent with the terms presented to the Business Administration Committee at its June 19, 2013 meeting.

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

b. Recommendation for Less than Full and Open Competition for Fairfax Water to Supply Services for Wholesale Potable Domestic Water to Dulles International

Mr. Session moved the adoption of the following resolution, which was unanimously approved by all 10 Directors present at the meeting table, which excluded Mr. Griffin who had formerly recused himself and did not participate or vote:

WHEREAS, The current contract for furnishing wholesale water and related services for Dulles International is held by Fairfax Water of Fairfax, VA, which expires on September 30, 2013;

WHEREAS, Fairfax Water is the main water company in Northern Virginia and the only provider with the infrastructure necessary to supply potable water to Dulles International;

WHEREAS, As required by the Contracting Manual, notice of this intended sole source award was published on the Authority's website for the required time period; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a one-year contract, with three three-year extension options, with Fairfax Water consistent with the terms presented to the Business Administration Committee at its July 17, 2013 meeting.

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

c. Recommendation on Proposed Policy on the Authority to Settle Claims Presented in Litigation Against the Authority and Certain Other Matters

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

WHEREAS, At its June 2013 meeting, the Audit-Legal Committee (Committee) considered a proposed policy, developed by a Committee working group, that assigns the responsibility and authority to settle claims that have been presented in litigation against the Airports Authority, and to enter employment separation agreements with employees;

WHEREAS, At its June 2013 meeting, the Committee discussed the proposed policy, made amendments to it, and approved the proposed policy, as amended, and recommended its approval to the Board of Directors; now, therefore, be it

RESOLVED, That the policy recommended by the Committee, which is set out in paragraph 2 of this resolution, is hereby approved and adopted;

2. That the policy approved by this resolution is as follows:

This policy addresses the authority to settle Claims, as defined below, on behalf of the Airports Authority.

For purposes of this policy, Claims mean any claim for damages or other monetary relief that has been asserted in litigation filed in federal or state court against the Airports Authority and/or against one or more Authority employees, whether sued in their official or individual capacity, including claims asserted against Authority contractors that are covered by an “owner controlled insurance program” that the Authority operates within the Aviation Enterprise, as the operator of Reagan National and Dulles International Airports, or a comparable insurance program that the Authority operates within the Dulles Corridor Enterprise, as the constructor of the Dulles Corridor Metrorail Project, but excluding worker compensation claims that arise from workplace injuries or illnesses sustained by Authority employees.

With the written concurrence of the President and Chief Executive Officer, the General Counsel is authorized to approve the settlement of one or more Claims asserted in litigation that involves the payment of \$200,000 or less in Airports Authority funds (whether such funds are from the Authority's Aviation Enterprise Fund or Dulles Corridor Enterprise Fund) to the party asserting the Claim or Claims, and to execute on behalf of the Authority an agreement that implements the settlement, so long as budgeted funds are available.

The Audit-Legal Committee is authorized to approve the settlement of one or more Claims asserted in litigation that involves the payment of more than \$200,000 in Airports Authority funds to the party asserting the Claim or Claims, and, following such approval, the General Counsel is authorized to execute on behalf of the Authority an agreement that implements the settlement, so long as budgeted funds are available.

Nothing in this policy should be construed as preventing the General Counsel, in his or her discretion, from presenting to the Audit-Legal Committee, for its review and comment, a settlement of one or more Claims asserted in litigation that involves the payment of less than \$200,000 in Authority funds.

In addition, any agreement between the Airports Authority and an employee of the Authority (other than an employee who reports to the Board of Directors), which is reached outside of litigation, and in which the Authority commits to pay a sum in excess of \$200,000 in Authority funds to the employee and the employee commits to resign from or otherwise terminate his or her employment with

the Authority, shall, prior to execution, be submitted to the Audit-Legal Committee for its review and comment. The authority to decide whether to enter and execute the agreement on behalf of the Authority shall remain with the President and Chief Executive Officer or any employee to whom the President and Chief Executive Officer has delegated that authority.

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

- d. Recommendation for Dulles Corridor Metrorail Project – Phase 2 Cooperative Agreements with the Airports Authority and the Washington Metropolitan Area Transit Authority, Loudon County and Toll Road Investors Partnership II, L.P.

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

WHEREAS, In 2007, the Airports Authority entered into cooperative agreements relating to the Dulles Corridor Metrorail Project (Project) with the Washington Metropolitan Area Transit Authority (WMATA), Fairfax County and the Virginia Department of Transportation (VDOT), which established a framework for cooperation between these Project partners and the Airports Authority in the design and construction of the Project;

WHEREAS, In 2007, cooperative agreements were not made with two other Project partners, Loudoun County and Toll Road Investors Partnership II, L.P., (TRIP II), because they would not become involved in the Project until the commencement of the Project's Phase 2 which, in 2007, was years away;

WHEREAS, The Airports Authority is now about to commence construction on Phase 2 of the Project, which runs from the eastern terminus of the Project's Phase 1 along the median of the Dulles International Airport Access Highway to and

through Dulles Airport, and then along the median of the Dulles Greenway to a terminus at Virginia Route 772;

WHEREAS, To address their relationships during the construction of Phase 2, the Airports Authority, Loudoun County and TRIP II have negotiated cooperative agreements defining roles and activities relating to Phase 2 design reviews, permitting, property acquisition, and other matters;

WHEREAS, The Airports Authority and WMATA have determined that their 2007 cooperative agreement does not sufficiently address Phase 2 issues, and therefore have negotiated a new cooperative agreement for Phase 2;

WHEREAS, The Phase 2 cooperative agreements between the Airports Authority and Loudoun County, TRIP II and WMATA have been reviewed and approved by the Dulles Corridor Committee and recommended to the Board of Directors for approval; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to execute, on behalf of the Airports Authority, the Phase 2 cooperative agreements with Loudoun County, Toll Road Investors Partnership II, L.P., and the Washington Metropolitan Area Transit Authority in substantially the form as presented to the Dulles Corridor Committee on July 17, 2013.

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

- e. Recommendation for the Grant of an Easement to the Washington Metropolitan Area Transit Authority for Phase 1 Silver Line Rail Facilities on Airports Authority Property

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

WHEREAS, The Airports Authority is constructing the Phase 1 portion of the Metrorail Silver Line for acceptance by the Washington Metropolitan Area Transit Authority (WMATA);

WHEREAS, Following its acceptance of Phase 1, WMATA will be the sole party responsible for the operation and maintenance of this portion of the Silver Line;

WHEREAS, As a condition to its acceptance of Phase 1 of the Silver Line, WMATA requires that it receives an appropriate property interest in the land on, under or above which these facilities are located;

WHEREAS, A portion of the Phase 1 facilities are located within Airports Authority land that is leased from the federal government, primarily in the median of the Dulles Connector Road between Interstate 66 and the Tysons Corner area, and in the median of the Dulles International Airport Access Highway between the Tysons Corner area and the western terminus of Phase 1 at Wiehle Avenue in Reston;

WHEREAS, In addition to the Phase 1 rail line, the Phase 1 facilities that are located within Airports Authority land include, without limitation, guideways, traction power substations, tiebreaker switches, pedestrian bridges, and utilities, including conduits and cable located in underground duct banks;

WHEREAS, The Airports Authority and WMATA have negotiated an easement that grants WMATA the right to operate and maintain, along with related rights, Phase 1 Silver Line facilities in the locations on Airports Authority land in which they have been constructed;

WHEREAS, This easement was presented to the Dulles Corridor Committee at its July 2013 meeting and, following its review, the Committee approved and recommended the easement's approval to the Board of Directors; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is directed and authorized to execute, on behalf of the Airports Authority, the easement granting to WMATA the right to operate and maintain, along with related rights, the Phase 1 Silver Line facilities located on Airports Authority land as depicted in the easement, in substantially the form as presented to the Dulles Corridor Committee at its July 2013 meeting.

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

f. Recommendation to Award a Contract for Traffic and Revenue Consulting Services for the Dulles Corridor Enterprise

Mr. Conner moved the adoption of the following resolution:

WHEREAS, Under the Master Indenture of Trust and Supplemental Agreements (Bond Indenture) for Dulles Toll Road (DTR) Revenue Bonds, the Authority must retain a Toll Road Consultant;

WHEREAS, The Finance Committee in March 2013 concurred in the pre-solicitation report for the procurement of traffic and revenue consulting services for the Dulles Corridor Enterprise, which provided for the issuance of a Request for Proposals;

WHEREAS, The Evaluation Committee evaluated the two submittals and the Contracting Officer concurred with the recommended award to CDM Smith, Inc.; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a three-year contract, with two one-year extension options, with CDM Smith, Inc., consistent with the terms presented to the Finance Committee at its July 17, 2013 meeting.

Chairman Curto noted that Mr. McDermott had read a statement at the day's earlier Finance Committee Meeting regarding an apparent conflict

of interests but believed he is capable of voting with respect to the matter. Mr. McDermott reported that he had consulted Section 3(b)(ii) of the Code of Ethics and with the Ethics Officer and General Counsel. He said that is he able to participate fairly and objectively in the interest of the Authority with regard to the proposed resolution.

The recommendation was thereupon unanimously adopted.

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

#### V. UNFINISHED BUSINESS

Chairman Curto announced that the August Board and Committee Meetings had been canceled. The next meetings would be held on Wednesday, September 18.

#### VI. OTHER BUSINESS & ADJOURNMENT

The Meeting was thereupon adjourned at 11:19 a.m.

Respectfully submitted:

Quince T. Brinkley, Jr.  
Vice President and Secretary

## MWAA Board of Directors Recusal Agreement

**FROM:** Anthony H. Griffin

**TO:** Naomi Klaus, Ethics Officer

This is to affirm that I am disqualified from participating in the following Authority matter due to the personal interest identified below that may reasonably appear to conflict with the fair and objective performance of my official duties:

Authority Transaction or Matter  
Staff recommendation to Procure Wholesale  
Potable Domestic Water at Dulles Airport from  
Fairfax County Water Authority

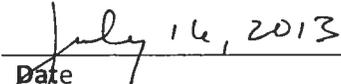
Personal Interest  
At-large Board Member of the Fairfax County  
Water Authority

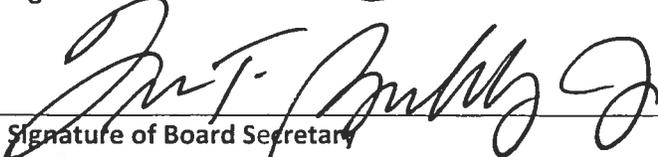
In accordance with the Authority's Code of Ethics for Members of the Board of Directors, I am recused from participating in the above-listed matter. My recusal prohibits me from approving, disapproving, making, undertaking, influencing, or attempting to influence any action or decision of the Authority with regard to the above-listed Authority matter, or any other Authority matters that may involve or affect the above-listed interest.

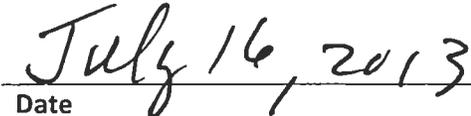
For the purpose of this recusal, the Board Secretary has been advised to screen incoming matters to ensure that such matters relating to the above-listed interests are not brought to my attention.

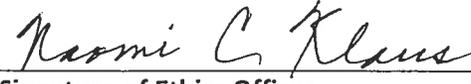
I will seek the assistance of the Ethics Officer if I am ever uncertain whether or not I may participate in a particular matter.

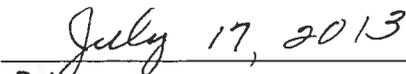
  
\_\_\_\_\_  
Signature of Director

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature of Ethics Officer

  
\_\_\_\_\_  
Date