



BOARD OF DIRECTORS MEETING

Minutes of March 21, 2012

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 9:00 a.m. Twelve Directors were present during the meeting:

Michael A. Curto, Chairman	Shirley Robinson Hall
Thomas M. Davis III, Vice-Chairman	Dennis L. Martire
Robert Clarke Brown	Michael L. O'Reilly
Richard S. Carter	Warner H. Session
William W. Cobey Jr.	Charles D. Snelling
Frank M. Conner III	Todd A. Stottlemeyer

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

The Chairman welcomed Todd A. Stottlemeyer, appointed by Governor McDonnell *vice* Mame Reiley, who had resigned.

I. MINUTES OF THE FEBRUARY 15, 2012 BOARD OF DIRECTORS MEETING

The Chairman called for approval of the Minutes of the February 15 Meeting, which were adopted by voice vote, with Mr. Stottlemeyer abstaining.

II. COMMITTEE REPORTS

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

Mr. Session began by asking Paul Malandrino, Vice President and Reagan National Airport Manager, to introduce three Student Ambassadors whom Mr. Session had met in February at the Black History Poetry Competition. Mr. Malandrino said the Student Ambassadors were familiar figures in the terminals, dressed in yellow shirts and helping passengers find their way and answering questions. In 2011, more than 22,000 World War 2 veterans and their guardians had passed through the Airports. The Student Ambassadors had been responsible for guiding them, and treating them with utmost courtesy and respect. The three Student Ambassadors then addressed the Board.

Aubrey Farrar said he was 23 years old, a resident of Prince Georges County, a student at Embry-Riddle in air traffic control, and a graduate of the Community College of Baltimore County. He was ten hours away from a pilot's license, and had been selected to be an air traffic specialist at Reagan National. The Student Ambassador program had complemented his studies, allowing him to meet both passengers and aviation professionals.

Preston Leroy Bush II, also of Prince Georges County, was a recent graduate of Catonsville Community College, where he had attained an associate's degree in applied science with a concentration in air traffic control. He had an application pending with the Federal Aviation Administration for an air traffic control position. He had been in the Student Ambassador program since 2007, when he was a student at Largo High School.

Lauren Etley, a native Washingtonian, was attending Trinity Washington University, with a major in human relations. Her goal was to become a social worker and to serve as a mentor to underprivileged youth. She also did other community service work, particularly in the University's N.E. Washington neighborhood. The Student Ambassador program had given her experience in interacting with different types of people.

The Chairman thanked the three Student Ambassadors and Mr. Session for bringing them to the meeting. Mr. Session then continued with his report, noting that the Business Administration Committee had last met February 15. Some of the Committee's business had required action at the February Board Meeting, which had occurred the same day as the Committee Meeting. His report would cover the other matters.

The Committee had first heard a report from Darrell Roberts, Executive Director of Helmets to Hardhats. This organization assisted returning active duty military members find work in the construction industry. The program had been very effective in placing veterans who faced difficulties in finding work, and in preventing an expected shortage of skilled workers in construction. The Authority, Mr. Session noted, had since 2010 had a policy encouraging the hiring of veterans, including the disabled, by its contractors and in its own operations.

The Committee had next heard a thorough presentation on the programs and functions of the Equal Opportunity Office, offered by Steven Baker, Vice President for Business Administration, and Richard Gordon, the Manager of the office. They explained how the equal opportunity staff reached out to minority and women-owned business firms through seminars where procurement and engineering staff advised attendees of upcoming contracting opportunities. Staff followed up with notices to the firms.

As bids came in, they verified the status of the Disadvantaged Business Enterprise (DBE) and LDBE firms, and the commitments of prime contractors. As a project or service continued, the staff had to make sure the contracts and commitments were adhered to.

Staff had also reported on its accomplishments, which had exceeded goals in the basic categories of construction, goods and services and concessions. Only rental cars did not produce significant minority participation, and the problem was a structural one, created in part by federal regulations, and a problem faced by all U.S. airports. Mr. Session said the Equal Opportunity Office was well-organized, effective, and in good hands.

The Committee had next reviewed amendments to the Contracting Manual to support the Phase 2 procurement process. At the Committee's recommendation, those amendments had been adopted at the February 15 Board Meeting.

Finally the Committee had considered a proposal to award a contract for refuse and recycling services at Dulles International. The prevailing firm after a competitive procurement had been Con-Serv Industries of Sterling, Virginia; two contracts would be awarded, one for the Airport, the other for the Toll Road. Each would be for one year with four one-year extension options. The combined costs for five years would be \$5.4 million, and the LDBE requirement was 25 percent. Mr. Session said he would offer a resolution later in the meeting.

b. Dulles Corridor Committee - Thomas M. Davis III,
Chairman

Mr. Davis reported the Dulles Corridor Committee had last met February 15, also before the February Board Meeting. Because of the timing, he had reported most of the Committee's activities at the February 15 afternoon meeting, and he had chosen not to repeat his prior report that day.

The Committee had spent most of its time on the pre-solicitation report for Phase 2 of the Metrorail project, which it had discussed in great detail. The process would begin with an RFQ, now known as an RFQI. Eight or more firms were likely to apply at this stage. After a panel evaluation, a shortlist of up to five firms would receive an RFP. The responses would be large and detailed, and the staff would work with the firms to make sure their applications met all requirements. Once that process was complete, the five or so firms would bid a fixed price. The lowest price proposal would win the contract.

The Committee had reviewed the protest process; protests could be made at each stage of the procurement. The Authority's response could be appealed to the President and Chief Executive Officer, whose decision would be final. The Committee had discussed the composition of the panel reviewing the RFQI responses. A decision had not yet been made; the staff had agreed to report to the Board as soon as the panel had been selected.

The Committee had also looked at other procurement methods, including the "alternative technical concepts" approach used on the Maryland InterCounty Connector, and the "fixed price - best design" approach. Counsel had explained why both were inappropriate for the Phase 2 project. Mr. Brown had stated that, given the way the design-build procurement had been developed, it very much looked like the traditional design-bid-build approach. Staff explained that design-build, even with the restrictions of a fixed right-of-way and strict Washington Metropolitan Area Transit Authority (WMATA) standards, still would make the contract responsible for the design in a way that it would not be with design-bid-build.

The Committee had also discussed the risk of change orders; the staff had explained that the risk would be small because of the design-build approach. Contingency items and utility costs, which had affected the Phase 1 project, had been minimized in the new contracts for the project. Cost escalation would therefore be limited.

Mr. Session had asked whether a protest bond would be required. The Authority had never used the device, although its Contracting Manual would permit it. The Committee had asked Mr. Session to discuss the matter further with the staff.

Finally, the Committee had worked out a compromise on the Project Labor Agreement (PLA) issue. The Board had decided last year to require a PLA on the Phase 2 contract, but had encountered vehement opposition. Although the proposed PLA had been vetted in Richmond and was fully compliant with Virginia law, the Virginia General Assembly had taken great exception to mandatory PLAs and had passed legislation meant to prohibit them.

The compromise was to make the PLA voluntary, while providing a scoring advantage at the RFQI level to firms that would accept the Authority's Virginia-style PLA. Richmond had not shared the enthusiasm over this approach, and legislation was immediately introduced to bar the Commonwealth from supporting a project that uses a point system to favor firms that would use a PLA. If approved by the Governor, the legislation would mean that the project would not receive the promised \$150 million from the Commonwealth, and the costs would automatically be shifted to

the toll payers. Mr. Davis said there would be a chance to discuss the current legislative situation later in the day.

c. Finance Committee – Frank M. Conner III, Chairman

Mr. Conner reported that the Finance Committee had last met February 15. Most of the meeting had been devoted to the new traffic and revenue study prepared by Wilbur Smith, now known as CDM Smith. He said the discussion on the report and how it would fit in with toll setting later in the year was the best on the subject so far.

The updated study had confirmed previous work, upon which most of the previous financing had been based. Some in the community had taken issue with the results, and the staff was involved in a full court press with all constituents to make sure that they understood the information the Authority was relying on and that they accord it the appropriate degree of credibility.

d. Strategic Planning and Development Committee – H.R. Crawford, Chairman

In the absence of Mr. Crawford, Mr. Carter reported that the Strategic Planning and Development Committee had held its first quarterly meeting on March 7. Attendance had been very good. The excellent two-and-a-half hour meeting had addressed some of the big picture items facing the Authority.

The staff had made a structured presentation on challenges facing the Authority: its changing business model; its basic financial profile; opportunities for revenue growth, both aviation and non-aviation; opportunities for development of the western lands at Dulles International; and human capital initiatives to support the changing business model. In summary, the Authority would need to adjust its business models to find additional revenues in order to maintain its position as a premier domestic and international airport system.

For aviation, revenues were chiefly cost-based, which meant that growth there meant the growth of air services. Reagan National seemed to take care of itself; the marketing work had to be done at Dulles International.

Fortunately, the Authority's experienced Air Service Development team was doing an excellent job of marketing Dulles International, both at home and abroad. Dulles International also had considerable room for cargo operations. To date, most cargo had been carried in the belly of passenger aircraft; there was however one carrier planning to provide all-cargo services as soon as 2013.

Non-aviation revenues came from profit-making businesses that operate on the airports. The concessions staff had a plan for improving the performance of the concessions program through a refreshment of the retail and food and beverage operations. The staff had also found great potential in advertising at the Airports. Advertising revenues had already shown substantial growth.

The Western Lands on the west side of Dulles International were a valuable resource. They could be leased to different kinds of businesses that would benefit from ready access to the runways. The President had already been speaking to both UPS and FedEx about facilities there; there was room for both of them. Mr. Potter had also been working with Loudoun County to bring in other firms to the area, both on and adjacent to the Airport.

Finally, the Human Resources department was thoroughly revising its relations with the workforce to retain employees and to ensure they feel a strong sense of participation in the Authority's mission. The performance management evaluation system would be simplified and reformed, and a new leadership management system was under way.

The next Committee meeting would be in June. By then, it should be possible to start on the development of a strategic plan for the Authority, with both short and long-term goals.

Mr. Crawford's other priorities for the Committee were: a review of the Authority's organization, a review of its capital needs, development of an asset management plan, better metrics for evaluating future investments, and a better understanding of Toll Road operations.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter welcomed Mr. Stottlemeyer to the Board. He reported that in the prior week, Ms. McKeough, Mr. Rountree and staff, and the Financial Advisors had visited all three rating agencies in New York. The sessions had provided an update for the agencies in anticipation of new bond issuances later in the year. Mr. Potter said the meetings had been very productive.

At Reagan National, announcements on new beyond-perimeter flights were being made. They would begin in the spring. United Airlines would provide daily nonstop service to San Francisco; Delta Air Lines would serve Salt Lake City; and American Airlines Los Angeles. Among the legacy carriers, US Airways had not yet announced its plans. Six carriers were seeking ten routes in a proceeding to distribute four slot pairs at the Department of Transportation. Comments were due March 31; the Authority would be filing to explain concerns about the impact of these services at Reagan National. The engineers were working on necessary adjustments to Terminal A, where most of the growth would be felt. This work included jet bridges, and expanded Transportation Security Administration screening areas and baggage systems.

At Dulles International, Etihad and Emirates would be introducing daily service to the Middle East, Etihad to Abu Dhabi and Emirates to Dubai. Later in the week there would be a media event at the expanded international arrivals building to promote the building and its improved operations.

Mr. Potter said the Authority would be facing a busy time with the Metro-rail Phase 2 issues for the next six months. The preliminary engineering had been distributed to all interested in receiving it, including a number of potential bidders. It had also been provided to the Counties and WMATA for review.

In conclusion, Mr. Potter noted that both Airports would be involved in the annual Cherry Blossom Festival. Cherry trees given by Narita International Airport would be planted at Reagan National. The ANA hold-

room at Dulles International would be decorated with cherry branches. Both Airports would be aglow with pink lighting.

b. Executive Vice President's Report

Ms. McKeough reported that January was usually the lowest traffic month of the year at both Airports. Nationally the growth rate for the month had been less than one percent. The results at Dulles International were about the same. At Reagan National, however, there had been just under 1.3 million passengers, a two percent increase over January 2011. At Dulles International, the number had been 1.7 million, about the same as a year before. There had been some domestic growth at Dulles International; the seasonal decline had been in international passengers. Cargo had declined 15 percent, matching a decline on the international side.

IV. NEW BUSINESS

a. Award of Two Contracts for Refuse and Recycling Services for Dulles International and the Toll Road

Mr. Session moved the following resolution, which was unanimously adopted:

WHEREAS, The refuse and recycling removal services contract for Dulles and the Toll Road will expire March 31, 2012;

WHEREAS, The Business Administration in March 2011 concurred in the issuance of a Request for Proposals for these services, including a single selection process for two contracts;

WHEREAS, An Evaluation Committee has reviewed the competing proposals and has recommended the selection of Con-Serv Industries (CSI) of Sterling, Virginia; and

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive procurement process,

as presented at its February 15, 2012 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into two one-year contracts, each with 4 one-year extension options, with Con-Serv Industries for refuse and recycling removal services, one at Washington Dulles International Airport and the other on the Dulles Toll Road, consistent with the terms presented to the Business Administration Committee at its February 15 meeting.

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

V. UNFINISHED BUSINESS

There was no unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

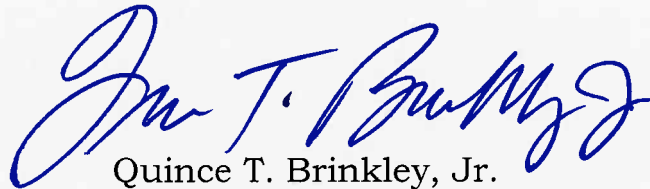
At 9:32 a.m. the Board went into executive session to discuss a contractual matter. At 11:25 a.m. the executive session was completed, and the Chairman announced that the Authority had received a request from Scott York, Chairman of the Loudoun County Board of Supervisors. He asked for a 30-day extension of the County's 90-day review period for a well-informed decision on whether to continue its participation in the Phase 2 Metrorail project. The Chairman said he understood there was a Board consensus that the request be granted. The management would continue to work with Loudoun. He asked them to make available any and all resources to the County so the Supervisors could make the decision as quickly as possible. The Authority would delay issuing the RFQI until the Loudoun decision was made.

Mr. Conner said that, in view of this timing adjustment, he would postpone the discussion of toll rate setting on the Finance Committee agenda until April. The Chairman noted that the extension would also require an amendment to the funding agreement among Loudoun and Fairfax

Counties and the Airports Authority. Mr. Potter said an amendment to the agreement would be brought to the Board in April for its approval.

The meeting was then adjourned at 11:28 a.m.

Respectfully submitted:

A handwritten signature in blue ink, reading "Quince T. Brinkley, Jr.", written in a cursive style.

Quince T. Brinkley, Jr.
Vice President and Secretary