



## BOARD OF DIRECTORS ANNUAL MEETING

Minutes of November 14, 2012

The twenty-sixth annual meeting of the Board of Directors was held in Conference Rooms A and B at Washington Dulles International Airport. The Chairman called the meeting to order at 9:15 a.m. All fourteen Directors were present during the meeting:

Michael A. Curto, Chairman	Shirley Robinson Hall
Thomas M. Davis III, Vice-Chairman	Barbara Lang
Earl Adams, Jr.	Elaine McConnell
Richard S. Carter	Caren Merrick
Lynn Chapman	Michael L. O'Reilly
Frank M. Conner III	Warner H. Session
H.R. Crawford	Todd A. Stottlemyer

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 everyone to Dulles International for the day's meeting. Important agenda items, including setting rates for the Dulles Toll Road, as staff had reported earlier at the Special Joint Committee Meeting, and nominating Board officers for the coming year, would be considered.

He stated that the day marked the final Board Meeting for Mike O'Reilly, who had joined the Authority in 2007 after serving as the Mayor of Herndon, Virginia. Most recently he had co-chaired the Audit – Legal Committee and, throughout his tenure, he had been a strong advocate of the Dulles Rail Project. The Chairman thanked him personally for helping to navigate the Authority through several legal challenges that it had faced

over the past several months. On behalf of the Board and everyone at the Authority, the Chairman expressed gratitude for Mr. O'Reilly's exemplary service, and wished him the best.

Messrs. Davis, Conner and Crawford also thanked Mr. O'Reilly for his exemplary leadership and significant contributions to the Authority.

Mr. O'Reilly said that he was leaving the Board with mixed feelings. He thanked Directors for their kind words. He also thanked management and staff for their actions through difficult times. Mr. O'Reilly noted that Secretary LaHood had stated that the Dulles Metrorail Project was a model, which he believed was the result of hard work by management, staff, and the Board. He looked forward to attending the ribbon-cutting ceremonies for Phase 1 and Phase 2 of the Project.

The Chairman said that it was a pleasure to welcome Elaine McConnell, a former supervisor from Fairfax County and a longtime leader in the education community, to the Board.

He also recognized Anthony Griffin, a former Fairfax County Executive who had been a great proponent of the rail project. Mr. Griffin would succeed Mr. O'Reilly.

The Chairman noted that the week would mark the 50<sup>th</sup> anniversary of Dulles International. President Eisenhower selected the site for Dulles in 1958, knowing that the facility now known as Reagan National would eventually be insufficient for future needs.

Dulles had been the first U.S. airport designed for commercial jets. The Chairman said that passengers can now choose from hundreds of flights a week to nearly 50 international cities and dozens of domestic destinations.

The Chairman thanked staff for their hard work through the years to make Dulles International an amazing success.

The Chairman then updated the ongoing response to the audit by the Department of Transportation's Office of Inspector General, which released the Final Report from its 16-month-long review on November 1.

Since the interim report in May, the Authority had been addressing those items. The Final Report added new items of concern. Authority staff would meet with the Inspector General's Office to gather facts and circumstances surrounding their most recent findings.

The Chairman reported that the Authority was acting on all the Final Report's recommendations. The Authority had also responded to a separate set of recommendations from Secretary LaHood, Governors McDonnell and O'Malley, and Mayor Gray. The response would be posted to the Authority's website later that day. The Chairman thanked all these leaders for their support and for their interest in helping to make the Airports Authority a better organization.

The Chairman strongly emphasized that the Authority considered all the issues and concerns cited in the report very seriously. The Authority would focus on rebuilding public trust, assuring accountability and instituting best practices. The Chairman said he wanted to make it clear that the Board of Directors and senior leadership are fully committed to taking appropriate and necessary measures to address the issues and concerns.

He reported that the Board of Directors was undergoing its most significant change in membership in the Authority's history. Due largely to legislation sponsored by Congressman Wolf, the Chairman said that several new seats had been added to the Board, and several longtime Board Members had recently ended their service.

The Chairman said that in many ways, the Board of Directors was a new one. With respect to the new Board composition and approaching term expiration for Past Chairman H.R. Crawford, only one Board Member would have served longer than three years, only one other would have served longer than two years, and every other Member would have served two years or less – with several serving for only a matter of weeks. Mr. Conner had just been re-appointed by the Governor of Virginia.

The Chairman said that the Board of Directors was a group of very dedicated and capable people who would work to restore the reputation of the Authority as a high-performing and trustworthy organization.

The Final Report had acknowledged the steps taken so far in response to these issues. The Authority had completed several major revisions of policy and procedure, and a number of other initiatives were under way to bring greater transparency, accountability, efficiency, and integrity to its operations and governance. The Authority's senior management team had launched an organization-wide effort to respond to each of the 12 recommendations in the Final Report – with specific tasks and timelines for addressing each one.

Mr. Potter affirmed that the Authority took the Inspector General Report very seriously. He said that the Authority is working very closely with the Federal Accountability Officer as staff reviewed and revised its policies and procedures. He was confident that the Authority would be a better organization when the process was completed.

As the Chairman had noted, Mr. Potter said that several actions had already been taken as a result of the Interim Report. Several policies, including the Bylaws, Freedom of Information (FOI) and Code of Ethics (for Board Members and employees), had been revised, and an FOI Officer had been appointed. All Vice Presidents and Managers had already received training on the new Ethics Policy. Over 700 of the Authority's total 1,450 employees had been trained thus far; all would be trained by January 1, 2013.

The Travel Policy had also been updated. All employees had received training on the revised Policy and were adhering to it. Mr. Potter said that the Inspector General still had some concerns regarding hotel accommodations. Staff would present a recommendation to the Board at its December meeting to strengthen the definition of lodging to address those concerns.

With regard to procurement, the Authority had ended sole-source contracts with former Board Members, as well as an employment contract with a former Board Member, and professional services contracts. Mr. Potter noted that these actions had not been a reflection of the quality of work individuals had performed, but rather actions necessary to demonstrate the Authority's commitment to addressing areas of concern.

As the Chairman had noted, the Final Report had highlighted new issues. The Authority was tracking all 12 recommendations individually to ensure that each would be addressed in a timely fashion. Mr. Potter noted that more time would be needed to address the Contracting and Human Resources Manuals.

Mr. Potter clarified the concerns regarding excessive salaries. He explained that unclassified duties were used for certain Authority positions, salaries had been assigned without proper compensation analysis. These positions would be clarified, job descriptions would be created, and appropriate salaries would be assigned. All temporary positions created with unclassified duties would be eliminated.

Mr. Potter reported that procurement had been a major focus of the Final report. He said that the Authority was dedicated to full and open competition. The Contracting Manual would be amended to minimize sole-source contracts, which were sometimes essential to acquire a utility or certain goods or services only provided by one vendor. Mr. Potter stated that the Procurement Manager had recently retired and efforts were underway to replace him. Additionally, an external consultant would address staffing issues identified in the Report relative to procurement. The consultant would help to determine appropriate workload, recommend structure of the Authority's procurement office, and develop organization design.

Mr. Potter also reported that the Board would receive purchasing reports beginning with the first quarter of 2013. These quarterly reports would provide information on all purchasing activity for the quarter, including actual purchases, projected purchases and sole-source contracts awarded.

With respect to Human Resources, Mr. Potter said that all internal positions would be advertised to promote full competition. He noted that the Vice President for Human Resources had recently retired; he would lead the Department in the interim. Regarding short-term solutions, the Student Intern Policy had been rewritten. Limits would be set for all monetary awards and bonuses to staff; bonuses would require CEO approval.

Mr. Potter said that he believed that the Authority's suggested response to Secretary LaHood, the Governors, and the Mayor represented a comprehensive document. He noted that management was open to suggestions. He believed these actions would help to build the renewed confidence in the Authority's integrity and demonstrated the highest regard for the public it served.

The Chairman noted that Directors would have an opportunity to ask Mr. Potter questions during the President's report.

The Chairman noted that the most important item on the day's agenda was setting rates on the Dulles Toll Road; much study, planning and discussion had gone into this process. He said that under the contract governing construction of the Metrorail Silver Line, the Board was responsible to determine the amount of revenue from the Toll Road required for the Project. In addition to revenue from the Toll Road, funding was also provided from Fairfax and Loudoun Counties, the Commonwealth of Virginia and the federal government, and the Airports Authority.

The Dulles Metrorail Project is one of the largest and most important transportation infrastructure projects in the nation, and it will be an important part of the regional economic growth. The toll rate setting process had been explained earlier. The Board has been looking at proposed toll rates for 2013, 2014 and 2015. The Board and the financial advisors had determined that the increases recommended for 2013 and 2014 are necessary for the funding needs of Phase 1 of the Silver Line project, which is proceeding very close to its time and budget targets.

The Chairman noted that the rail project's revenue requirements from the Toll Road for 2015 are less certain. A very competitive procurement for the contractor for the primary Phase 2 work is underway, and the cost of this work will not be known until the procurement is complete next spring. The Board also remains hopeful that the Authority would receive additional Phase 2 funding assistance from the Commonwealth and the federal government. The Joint Finance and Dulles Corridor Committees had recommended not setting any 2015 toll increases for now. The Chairman said that he fully supported the recommendation.

Lastly, the Chairman reported that the Board is grateful to the public and the Dulles Corridor Advisory Committee and the input from the Financial Advisors and senior management team. The Board also thanked the many Authority staff and consultants for their assistance.

#### I. ELECTION OF CHAIRMAN, VICE CHAIRMAN AND SECRETARY

Mr. Crawford noted that the President of the United States would appoint three members to the Board. He suggested the Board acknowledge and congratulate the President on his winning re-election.

Mr. Crawford reported that the Nominations Committee had met briefly before the day's Meeting and had offered the candidates for Chairman, Vice Chairman, and Secretary on behalf of the Committee. He noted that the Committee recommended Michael Curto as Chairman, Tom Davis as Vice Chairman, and Quince Brinkley as Secretary. The recommendation was unanimously approved, and Mr. Crawford congratulated the Officers on being re-elected.

#### II. MINUTES OF THE OCTOBER 17, 2012 MEETING

The Chairman called for the approval of the Minutes of the October 17 Meeting, which were unanimously adopted.

#### III. COMMITTEE REPORTS

##### a. Audit – Legal Committee – Shirley Robinson Hall, Audit Chairman

Ms. Hall reported that the Audit – Legal Committee had met briefly before the day's Meeting to consider one item that the Board would also consider.

The Department of Transportation/Office of Inspector General had recommended that the Authority discuss more audits in open session. As a result of the recommendation, audit staff had surveyed 17 U.S. airports to determine whether their audit committees met in open, closed, or a combination of sessions, and presented the results.

Audit staff recommended that the Committee should conduct most of its meetings in open sessions and should limit the use of executive sessions to discuss the following areas:

- Airport security and information security audits;
- Personally identifiable information or sensitive information in personnel actions and procurement matters, including vendor proprietary information and employee names, unique titles, or recommendations to discipline or terminate employees;
- Matters involving litigation, whether actual or potential, that may invoke the attorney-client privilege; and
- Discussions with the financial statement auditors and the Vice President of Audit where the professional standards applicable to such auditors, when conducting a financial statement audit, require the discussion to be held in closed session.

The Authority's Bylaws would be amended to reflect these considerations.

Lastly, Ms. Hall reported that the Audit-Legal Committee would recess and reconvene at the conclusion of the day's Business Administration Committee Meeting, as listed on the agenda. A complete Committee Report would be provided at the December 12 Board Meeting.

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

Mr. Session reported that the Business Administration Committee had last met October 17. The Committee had begun with a proposed contract award for Staffing Services for the Dulles Toll Road that would cover about 119 toll collectors, eight fiscal assistants and three supervisors. The contract would run for one base year, with two one-year extension options. Staff had proposed the award to Faneuil, Inc. of Hampton, Virginia. The 20 percent Local Disadvantaged Business Enterprise requirement would be met through Adept Professional Staffing of Bowie. The cost of the contract would be \$3.55 million the first year; \$10.87 mil-



lion for the entire contract, including two option years. He said that he would offer a resolution later in the day's Meeting.

The Committee had authorized the Public Safety staff to publish a proposed regulation for pre-employment criminal history records. This was an item highlighted in the Inspector General audit; the Authority had not conducted such criminal checks on its employees in the past. Virginia law authorized police forces to do so, and the regulation would take advantage of this authority. The regulatory process should be finished in December.

Mr. Session continued to report that the annual approval requirement for the Medical and Dental Insurance Programs and Premium Rates had also been considered. The Human Resources staff had done an exemplary job once again in managing the health insurance program with no increase in costs last year, and an average premium cost increase this year of 2.7 percent, better than most agency programs in the region.

Mr. Session noted that staff indicated that the plan was so good that there had been some increase in the numbers of employees selecting the coverage. Because new participants had replaced some of the retirees who had participated, the budgetary cost of the entire program could increase about 7 percent. Mr. Session reported that the Committee had been satisfied with the results and that he would offer a resolution to approve the rates later in the meeting.

The Committee had heard an informational report on the Operational Insurance Policy Renewals. The news had been very good, with reductions in the airport liability premium, and in the Dulles Corridor Enterprise casualty program. Other coverages had expanded, notably for terrorism, and property, as new facilities were brought on line.

Finally, the Committee had heard an account of the planned 2012 Business Opportunity Seminar (BOS), which would be held November 15 at the Gaylord National Hotel and Convention Center in Maryland. This year marked the first time the BOS would be held at the Gaylord. The BOS would be an all-day affair to give local minority businesses the opportunity to meet with Authority officials and each other to allow them to learn about upcoming contracting opportunities with the Authority. Mr.

Session urged all Directors to participate. He noted that Juanita Britton, who was presently doing business with the Authority, would be a participant in a panel discussion.

c. Dulles Corridor Committee – Tom Davis, Chairman

Mr. Davis reported that the Dulles Corridor Committee had last met October 17. The Committee had first received a report on the status of the Phase 2 Design-Build Contract. Eric Carey, the contracting officer and sole spokesman for the contracting process, had presented a thorough report on the massive contract. The Committee had basically learned that everything was on track, and that the five finalist teams were among the best in the world and that staff was conducting meetings with each team to assure they fully understood the project technical plan requirement. When that had been completed, a final Request for Proposals would be issued in February 2013, with the final bids due in April 2013, and the award made in May 2013.

For the monthly Phase 1 Metrorail Project Cost Summary, Pat Nowakowski, Executive Director of the Metrorail Project, had reported that Phase 1 expenditures had been \$76 million in August, bringing the total up to \$2.107 billion, with the total project budget at \$2.905 billion. About \$2 million in contingency funds had been used through August, for a total of \$371.6 million, and that \$90.7 million in contingency funds remained unobligated.

The Committee had also heard a brief report on accident statistics for the Dulles Toll Road. Thanks to steady police action, and with some physical improvements at the east end, the Toll Road's accident rate, already below the 2011 figures, had continued to further decline.

Finally, the Committee had heard the Dulles Corridor Enterprise September Financial Report. Revenues on the Toll Road had been up from 2011, but still slightly below budget. Year-to-date, the revenue amount had been \$77 million. Expenditures, at \$18.3 million, were well below budget and down 4 percent from 2011. Cash-on-hand was up to 1,205 days, which equals more than three years. Staff had reported that there was nothing to worry about on the operational side of the Toll Road.

d. Finance Committee – Frank M. Conner, Chairman

Mr. Conner reported that the Finance Committee had last met October 17. The Committee had spent a fair amount of time discussing the draft 2013 budget. The Committee would consider the final budget later that day.

The Committee had heard the Quarterly Report on the Investment Program. The Report, which contained no major changes, had been consistent with previous reports.

The Financial Advisors for the Aviation Enterprise had given a detailed explanation of the placement of \$530 million of variable rate bonds in bank facilities expiring in 2013. The Committee would address the issue in final later in the day.

Mr. Conner said that the Committee would take final action on the securitization of the Federal Transit Administration Full Funding Grant Agreement later that day. It would provide sufficient liquidity to avoid going into the market for construction purposes for the Dulles Corridor.

e. Nominations Committee – H.R. Crawford, Chairman

Mr. Crawford said that the report would be submitted for the record. The necessary action had been taken earlier that day to recommend Officers for 2013.

f. Special Joint Finance and Dulles Corridor Committee – Frank M. Conner and Tom Davis, Co-Chairmen

Mr. Conner reported that the combined Finance – Dulles Corridor Committees had met October 17 and earlier that morning. The Committees had approved a recommendation to increase toll rates for 2013 and 2014, consistent with the Dulles Corridor Advisory Committee's recommendation. The Committees had recommended deferring action on toll rate increases for 2015 with the hope to gain greater clarity regarding government funding, particularly TIFIA, as well as the cost of the construction for Phase 2. Mr. Conner said that the Committees would determine whether any action would be taken on toll rates for 2015 before

June 30, 2013. He would offer a resolution to approve the toll rate increases later in the meeting.

#### IV. INFORMATION ITEMS

##### a. President's Report

Mr. Potter thanked all the Directors for the amount of time they had recently dedicated to Authority business, including setting toll rates for the Dulles Toll Road, the recommended 2013 budget, and the recent OIG Report. He noted that Directors had also recently attended an Ethics training session. Mr. Potter acknowledged the newest Directors, Mr. Adams, Mr. Chapman, Ms. Lang, Ms. McConnell, and Ms. Merrick, who had committed to additional time to become oriented with Board procedures and the Authority's operational and business structure. He said that he and staff looked forward to extending the same courtesy to Mr. Griffin.

On behalf of the staff, Mr. Potter extended personal thanks and appreciation to Mr. O'Reilly for his dedicated service to the Authority. He said that he had displayed exemplary service as a Board Member, and that he and Phil Sunderland would miss his legal expertise that he graciously offered. Mr. Potter said that he looked forward to seeing Mr. O'Reilly at future appropriate Authority-related events.

Mr. Potter reported that staff at both Airports was preparing for the Thanksgiving travel period, which was one of the busiest of the year. Extra staff would be available in the terminals to provide assistance to travelers. He noted that Orbitz Worldwide had forecasted Reagan National as one of the top ten busiest airports during the Thanksgiving travel season.

Mr. Potter acknowledged and thanked Public Safety and Communications staff for their many contributions to restore both Airports to full operations and to provide assistance to disrupted travelers during Hurricane Sandy.

He noted that the upcoming weekend would mark the 50<sup>th</sup> anniversary of Dulles International. He acknowledged individuals and stakeholders who had contributed to the Airport's growth and success, including the leaders at the Department of Transportation and the Federal Aviation

Administration. He also acknowledged former Directors, employees, airlines and businesses for their contributions. Mr. Potter thanked the Washington Airports Task Force and the Committee for Dulles, in particular, for their advocacy over the years. He also thanked federal, state and local officials who had advocated policies to support the Airport's successful operations.

Mr. Potter echoed Mr. Session's comments about the BOS, and thanked him, the Chairman, Ms. Hall and Ms. Merrick who planned to participate in the Authority's largest outreach activity of the year. Though the event had been successful throughout its 22 years, Steve Baker, Vice President for Business Administration, and his team would continue to consider and develop other means to inform the business community about opportunities at the Authority.

Lastly, Mr. Potter thanked Chris Browne, Vice President and Airport Manager, and his team for their help to accommodate the day's meetings.

Mr. Session asked Mr. Potter if there had been any lessons learned during the recent hurricane. Mr. Potter said that there had been a well-coordinated effort between the Authority, airlines and concessionaires in responding to the weather-related event. He had been proud of the communication efforts that both Airport Managers had maintained with individual airlines. Mr. Potter said that he and Margaret McKeough had witnessed the communications efforts personally and that he had been proud of how the process had been handled. All involved had performed in a superb manner. He said that dedicated staff had assisted in ensuring that both Airports were as well prepared as possible for Hurricane Sandy. Mr. Potter noted that staff was also well prepared to deal with upcoming winter weather events.

Mr. Carter commended Mr. Potter and staff on its prompt response to the OIG Report. He expressed concern with two personnel issues that he believed should be a priority. He asked that Mr. Potter focus on the vacant positions for the Vice President for Human Resources and the Deputy General Counsel and provide a timeframe for these selections at the December Board Meeting. Mr. Carter requested that the Board receive updates on the 12 recommendations and requested that a schedule be provided to outline the status.

Ms. Lang said that she agreed that the BOS should be held in different jurisdictions. While the D.C. Chamber had promoted the seminar, it would not be represented at this year's BOS because the Gaylord was not metro accessible. A majority of the residents of the District relied on public transportation. Ms. Lang asked that this be a consideration when determining the BOS locations in the future. Mr. Potter stated that changes were being considered for future seminars. Staff was exploring the possibility of whether the Authority should continue with one large event annually, or a recurring event at Reagan National. He noted that approximately 500 people could be accommodated at an event there, and it would provide exposure to the Airport.

Mr. Adams thanked management and staff for the generous amount of time dedicated to acclimating new Directors. He asked how the 12 recommendations would be tracked. Mr. Potter said that an internal tracking system, similar to the one used for the 2011 external audit, is being used. The "dashboard" report listed each major recommendation and included all sub-topics, activity taken, target date, and responsible party. Mr. Potter said that the intent was to respond to all recommendations by June 30, 2013. He noted that the response date for the completion of the Human Resources Manual may be delayed three months due to its complexity. The completion of the Manual would include union review and input. Mr. Potter stated that many of the responses will be accomplished by the end of this year.

The Chairman reiterated that many of the responses will be completed by December 31, and others by first quarter 2013. Mr. Potter said he would distribute the draft dashboard report electronically to Directors and was open to suggestions for improving the report. Mr. Adams said that the dedicated tracking system and the continued transparency served as an indication to the community that the Authority is taking the recommendations seriously. The Chairman said that he and Mr. Potter were in accord; the best way to demonstrate progress was to take action at the meetings. Mr. Potter would present a progress report monthly.

Ms. Merrick agreed with Mr. Adams' earlier comments. She said that there was a great deal of concern regarding the Inspector General Report. She noted that she had found it difficult to follow the Authority's progress regarding the recommendations. Ms. Merrick suggested that the

matrix be provided to Directors so that it could be used at future Board meetings. Mr. Potter said that he would await guidance from the Chairman to determine whether the tracking information would be presented at Committee or Board meetings.

Mr. Crawford applauded Mr. Potter's efforts since joining the Authority. He noted that many of the changes that would result from the Inspector General Report were well overdue and existed prior to his appointment as President. He noted that he had planned to read a statement during the New Business, but instead would submit it for the record. He noted that former Directors had been notable, powerful individuals. They had performed some of the "heavy lifting" to position the Authority today, but they were not acknowledged. Mr. Crawford stated that the Inspector General Report had alluded to a Director who had forced management to hire someone for employment at the Authority. He explained a tragic situation that had occurred in connection with the September 11, 2011 event; he had sought employment for someone whose grandson had been killed. Mr. Crawford said that he did not pressure anyone to hire the person. He said that he had assisted others who were well qualified in seeking employment. He noted that it was customary for people to ask him (just as with other Board Members) for assistance. Mr. Crawford said that his granddaughter is an employee, but that she had sought employment without his assistance. She was well qualified.

He inquired about the status of the Authority training for the District of Columbia fire department. Mr. Potter said that a union issue would need to be resolved prior to proceeding with the training.

Lastly, Mr. Crawford noted that the District of Columbia had the least representation of employees at the Authority. He reminded all that the Airports did not belong to Virginia. The Authority served as a financial engine for the entire region.

b. Executive Vice President's Report

Ms. McKeough said that September was one of the months that normally resulted in a decline in passenger activity levels due to the end of summer travel and airlines reducing their flight schedules. Consistent with this report, she noted that the September passenger activity levels indus-

try-wide had declined slightly, about 1 percent. At both Airports combined, the decline had been less than 1 percent. At Reagan National, over 1.6 million had been served in September, a record and a 5.5-percent increase over 2011. The passengers served at Dulles International in September had declined about 5 percent, compared to the prior year.

As had been reported in recent months, Reagan National was heading for a record year, with a 4 percent increase. Dulles International would show a slight decline of approximately 2 percent for the year. Cargo had been down almost 7 percent in total volume of freight; for the industry as a whole, there had been a decline of about 2 percent.

## V. NEW BUSINESS

### a. Recommendation to Approve 2013 Medical and Dental Insurance Programs with Proposed Premium Rates

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

WHEREAS, The Medical and Dental insurance coverage funded jointly by the Airports Authority and its employees requires annual renewal;

WHEREAS, The Management has proposed to renew existing coverage with a minor design change to cover women's preventive healthcare with no cost sharing, in accordance with the federal Healthcare Reform Act;

WHEREAS, Premiums for the Aetna Medical Plans will increase 3.1 percent; for the Kaiser Medical Plan 6 percent; and for the MetLife Dental Plan 1 percent; and

WHEREAS, The Business Administration Committee has recommended that the Board of Directors approve the modified program, at an authorized cost of \$24.0 million; now, therefore, be it.



RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into renewed contracts with Aetna Insurance Company and CVS Caremark to administer the Airports Authority's self-insured health and prescription drug services, respectively; to Kaiser Permanente for fully-insured health and prescription drug services; and to Metropolitan Life Insurance Company for the administration of self-insured dental programs; and

RESOLVED, That the modified program is hereby approved and the \$24.0 million expenditure hereby authorized, as presented to the Business Administration Committee at its October 17 meeting.

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

b. Recommendation to Award Staffing Services Contract for the Dulles Toll Road

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

WHEREAS, The staffing contract for toll collection on the Dulles Toll Road expires November 30, 2012;

WHEREAS, The Business Administration Committee concurred in a pre-solicitation report on a competitive procurement process to select a firm for the next contract period at its November 2011 meeting;

WHEREAS, An Evaluation Committee has reviewed the competing proposals and recommended that the contract be awarded to Faneuil, Inc., of Hampton, Virginia;

WHEREAS, The contract will be for one year with two one-year extension options, for a three-year combined value of \$10,866,447; and

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive process; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a contract with Faneuil, Inc., consistent with the presentation to the Business Administration Committee at its October 17, 2012 meeting.

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

c. Recommendation on the Adoption of the Amendment to the Regulation Establishing Toll Rates on the Dulles Toll Road

Mr. Conner said that the toll rate setting process had been an extensive one. Mr. Conner noted the specific details of the proposed resolution. Effective January 1, 2013, the mainline plaza toll rates for 2-axle vehicles would increase from \$1.50 to \$1.75; for ramps, the increase would be from \$0.75 to \$1.00. Toll rates for multiple axle vehicles, which comprised about 3 percent of traffic on the Dulles Toll Road, would also increase. Effective January 1, 2014, the mainline plaza would increase from \$1.75 to \$2.50; the ramps would remain at \$1.00. Mr. Conner stated that the Commonwealth was contributing \$150 million, which would be a significant help in allowing the Authority the ability to pay down the tolls. He noted that the Authority would reserve its right to increase toll rates for 2015. A decision regarding increasing those rates would be dependent upon the cost of construction of the Phase 2 Project and the government funding, especially TIFIA, that the Authority would receive. A decision about 2015 rates would be made no later than June 30, 2013. Mr. Conner then moved the adoption of the following resolution, which was unanimously adopted:

WHEREAS, the Metropolitan Washington Airports Authority (Airports Authority) operates the Dulles Toll Road (DTR) pursuant to a Permit and Operating Agreement (POA), dated as of December 29, 2006, between the Virginia Department of Transportation (VDOT) and the Airports Authority;

WHEREAS, under the terms of the POA, responsibility to establish and adjust toll rates for use of the DTR lies solely with the Airports Authority;

WHEREAS, under the terms of the POA, the Airports Authority is obligated to finance and construct the Dulles Corridor Metrorail Project (Project), an extension of the Washington, D.C., regional Metrorail system running from the West Falls Church Metrorail station on Interstate 66 in Fairfax County, along the Dulles Airport Access Highway, through the Tysons Corner area of Fairfax County, to and through Washington Dulles International Airport (Dulles Airport), to a western terminus at Route 772 in Loudoun County;

WHEREAS, the Project is being constructed in two phases, with Phase 1 running from Interstate 66 to Wiehle Avenue in Reston, Virginia, and Phase 2 running from Wiehle Avenue through Dulles Airport to Route 772 in Loudoun County;

WHEREAS, construction of Phase 1 of the Project commenced in March 2009 and is expected to be substantially completed in August 2013, and the competitive procurement of a design-build contractor for the major portion of Phase 2 is underway and is expected to be completed in the spring of 2013;

WHEREAS, pursuant to plan for the financing of the Project and capital improvements to the DTR, in November 2009 the Airports Authority established a series of new toll rates for the DTR to become effective on January 1 of the three ensuing years;

WHEREAS, pursuant to the plan of finance for Project and DTR improvements, and to its rights and obligations under the POA, the Airports Authority has issued approximately \$1.3 billion in Dulles Toll Road revenue bonds – debt secured entirely by revenues produced by the toll road – to help fund the design and construction of Phase 1 of the Project and capital improvements to the DTR;

WHEREAS, in July 2012, based upon an updated plan of finance for the Project and DTR improvements, staff presented a set of potential new DTR toll rates, to become effective in 2013, 2014 and

2015, to the Dulles Corridor and Finance Committees (Committees), along with a recommendation that the Committees authorize staff to initiate the process for amending Part 10 of the Airports Authority Regulations (Regulations) to establish new DTR toll rates, and the Committees provided the authorization;

WHEREAS, in August 2012 notice was published in The Washington Post and other media publications (i) of the proposed amendment to Part 10 of the Regulations, the proposed new DTR toll rates and the effective dates of these rates, (ii) of the dates, times and locations of three public hearings on the proposed amendment, and (iii) of the opportunities available to members of the public to submit comments on the proposed amendment during a formal 30-day comment period;

WHEREAS, public hearings on the proposed amendment were conducted on September 6, 2012, in Ashburn, Virginia, on September 12 Reston, and on September 13 in Mclean;

WHEREAS, over approximately 200 members of the public attended these hearings, and over 580 comments on the proposed amendment were submitted by individuals during the comment period;

WHEREAS, a report summarizing the public comments (as well as stating the comments themselves) (Report) and a separate staff paper responding to the comments have been submitted to the Committees and the Board of Directors;

WHEREAS, in September 2012, staff presented to the Dulles Corridor Advisory Committee (DCAC) (i) an updated plan of finance for the Project and capital improvements to the DTR, (ii) the proposed series of adjustments to DTR toll rates, which would become effective on January 1 of 2013, 2014 and 2015, that had been presented during the public hearing process, and (iii) a summary of the comments on the proposed new rates that had been submitted during the comment period; and the DCAC concurred in and recommended adoption by the Airports Au-

thority of a series of adjusted rates to become effective on January 1 of 2013, 2014 and 2015 (DCAC Schedule of Rates);

WHEREAS, at its meeting on October 17, 2012, the Committees received and discussed the Report, the staff paper, the public comments, the updated plan of finance for the Project and capital improvements to the DTR, and the recommendation of the DCAC, and continued their discussion of the DTR toll rate adjustments to their November 14, 2012, meeting;

WHEREAS, at its meeting on November 14, 2012, the Committees again received these same materials and, following discussion, concluded that it would be premature at this time to establish DTR toll rates for 2015 because a number of factors may, in the upcoming months, affect the extent to which revenues from the DTR are required to fund the design and construction of the Project and, as a result, may also affect the toll rates that need to be in effect in 2015 and subsequent years, including the following:

(a) *Phase 2 construction cost* – while the cost to design and construct Phase 2 of the Project has been estimated on the basis of preliminary design and engineering work, a considerably stronger indicator of this cost will become available in the spring of 2013 when procurement of the major component of Phase 2 work will be completed and a competitively-established fixed price for that work will be contractually set; this fixed-price cost, if significantly different than the current Phase 2 cost estimate, may affect the amount of Project financing that is to be provided by the DTR and DTR revenue bonds;

(b) *TIFIA funding* – the amount of Project financing to be provided by the DTR revenue bonds may also be affected by decisions reached by the U.S Department of Transportation in the upcoming months regarding the amount, if any, of one or more federal loans the department would make to the Airports Authority for use in funding the Project under the department's Transportation Infrastructure Finance and Innovation Act (TIFIA) program; and

(c) *Further assistance from Commonwealth* – the amount of Project funding provided by the DTR, and consequently, the level of toll rates in and following 2015 will also be affected by any additional financial assistance the Project receives from the Commonwealth of Virginia; the current plan for finance for the Project reflects a new Commonwealth contribution of \$150 million to the Project which is scheduled to be used to offset otherwise required DTR toll rate increases in the upcoming years; additional assistance from the Commonwealth, whether in the form of grants, loans or steps to enhance the credit of the DTR, could affect the DTR toll rates required to be in effect in 2015 and later years;

WHEREAS, at its November 14, 2012, meeting, the Committees also concluded (i) that, at the present time, it is necessary and appropriate to establish new toll rates for the DTR for years 2013 and 2014 only, but that it may be necessary to establish new rates for 2015 if the factors identified in the prior paragraph do not occur in a manner making unnecessary an increase in the 2015 rates, and therefore (ii) that the Airports Authority, in amending the Regulations, should reserve the option to increase rates effective January 1, 2015, if that because necessary; the Committees further concluded, and recommended, that this option to increase 2015 rates, in order to be exercised based upon the Airports Authority's regulatory amendment process that has just been completed, should be limited to the period between the adoption of this Resolution and June 30, 2013, and may not result in any toll rate for 2015 that exceeds the corresponding rate in the DCAC Schedule of Rates for 2015;

WHEREAS, at its November 14, 2012, meeting, the Committees agreed with the position and recommendation of the DCAC as to the new toll rates to become effective on January 1 of 2013 and 2014, and voted to recommend to the Board that it adopt the rates in the DCAC Schedule of Rates to become effective on those dates, and that it establish those rates, and reserve the option relating to 2015 rates identified in the prior paragraph, through the amendment to

Section 10.1 of the Airports Authority Regulations that is set out below in paragraph 1 of this Resolution; and

WHEREAS, after considering the Report, staff paper, the public comments, the updated plan of finance for the Project and capital improvements to the DTR, the recommendation of the DCAC, and the recommendation of the Committees, including that new toll rates be established at this time only for years 2013 and 2014 and an option be reserved to later increase rates for 2015, the Board has determined that it is necessary and appropriate to adopt the recommended amendment to Section 10.1 of the Regulations, as set out in paragraph 1 of this Resolution, and to increase the DTR toll rates in accordance with the series of rate increases and effective dates that are set out in the amended Section 10.1;

NOW, THEREFORE, BE IT RESOLVED

1. That Section 10.1 of the Metropolitan Washington Airports Regulations is hereby amended to read as, and with the effective dates as, follows:

PART 10 - DULLES TOLL ROAD

**§ 10.1. (Effective January 1, 2013.) Tolls for Use of the Dulles Toll Road.**

(1) The tolls applicable to the Dulles Toll Road (also known as the Omer L. Hirst- Adelard L. Brault Expressway) shall be as follows:

Vehicle Class	Tolls	
	Main Line Plaza	Ramps
2-axle	\$1.50 \$1.75	\$0.75 \$1.00
3-axle	\$1.75 \$3.50	\$1.00 \$2.00

4-axle	<del>\$2.00</del> \$4.50	<del>\$1.25</del> \$2.50
5-axle	<del>\$2.25</del> \$5.25	<del>\$1.50</del> \$3.00
6 or more axles	<del>\$2.50</del> \$6.25	<del>\$1.75</del> \$3.50

(2) Except for persons those permitted free use of toll facilities under Virginia Code § 33.1-252, it shall be unlawful for any person operating a vehicle to use the Dulles Toll Road without payment of the tolls set forth in this section.

**§ 10.1. (Effective January 1, 2014.) Tolls for Use of the Dulles Toll Road. (See note following this section)**

(1) The tolls applicable to the Dulles Toll Road (also known as the Omer L. Hirst– Adelard L. Brault Expressway) shall be as follows:

Vehicle Class	Tolls	
	Main Line Plaza	Ramps
2-axle	<del>\$1.75</del> \$2.50	\$1.00
3-axle	<del>\$3.50</del> \$5.00	\$2.00
4-axle	<del>\$4.50</del> \$6.25	\$2.50
5-axle	<del>\$5.25</del> \$7.50	\$3.00
6 or more axles	<del>\$6.25</del> \$8.75	\$3.50

(2) Except for persons those permitted free use of toll facilities under Virginia Code § 33.1-252, it shall be unlawful for any person operating a vehicle to use the Dulles Toll Road without payment of the tolls set forth in this section.



Note: In Resolution No. 12-29, adopted November 14, 2012, the Airports Authority has reserved the option, which may be exercised no later than June 30, 2013, to adjust the toll rates for the Dulles Toll Road, effective January 1, 2015, to levels no higher than the rates set out in the following table.

Vehicle Class	Tolls	
	Main Line Plaza	Ramps
2-axle	\$3.00	\$1.50
3-axle	\$6.00	\$3.00
4-axle	\$7.50	\$3.75
5-axle	\$9.00	\$4.50
6 or more axles	\$10.50	\$5.25

2. That this Resolution shall be effective upon its adoption.

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

d. Recommendation to Increase Audit Transparency

Ms. Hall moved the adoption of the following resolution, which was unanimously adopted:

WHEREAS, The Bylaws authorize the Audit - Legal Committee to meet on "audit matters" in executive session;

WHEREAS, The Office of Inspector General of the Department of Transportation has recommended that specific audit matters that could be considered in open session be more precisely stated;

WHEREAS, The Office of Audit staff has considered practices with respect to audits at 17 other U.S. airports, and has recommended that executive sessions be limited to a list of topics, as set forth below; and

WHEREAS, The Audit-Legal Committee is entirely in accord with the Office of Audit recommendation; now, therefore, be it

RESOLVED, That the Audit-Legal Committee will conduct all meetings in open session, except when the agenda includes any of the following four areas:

1. Airport security and information security audits;
2. Personally identifiable information or sensitive information in personnel actions and procurement matters, including vendor proprietary information and employee names, unique titles, or recommendations to discipline or terminate employees;
3. Matters involving litigation, whether actual or potential, that may invoke the attorney-client privilege;
4. Discussions with the financial statement auditors and the Vice President of Audit where the professional standards applicable to such auditors, when conducting a financial statement audit, require the discussion to be held in closed session; and

RESOLVED, That the Bylaws should be amended to reflect these considerations at the next opportunity.

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

e. Recommendation to Authorize the Audit – Legal Committee to Review and Issue Final Decision on Protest Relating to the Contract for the Marketing, Leasing and Management of the Food Service and Retail Concessions at both Airports

Mr. Conner stated that he had previously recused himself regarding the matter as a result of a client interest of the law firm. While he was not sure if the law firm was currently involved, Mr. Conner said that consistent with his prior recusal, he would continue to recuse himself from action on the resolution and subsequent discussions.

Mr. Adams stated that he would also recuse himself for the same reasons that Mr. Conner had identified; both Directors left the room.

Mr. O'Reilly explained that the Contracting Manual provided the ability for someone dissatisfied with a procurement award to submit a protest to a Contracting Officer. If a satisfactory resolution did not occur, the protest was then sent to the President and then to the Board of Directors. Historically, the Board sent the protest to the Audit-Legal Committee for its review. He then moved the adoption of the following resolution, which was adopted by all Directors present:

WHEREAS, The Contracting Manual provides a procedure allowing unsuccessful offerors for Airports Authority contracts to protest the Airports Authority's award of a contract to another;

WHEREAS, The final phase of the Contracting Manual protest procedure provides for a review of, and a final decision on, the protest by the Board of Directors or by a Committee of the Board when so designated by the Board;

WHEREAS, The Manual also provides that the decision by the Board or a Committee designated by the Board is to be the final decision of the Airports Authority;

WHEREAS, On September 5, 2012, the Board approved the selection of a firm to be awarded a contract for the marketing,

leasing and management of the food services and retail concessions at both Airports;

WHEREAS, On October 10, 2012, a protest of that selection was filed with the Airports Authority and the protest is now before the Board under the protest procedures; and

WHEREAS, The Board wishes its Audit - Legal Committee to review the protest and issue the Airports Authority's final decision on the protest; now, therefore be it

RESOLVED, That the Audit - Legal Committee is hereby authorized to review the protest relating to the award of the Marketing, Leasing and Management of the Food Services and Retail Concessions contract and to make and issue the Airports Authority's final decision on the protest.

Mr. O'Reilly reported that the Committee would meet later that day to consider the protest.

#### VI. UNFINISHED BUSINESS

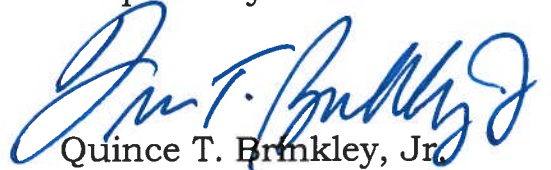
The Chairman noted that consistent with the new Code of Ethics, an Ethical Review Committee had to be established. He reported that the Committee would be established at the next Board Meeting.

Mr. Crawford confirmed that he had sufficient time to submit his statement for the record.

#### VII. OTHER BUSINESS & ADJOURNMENT

The Meeting was thereupon adjourned at 10:26 a.m.

Respectfully submitted:

  
Quince T. Brinkley, Jr.  
Vice President and Secretary

*approved 12/12/12*