SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF JUNE 17, 2015

Mr. McDermott chaired the June 17 Business Administration Committee Meeting, calling it to order at 10:53 a.m. A quorum was present during the Meeting: Mr. Chapman, Mr. Griffin, Mr. Mims, Mr. Session, Ms. Wells, Mr. Williams and Mr. Conner, *ex officio*. Mr. Caputo, Mr. Curto, Ms. Hanley, Mr. Kennedy and Ms. Lang were also present.

Recommendation to Approve a Business Agreement for the Airports Authority to Reimburse Southwest Airlines for the Replacement of Seven Passenger Loading Bridges in Terminal A at Ronald Reagan Washington National Airport. Margaret McKeough, Executive Vice President and Chief Operating Officer, was joined by Paul Malandrino, Vice President and Airport Manager. Ms. McKeough stated that the recommendations to approve business agreements with Southwest Airlines (Southwest) and American Airlines (American) are components of the Capital Construction Program that the Board had approved at Reagan National as part of the Airline Use and Lease Agreement and the 2015 Budget. She reported that when a capital program is implemented and the scope of the project has a close relationship to equipment or space that the airlines operate in, the Authority considers whether it is in its best interest to have the involved airline lead the project on its behalf and reimburse the airlines. With regard to Southwest, staff recommended that the Authority reimburse the airline in an amount not to exceed $6 million to replace seven passenger loading bridges (PLBs) in Terminal A that had surpassed their expected useful life in excess of 25 years for which parts are no longer readily available and operational reliability is at risk. Mr. Malandrino stated that the replacement project would begin in the fall and be completed in one year. He reported that the agreement is consistent with the Authority's Contracting Manual, and it has been successful in the past at both Airports. He noted that using the airline's national contract to purchase PLBs had resulted in savings per bridge at other facilities. Southwest would be obligated to achieve a Local Disadvantaged Business Enterprise (LDBE) goal of 25 percent for construction services to install the PLBs using full and open competition. Mr. Malandrino reported that title for the improvements would be vested to the Authority once they had been completed.

Ms. Wells inquired if Southwest would be solely responsible for the supervision of the construction associated with the project. Mr.

Malandrino responded that the airlines would perform the construction. He stated that the Authority's maintenance and administration teams would oversee the construction and meet with Southwest or its contractor to receive updates. Additionally, Mr. Malandrino stated that Southwest will maintain the jet bridges; however, the Authority will own them.

Ms. Wells asked if the Authority would be indemnified and held harmless in the event problems occurred, to which Mr. Malandrino replied affirmatively.

The Committee approved the staff recommendation.

<u>Recommendation to Approve a Business Agreement for the Airports Authority to Reimburse American Airlines for the Installation of Two Secondary Loading Bridges on the North Pier and to Make Improvements to the Outbound Baggage System in Terminal B/C at Ronald Reagan Washington National Airport</u>. Mr. Malandrino reported that American presently occupies gates in the Center and North Piers. It would also occupy gates on the new North Concourse once it is completed. Mr. Malandrino stated that a system reconfiguration is need to provide American with the flexibility it needs to enable baggage transport from any of its ticket counters to all of the three baggage makeup areas. He noted that American's proposed business agreement is similar to the one he had just presented for Southwest. It would authorize the Authority to reimburse American to design, procure and install a new secondary PLB and relocate an existing secondary PLB to the North Pier in an amount not to exceed $7 million. Mr. Malandrino reported that the design is scheduled to begin this fall, and it would be completed by December 2016. The agreement would also reimburse American for necessary modifications to the current outbound baggage systems in Terminal B/C in an amount not to exceed $36.9 million. Construction should begin next spring for a duration of 20 months. Funding for the project is included in the approved CCP budget. Similar to Southwest, American is in a better position to manage the projects to ensure construction does not conflict with the daily operations in the affected areas. Mr. Malandrino reported that costs for the projects had been developed by the Office of Engineering. He stated that the agreement is consistent with the Authority's Contracting Manual, and American will be obligated to obtain full and open competition and achieve a 25 percent LDBE goal. Mr. Malandrino noted that the title for the improvements will vest to the Authority upon completion.

Mr. Griffin inquired about the difference in the costs associated with Southwest replacing seven bridges for an amount not to exceed $6 million and American replacing two bridges for an amount not to exceed $7 million. Mr. Malandrino explained that the difference in the amounts was a result of the site preparation and civil engineering construction costs associated with the projects.

The Committee approved the staff recommendation.

Disadvantaged Business Enterprise 2014 Achievements for Concessions. Jerome Davis, Executive Vice President and Chief Revenue Officer, was joined by Steve Baker, Vice President for Customer and Concessions Development, and Richard Gordon, Manager, Equal Opportunity Programs. Mr. Davis reported on the progress made thus far to transform the Office of Equal Opportunity Programs to the Department of Supplier Diversity. He stated that two significant actions, the information technology implementation and transformation and the hiring of a Deputy Vice President, are occurring. Mr. Davis noted that interviews would be conducted and a selection is expected within six to eight weeks.

Mr. Gordon reported that the Authority submitted its three-year goals to the Department of Transportation identifying its DBE participation in the Concessions Program on a triennial basis. Mr. Gordon reviewed information from the last year of the three-year goal submission (2012 through 2014). He reviewed the DBE goals and achievements for both Airports. Mr. Gordon stated that the goal for all non-car rental concessions was 29 percent for Reagan National and 22 percent for Dulles International. He referred to information distributed with materials for the day's Meeting that listed all opportunities that are considered concessions under the DBE concession rules. For 2014, Mr. Gordon reported that Reagan National and Dulles International had achieved 34.4 and 24.4 percent, respectively for non-car rental concessions. The on-airport car rental concession goals were 10 percent for both Airports. Mr. Gordon reported that Reagan National had achieved 7.7 percent and Dulles International had achieved 5.8 percent. Mr. Gordon stated that car rental concession participation had greatly improved due to the success of identifying, recruiting and certifying a car dealer that qualified under the program for car rental companies to purchase vehicles.

Mr. Baker referred to the information that had been distributed on the "Washington Airports Summer 2015 Concessions Leasing Outreach Forum" that would be held at the Residence Inn in Crystal City on June 25. The event would provide an opportunity for the Authority, in conjunction with MarketPlace Development (MarketPlace), to present the opportunities for Phase 5 of the Concession Redevelopment Program, to share in the leasing and the Airport Concession Disadvantaged Business Enterprise certification processes, and to review the implementation timetable. Mr. Baker reported that MarketPlace had received an award from the International Council of Shopping Centers in May for its outreach efforts with the Program. He stated that four outreach events had attracted approximately 1,000 attendees, which had resulted in the receipt of 750 proposals. Mr. Baker noted that the present concessions represented a 20 percent increase in the diversity with regard to the number and types of businesses resulting in an additional $1 million in revenue. He announced that he hoped that Directors would be able to participate on June 25.

The meeting was thereupon adjourned at 11:10 a.m.