SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF SEPTEMBER 16, 2015

Mr. McDermott chaired the September 16 Business Administration Committee Meeting, calling it to order at 8:45 a.m. A quorum was present during the Meeting: Mr. Adams, Co-Chair, Mr. Chapman, Mr. Griffin, Mr. Mims, Mr. Pozen, Mr. Session, Ms. Wells, Mr. Williams and Mr. Conner, *ex officio*. Mr. Caputo, Mr. Curto, Mr. Gates, Ms. Hanley, Mr. Kennedy, Ms. Lang and Ms. Merrick were also present.

<u>Recommendation for Approval and Adoption of Amendments to the Metropolitan Washington Airports Authority Commercial Ground Transportation Regulations.</u> Margaret McKeough, Executive Vice President and Chief Operating Officer, reported that on May 20, 2015, the Committee had authorized staff to initiate the process to amend Authority ground transportation regulations for two modes of transportation – Transportation Network Companies (TNCs) and limousine operations. Additionally, minor changes to the taxicab operation were also suggested.

Ms. McKeough reviewed the following amendments that staff had proposed in May, including: obligate TNC companies and limousine drivers to be permitted by each Airport Manager in order to be authorized to operate on the Airport, which required the particular operations to possess a license from a governing jurisdiction that authorized them to provide those type of commercial services within their jurisdictions – Virginia, D.C., or Maryland; modes of transportation could serve the Airports under a prearranged scenario requiring a reservation or commitment to serve the customer prior to arriving to the Airport, or from within designated waiting areas to receive such prearrangements; provision of digital applications to enable TNCs the ability of their applications to work at geographic areas on the Airports other than the ones the Authority designated as dwell areas; a fee structure for permits, as well as access fees for pick-ups and drop-offs and dwell fees; and the ability to track the activity level to ensure the Authority received appropriate revenue from trips (possible use of Automatic Vehicle Identification system for limousines and geofence technology).

Following the Committee concurrence, the Authority had initiated a 30-day public comment period, which is required for formal regulatory changes to any of the Authority's regulations. Approximately 21 formal, written comments had been submitted to the Office of General Counsel. Ms. McKeough reported that four formal hearings (two at each Airport) had also been held, which approximately 150 individuals had attended; about 40 speakers had formally presented comments at the forums. She noted that several Directors had also attended, and she thanked them for their participation. Additionally, direct mailings had been sent to approximately 80 ground transportation providers. Information had also been posted in the ground transportation bulletin areas so that current providers could be informed, and social media (Twitter) had also been used.

Ms. McKeough stated that all of the comments that the Authority had received were very helpful to understand all points of view from all the different commercial providers and the public. She noted that a detailed summary of all the comments and management's responses had been included in materials provided for the day's Meeting. Ms. McKeough provided the following summary: 1) the existing ground transportation operators questioned whether the TNC model was appropriate for use at the Airports and whether it was really needed since customers were being adequately served; 2) TNCs believed they were an evolving and growing customer preference for transportation modes, which the Authority should embrace in an effort to expand options to customers; 3) ensure that a level playing field be provided with regard to permitting TNCs to operate on the Airports; 3) TNCs and limousine sectors expressed opinions that proposed fee structure was too high and should be reconsidered; 4) be prepared to enforce the rules, especially at the curb, with regard to allowing TNC model and limousine model to operate on the Airports; and 5) limousine sectors questioned whether the Authority had the authority to regulate limousines in the manner that was proposed.

Ms. McKeough summarized and presented the minor adjustments to the initial regulatory structure in light of the comments received from all sectors in the community. She reported that interim permits could be issued on a short-term basis (for up to 12 months) to TNC and limousine operators. The access fee would be adjusted from $5 to $4. Adjustments would also be made to the dwell fees, allowing the TNCs and limousine operators to use designated dwell lots at both Airports (up to 60 minutes) without imposing a fee. Additionally, while TNCs are obligated to report their number of trips to the Authority, other technologies, reporting methods had been broadened to allow the use of other technologies. The Chief Executive Officer will have the ability to adjust fees to increase or decrease them after a 12-month period of time. Additionally, a provision had been included to obligate limousine permit holders and TNCs to provide the Authority with a point of contact. With regard to enforcement, two types of enforcement could occur – criminal (Class 3 misdemeanor) which should carry a maximum fine of $1,000 or administrative enforcement, where Airport Managers would be able to invoke a penalty fee of $250 if particular operating protocols were not followed. Ms. McKeough reported that there had been some concern about the Authority not having the ability to always charge limousines when they were taking an interstate trip across state lines from the Airport. For clarification purposes, a provision had been added to allow a limousine operator to follow a process to receive a waiver for that particular trip. She stated that an additional change had been made, which was not included in the PowerPoint or in the redlined draft, whereby the Authority had agreed that it would no longer request the level of detailed data to include certain data points, such as the airline and the flight number. Lastly, Ms. McKeough stated that the Airport Manager would set aside a certain number of limited permits to give to drivers who operate wheelchair-accessible vehicles.

Mr. Adams asked Phil Sunderland, Vice President and General Counsel, to elaborate on Uber's request that had been circulated. Mr. Sunderland reported that a change had been made to decrease the drop-off and pick-up fee from $5 to $4. He noted that Uber had suggested that the Authority only access a pick-up fee. Mr. Sunderland explained that Uber was willing to put forth what they termed a Minimum Annual Guarantee (MAG) or a certain amount of money that they would guarantee to pay annually in the event the pick-up fee the Authority collected was not a sufficient amount of revenue to cover its costs. He stated that the proposal is fairly new and not one that the Authority had supported. Mr. Sunderland noted that the Authority had been reasonable in responding to legitimate and other concerns raised by Uber and the TNCs. Ms. McKeough stated that the Authority's ground transportation program is indicative of the model used in the industry and that a per-trip basis is more feasible, as opposed to a MAG. She noted that the Authority's ground transportation cost center is not a cost center that fully recovered expenses.

Directors and staff continued to have a collaborative dialogue about the amendments to the ground transportation regulations, which the Authority believed would be beneficial to the customers it served.

The Committee approved the amended staff recommendation, with respect to the changes discussed at the day's Meeting. Mr. Adams stated that he would offer a resolution later in the day's Meeting.

Recommendation to Award a Contract for Development and Operation on a Fuel Retailing and Convenience Concession at Washington Dulles International Airport. Jerome Davis, Executive Vice President and Chief Revenue Officer, reported that Exxon had exited the retail fueling business in 2008 because the site was too small for the existing business volume. At that time, the Authority had concurred with the assignment of the concession to an entity acquired by Mid-Atlantic Convenience Stores (MACS Retail, LLC). Mr. Davis stated that the current contract would terminate on December 31, 2016 and that Exxon remains responsible for the removal of the underground storage tanks and equipment. In January 2015, the Committee had concurred with the issuance of a solicitation using a best value method for the development and operation of a fuel retailing and convenience concession on a much larger site. Five proposals had been received in response to the solicitation, and it was determined that MACS Retail, LLC would provide the best value to the Authority. Mr. Davis reported that the contract would include a 20-year term, and he reviewed the revenue possibilities that the Authority expected during the contract.

Mr. Caputo inquired whether staff had considered having more than one fuel station at Dulles International. Mr. Davis reported that an RFP for an additional station had been issued during 2007-2008; however, it had been withdrawn due to lack of activity. Mr. Potter noted that a second station had also been considered during the existing solicitation process. While the economics supported a larger station, it did not support two stations. Additionally, the overhead associated with two stations would reduce the Authority's revenue.

Mr. Caputo asked when Exxon would remove its underground tanks. Mr. Davis responded that an agreement existed to ensure that Exxon would remove its property between the middle to late part of 2016.

Mr. Adams inquired about Disadvantaged Business Enterprise (DBE) participation. Mr. Davis stated that the DBE goal is 15 percent, and he noted that MACS Retail, LLC is presently achieving the goal. He noted that the Authority also intended to use an Airport Concessions Disadvantaged Business Enterprise (ACDBE) goal for non-fuel related opportunities. Mr. Potter observed that the recommendation paper included ACDBE and LDBE participation requirements of 15 and 20 percent, respectively.

Mr. Session asked if firms' proposals were required to include food and beverage items to be offered as part of the retail operation, to which Mr. Davis responded negatively. He noted that the retail for the convenience operation at a gas outlet normally included a combination of beverages, snacks, cigarettes, and other similar items.

Mr. Kennedy inquired whether the contract would include provisions regarding consumer satisfaction or complaints that can be effectually changed. to which Steve Baker, Vice President of Customer and Concessions Development, responded negatively.

The Committee approved the staff recommendation. [A resolution would be offered later in the day's Meeting.]

<u>Pre-Solicitation Terms for the Baggage Handling System Maintenance and Operation Services Contract at Washington Dulles International Airport</u>. Chris Browne, Vice President and Airport Manager, reported that the current contract with JBT AeroTech Services began in May 2011 and would expire in May 2016. He noted that the scope of services for the solicitation had been modified to incorporate "best industry practices" with regard to the recently completed in-line baggage screening systems at Dulles International. The new contract would be extended to a three-year base with three single-year options with 20 percent LDBE participation, consistent with the existing contract. Mr. Browne stated that the scope of this contract included serving three of the four kiosks (United Airlines maintains the systems associated with Kiosk 4) and two of the three baggage basements, which excludes the one that serves Kiosk 4. The scope also included the conveyance systems associated with the International Arrivals Building. Mr. Browne reported that the components of the baggage handling system, which the contractor will be expected to operate and maintain, include over nine miles of conveyance. Presently, 30 full-time employees support these services. Mr. Browne reviewed the evaluation criteria and reported that the contract has performance requirements to ensure a 99 percent system availability at all times. He reported that the expected annual budgeted cost is $4.2 million.

Directors shared their thoughts and experiences with baggage handling operations at Dulles International. After reviewing the overall functions of the baggage system, Mr. Browne presented some of the changes incorporated into the new proposal. He stated that it would remain the air carrier's responsibility to make sure that bags get on the conveyance, and the Authority would ensure that the conveyance systems operate. Directors observed that passengers continuously incorrectly understood that delayed baggage was a reflection on the Airport and not the airlines, to which Mr. Browne stated that the Authority routinely communicated concerns about timely baggage delivery to the airlines. He noted that this contract includes provisions for supplemental services with price schedules at the Authority's discretion.

The Committee concurred with the pending procurement.

Quarterly Acquisition Report. Mark Adams, Deputy Chief Financial Officer, was joined by Cedric Kinlow, Contract Manager for Goods and Services. For the second quarter, Mr. Adams reported that 39 base term contracts had been awarded valued at $94.3 million. There were 68 contract modifications that totaled $113.4 million, 18 of which were option-year extensions for $9.3 million. Additionally, there were 50 non-option-year-related contract modifications awarded during this period. Mr. Adams noted that the slide for these modifications incorrectly stated that 47 aviation contracts totaling $36.0 million were included. He reported that the correct information was 29 aviation contracts for $26.7 million. Mr. Adams reported that there had been 37 task orders totaling $6.7 million. There were four contract actions approved by the Board, totaling $69 million: 1) Inland Technologies International at $21.8 million; 2) Washington Gas Light at $1.1 million (sole source procurement); 3) Air Alliance at $45 million; and 4) Siemens Industry at $1.1 million.

Mr. Adams reported that there are 53 planned procurements for the fourth quarter in an amount over $50,000. Nine of those solicitations are anticipated to exceed $3 million requiring Board action. Mr. Adams stated that there are no solicitations that will impact the traveling public. He reported that the solicitation for bond underwriting services for both Airports is reserved for the Board. Additionally, Mr. Adams reported that two changes had been made to the delegation of authority as a result of a revision to the Contracting Manual (Version 4.2) to recognize the Chief Revenue Officer as having formal delegation and an increase in the simplified threshold from $50,000 to $150,000. Mr. Adams noted that the delegated authority for some staff responsible for supply and acquisition authority had increased up to $150,000.

Mr. Session inquired whether option years are included to determine if a contract exceeds $3 million, which requires that it be presented to the Board. Mr. Adams responded that the contract cost for base and option years are combined. If a contract for goods and services exceeds $3 million, it is presented to the Board. Even if an option year is not exercised, a contract award that exceeds $ 3 million for a base term and option years is presented to the Board because there is an opportunity to exercise the option years.

The meeting was thereupon adjourned at 10:05 a.m.