

BOARD OF DIRECTORS MEETING

Minutes of December 14, 2016

The regular meeting of the Board of Directors was held in the first floor Conference Rooms 1A, 1B and 1C at 1 Aviation Circle. The Chairman called the meeting to order at 10:32 a.m. Twelve Directors were present during the meeting:

William Shaw McDermott, Chairman	A. Bradley Mims
Warner H. Session, Vice Chairman	William E. Sudow
Anthony H. Griffin	T. Walter Tejada
Katherine K. Hanley	Mark E. Uncapher
Robert W. Lazaro, Jr.	Nina Mitchell Wells
Caren Merrick	Joslyn N. Williams

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
Jerome L. Davis, Executive Vice President and Chief Revenue
Officer

The Chairman welcomed Mark E. Uncapher, who was recently appointed by Maryland Governor Hogan, and thanked him for his willingness to serve. He stated that Mr. Uncapher is the Director of Regulatory & Government Affairs at the Telecommunications Industry Association. Mr. Uncapher stated that he had been appointed as Michael Curto's successor, who had been an active Board Member, and that he aspired to contribute in a similar fashion.

The Chairman acknowledged The Honorable David G. Speck, who was recently appointed by Virginia Governor McAuliffe. Since Mr. Speck had not yet taken the required oath, he was seated in the staff area of the



conference room. The Chairman noted that Mr. Speck was a familiar name and face to many as he had served on the Metropolitan Washington Airports Authority (Airports Authority) Board from July 2003 until November 2010. He welcomed Mr. Speck back and noted that he would introduce him formally at the January 2017 Board Meeting.

The Chairman reported that the Honorable Robert W. Lazaro, Jr. was also recently appointed by Governor McAuliffe. Mr. Lazaro had taken his oath that morning. Mr. Lazaro, who is a former Mayor of Purcellville, Virginia, had not arrived for the day's meeting at this time; however, he arrived shortly thereafter when Directors were presenting the Committee Reports. The Chairman welcomed Mr. Lazaro and thanked him for agreeing to serve on the Board. Mr. Lazaro stated that he had been sworn in at 8:15 that morning and he had arrived at the meeting as quickly as he could. He further stated that it was his pleasure to serve and that he looked forward to working with everyone.

I. MINUTES OF THE NOVEMBER 16, 2016 ANNUAL BOARD OF DIRECTORS MEETING

The Chairman called for the approval of the Minutes of the November 16, 2016 Annual Board of Directors Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Dulles Corridor Committee – Kate Hanley, Co-Chair

Ms. Hanley reported that the Dulles Corridor Committee had met that morning and on November 16.

At both meetings, staff had presented the Monthly Cost and Schedule Update for Phase 2. At the day's meeting, the Committee had also received the Quarterly Dulles Corridor Metrorail Project Cost and Schedule Update for Phase 1.

b. Executive and Governance Committee – William Shaw McDermott, Chair

Mr. McDermott reported that the Executive and Governance Committee had met that morning and on November 16.

In November, the Committee had discussed personnel matters in executive session pursuant to Article IX, Section 3(a) of the Authority Bylaws which permits the Board and its Committees to move into executive session for personnel matters such as employment, appointment, assignment, promotion, demotion, performance appraisal, discipline, resignation, salaries and benefits, and interviews of Directors, officers, and employees of the Authority, and applicants for the same.

At the day's meeting, staff had presented an audit report on travel and business expenses.

c. Finance Committee – Brad Mims, Member

Mr. Mims reported that the Finance Committee had met that morning and on November 16.

In November, the Committee had approved the 2017 Recommended Budget. Mr. Mims stated that he will offer a resolution later in the day's Board Meeting. Staff had presented the Financial Advisors' Reports and the October 2016 Financial Reports for both Enterprises. Staff had also presented a Quarterly Report on the Investment Program (Quarter ended September 30, 2016). An oral report had been presented since there were no budget reprogrammings that met the reporting criteria for the third quarter of 2016.

At the day's meeting, the Committee had received the Financial Advisors' Reports.

d. Nominations Committee – Warner H. Session, Member

Mr. Session reported that the Nominations Committee had last met November 16, at which time the Committee had advanced the following candidates for election at the Annual Board of Directors Meeting: William Shaw McDermott, Chairman; Warner H. Session, Vice Chairman; and Monica R. Hargrove, Secretary. The three candidates had been subsequently elected at the Annual Meeting.

e. Strategic Development Committee – Nina Mitchell Wells, Co-Chair

Ms. Wells reported that the Strategic Development Committee had met that morning. Staff had presented the Airline Business Development Information Report.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter welcomed Mark Uncapher, Bob Lazaro, and David Speck to the Board. He stated that the staff looked forward to working with them and would bring them up to date on any issues that may arise during their formal briefings.

Mr. Potter stated that the day was a special one, and that a different format would be used. He noted that Mr. Davis would forego the presentation of his monthly report. Mr. Potter invited Chris Browne, Vice President and Airport Manager, and his wife, Mary Beth Browne, to join him and Ms. McKeough at the table.

Mr. Potter provided an update on the Airports Authority's work with the Commonwealth of Virginia (Commonwealth) regarding its \$50 million grant over the next two years, which will be instrumental in the ongoing effort to reduce the cost per enplaned passenger at Washington Dulles International Airport (Dulles International). As many recalled, the Airports Authority had to comply with several conditions to receive the financial assistance that the Virginia General Assembly approved. To assure officials in Virginia that the \$50 million would be money well spent, Mr. Potter reported that the Commonwealth requested that the Airports Authority submit a report by December 1. He noted that one of the main compliance requirements is to ensure that Dulles International retains domestic hub service by a major airline for at least seven years beyond 2017. Mr. Potter reported that that requirement was recently fulfilled when United Airlines (United) signed an extension of the Airport Use Agreement and Premises Lease for Dulles International which keeps United's hub operation through at least 2024. Other requirements included providing state leaders with the Airports Authority's plans to assure lower cost per enplanements (CPEs) at Dulles International and to assure the Airport's financial viability in the years ahead. He stated that

the Airports Authority is on track with all of the requirements, and the report had been filed timely with the Commonwealth.

Mr. Potter recalled that the 2017 CPE at Dulles International had been forecast to be among the highest in the country at \$31.12. He stated that the Airports Authority had set a goal of decreasing the 2017 CPE to less than \$20 and that everyone across the Airports Authority began working to reduce costs and expenses and to find new and creative ways to increase revenue. Mr. Potter reported that the most recent forecast shows the 2017 CPE at Dulles International will be \$18.97. While this significant achievement is the result of focus, dedication and teamwork in every functional area of the Airports Authority, Mr. Potter stated that a major part of the cost reduction was achieved by the Dulles Airport team under the leadership of Mr. Browne. He reported that Mr. Browne and his team managed to hold the Airport budget flat while non-airline revenue and customer service ratings improved.

Mr. Potter announced that Mr. Browne would be leaving the Airports Authority in the next few weeks to become the Deputy Director of the Smithsonian Institution's National Air and Space Museum (Air and Space Museum). During his 29-year tenure, Mr. Browne had served in a number of other important jobs, including the Manager of Ronald Reagan Washington National Airport (Reagan National). Mr. Potter stated that he could not say enough about the contributions that Mr. Browne had made to the Airports Authority during his long and distinguished career. He further stated that it was clear that Mr. Browne is recognized as a leader who cares about his employees and one of the things that he had been most impressed with is the loyalty of Mr. Browne's staff. Mr. Potter reported that the Airports Authority community has worked hard to be good neighbors and that Mr. Browne had helped to shape the culture over the years. He spoke about the contributions that Mr. Browne makes to the community, in particular, the annual golf tournament, under his leadership and the support of the Airport staff, had become the number one fundraiser in Loudoun County. Mr. Potter noted that this year's plane pull event at Dulles International, which also serves as an opportunity to showcase the Airport, had raised \$370,000 for the Special Olympics.

Mr. Potter thanked Mr. Browne for his numerous contributions and dedication. He also thanked Mrs. Browne for ensuring that the important aspects of the family still functioned while her husband spent

countless hours at the Airport during weather-related events and other occurrences.

Ms. McKeough reported that she had worked with Mr. Browne for 17 years. She stated that her remarks to honor Mr. Browne's career and contributions would represent those of the executive team and everyone at the Airports Authority. Ms. McKeough reported that after a successful career with the United States Navy, Mr. Browne had begun his career with the Airports Authority in April 1988 as an Airport Operations Analyst (now known as an Airport Duty Manager). She noted that he had been one of the first and best new hires of the newly-created organization. Mr. Browne later became Reagan National Airport Manager. He contributed to the design process and played an integral part in the rebuilding of Terminal B/C at Reagan National and was instrumental in helping to establish security protocols allowing Reagan National to reopen after the September 11, 2001 attacks. Ms. McKeough stated that Mr. Browne understood the importance of a good team and never underestimated the power of strong morale. When Mr. Browne assumed the position of Dulles Airport Manager in 2005, the Dulles Development Program was underway and his contributions helped to ensure that it was successfully completed.

Ms. McKeough reviewed Mr. Browne's numerous contributions. She stated that he is highly regarded in the aviation industry and highly respected by all who have worked with him. Ms. McKeough further stated that it had been an honor to serve with Mr. Browne. She thanked Mr. Browne for his service, congratulated him on a brilliant career at the Airports Authority, and extended best wishes on his new career at the Air and Space Museum.

Ms. McKeough shared a tribute video that was a true testament to Mr. Browne's dedication, contributions, and achievements during his 29-year career at the Airports Authority. At the conclusion of the video, Mr. Browne received a standing ovation.

On behalf of the Board, the Chairman stated that it had been a great pleasure and honor to serve with Mr. Browne and an honor to know him.

Mr. Browne received a round of applause.

Mr. Browne stated that he could not have succeeded without the support of his wife, to whom he has been married for 32 years. He thanked his

wonderful mentors, particularly James A. Wilding, the Airports Authority's first President and Chief Executive Officer (CEO), James E. Bennett, the second President and CEO, and Mr. Potter. Mr. Browne also thanked his colleagues. He thanked Ms. McKeough, his supervisor of 12 years, who had placed the utmost confidence in his abilities, for which he had been grateful. Mr. Browne stated that to the extent of his successes, they were largely a result of the Airports' staff and everyone who had supported him over the years. He thanked them all. Mr. Browne also thanked the existing Board Members and their predecessors for the ultimate gift in donating their time as it is reflective of their commitment and dedication to the Airports Authority. He stated that he was grateful for the Board's support over the years. Lastly, he thanked everyone but particularly his wife, Ms. McKeough, and Mr. Potter for allowing him to succeed.

Mr. Browne received another round of applause.

Mr. Potter extended holiday greetings to everyone.

IV. NEW BUSINESS

a. Adoption of 2017 Budget

Mr. Mims moved the adoption of the following resolution, which was approved by 11 Directors [Lazaro abstained]:

WHEREAS, The Finance Committee has provided direction to the staff regarding major challenges that the 2017 Budget needs to address;

WHEREAS, The Finance Committee received the summary level draft 2017 Budget, prepared by staff, at its October 2016 meeting;

WHEREAS, The Finance Committee considered the recommended 2017 Budget, prepared by staff, at its November 2016 meeting and recommended its approval to the Board of Directors;

WHEREAS, The recommended budget has been developed in accordance with the terms and conditions contained within the Airport Use Agreement and Premises Lease that became

effective January 1, 2015, as amended by the First Universal Amendment;

WHEREAS, In order to assist the airlines serving Dulles International by reducing the level of operating expenses and debt service included in the 2017 airline rates and charges, the recommended 2017 Budget provides (a) for the use of \$45 million in Passenger Facility Charge revenues to pay debt service attributable to the AeroTrain; (b) for a transfer to Dulles International of \$40 million from the Airports Authority's share of the 2016 Net Remaining Revenue generated at Reagan National; and (c) for a transfer to Dulles International of \$1.5 million from the Airports Authority's share of the 2016 Net Remaining Revenue generated at Dulles International;

WHEREAS, In order to assist the airlines serving Dulles International, the Commonwealth incentivized the negotiation of a seven-year extension of an amendment to the 2015 Airport Use Agreement and Premises Lease with the airlines at Dulles International by providing to the Airports Authority \$50 million in funding—\$25 million in 2017 and \$25 million in 2018—to reduce airline operating costs and further strengthen the competitive position of Dulles International; the recommended 2017 Budget applies \$25 million of this Virginia funding in 2017;

WHEREAS, The recommended 2017 Budget provides for a reasonable level of expenditures to be made or to accrue in 2017 (a) from the Aviation Enterprise Fund, to operate Ronald Reagan Washington National and Washington Dulles International Airports, to repair and maintain the facilities at these Airports, and to undertake needed capital improvements at the Airports, and (b) from the Dulles Corridor Enterprise Fund, to operate the Dulles Toll Road, to repair and maintain Toll Road facilities, to undertake capital improvements for the betterment of the Toll Road and otherwise within the Dulles Corridor, and to continue construction of the Dulles Corridor Metrorail Project, and further provides that there will be sufficient revenues in 2017 to cover these expenditures; now, therefore, be it

RESOLVED, That the 2017 Budget, as presented at the December 2016 meeting of the Board of Directors, is hereby adopted;

2. That the following sums, totaling \$1,131,546,000, are hereby authorized to be expended from the Aviation Enterprise Fund in 2017 for the operation, maintenance, care, improvement and protection of Ronald Reagan Washington National and Washington Dulles International Airports:

- (a) \$680,139,000 for the Aviation Operation and Maintenance Program, including \$327,106,000 of this total for debt service;
- (b) \$94,696,000 for the Aviation Capital, Operating and Maintenance Investment Program (COMIP); and
- (c) \$356,711,000 for the Aviation Capital Construction Program (CCP);

3. That the following sums, totaling \$47,754,050, are hereby authorized to be expended from the Aviation Enterprise Fund in 2017 for the following distinct operations within the Operations and Maintenance Program:

- (a) \$32,125,000 for expenses for parking operations;
- (b) \$5,425,000 for expenses for taxi operations;
- (c) \$4,141,000 for expenses for concessions management;
- (d) \$1,747,000 for expenses for Airports Authority owned buildings at Dulles International;
- (e) \$3,760,000 for expenses for telecommunications against estimated telecommunications revenue of \$3,760,000; and
- (f) \$556,050 for expenses, excluding debt service, for the leaseback of Dulles International Air Traffic

Control Tower against estimated revenue of \$3,735,000;

4. That the following sums, totaling \$980,858,000, are hereby authorized to be expended from the Dulles Corridor Enterprise Fund in 2017 for the operation, maintenance, care, improvement and protection of the Dulles Toll Road and for the planning, design and construction of the Dulles Corridor Metrorail Project:

- (a) \$97,708,000 for the Dulles Corridor Operation and Maintenance Program, including \$67,378,000 of this total for debt service;
- (b) \$5,761,000 for the Dulles Corridor Renewal and Replacement (R&R) Program;
- (c) \$817,964,000 for the Dulles Corridor Capital Improvement Program (CIP), consisting of \$32,093,000 for Dulles Corridor Improvements and \$785,871,000 for the Dulles Corridor Rail Project; and
- (d) \$59,425,000 to be transferred to reserve accounts within the Dulles Corridor Enterprise Fund, as identified in the 2017 Budget;

5. That any revenue received or accrued by the Dulles Corridor Enterprise in 2017 that, at the conclusion of 2017, exceeds the expenditures, obligations and transfers to a reserve account pursuant to this Resolution, or to a reserve fund or account under the Master Indenture of Trust Securing Dulles Toll Road Revenue Bonds, dated as of August 1, 2009, and the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, dated as of August 20, 2014 (collectively, the 2017 Expenditures, Obligations and Transfers), shall be transferred to the Dulles Corridor Reserve and Toll Rate Stabilization Fund (Stabilization Fund) which is maintained pursuant to the Indenture; and further, in the event that the revenue received and accrued by the Dulles Corridor Enterprise in 2017 is less than the 2017 Expenditures, Obligations and Transfers, a sum equal to the amount of such revenue shortfall

shall, at the conclusion of 2017, reduce the amount budgeted to the Stabilization Fund;

6. That the President and Chief Executive Officer is hereby authorized to reprogram expenditures within each of the six Programs identified in this Resolution, so long as the total expenditures within any such Program in 2017 do not exceed the level authorized herein; provided, that any such reprogramming which increases or decreases an expenditure item or project by more than \$10 million in a calendar year for any project in the COMIP, CCP, R&R, or CIP shall be submitted to the Finance Committee and the Board of Directors for approval before it may take effect. All other material reprogramming of expenditures within any of the six Programs shall be reported to the Finance Committee on a quarterly basis, no later than two months after the end of each quarter at the May, August, November and February Committee meetings, and shall include year-to-date cumulative material budget reprogramming equal or greater than the following:

- (a) Aviation Operation and Maintenance Program (\$250,000);
- (b) Aviation Capital, Operating and Maintenance Investment Program (\$500,000 or any new project, regardless of dollar amount);
- (c) Aviation Capital Construction Program (\$500,000 or any new project, regardless of dollar amount);
- (d) Dulles Corridor Operation and Maintenance Program (\$250,000);
- (e) Dulles Corridor Renewal and Replacement Program (\$500,000 or any new project, regardless of dollar amount); and
- (f) Dulles Corridor Capital Improvement Program (\$500,000 or any new project, regardless of dollar amount);

7. That the new and expanded authorized capital projects identified in the 2017 Budget, in the amount of (i)

\$50,518,000 within the Aviation Capital Operating and Maintenance Investment Program, (ii) \$484,893,000 within the Aviation Capital Construction Program, and (iii) \$1,500,000 within the Dulles Corridor Renewal and Replacement Program, pertaining to the Dulles Toll Road, are hereby approved and authorized, and hereafter shall be considered a part of their respective approved and authorized Programs.

b. Recommendation to Approve Board Guidelines for Conference Travel, Professional Association Memberships and Licenses

Ms. Merrick moved the recommendation to approve the Board Guidelines for Conference Travel, Professional Association Memberships and Licenses (Guidelines). She noted that she had asked staff to compile a recommended list of local and national conferences relevant for the Airports Authority Board Members and suggested that it be included in the materials for the new Board Members' orientation and distributed to existing Board Members. Ms. Hargrove stated that the list would be circulated as soon as it becomes available.

The Guidelines were thereupon approved [Lazaro and Williams abstained].

The Chairman thanked Ms. Merrick, Members of the Joint Committee, and Ms. Hargrove for their work on the Guidelines. He noted that several Members had expressed their opinions that the Airports Authority will benefit from a well-educated Board. The Chairman stated that the Board was in favor of the Guidelines and that he anticipated a richer dialogue would occur as a result.

V. UNFINISHED BUSINESS

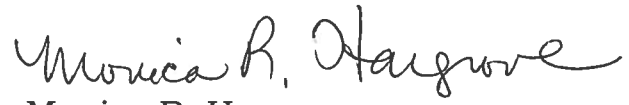
There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Chairman thanked all of the employees of the Airports Authority for their service and extended holiday wishes to everyone.

The Meeting was thereupon adjourned at 11:22 a.m.

Respectfully submitted:

A handwritten signature in cursive script that reads "Monica R. Hargrove".

Monica R. Hargrove
Vice President and Secretary

Approved 1/18/17