

BOARD OF DIRECTORS MEETING

Minutes of July 19, 2017

The regular meeting of the Board of Directors was held in the Fifth Floor Conference Rooms at Two Potomac Yard, 2733 Crystal Drive, Arlington, VA. The Chairman called the meeting to order at 9:45 a.m. Thirteen Directors were present during the meeting:

William Shaw McDermott, Chairman
Warner H. Session, Vice Chairman
Earl Adams, Jr.
Anthony H. Griffin
Katherine A. Hanley
Barbara B. Lang
Caren Merrick

David G. Speck
William E. Sudow
J. Walter Tejada
Mark E. Uncapher
Nina Mitchell Wells
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

I. MINUTES OF THE JUNE 21, 2017 BOARD OF DIRECTORS MEETING

The Chairman called for the approval of the Minutes of the June 21, 2017 Board of Directors Meeting, which were unanimously approved.



II. UNFINISHED BUSINESS

The Chairman called for unfinished business to receive a briefing from Paul Malandrino, Vice President and Airport Manager, Ronald Reagan Washington National Airport (Reagan National), on the Airport Operations Plan to assist customers throughout the construction phase of Project Journey.

Mr. Malandrino explained that as Ms. McKeough had explained during the earlier Strategic Development Committee Meeting, the construction plan was developed, with a phased implementation plan, to deliver a world-class product and to minimize disruption to Airport operations. He stated that much of the land-side construction would be completed during non-busy Airport hours in order to minimize the impact to Airport customers.

Mr. Malandrino explained that as the construction progressed, roadway changes would occur throughout the project. He stated that the initial efforts are to construct cut-through sections on the lower curbs in front of Terminal B/C and to add a lane at the north end of the lower roadways to the George Washington (GW) Parkway Airport exit, which would ease the flow of vehicle traffic. Mr. Malandrino referred to displayed pictures [in Tab 8] on which the columns that could be seen on the outer curbs depicted the area where the cut-through sections would be located as well as the existing roads and curbs at the lower level of Terminal B/C. He explained that the referenced picture on the left looks north while the one on the right looks south, and that the areas in red indicated where the cut-through sections would allow traffic to move from outer to inner or inner to outer curbs, as needed, depending on construction activity, in order to manage traffic flow.

Using the graphic [again, in Tab 8], Mr. Malandrino explained that a cut-through would be constructed at the south end leading to the inner roads, as shown in green. He explained that two cut-through sections would be constructed on the outer curb, as shown in blue on the diagram. Mr. Malandrino stated that to the north, an additional lane would be constructed to help vehicle traffic movement exiting to the GW Parkway, as shown in yellow on the diagram. Mr. Malandrino stated further that all of the work had been planned to allow better vehicle traffic movement during subsequent construction phases, and as construction progressed, ground transportation pickup locations would

be repositioned and shuttle operations would be moved to the upper level.

Mr. Malandrino reported that the roads are being challenged by the record number of passengers using the Airport, along with an increase in Uber and Lyft operations. He explained that the plan that was used very successfully during the recent holidays and on other busy days would be used to manage daily vehicle traffic during the land-side construction. Mr. Malandrino also advised that the Airport operations and police staff would be closely aligned, working together in the Airport Operations Command Center to monitor vehicle traffic. He stated that the team would utilize closed-circuit television cameras and airline flight information to determine times of heavy traffic and needed police staffing, and that police would be assigned to key points on Airport roads, highlighted by the yellow dots on the displayed diagram, to manage traffic in order to maintain movement, and that there would be dedicated traffic management officers present on every shift.

Mr. Malandrino stated that accurate and timely communications, using multiple message channels focusing on Airport customers, would be the keys to the success of the Airport operations plan. He stated that media outreach messages would be carefully considered to avoid triggering an adverse effect and that the Airports Authority wants its customers to know about possible construction impacts before they come to the Airport. He advised that the Airports Authority's website had been upgraded so customers could easily find and view all construction advisories and alerts and that construction advisories would be displayed on the website, and that members of the public would be able to subscribe to receive those advisories. Mr. Malandrino stated that background information concerning Project Journey would also be displayed on the website.

Mr. Malandrino stated that communicating with Airport customers inside the terminals would also be key, and that Project Journey videos had been placed on the monitors in the baggage claim level, and the videos would soon be visible on all digital monitors and displays at the Airport. He advised that additional portable signs would also be used at the Airport, and that updates would also be displayed on the new digital "You Are Here" directories depicted on graphics that he referred to during his presentation.

Mr. Malandrino concluded by stating that Project Journey, a \$1 billion investment in the Airport, would transform the travel experience inside the terminals, at the gates and along the roads, with new security screening checkpoints, expanded and more efficient screening, 150,000 square feet of new space and easier movement throughout the terminals. He then reiterated a statement made earlier during the Strategic Development Committee Meeting by Ms. McKeough, that travelers will no longer have to board buses from crowded Gate 35X to reach their commuter aircraft, since there will be a new commuter concourse, along with a new American Airlines Club. Mr. Malandrino stated that the new commuter concourse would have 14 indoor boarding gates with ample seating and that the end result would provide better connectivity, more shopping and dining options and a more pleasant post-security environment. He stated that as everyone awaits the benefits of Project Journey, the staff at Reagan National would be doing everything possible to ensure that Airport customers continue to travel through the Airport with ease and convenience, and that frequent updates would continue to be provided to the Board and the traveling public.

Ms. Wells referred to the pending airport construction project at New York LaGuardia Airport and the fact that she receives airline notifications regarding contemplated construction problems from airlines that operate at that airport, and asked whether the airlines operating at Reagan National would similarly notify its customers. Mr. Malandrino advised that as had been done during the Metro subway SafeTrack construction period in July 2016, the Airports Authority staff had spoken with both local and corporate representatives of airlines with operations at Reagan National, who have agreed to provide information to their customers based on updates provided to those airlines by the Airports Authority. He stated that the airlines plan to include the information, for example, in their travel magazines on the aircraft, in ticketing packets provided to their customers, with printed boarding passes issued at the Airport, and will make announcements on airplanes as they land at the Airport. Mr. Malandrino further stated that these procedures worked well during SafeTrack and the airlines are planning to help the Airports Authority keep their customers informed [about Project Journey construction impacts].

Mr. Adams asked whether any advertising in the local media is contemplated to make the public aware of Project Journey construction impacts. Mr. Malandrino stated that there is a communications plan, and that as had been stated by Ms. McKeough during the day's Strategic

Development Committee Meeting, Airports Authority staff had held weekly meetings over the last several months, which included a team member from the Communications Department. He advised that there is a good communications plan to use all the media channels, including advertisements, to maximize information to the public.

Ms. McKeough stated that the Airports Authority's communications plan will probably start with press releases and travel tips, which have often been well received by local media and subsequently reported by the news media.

Mr. Adams stated that he supported ensuring that the public is made aware of the construction impacts as much as possible, including through the media.

Ms. Merrick thanked Roger Natsuhara, Vice President for Engineering, Ms. McKeough and other Airports Authority staff members for leading Board Members in a walk-through tour of the planned construction the day prior to the Board meeting. She advised that despite the many questions raised during the tour, she was reassured to hear the level of thoughtfulness, the energy and enthusiasm of those who led the tour, and that so many Airports Authority staff and contractors are working together on the project. Ms. Merrick also commended the staff and stressed the importance of maintaining flexibility on the project since trying to do a billion dollar renovation while maintaining airport operations with the airlines, considering the record number of passengers, is probably going to test everyone.

Mr. Speck agreed with Ms. Merrick's comments and reiterated that the tour was helpful in that the Directors could see the contemplated construction areas directly. He asked Ms. McKeough whether the management of traffic during the construction period would necessitate new police hires by the Airports Authority or whether there would be a reassignment with existing personnel. Ms. McKeough stated that at that time the Airports Authority was considering a change in the staffing protocol since there is a supply of officers in traffic control management staff on every shift, but that the operating protocol would be changed to focus on traffic movement, as opposed to broader assignments on the Airport campus. Ms. McKeough cautioned that the Airports Authority was hoping to work within current staffing levels.

Mr. Potter stated that Executive Staff had authorized an overstaffing of police department personnel in anticipation of a need for the change in protocol.

Mr. Speck asked whether the additional assigned staff would be sworn officers, who are not armed, but manage traffic, as he had observed in New York City. Ms. McKeough advised that the Airports Authority employs both civilian traffic control officers, who currently have a limited presence on the Airport's outer curbs, and sworn officers for actual traffic management. She referred to Mr. Malandrino's earlier description of the team's reliance on video camera reviews for planning purposes, and stated that those videos would allow the traffic officers to see when traffic starts to back up and to make decisions about staffing for traffic management and movement, as well as management of traffic lights.

Mr. Speck stated that he never noticed civilian traffic officers and asked about a description.

Ms. McKeough advised that they wear uniforms, but they are unarmed and do not carry the equipment of a police officer.

Mr. Tejada thanked staff for the detailed and well-considered operations plans and expressed an interest in participating in a future tour of the planned construction area since he was unable to participate in the prior day's tour. He commended staff's plans to monitor traffic at the Airport and recognized that updating the plans to make ongoing adjustments based on additional changes in the traffic impacts of the construction would need to be made. Mr. Natsuhara advised that the traffic on the lower level of the Airport would only be impacted for one year, although multiple phases of construction would occur during the construction period. He stated that the Engineering Staff had anticipated about a month and a half of significant traffic impacts during the lowest traffic periods at Reagan National. Mr. Natsuhara stated further that during some phases of construction, there would not be much impact on traffic movements, and that the total duration of construction would occur over a three-year period. He emphasized that the construction planning group had done a great job of trying to minimize the time frame during which construction would generate major traffic impacts.

Mr. Sudow thanked the Airports Authority's staff for the prior day's tour of the planned construction area. He stated that he is excited about the long-term project and the improvements it would provide at Reagan

National. He asked if staff would provide in its future cost summaries, a breakdown between the design and soft cost amounts and hard costs, so that the Board gets an idea of how the budget would be allocated and how the funds would be spent. Staff agreed to provide that information.

Chairman McDermott then entertained a motion to ratify the Board's acceptance of the presentation by Mr. Malandrino as part of a discussion of Unfinished Business following its approval of the Minutes of the June 21, 2017 Board of Directors Meeting, which was carried unanimously.

III. COMMITTEE REPORTS

a. Business Administration Committee –Warner H. Session, Co-Chair

Mr. Session reported that the Business Administration Committee had met that morning. The Committee had approved two recommendations - to award a contract for natural gas supply service at Washington Dulles International Airport (Dulles International) and to award a contract for marketing and media buying services for the Metropolitan Washington Airports Authority (Airports Authority). Mr. Session stated that he would offer resolutions for both contract awards later in the day's Board Meeting. He noted that the Committee had also concurred with the pre-solicitation terms for a secondary datacenter.

b. Dulles Corridor Committee – Katherine A. Hanley, Co-Chair

Ms. Hanley reported that the Dulles Corridor Committee had last met on June 21. Staff had presented the quarterly Dulles Corridor Metrorail Project (Project) cost and schedule update for Phase 1, and the Project's monthly cost and schedule update for Phase 2.

c. Finance Committee - David G. Speck, Co-Chair

Mr. Speck reported that the Finance Committee had last met on June 21. The Committee had concurred with the pre-solicitation terms for credit facilities associated with the Aviation Enterprise's variable rate portfolio. Staff had presented the following informational reports: Series 2017A Bonds transaction results; Financial Advisors' Reports for both enterprises; and the May 2017 financial reports for both enterprises.

d. Human Resources Committee - Anthony H. Griffin, Co-Chair

Mr. Griffin reported that the Human Resources Committee had last met on June 21. The Committee and the Board had subsequently approved the recommendation to award a contract for group life and long-term disability insurance.

e. Risk Management Committee - William E. Sudow, Co-Chair

Mr. Sudow reported that the Risk Management Committee had met that morning and on June 21. At the day's meeting, the Committee had endorsed the recommendations to approve the 2017-2018 Audit Plan and additional Office of Audit Policies and Procedures.

In June, the Committee had discussed several audit reports in regular session. In executive session, staff had reviewed confidential information regarding the audit reports, as well as the 2017-2018 Audit Plan and the Report of Pending Litigation Involving the Airports Authority. Mr. Sudow stated that the Committee had met in executive session pursuant to Article IX, Section 3(c) of the Authority's Bylaws, which permits the Board and Committees to move into executive session to discuss the existing contracts and business or legal relationships in order to protect confidential information of the Authority or third parties, and Section 3(e) of the Authority's Bylaws, which permits the Board and Committees to move into executive session to consult with legal counsel and staff pertaining to actual or potential litigation, proposed legislation, compliance with legal requirements, and other legal matters.

f. Strategic Development Committee – Barbara Lang, Co-Chair

Ms. Lang reported that the Strategic Development Committee had just ended its lengthy meeting. The Committee had approved the award of a contract for commercial real estate brokerage services at Dulles International. Ms. Lang stated that she would offer a resolution later in the day's Board Meeting for final approval. Staff had presented two other informational reports associated with Project Journey, an update and the operations plan.

IV. INFORMATION ITEMS

a. President's Report

Mr. Potter stated that a very busy summer is underway with another month of passenger growth, important new air service at Dulles International, preparations for the Project Journey construction work at Reagan National, and continuing progress in the mission of enhancing the Airport experience for travelers.

Mr. Potter reported that several Directors, elected officials, including Governor McAuliffe and Mayor Bowser, joined Air India executives, including Chairman Ashwani Lohani and U.S. Ambassador Navtej Sarna, members of the Airports Authority senior management team, and dozens of journalists at Dulles International on July 7 to welcome the new non-stop flight from Delhi. He thanked the Governor and the Mayor, as well as the Tourism and Economic Development teams in D.C. and Virginia for their political and economic support. Mr. Potter stated that Mr. Davis would have more on Air India in his report, and noted that many people across the region and the Airports Authority deserve enormous credit for the air service achievement, which further strengthens the position of Dulles International as the Washington region's gateway to the world.

As previously reported by Ms. McKeough and Mr. Malandrino, the Airports Authority is moving forward with preliminary work on Project Journey, the \$1 billion initiative to make America's most convenient and popular Airport even better. In addition to convenience and great service, Mr. Potter reported that the Airports Authority is constantly working to make Reagan National and Dulles International as safe and secure as possible. In connection with that goal, the Airports Authority would receive a federal grant of nearly \$600,000 to assist with training for incidents such as terrorist attacks. Mr. Potter reported that many entities had applied for grants under the program but the Airports Authority is the only Airport system among the recipients. He congratulated Bryan Norwood, Vice President for Public Safety, and Stephanie Murphy, Manager, Emergency Management and Preparedness, for their work to secure the grant. Mr. Potter stated that Ms. McKeough would provide additional information in her report.

Mr. Potter reported that the Airports Authority staff is working diligently on government affairs matters since the Federal Aviation Administration (FAA) Reauthorization Bill that Congress would consider could have

potential negative implications for Reagan National and Dulles International. As previously reported, a member of Congress usually views the FAA Reauthorization Bill as an opportunity to alter the slot and perimeter rule at Reagan National. Mr. Potter stated that adding more slots or beyond-perimeter flights at Reagan National would place additional stress on the existing overcrowded facilities. He noted that congressional and regulatory decisions affecting slots and perimeter rules are among the catalysts of the Airport's current growth. Mr. Potter also noted that decisions regarding the slot and perimeter rule can result in flights and passengers shifting from Dulles International to Reagan National, which contributes to an imbalance between the two Airports and hinders the Airports Authority's efforts to contain cost per enplanements for passengers at Dulles International. He recalled that the last time the FAA Reauthorization Bill was under consideration, a Congressman from Texas offered legislation to further widen the perimeter to include the city of San Antonio even though San Antonio is already served by flights to Dulles International. Mr. Potter reported that the attempt to extend the perimeter failed due to a very effective bipartisan effort by Congresswomen Barbara Comstock of Virginia and Eleanor Holmes Norton of the District of Columbia. He noted that other members of the local congressional delegation, including Virginia Senators Tim Kaine and Mark Warner, also strongly supported the Airports Authority in its defense. Mr. Potter stated that members of the Texas delegation are proposing amendments to the FAA Reauthorization Bill, as well as other legislation, including a failed effort to work it into a defense appropriations bill to create exemptions to the perimeter rule that would allow San Antonio flights at Reagan National. Additionally, there are amendments aimed at eliminating the perimeter rule. He reported that the local delegations are banding together once again to protect the interests of Reagan National and Dulles International. Congresswoman Comstock, who is a member of the House Transportation and Infrastructure Committee, is leading the current effort to prevent any changes on slots and perimeters. Mr. Potter reported that other members of the local delegations are supporting the Airports Authority, along with a number of businesses and civic groups that share an interest in the financial health of both Airports and the contributions that Reagan National and Dulles International make to the regional economy. He stated that the Airports Authority is grateful for all of the local leaders who are working with its Government Affairs team on the important issue. The Airports Authority will continue to deal with FAA Reauthorization Bill issues on Capitol Hill, and management will keep the Board apprised of any new developments.

Mr. Potter shared a recent experience at Reagan National. He explained that *Marching Band News* is a magazine that reports on high school and college bands that perform for their sports teams. Mr. Potter reported that an employee from the magazine was recently traveling through Reagan National and noticed a small group of die-hard fans from the University of Michigan near one of the gates, happily singing their school fight song. Soon thereafter a crowd of Longhorns gathered around the same spot and started belting out the verses of "Deep in the Heart of Texas." When the employee walked over to investigate, he learned that the focus of all the collegiate merriment was Airports Authority retiree, Andy Leighton, joined by a friend and a book of sheet music of various college fight songs. The result was a major story in the June issue of *Marching Band News* entitled "Fight Songs for Flyers" that focused on Mr. Leighton's effort to delight passengers with his music even during his retirement. Mr. Potter stated that the recent experience is a wonderful illustration of the dedication that so many members of the Airports Authority team have to the mission of serving the traveling public and enhancing their Airport experience. He thanked Mr. Leighton for his continuing spirit of service, and to *Marching Band News* for such a nice tribute.

Chairman McDermott humorously stated that he knows multiple verses of several college fight songs and that he would like to join Mr. Leighton at the Airports in the future. He encouraged travelers to continue to use Dulles International as its gateway to San Antonio.

b. Executive Vice Presidents' Reports

Ms. McKeough reported that the May air traffic statistics had been provided for the day's meeting. She advised that positive trend lines continue, and they are exceeding the Airports Authority activity forecasts that support this year's Aviation Enterprise financial plan. At Dulles International, the pace of growth continues to be higher than the pace of growth underway at Reagan National.

Ms. McKeough also reported that travel during the July 4 holiday was very busy at both Airports. While final statistics are not yet available, indicators such as Transportation Security Administration (TSA) lines and parking activity suggest that passenger traffic at Reagan National and Dulles International increased almost 5 percent during the recent holiday period. Ms. McKeough stated that with the exception of a couple of weather events, smooth operations occurred at both Airports. She

thanked the concessions, Airport Operations, and Public Safety teams for their efforts to support passengers delayed by irregular operations as a result of afternoon thunderstorms.

Ms. McKeough reported that the FAA operations center, known as the Washington Command Center, located in Leesburg, Virginia, was evacuated and shut down from operations for almost four hours on July 10. As a result, all flight operations in and out of Reagan National and Dulles International, as well as flights to Baltimore Washington International Thurgood Marshall Airport, had been disrupted through the early hours on July 11. Ms. McKeough stated that there are a couple of major centers across the United States where FAA controllers manage the aircraft flying at high altitudes above 17,000 feet including the Washington Command Center. She reported that staff had learned that a reroofing project was underway at the Leesburg facility. It appears that the fumes associated with some of the materials used on the roof had seeped in through the air conditioning system into the FAA facility and created contaminated air, which required a complete evacuation and the operations to come to a standstill. Ms. McKeough reported that Airports Authority staff had to deal with a number of issues during that time. She stated that the FAA facility closure unfolded at a time when a substantial amount of aircraft had already left the gates at both Airports and were held on the airfield. Ms. McKeough explained that at an airport like Reagan National where there is very limited gate availability when departing flights are on the airfield and arrival flights have landed, it is not easy for flights to return to the gates. Ms. McKeough commended the Operations team at both Airports for executing workaround provisions for some of the planes to return to the terminals and passengers to deplane. She advised that a runway at Reagan National had been closed during that time and used to park some of the aircraft. Ms. McKeough reported that the Airports Authority maintained communications with FAA throughout the evacuation. She further reported that there were crowds and inconvenienced customers in both Airports, and the Public Safety team also performed in an exemplary manner throughout the occurrence. Ms. McKeough stated that flights were restored at approximately 10 p.m. on July 10. She advised that when that amount of flight activity stops for almost four hours, it is not easy to return to normal business operations when the airspace resumes. During that time, 87 arrivals and 109 departures were canceled at Reagan National. An additional 26 arrivals and 20 departures were delayed. Ms. McKeough reported that all construction at Reagan National was also suspended during the night on July 10. At

Dulles International, 34 arrivals and 25 departures were canceled. An additional 35 arrivals and 39 departures were delayed. Ms. McKeough noted that while all international flights from Dulles International were delayed, they did depart on July 10. She credited FAA and the Dulles Operations team for their efforts. Ms. McKeough noted that approximately 560 and 1,500 blankets were distributed on July 10 at Reagan National and Dulles International, respectively.

Ms. McKeough reported that management had expected that the July 11 morning schedule would be impacted at both Airports, but the FAA recovered through the evening on July 10, working very closely with the airlines. She extended thanks to the Operations and Public Safety teams, as well as the concessionaires who worked to accommodate the passengers' needs and make the most of a difficult situation.

Ms. McKeough also reported that the travel electronics ban that the Department of Homeland Security (DHS) put in place in late March for international flights into the United States from seven different countries is no longer in effect at Dulles International. She stated that all of the flights from those seven countries to Dulles International are now meeting the security protocols required by DHS. Ms. McKeough advised that approximately 124 flights had been impacted by the travel electronics ban, and workaround procedures had been established to reconnect passengers to their electronics once they landed at Dulles International. She stated that the Airports Authority is very appreciative of the partnerships with U.S. Customs and Border Patrol (CBP), TSA, and the airlines to make the most of that very challenging couple of months when the travel electronics ban was in effect.

Ms. McKeough reported that the emergency preparedness grant that the Airports Authority recently received was the result of a \$36 million national grant program through DHS to help prepare local communities for complex, coordinated attacks. She stated that 29 of the 141 applicants were selected to receive the grant. In addition to the Airports Authority, many of the local jurisdictions were recipients of the emergency preparedness grant. Ms. McKeough reported that the Airports Authority would receive a total of approximately \$600,000 over the next three years to expand its protocols in the emergency preparedness program and dedicate more resources and tools. She stated that the Airports Authority would work collaboratively with its mutual aid partners to familiarize them even more with the Airports' facilities and to increase readiness for preparation in the event of a

catastrophic event. Ms. McKeough advised that she would provide more details when the Airports Authority received the grant and expanded its emergency preparedness program.

Ms. Lang extended congratulations to the entire team on its work regarding the FAA outage. She inquired as to whether the noise complaints at Reagan National increased proportionately since it appeared that more flight activity, which likely impacted the Georgetown, Palisades and Arlington areas, occurred after 11:00 p.m. Ms. McKeough stated that she was unaware of an increase in noise complaints associated with the FAA outage.

Ms. Wells inquired as to whether the Airports Authority is included in the pilot for the biometric exit, as well as how airports are selected, and notices given to passengers. Ms. McKeough stated that she believed that DHS and CBP had selected Dulles International to participate in the program because of its profile of international activity. She explained that flights are randomly selected and stated that a CBP representative takes a photograph of passengers as they exit the country. The CBP representative can compare that photo to the same facial recognition photographs taken to review passports. Ms. McKeough reported that CBP works collaboratively with the Airports Authority noting that a 60-day notice of CBP's interest in Dulles International participating in the program had been provided. She advised that Hartfield-Jackson Atlanta Airport served as the first airport for the pilot, followed by Dulles International. Ms. Wells inquired whether the pilot program had impacted the normal process, to which Ms. McKeough responded negatively. She expressed that management had the same concern, and staff had reached out to airline representatives in Atlanta who advised that the process had worked smoothly. Ms. McKeough stated that there were no issues thus far, and the program had not delayed the ability of a passenger to board an aircraft timely.

Mr. Adams inquired as to whether the July 10 FAA outage would have a budget impact. Ms. McKeough responded affirmatively noting that there would be overtime expenses associated with the police and Operations teams. She stated that the additional expenses would be marginal compared to the Airports Authority's monthly operating expense. Ms. McKeough further stated that she hoped the additional expenses would be offset by an increase in concession revenues since passengers were in the terminals longer. However, since the July 10 event was fairly recent, concession revenue results were not yet available.

Mr. Uncapher inquired about the type of redundancy that FAA has when something happens to one of its operational facilities. Ms. McKeough stated that operations become very manual with personnel resources pooled to manage aircraft movements and workaround provisions applied. She indicated that while she could not speak to FAA's limited redundancy, it becomes quite an effort to regroup. Ms. McKeough recalled that a fire had caused an FAA outage in Chicago a couple of years ago, which disrupted operations at Chicago Midway International Airport and impacted the entire Midwest region.

Chairman McDermott thanked Mr. Potter for alerting him about the July 10 FAA outage before the situation fully developed. He stated that he appreciates the advanced notices he receives on all issues.

In response to the statement made by Ms. McKeough regarding the increase in concession revenues associated with the July 10 FAA outage, Mr. Davis stated that it would be nominal. Even though some concessions remain open during irregular operations, the most important thing for passengers is the comfort of knowing that they are able to make purchases during that time.

Mr. Davis began by reporting that a couple more concessions offerings had opened at the Airports. At Dulles International, Chef's Table by Wolfgang Puck and Capital Grounds Coffee had opened. Il Viaggio Italian Kitchen had opened at Reagan National. Mr. Davis shared a humorous comment that if anyone still communicated with former Director Chuck Caputo to inform him of the opening of the new Italian restaurant.

As discussed in the day's Strategic Development Committee meeting, the Board is requested to approve a proposed contract for the provision of commercial real estate brokerage services. Mr. Davis stated that management believes there is enormous potential for approximately 500 acres at Dulles International, including the Western Lands. He further stated that enlisting commercial real estate expertise would be a significant step toward achieving the most value from the land, which is a key part of the Airports Authority's strategy to increase non-airline revenue, maintain costs for the airlines, and strengthen Dulles International's competitive position.

Mr. Davis reported that the same strategy is a key driver of another recommendation that the Board would also consider [that day] --

marketing and media buying services. He stated that these functions are also important for growing non-aviation revenue in areas such as parking, Airport shopping and dining, and other passenger services, as well as the Airports Authority's campaign to drive demand for travel to the many destinations that Reagan National and Dulles International serve.

Mr. Davis also reported that non-airline revenue steadily increased over the past month, and the Airports Authority's marketing and advertising programs are big contributors. Using a year-over-year comparative, Mr. Davis stated that non-airline revenue, through June, had increased approximately 4.2 percent. He noted that when comparing the non-airline revenue against the forecast, the increase is 2.1 percent. Mr. Davis stated that the Airports Authority's non-airline revenue positive trend continues despite certain business elements.

Mr. Davis reported that less than two weeks after launching the new non-stop service from Dulles International to New Delhi, Air India is reporting heavy demand for its three weekly flights. The Airports Authority is hopeful that Air India would increase its frequency if the strong demand continues. Mr. Davis shared additional details about the July 7 activities associated with the inaugural flight. He stated that a number of Airports Authority employees and local and state government officials participated in the luncheon that featured Indian ceremonies with dancers in bright costumes and a feast of wonderful Indian cuisine. Mr. Davis recognized Mike Stewart, Vice President for Airline Business Development, for all of his efforts. He also thanked Mark Treadaway, Vice President for Business Outreach, for his leadership as he had been involved with the Airports Authority's air service development for more than 20 years.

Mr. Davis reported that the Airports Authority received incredible support from economic development teams in Virginia and the District, particularly from Virginia Secretary of Commerce Todd Haymore; Virginia Tourism Corporation CEO Rita McClenny and her staff; D.C. Deputy Mayor Brian Kenner and his team; and Elliott Ferguson, CEO of Destination DC, and numerous representatives from Loudoun and Fairfax Counties.

In addition to the leaders that Mr. Potter mentioned earlier, Mr. Davis stated that the Airports Authority was grateful to the Commercial Director of Air India, Pankaj Srivastava, as well as the Regional Manager

for the Americas, Vandana Sharma, for their involvement and participation. Mr. Davis also thanked Board Members Warner Session, Caren Merrick, Kate Hanley, Mark Uncapher, Bill Sudow, Barbara Lang, Bob Lazaro, Walter Tejada, and Brad Mims for their participation.

Mr. Davis noted that the activities surrounding the inaugural flight could not have happened without the Dulles team, led by Acting Vice President and Airport Manager Brian Leuck, along with Dennis Hazell, Customer Service Manager, Steve Settle, Manager, Structures and Grounds, and Caroline Casanova, Secretary, as well as staff from the Revenue Office, including Kim Barnes, Andrew Trull, Michael Cooper, and Daniel Hoff. He extended thanks to all of them. Mr. Davis also thanked Ms. McKeough for her efforts and contributions.

Mr. Davis stated that the pursuit of new opportunities is why the Airports Authority's airline business development team attends major industry events, such as the World Routes Conference in September in Barcelona, where airline route planners and airports from around the world would meet to discuss potential new routes.

Mr. Davis concluded with a brief preview of a new edition of *Fly Washington*, which would be available within a few days. He stated that *Fly Washington* highlights nearby destinations in Virginia, particularly some of the scenic local lakes, as well as the upcoming Marine Corps Marathon and Hispanic Heritage Festival. Dulles destinations such as South Africa, Los Angeles, the Finger Lakes region of New York, and Boston are also featured. Mr. Davis reported that featured articles include information for readers about the best ways to view next month's solar eclipse across the United States, updates for travelers on Project Journey, and the newest concessions at both Airports, including next month's grand opening of the Washington Redskins-themed Burgundy & Gold restaurant at Dulles International. He noted that the football-themed restaurant is the result of the Airports Authority's partnership with the Washington Redskins. Mr. Davis shared the cover of *Fly Washington* featuring Washington Redskins corner back Josh Norman. He characterized the featured article as a compelling human interest story.

Mr. Griffin referenced a recent article about how Uber and Lyft are impacting parking revenue, primarily at airports. He inquired as to whether staff is monitoring the parking activity at the Airports. Mr. Davis stated that the use of Transportation Network Companies (TNCs) is

a trend that has developed around the world. He cited an example using the fees associated with TNCs compared to a passenger parking at the Airport, which is significantly impacting parking revenue. Mr. Davis stated that the Airports Authority has had a positive consistent trend with regard to non-airline revenue. He recalled that for the first time, a decrease had occurred in June when comparing the year-to-date statistics to the forecast. Mr. Davis stated that management believed that with the right decisions over the next couple of months, the Airports Authority should be able to recover some of the revenue and be in a position to move forward for the remainder of 2017 and the upcoming year. He further stated that the Airports Authority had not been surprised by the TNCs' impact.

Mr. Griffin inquired whether the TNC use would impact the Airports Authority's long-term plan to increase parking at the Airports. Mr. Davis stated that the executive team is spending a significant amount of time discussing the parking situation. He noted that there are a couple of different things that could ultimately have an impact on the future of the Airports, both from a technology standpoint with TNCs and the types of situations that passengers may encounter in the future. Mr. Davis stated that the Airports Authority would have to respond because of actions with the TNCs, which may not only be disruptive, but that may create another travel option for the passengers.

Mr. Potter stated that the executive team is reviewing its Capital Construction Program at Reagan National as a result of occurrences with non-airline revenue. While the demand for parking at Reagan National had decreased, it was growing at Dulles International. Mr. Potter stated that the executive team is very focused on the parking dilemma and is deferring any investment in increased parking at Reagan National. Rather, the executive team is very much focused on the impact to the roads. With the increased TNC activity, the number of trips onto the Airport's roadways is increasing. Therefore, instead of investing in additional parking, the Airports Authority may invest additional funds on the roadways. Mr. Potter explained that since Dulles International is a larger campus and the roadways are designed to handle its 40 million-passenger capacity, the problem does not exist there. He stated that staff recognized that trends with airport parking are occurring, and staff would continue to study the parking dilemma that is impacting airports all over America, as well as any other major venue where parking is offered.

Chairman McDermott shared an observation about driverless cars, which he had personally witnessed in Pittsburgh. He stated that they would be further disruptive to TNCs and impact parking. Mr. Potter stated that staff had had a discussion the prior day about the future when a car can drop off a passenger and depart, which equates to two trips to an airport instead of one compared to a passenger driving a car and parking. He reviewed the existing activity at Reagan National noting that a reduction is occurring in the number of passengers who use Metro and taxis while a tremendous growth in the number of passengers who use TNCs is underway. Mr. Potter advised that there were more than 11,000 TNC movements at Reagan National over the July 4th holiday. While the TNC activity produced a good revenue stream, it is an indication that additional investment is needed. Mr. Potter stated that the TNC parking lot had already been expanded from approximately 100 spaces to 200 spaces, which is the maximum capacity. He advised that staff is continually monitoring and managing the parking situation with the TNC lot and would likely present parking solutions in the future. While the future is unpredictable, Mr. Potter stated that the parking areas could possibly be used as queuing areas for the TNCs.

Chairman McDermott stated that the developments with millennials are stunning as many of them are not even getting their driver's licenses, much less having cars.

Mr. Sudow stated that while participating in the tour on the prior day he observed a couple of lanes of open parking spaces in the lower level of one of the garages at Reagan National. He observed that parking revenue at Reagan National is the largest contributor to non-airline revenue. While the Airports Authority had done a great job with its concessions and increased revenue, Mr. Sudow stated that it appeared that it is reaching capacity in terms of any further expansions, with the exception of real estate revenue which would hopefully begin within the next few years. He suggested that the Strategic Development Committee be a part of internal staff discussions to consider options to possibly recover non-airline revenue lost as a result of decreased parking at Reagan National due to increased passengers' use of TNCs. Mr. Sudow expressed concern that the parking issue could have an adverse impact over the next couple of years on non-airline revenue. Mr. Davis stated that parking is responsible for 35 to 40 percent of the non-airline revenue. He advised that the Airports Authority has developed several strategic plans, which would have to be executed. Mr. Davis stated that while it would be challenging to execute the plans, activities, such as real estate

development, are being implemented to offset some of the reduction with significant revenue required from other business areas.

Mr. Sudow extended favorable comments regarding the Air India event and stated that he believed that since the flight will be in great demand, the three weekly flights now offered would increase to daily flights. He further stated that he had spoken to Mr. Kenner before the July 7 Air India event. Mr. Sudow suggested that staff share with the Board some of the Airports Authority's priorities for the pursuit of new international air service before its September travel to the Routes Conference in Barcelona.

Ms. Wells observed that a substantial number of airlines offer free transportation to the airport to their customers. She inquired as to whether free transportation was widely offered by airlines that serviced Dulles International. Ms. Wells also inquired whether valet parking was prevalent at airports throughout the country and asked about its success. Mr. Davis stated that staff had recently held an in-depth discussion about valet parking. Based on airports where staff had conducted research, Mr. Davis reported that the successful service is prevalent at airports throughout the country. He stated that the Airports Authority believes that it has an opportunity to redefine valet services currently offered at Dulles International and determine if there is a future opportunity to offset some of the declining non-airline revenue. Mr. Davis reported that the provision of valet service at other airports is of higher standards than any parking service that the Airports Authority currently offers.

Mr. Tejada stated that he was glad that the travel electronics ban had been lifted. He inquired as to whether there has been any discussion to incentivize passengers to use their personal cars for travel to the Airports. Mr. Tejada commented on the improvements with the parking garages, such as the indicator lights that inform passengers of the availability of parking spaces and enhanced bicycle infrastructure. While many believed that passengers would not travel by bicycle to an airport, Mr. Tejada stated that some, who carry only a backpack, may be willing to do so. Mr. Davis stated that the recent meeting that Mr. Potter referenced provided staff an opportunity to develop new ideas and to understand ultimately what the future of the airports will be with regard to transportation. Mr. Tejada was pleased to learn about the discussion at recent meetings. He stated that millennials also use other modes of transportation, including bicycles. While it may take time for driverless

cars or other greater concepts to be transportation options, Mr. Tejada believed that now is the time to begin planning for such and anticipating them. While it is difficult to predict what future demands may be, Mr. Tejada suggested that retail may be an option as a culture shift may occur with the opening of Phase 2 of the Project.

Mr. Session stated that he receives calls periodically about concessions opportunities at Reagan National and Dulles International. He recalled the three new openings at the Airports. Mr. Session asked Mr. Davis if he could quantify the remaining concessions opportunities. Mr. Davis stated that staff is still accessing the opportunities, but he estimated that approximately 11 new stores would open in 2018, and approximately 16 other stores would be refreshed. He further stated that although the end of the concession redevelopment phase is approaching, existing concessionaires would need to refresh their formats to achieve anticipated revenues.

Mr. Session inquired whether unsuccessful concessions can be swapped out for new concepts. Mr. Davis stated that evaluating concessions is a topic of ongoing discussions between the Airports Authority's concessions team and MarketPlace Development (MarketPlace) in an effort to assess underperformers and replace them with other concessions. Mr. Session recalled that MarketPlace had historically hosted forums for prospective vendors prior to implementing each development phase, and he inquired whether another such forum would be held. Mr. Davis responded that a forum is not planned for 2017, but stated that one may be held during the first quarter of 2018.

Mr. Sudow observed that he had noticed a great deal of vacant space near the baggage claim area at Reagan National. He inquired whether any type of test kiosks could be placed in that area in an effort to generate revenue opportunities. Mr. Davis stated that the Airports Authority had tried a similar concept in that area in the past, which had not been successful. He advised that a concept that would allow passengers to order refreshments, cocktails, and uncooked food would soon be available in the International Arrivals Building at Dulles International.

Chairman McDermott recalled the photo where Governor McAuliffe was cutting the cake at the Air India celebrations. On behalf of the Board, Chairman McDermott thanked Governor McAuliffe, his Administration, and the Virginia General Assembly and expressed appreciation for their

support of the development efforts at Dulles International. Mr. Potter stated that Mayor Bowser was also in attendance. Chairman McDermott also thanked Mayor Bowser, as well as other partners for their support.

V. NEW BUSINESS

a. Recommendation to Approve the 2017 – 2018 Audit Plan

Mr. Sudow offered a motion to approve the 2017 – 2018 Audit Plan, which was endorsed.

A copy of the 2017 – 2018 Audit Plan is filed in the Board of Directors Office.

b. Recommendation to Approve Additional Office of Audit Policies and Procedures

Mr. Sudow offered a motion to approve additional Office of Audit Policies and Procedures, which were endorsed.

Copies of the additional Office of Audit Policies and Procedures are filed in the Board of Directors Office.

c. Recommendation to Award a Contract for Natural Gas Supply Service at Washington Dulles International Airport

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

WHEREAS, As a result of federal and Virginia deregulation of the natural gas industry, the supply of natural gas was opened to the competitive market;

WHEREAS, Since 2007, Washington Dulles International Airport (Dulles International) has been purchasing its supply of natural gas in this open competitive market;

WHEREAS, Dulles International uses natural gas as the primary fuel for heating its facilities and for serving tenant needs such as hotel and food services;

WHEREAS, In June 2016, the Business Administration Committee concurred with the pre-solicitation terms, including use of a two-step Invitation for Bid procurement process, for the procurement of natural gas supply services at Dulles International;

WHEREAS, A Request for Proposals was issued on March 21, 2017;

WHEREAS, WGL Energy Services offered the lowest fixed basis price for the delivery of natural gas supplies to Dulles International, with an overall low bid of \$9,090,900; and

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive procurement process, as presented at its July 19, 2017 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a contract for a three-year base period with two one-year option periods with WGL Energy Services, consistent with the terms presented to the Business Administration Committee at its July 19, 2017 meeting.

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

d. Recommendation to Award a Contract for Marketing and Media Buying Services for the Metropolitan Washington Airports Authority

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

WHEREAS, In January 2017, the Business Administration Committee concurred with the pre-solicitation terms, including using the best value procurement method, for the procurement of marketing and media buying services to the Metropolitan Washington Airports Authority (Airports Authority);

WHEREAS, A Request for Proposals was issued on January 23, 2017 and proposals were received on February 24, 2017;

WHEREAS, The Evaluation Committee determined that Digital Mobile Innovations, LLC, provided the best value to the Airports Authority;

WHEREAS, The total anticipated cost for the marketing and media buying requirements over the proposed five-year contract period is approximately \$11 million;

WHEREAS, The contract will have a Local Disadvantaged Business Enterprise participation requirement of 20 percent; and

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive procurement process, as presented at its July 19, 2017 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a task order contract for a three-year base period and two one-year renewal option periods with Digital Mode Innovations, LLC, consistent with the terms presented to the Business Administration Committee at its July 19, 2017 meeting.

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

e. Recommendation to Award a Contract for Commercial Real Estate Brokerage Services at Washington Dulles International Airport

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

WHEREAS, The Metropolitan Washington Airports Authority (Airports Authority) has identified three parcels of land on Washington Dulles International Airport (Dulles International) that are not required for Airport operations and would be suitable for commercial development;

WHEREAS, In March 2017, the Strategic Development Committee concurred with the pre-solicitation terms, including using the best value procurement method, for the procurement of commercial real estate brokerage services to expose these three land parcels to multiple real estate markets and to advise the Airports Authority in relation to real estate matters;

WHEREAS, A Request for Proposals was issued on March 31, 2017;

WHEREAS, The Technical Evaluation Committee determined that CBRE, Inc. provided the best value to the Airports Authority;

WHEREAS, The actual cost of the commercial real estate brokerage services will be determined by the economic value of the completed transactions and other factors, but the estimated cost ranges from \$3.9 to \$5.0 million; and

WHEREAS, The Strategic Development Committee is satisfied with the results of the competitive procurement process, as presented at its July 19, 2017 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a contract for a five-year base period and five one-year option periods with CBRE, Inc., consistent with the terms presented to the Strategic Development Committee at its July 19, 2017 meeting.

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

VI. OTHER BUSINESS & ADJOURNMENT

Pursuant to Article IX, Section 5 of the Authority's Bylaws, Chairman McDermott proposed a change in the day's agenda. He stated that he and the President and Chief Executive Officer hereby request the following matters be added to the day's Board Meeting agenda because they require attention of the Board: legal issues relating to the Dulles Corridor Metrorail Project and the Airports Authority's living wage and ground transportation programs. A motion was received and

unanimously adopted to recess the public Board Meeting and reconvene the Board Meeting in executive session to discuss the new agenda items following the day's executive session meeting of the Risk Management Committee.

Chairman McDermott reminded everyone that no Board and Committee meetings would be held in August. The Board and Committee meetings would resume on September 20.

Chairman McDermott acknowledged the wonderful work of Shaina Gootzit, the Board Office summer intern. He thanked Ms. Gootzit for the great assistance she provided. On behalf of the Board, Chairman McDermott wished her the best as she returned to the University of Rhode Island. He shared that he married the entire state of Rhode Island and frequently visits Kingston, Rhode Island. Chairman McDermott jokingly spoke about watching the Harvard Crimson taking on the University of Rhode Island in epic battles for Division I championships and if Ms. Gootzit ever witnessed his behavior that she should never share it with Board Office Staff.

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

Respectfully submitted:



Monica R. Hargrove
Vice President and Secretary

Approved 9/20/2017