

BOARD OF DIRECTORS MEETING

Minutes of December 13, 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 9:30 a.m. Thirteen Directors were present during the meeting:

Warner H. Session, Acting Chairman
Earl Adams, Jr.
Anthony H. Griffin
Barbara B. Lang
Robert W. Lazaro, Jr.
Caren Merrick
A. Bradley Mims

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

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 Acting Chairman (who was elected Chairman for 2018) stated that as he prepares for 2018, he was confident in saying that the Metropolitan Washington Airports Authority (Airports Authority) is in a good place. He observed that when he had first joined the Board in 2011, such was not the case. At that time the Airports Authority was without a permanent CEO, and the state of affairs were tumultuous. Mr. Session stated that the turnaround and upward trajectory started with the hiring of Jack Potter. As the new CEO, Mr. Potter inherited a senior staff of top-flight professionals, such as Ms. McKeough; Andy Rountree, Vice President for Finance and Chief Financial Officer; Paul Malandrino, Vice President and Airport Manager, Ronald Reagan Washington National Airport (Reagan



National); Mike Stewart, recently named Vice President and Airport Manager, Washington Dulles International Airport (Dulles International); Steve Baker, Deputy Vice President of Real Estate; Mark Treadaway, former Vice President for Business Outreach; and Phil Sunderland, Vice President and General Counsel. The Acting Chairman stated that Mr. Potter augmented senior staff with other top-flight professionals like Mr. Davis; Charles Stark, Vice President, Dulles Corridor Metrorail Project; Gotham Kundu, Chief Information Officer; Bryan Norwood, Vice President for Public Safety; Tony Vegliante, Vice President for Human Resources and Administrative Services; David Mould, Vice President for Communications; Chryssa Westerlund, Vice President for Marketing and Consumer Strategy; and Wande Leintu, Deputy Vice President of Supplier Diversity. Additionally, Mr. Potter promoted existing talent like Julia Hodge, Vice President for Supply Chain Management, and Roger Natsuhara, Vice President for Engineering. Mr. Session stated that the combined senior staff represents the best in class who he would compare to anyone in the industry. They are also joined by hundreds of hardworking Airports Authority employees, most of whom the Board will never know, nor will ever meet, but they show up every day to help make Ronald Reagan Washington National Airport (Reagan National) and Dulles International world class facilities. The Acting Chairman advised that some employees had been highlighted at the October Board Meeting as the Airports Authority celebrated employees with 30 years or more service. He shared a recent encounter with Tanisha Lewis, Manager, HRIS, who happily told him that she has worked at the Airports Authority for more than 22 years. Ms. Lewis said, "The Authority has done well by me." Mr. Session stated that the performance results of such an exceptional team are clear as the Airports Authority had enjoyed a banner year with its Cost per Enplanements (CPEs) down while concessions and non-aeronautical revenues are up, and enplanements at Reagan National are expected to reach a historic high for the eighth consecutive year. The Acting Chairman reported that a complete makeover had occurred at both Airports to enhance the customers' experience. Additionally, the Airports Authority's bond ratings are some of the best in the industry, and Project Journey will transform Reagan National. Mr. Session believes that he has every reason to be optimistic as his colleagues are some of the most amazing, accomplished, and brightest professionals that anyone would ever meet, and they are eager to contribute while working together collaboratively and collegially, which will continue. He acknowledged the incredible Board staff members who enable the Board to accomplish what it does, led by Ms. Hargrove, Vice President and Secretary, as well as Sheryl Edwards, Executive Assistant,

Lisa Makle-Brooks, Assistant Secretary and a 30-year employee of the Airports Authority, and Erica Young, Director of Board Operations. Mr. Session also recognized Lee Wyckoff, Vice President for Audit, who had done an amazing job in a short period of time. The Acting Chairman stated that he would soon share his vision for the year and announce committee assignments. He ended his comments where he began – the Airports Authority is in a terrific place and it is getting better.

I. MINUTES OF THE NOVEMBER 15, 2017 BOARD OF DIRECTORS ANNUAL MEETING

The Chairman called for the approval of the Minutes of the November 15, 2017 Board of Directors Annual Meeting, which were unanimously approved.

II. COMMITTEE REPORTS

a. Business Administration Committee – Caren Merrick, Co-Chair

Ms. Merrick reported that the Business Administration Committee had just ended its meeting. Staff had presented the pre-solicitation terms for a taxicab concession contract at Washington Dulles International Airport (Dulles International). The Committee would continue its discussion after the day's Board Meeting. [The Committee had also met on November 15 and had concurred with the pre-solicitation terms for insurance broker services. Staff had also presented the Quarterly Acquisition Report.]

b. Dulles Corridor Committee – A. Bradley Mims, Co-Chair

Mr. Mims reported that the Dulles Corridor Committee had last met on November 15. Staff had presented the Dulles Corridor Metrorail Project Monthly Cost and Schedule Update.

c. Executive and Governance Committee – Warner H. Session, Acting Chairman

The Acting Chairman reported that the Executive and Governance Committee had last met on November 15. The Committee had approved the recommendation to amend the Code of Ethics for the Members of the Board of Directors and the Code of Ethics for employees (Codes). Mr.

Session stated that the Board would consider those amendments later in the day's meeting.

d. Finance Committee – David G. Speck, Co-Chair

Mr. Speck reported that the Finance Committee had last met on November 15. The Committee had approved the recommended 2018 Budget, which the Board would consider later in the day's meeting. Staff had advised that no budget reprogrammings had occurred during the third quarter of 2017. Additionally, staff had presented the Quarterly Report of the Investment Program for the third quarter. The Financial Advisors' reports and October Financial Reports for both enterprises had also been presented.

e. Nominations Committee – Caren Merrick, Chair

Ms. Merrick reported that the Nominations Committee had last met on November 15. The Committee had advanced the following candidates for election at the annual Board of Directors Meeting: Warner Session as Chairman; Earl Adams, Jr. as Vice Chairman; and Monica Hargrove as Secretary. The candidates had been subsequently elected [at the November Board Meeting.]

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

Ms. Lang reported that the Strategic Development Committee had last met on November 15. Mr. Stewart had presented his last airline business development report. Staff had also presented an update on Project Journey.

III. INFORMATION ITEMS

a. President's Report

On behalf of all the Airports Authority staff that Mr. Session had acknowledged in his opening remarks, Mr. Potter thanked the Acting Chairman. In an effort to achieve the goal for the Airports Authority to continue its success, he stated that staff looked forward to continuing to work with him in 2018. Mr. Potter reported that it is a busy time for the Airports Authority with the holiday travel season underway, along with the preparation for dealing with any future inclement weather. He noted

that the prior weekend's small storm with temperatures hovering mostly just above freezing had provided an opportunity for crews to practice the snow procedures at the Airports without any major disruption to the passengers or operations. Additionally, staff is preparing for the holiday season with decorations and music throughout both Airports during December. Mr. Potter stated that the Airports Authority is grateful to all the musicians and choral groups, especially those from the local schools who are helping to brighten the Airport experience for passengers traveling during the holidays.

Mr. Potter reported that the Fairfax County Public School system recently named the Airports Authority as its Workforce Development partner of the year. He stated that the honor recognizes the Airports Authority's 10-year partnership in providing special education students from Chantilly High School with paid on-the-job training assignments at Dulles International. Mr. Potter further stated that over the years, 15 of the students had been hired for permanent jobs at the Airport, but not necessarily with the Airports Authority. He recognized Steve Settle, Manager, Engineering and Maintenance at Dulles International, who helped start the program at Dulles International after he had participated in a similar program at Reagan National, which started 16 years ago with the Earl Pulley Career Center. Mr. Potter thanked and congratulated Mr. Settle and all of the members of the Reagan National and Dulles International teams, who helped to lead the very productive and rewarding program for some very talented and deserving youngsters from the area.

As reported in November, Mr. Potter stated that staff has been carefully monitoring the progress of tax reform legislation on Capitol Hill because of the potential impact it can have on the Airports Authority's financial situation. He advised that a Congressional Conference Committee would meet that day and is working on settling the differences between the House of Representatives (House) and Senate versions of tax reform legislation. Mr. Potter reported that the issues that could affect the Airports Authority are the treatment of Private Activity Bonds (PABs), which are used to finance much of its capital improvements, and the treatment of the Alternative Minimum Tax (AMT), which has implications for Airports Authority bondholders. He advised that the House version of the tax bill would repeal PABs, which is bad news for organizations like airports that use them to build and maintain infrastructure. However, on the positive side, the House bill also repeals the AMT under which PABs currently lose some of their tax-exempt status. Mr. Potter reported

that the Senate version of the bill keeps the PABs, which would be much better for the Airports Authority, but it keeps the AMT. He explained that losing PABs would drive up the Airports Authority's costs of capital and make the bonds less attractive to investors. Additionally, it would have very negative implications for the Airports Authority's financing cost, as well as efforts to refinance debt. It would also negatively affect the CPEs. Therefore, the Airports Authority is very concerned about the outcome of the tax reform process. Mr. Potter reported that the Government Affairs team is working to educate the Congressional delegation, along with members of the Conference Committee, and others who could help advocate for the Airports Authority's position on the potential impact to its business and the traveling public. Additionally, the Airports Authority is joining forces with other organizations and industries that depend on PABs to fund their infrastructure projects and other organizations that support the Airports Authority's position to help give its views a stronger voice. Mr. Potter reported that the Airports Authority is also reaching out to the business community and the news media to increase understanding of the advantages of keeping the PABs as a practical and cost effective way to help build and maintain the nation's infrastructure. He stated that those who follow the federal legislative process, especially large and complex bills like the tax reform package, know that any outcome is far from certain and understand why the Airports Authority's Government Affairs team is hard at work to promote a positive outcome from the airport perspective. Mr. Potter reported that staff would keep the Board apprised of the activities on Capitol Hill.

Mr. Potter reminded everyone that the Airports Authority is celebrating 30 years of service to travelers in the National Capital Region. He reported that some of the travelers around the world are also celebrating 2017 as a landmark year. Mr. Potter explained that a crowd of people, many of whom sang and waived Finnish flags, gathered around a gentleman in a long coat and scarf who was playing the National Anthem of Finland on a clarinet on December 4 on the ticketing level at Dulles International. He reported that curious bystanders were informed that December 6 is Finnish Independence Day, the day the country won its independence from the Russian Empire, exactly one hundred years ago in 1917. The group of citizens and friends of Finland, including many Finnish Americans and staffers from the Finnish Embassy, had chosen to celebrate at Dulles International because its distinctive terminal building was designed by the famous Finnish architect, Eero Saarinen. Mr. Potter stated that the Airports Authority hoped its Finnish friends

had enjoyed their experience at Dulles International and he wished them a happy 100th anniversary. He extended wishes for a safe and joyful holiday season to everyone.

b. Executive Vice Presidents' Reports

Ms. McKeough highlighted the October 2017 air traffic statistics that had been provided in the materials (Tab 5.2) for the day's meeting. She noted that the trend line of positive growth in domestic and international passenger activity had continued at both Airports. Ms. McKeough reported that operations during the ten-day travel period over the Thanksgiving holiday had gone smoothly. She acknowledged the Transportation Security Administration (TSA) for its terrific job in keeping the passenger screening lines moving very quickly at both Airports. At Reagan National, TSA screened approximately 38,000 passengers during the peak period. During a typical day at Reagan National, about 31,000 passengers were screened. At Dulles International, approximately 28,000 passengers were screened during the peak period, compared to a typical day where 24,000 passengers were screened. Ms. McKeough reported that the average wait times over the Thanksgiving holiday travel period at Reagan National were less than 10 minutes. She noted that the time increased to approximately 25 minutes for a very limited period of time. At Dulles International, the average wait time was about five minutes, with the exception of a few peaks up to 40 minutes during the times of international travel.

As the Board is aware, Ms. McKeough reported that staff has been working strategically to increase the amount of utilization of the Airports' parking garages as the Airports Authority competes with all modes of ground transportation, particularly the Transportation Network Companies (TNCs) that have been well received by passengers as an alternative way to travel to and from the Airports. She further reported that a resurgence in parking utilization occurred at Dulles International over the holiday period, particularly in the economy surface parking lots, where the economy lot was filled on Thanksgiving and an overflow area adjacent to it had to be opened. At Reagan National, the Marketing and Revenue teams had put together a promotional offer encouraging customers to make online reservations to use the garages. As part of the promotion, customers who committed to park in the garages for more than four days at Reagan National were able to receive a discounted price. Ms. McKeough reported that almost 400 customers had taken advantage of the promotion and noted that the Marketing and Revenue teams had used the addresses they were able to retrieve from passengers'

WIFI usage in the terminals. She stated that the promotional offer would extend through January 2018.

Ms. McKeough reported that the roadway at Reagan National had presented some challenges during the November travel season and that staff is working to manage the challenges that would continue through the completion of Project Journey. She noted that the Airports Authority teamed up with Uber to implement a new strategy called "Rematch." Upon dropping off passengers at the Airport, Uber drivers are permitted to receive an immediate pick-up request from another customer without having to go to the hold lot. Ms. McKeough explained that while Rematch is great for customers because they do not have to wait as long for a ride, it also helps to prevent some traffic circulation on the Airport's roadway, and helps staff to better manage the traffic congestion. She reported that Rematch was very effective over the Thanksgiving holiday season and that it would continue.

Ms. McKeough also reported on the upgrade of an Information Technology system that supports the parking revenue collection for all parking products. The upgrade at Dulles International began the weekend after Thanksgiving in the west parking garage [Garage 2] that is less utilized. Ms. McKeough stated that the upgrade has been very well received by customers. She noted that efforts to upgrade the technology platform on all 75 parking lanes at Dulles International would continue until the spring of 2018. Once the transition is complete at Dulles International, customers will be able to swipe their credit cards when they enter and exit the parking garages [if they choose to use a credit card as their form of payment] and shorten the transaction times. Ms. McKeough stated that she would keep the Board updated on the status of the upgrade.

Ms. McKeough reported that everyone was recently reminded that the winter weather has arrived, which means that the Airports' Operations teams are preparing for snow duty. While it would be great to have a mild winter like the prior year, staff will be prepared for any upcoming snow and inclement weather. Ms. McKeough shared a segment that Channel 7 had recently aired about how the Airports' snow teams prepare for snowstorms. The Acting Chairman acknowledged the Channel 7 reporter, Sam Sweeney, who was in attendance at the day's meeting; he received a round of applause.

Ms. Merrick referenced the increased utilization of the parking garages at Dulles International and inquired whether the team had gained any insights that could be applied to a non-holiday season. Ms. McKeough stated that it was important to remember that there is a great sensitivity to pricing for the leisure traveler and the promotional offers that the Airports Authority is using is very helpful to those travelers. During a typical week when business travelers are more dominant, the utilization of such offers is quite different, as are weekends from weekdays. Ms. McKeough stated that once the new parking revenue controls system is fully implemented at Dulles International, there will be even more flexibility for staff to implement more innovative ways to appeal to customers. Parking options at Reagan National are concentrated on the convenience of the passengers. Ms. McKeough reported that staff will promote the usage of the garages throughout Project Journey, which will be the best option for passengers to park instead of circling the roadways or dwelling at the curbs.

Mr. Adams inquired as to whether the Rematch strategy is being used with all TNCs. Ms. McKeough stated that it was only used with Uber for Thanksgiving because Lyft does not yet have the capability. She further stated that it is her understanding that Lyft is working diligently to activate a similar capability that is expected to be in place for the Christmas travel week.

In Ms. Hanley's absence, Mr. Griffin inquired whether staff had heard any complaints about the tolling inside I-66 or whether there had been a noticeable change in traffic on the Dulles Toll Road. Ms. McKeough stated that she had spoken with Cindy Ward, Toll Road Manager, and there had been no measurable impact to the Toll Road traffic. As a Toll Road user, Ms. McKeough reported that she does not experience anything differently. She further reported that the Airports Authority had received tweets and comments through social media and the website's customer portal from Dulles International users expressing surprise and concern about the cost to travel to and from the Airport for commuters from the D.C. and Arlington areas. Ms. McKeough stated that staff had shared concerns with the Commonwealth of Virginia prior to the activation of the tolling system inside I-66, and that the Airports Authority is closely monitoring all aspects of the Dulles Toll Road. As a friendly reminder to everyone, Mr. Tejada reiterated that only drivers of single occupancy vehicles are required to pay tolls inside I-66; the tolls do not apply to drivers of vehicles occupied by at least two individuals.

Mr. Sudow encouraged staff to continue to express concerns to representatives in Richmond in an effort to attract more attention to the tolling inside I-66 and gain additional support. He referenced newspaper articles that he had recently read and inquired whether the tax bill included any provisions regarding the Passenger Facility Charges (PFCs). While the current tax bill did not include any provisions regarding PFCs, Mr. Potter reported that the Airports Authority is working vigorously with the Congressional delegation and others to include information to increase PFCs as part of the appropriations language. In an effort to improve the infrastructure of airports, favorable bond ratings and interest rates, as well as access to PFCs, enable those investments so that the improvements can occur. Mr. Potter stated that staff is strongly encouraging the representatives on Capitol Hill to raise PFCs from \$4.50 to a minimum of \$8.50.

As Ms. McKeough had reported, Mr. Davis reiterated that the new parking revenue controls system will enable the Airports Authority to be more aggressive with its promotional offers and to target customers based on collected data.

Ms. Merrick observed that approximately 400 people had received a discount on parking at Reagan National as a result of using the website to reserve parking for more than four days. She inquired about the timeline associated with the parking reservations. Mr. Davis stated that while customers are encouraged to reserve parking one week in advance, two days in advance is sufficient.

Mr. Davis reported that the Revenue Office is on track to close out a very productive year and continue the pace through 2018. He stated that the Revenue team is not achieving its progress alone, noting that colleagues across the Airports Authority are working to enhance facilities and services, increase sales, improve the performance of contracts, and hold down costs in an attempt to reach a goal of increasing non-airline revenue as a percentage of the Airports Authority's total revenue. Mr. Davis reported that staff is extremely pleased that this year will be the first time ever that non-airline revenue will exceed the revenue the Airports Authority collects from the airlines. He stated that the year-to-date ratio at the end of November was 52 percent non-airline revenue versus 48 percent revenue from the airlines, which is a major factor in the effort to hold down CPEs and strengthen the competitive position of Dulles International. Mr. Davis further stated that 2018 would mark the first year that the Airports Authority begins the year with a larger

percentage of its revenue being derived from non-airline sources. He reported that current estimates indicate that non-airline and airline revenue would comprise approximately 54.4 percent and 49.6 percent, respectively. In addition to the Revenue team, Mr. Davis thanked the Legal Office, Vice Presidents for both Airports and their teams, the Information Technology department, the Maintenance and Engineering groups, the Finance team, Procurement, and Public Safety. He stated that the Airports Authority's airline partners, as well as state and local governments, have done a great job of advocating with the organization, along with the Committee for Dulles and Washington Airports Task Force, and the partners who manage and operate the Airports' concessions. Mr. Davis advised that customer satisfaction ratings and positive passenger comments continue to rise as new stores and restaurants are opened and upgraded in the Airports. He reported that the partnership with MarketPlace Development (MarketPlace), which manages the concessions at Reagan National and Dulles International, is producing great results. Mr. Davis advised that the Airports Authority had extended the MarketPlace contract earlier in the year and it continues to be beneficial. To acknowledge the achievements and contributions of Airport merchants and restaurateurs, MarketPlace recently hosted its annual Merchant Awards to announce a number of awards for top performances of concessions during 2017. Mr. Davis shared slides of some of the concessions' operators who had attended the event, as well as senior managers from MarketPlace, and the Airports Authority Office of Revenue staff. He reviewed a list of the winners of the 2017 Concessions' Awards, extended congratulations to all the honorees, and thanked the merchants and MarketPlace for helping the Airports Authority to make the Airports so pleasant, efficient, and inviting for passengers.

To ensure that everyone is aware of all the passenger benefits provided by the Airports Authority teams and partners, the digital communications team has been busy educating key influencers and leaders in the social media area on the Airports Authority's efforts. As part of that initiative, Mr. Davis reported that the Airports Authority invited a group of bloggers and other social media contributors to Dulles International the prior week for a behind the scenes tour of how airports work and a look at all of the new and improved offerings for passengers. He stated that the Airports Authority worked with United Airlines (United) and MarketPlace to host an event called Passport to Dulles 2018. Mr. Davis reported that approximately 26 participants took passport photos and explored the new offerings that would soon be

available at Dulles International, including on-line booking services and curbside valet parking. Several of the Airport's restaurants also provided a food tasting for the group before boarding an updated Dulles mobile lounge for a private airfield tour and a discussion with Scott Cooper, Airline Business Development Director, on new and expanding air service at the Airport. Mr. Davis reported that the guests also visited United's Global First Lounge and learned how its staff is working to enhance customer service, on-time performance, and baggage operations at Dulles International. It was a great opportunity to meet people behind the scenes who help shape passengers' travel experiences while learning about the Airports Authority's efforts to continuously improve Reagan National and Dulles International and the services they provide. Mr. Davis stated that the event resulted in great publicity for Dulles International and the Airports Authority's partners across social media, and the fast growing area of digital news. He extended a happy and peaceful holiday season to everyone.

Ms. Merrick inquired about the process used to measure customer service satisfaction in order to identify the winners of the Concessions Awards. Mr. Davis explained that the Airports Authority manages its own internal customer service satisfaction system, which is mirrored with a system that MarketPlace uses for its concessionaires. He stated that MarketPlace uses its exclusive system to identify the recipients of the Concessions Awards. Mr. Davis advised that the Airports Authority had launched a very sophisticated customer satisfaction system the prior year, which is now being integrated into MarketPlace's system. He stated that 2018 would be the first year that the dual system would be used to reward the concessionaries at both Airports for the things they accomplish from a customer satisfaction standpoint.

IV. NEW BUSINESS

a. Recommendation to Amend the Code of Ethics for Members of the Board of Directors and Code of Ethics for Employees

The Acting Chairman moved the adoption of the amended Code of Ethics for Members of the Board of Directors and Code of Ethics for Employees. Mr. Speck referred to the section of the Code for Members of the Board that stated that Directors shall not solicit any support or financial assistance from the Airports Authority for any charitable purpose. He stated that the language caught his attention because occasionally the Airports Authority will allow the use of a venue for charitable events,

particularly Terminal A at Reagan National, and there is a cost associated with it. Mr. Speck inquired whether the provision prevented a Director from requesting the use of the space to create an opportunity for a particular organization. Naomi Klaus, Ethics Officer and Associate General Counsel, stated that the Vice Presidents for each Airport are responsible for managing the meeting space, which is available for rent. She noted that there is a policy that allows fees to be waived for charities with connections to the Airports, but stated that she would need to refer to the criteria. Mr. Speck observed that virtually all of the Directors are involved in different charitable organizations. He inquired whether it was best that Directors not be the point of contact to request an Airport venue to be made available either at a reduced cost or waiver of fee. Ms. Klaus responded affirmatively.

Mr. Speck asked Ms. Klaus to review the section of the Code that restricted both employees and Members of the Board of Directors from doing business with the Airports Authority after employment. Ms. Klaus stated that no Director [or member of a Director's Immediate Family] shall be employed by the Airports Authority for two years. Mr. Speck referred to Section 10, Post-Employment Conflicts of Interests [of the Employee Code]. He sought clarity on the two subtitles – Permanent Restrictions and Two-year Restrictions. Ms. Klaus and Mr. Potter provided examples to clarify the restrictions. Mr. Speck observed that the Permanent Restrictions did not apply to Directors, which Ms. Klaus confirmed. Mr. Sunderland and Mr. Potter provided several examples as to why the permanent restrictions did not apply to Directors.

Mr. Speck observed that when staff briefed the Directors in November about the proposed changes, some of those changes were the result of lessons learned over the past years. He inquired whether staff would consistently evaluate the Codes and periodically present suggested amendments, or if they would be presented on a case-by-case basis. Ms. Klaus explained that the Codes had been rewritten five years ago and that the consideration of the proposed amendments marks the first time that type of review has been completed. She noted that staff had requested two minor changes a couple years ago. Historically, the review happened once every five years.

Mr. Potter stated that anytime there is something of a nature that would require a change, due to an opportunity to be fair to people or to improve the Codes to uphold the integrity of the Airports Authority, staff would be receptive to considering the amendments. Mr. Griffin inquired whether

Ms. Klaus would determine if suggestions would be brought forward as amendments to the Codes. Ms. Klaus stated that she, in consultation with the General Counsel, reviews some of the Codes' provisions based on occurrences. The outcome of those reviews would result either in an amendment being brought to the Board, such as an employee's acceptance of gifts from a prohibited source immediately before retirement, or in an interpretation of the Code, such as the decision regarding the provision to the Directors of a quarterly report listing all Airports Authority contracts. Ms. Klaus stated that some of the amendments that staff proposed reflect its interpretations of the Codes and give Directors the opportunity to accept or overrule the interpretations.

The amended Code of Ethics for Members of the Board of Directors and Code of Ethics for Employees were thereupon unanimously approved.

b. Adoption of 2018 Budget

Mr. Speck moved the adoption of the following resolution, which was unanimously approved by all 13 Directors present:

WHEREAS, The Finance Committee has provided direction to the staff regarding major challenges that the 2018 Budget needs to address;

WHEREAS, The Finance Committee received the summary level draft 2018 Budget, prepared by staff, at its October 2017 meeting;

WHEREAS, The Finance Committee considered the recommended 2018 Budget, prepared by staff, at its November 2017 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 Washington Dulles International Airport (Dulles International) by reducing

the level of operating expenses and debt service included in the 2018 airline rates and charges, the recommended 2018 Budget provides (a) for the use of \$43.6 million in Passenger Facility Charge revenues to pay debt service attributable to the AeroTrain and (b) for a transfer to Dulles International of \$35 million from the Airports Authority's share of the 2017 Net Remaining Revenue generated at Ronald Reagan Washington National Airport (Reagan National);

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; and the recommended 2018 Budget applies \$25 million of this Virginia funding in 2018;

WHEREAS, The recommended 2018 Budget provides for a reasonable level of expenditures to be made or to accrue in 2018 (a) from the Aviation Enterprise Fund, to operate Reagan National and 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 2018 to cover these expenditures; now, therefore, be it

RESOLVED, That the 2018 Budget, as presented at the December 2017 meeting of the Board of Directors, is hereby adopted;

2. That the following sums, totaling \$1,110,108,000, are hereby authorized to be expended from the Aviation Enterprise Fund in 2018 for the operation, maintenance,

care, improvement and protection of Reagan National and Dulles International Airports:

- (a) \$702,234,000 for the Aviation Operation and Maintenance Program, including \$342,811,000 of this total for debt service;
- (b) \$65,212,000 for the Aviation Capital, Operating and Maintenance Investment Program (COMIP); and
- (c) \$342,662,000 for the Aviation Capital Construction Program (CCP);

3. That the following sums, totaling \$48,866,000, are hereby authorized to be expended from the Aviation Enterprise Fund in 2018 for the following distinct operations within the Operations and Maintenance Program:

- (a) \$31,657,000 for expenses for parking operations;
- (b) \$5,706,000 for expenses for taxi operations;
- (c) \$4,537,000 for expenses for concessions management;
- (d) \$1,900,000 for expenses for Airports Authority-owned buildings at Dulles International;
- (e) \$4,510,000 for expenses for telecommunications against estimated telecommunications revenue of \$4,909,000; and
- (f) \$556,000 for expenses, excluding debt service, for the leaseback of Dulles International Air Traffic Control Tower against estimated revenue of \$3,742,000;

4. That the following sums, totaling \$788,506,000, are hereby authorized to be expended from the Dulles Corridor Enterprise Fund in 2018 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) \$116,600,000 for the Dulles Corridor Operation and Maintenance Program, including \$86,408,000 of this total for debt service;
- (b) \$5,720,000 for the Dulles Corridor Renewal and Replacement (R&R) Program;
- (c) \$626,235,000 for the Dulles Corridor Capital Improvement Program (CIP), consisting of \$51,964,000 for Dulles Corridor Improvements and \$574,271,000 for the Dulles Corridor Rail Project; and
- (d) \$39,951,000 to be transferred to reserve accounts within the Dulles Corridor Enterprise Fund, as identified in the 2018 Budget;

5. That any revenue received or accrued by the Dulles Corridor Enterprise in 2018 that, at the conclusion of 2018, 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 2018 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 2018 is less than the 2018 Expenditures, Obligations and Transfers, a sum equal to the amount of such revenue shortfall shall, at the conclusion of 2018, 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 2018 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 expenditure item or 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 2018 Budget, in the amount of (i) \$54,104,000 within the Aviation Capital Operating and Maintenance Investment Program, (ii) \$35,738,000 within the Aviation Capital Construction Program, (iii) \$3,368,000 within the Dulles Corridor Renewal and Replacement Program, and (iv) \$19,538,000 within the Dulles Corridor Improvement 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. The final resolution filed in the Board of Directors Office includes a copy of the staff recommendation paper.

c. Recommendation to Exercise an Option Year for the Prescription Drug Benefit Plan for Employees and Retirees

Mr. Pozen moved the adoption of the following resolution, which was unanimously approved by all 13 Directors present:

WHEREAS, The Airports Authority competitively bid the Prescription Drug Plan contract for active employees and retirees in 2014;

WHEREAS, A contract was awarded to CVS Caremark, effective January 1, 2015, for a three-year base term, with three unpriced option years exercisable at the Airports Authority's discretion;

WHEREAS, The exercise of a contract's unpriced option year is viewed as a sole-source procurement action under the Airports Authority's Contracting Manual and requires Board of Directors' approval if the cost of exercising the option exceeds \$200,000;

WHEREAS, In October 2017, the Board approved exercising an option year for the CVS Caremark contract for calendar year 2018;

WHEREAS, In connection with the CVS Caremark contract, the Airports Authority also participates in the Aon Hewitt Prescription Drug Coalition (Coalition), which brings together a number of employers with CVS Caremark contracts to negotiate lower prescription drug pricing;

WHEREAS, Subsequent to the Board approving the exercise of the 2018 option year, the Airports Authority learned it must fulfill certain requirements to continue as a Coalition member, including committing to participation in the Coalition through December 31, 2019 and having an executed

contract in place with CVS Caremark through December 31, 2019;

WHEREAS, The Airports Authority estimates it will save \$937,000 by participating in the Coalition in calendar years 2018 and 2019; and

WHEREAS, The projected total CVS Caremark contract cost for the 2019 option year is \$9.552 million, of which \$7.641 million represents the Airports Authority's share; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to execute a one-year extension for the CVS Caremark contract for calendar year 2019, consistent with the terms and conditions presented to the Human Resources Committee at its December 2017 meeting.

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

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Meeting was thereupon adjourned at 10:27 a.m.

Respectfully submitted:



Monica R. Hargrove
Vice President and Secretary