

BOARD OF DIRECTORS MEETING

Minutes of April 17, 2019

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 8:30 a.m. Thirteen Directors were present during the meeting:

Warner H. Session, Chairman
Earl Adams, Jr.
Judith N. Batty
Albert J. Dwoskin
Katherine K. Hanley
Robert W. Lazaro, Jr.
A. Bradley Mims

Thorn Pozen
David G. Speck
William E. Sudow
J. Walter Tejada
Mark E. Uncapher
Joslyn N. Williams

The Secretary and Executive Management were present:

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

I. MINUTES OF THE MARCH 20, 2019 BOARD OF DIRECTORS MEETING

The Chairman called for the approval of the Minutes of the March 20, 2019 Board of Directors Meeting, which were unanimously approved.



II. COMMITTEE REPORTS

a. Business Administration Committee – Robert W. Lazaro, Jr., Co-Chair

Mr. Lazaro reported that the Business Administration Committee had last met March 20, and a report from that meeting was presented that day. However, due to the lengthy discussion of Pre-Solicitation Terms for the Development and Operation of a Fast Food Pad Site at Washington Dulles International Airport (Dulles International), the Committee had to recess its meeting to allow the Board of Directors Meeting to begin at the time advertised. When the Committee reconvened after the March 20 Board Meeting, it decided to defer the Pre-Solicitation Terms for the Development and Operation of a Fast Food Pad Site at Dulles International until a future meeting.

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

Ms. Hanley advised that she would present the Dulles Corridor Committee report that day because Mr. Tejada was unable to attend the last meeting on March 20. She reported that staff had presented the Dulles Corridor Metrorail Project's Quarterly Cost and Schedule Update for Phase 1 and Monthly Cost and Schedule Update for Phase 2. Hensel Phelps had presented its Quarterly Update on Phase 2, Package B, Washington Metropolitan Area Transit Authority (WMATA) Railyard and Maintenance Facility.

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

Mr. Speck reported that the Finance Committee had last met March 20 [which Mr. Mims was unable to attend]. Staff had reviewed the February 2019 Financial Reports and the Financial Advisors' Reports for the Aviation and Dulles Corridor Enterprises. Andy Rountree, Vice President for Finance and Chief Financial Officer, had reported that no Budget Reprogrammings occurred in the fourth quarter. Staff had presented the Quarterly Report on the Investment Program for the fourth quarter.

d. Human Resources Committee – Thorn Pozen, Co-Chair

Mr. Pozen reported that the Human Resources Committee had last met March 20. The Committee and Board approved the Recommendation to Confirm Nine Members of the Employee Relations Council.

e. Risk Management Committee – Mark E. Uncapher, Co-Chair

Mr. Uncapher reported that the Risk Management Committee had last met March 20. The Committee and Board approved the 2019 Audit Plan.

f. Strategic Development Committee – William E. Sudow, Co-Chair

Mr. Sudow reported that the Strategic Development Committee had last met March 20. Staff had presented the Airline Business Development Information Report and Project Journey Update.

III. INFORMATION ITEMS

a. President's Report

With regard to the Silver Line Project (Project), Mr. Potter reported that recent media stories focused on the support structure for glass walls at the Dulles Airport station and concrete crossties on some sections of the track. He stated that both issues had been identified in the Project's oversight and quality assurance program, which involves the Metropolitan Washington Airports Authority (Airports Authority), contractors, WMATA, and government agencies, as well as independent consultants and engineering firms. Mr. Potter advised that these entities are working together to perform inspections and tests and analyze data to make sure that the Airports Authority implements the most practical solutions to ensure the safety, reliability, and durability of the Project. He reported that the Airports Authority is confident that these issues will be satisfactorily addressed with solutions that are acceptable to WMATA, which will operate the rail line once completed. As emphasized throughout the Project, Mr. Potter reiterated that safety is the Airports Authority's number one priority and assuring that the system is safe, reliable and durable for the traveling public always takes precedence over cost and schedule. He reported, however, that any costs associated with

the current issues would be the responsibility of the contractors involved. Mr. Potter emphasized that while the Airports Authority did not know the exact impact the current issues or any others that may arise might have on the final completion date, the parties are working together to mitigate any impacts. He reported that he would keep the Board apprised of the progress. Additionally, Charles Stark, Vice President, Dulles Corridor Metrorail Project, would provide details on the Project later that morning.

Mr. Potter reported that the Airports Authority continues to expand and strengthen its public outreach efforts to help broaden the organization's base of potential employees and contractors through its hiring and procurement processes. He further reported that members of the Human Resources and Supplier Diversity teams are attending a number of events around the region aimed at raising awareness of employment and business opportunities with the Airports Authority. Mr. Potter advised that members of the Human Resources team reached out to local communities to promote the Airports Authority's brand and to position the Airports Authority as an employer of choice that understands and embraces the value of a diverse workforce at the 19th Annual D.C. and Virginia Diversity Employment Day Career Fair in Arlington on April 3. The Airports Authority's Human Resources and Public Safety teams attended a Veterans job fair sponsored by a group called Recruit Military, which helps members of the armed forces transition from active military duty to the civilian sector, in late March. Additionally, the Human Resources team joined with the District of Columbia's Department of Employment Services to co-sponsor an event called the "Making a District Difference Career Fair" in late March. Mr. Potter stated that the well-attended outreach event focused on increasing public awareness of career opportunities and programs available to District of Columbia residents. He reported that the Department of Supplier Diversity would soon participate in a nationwide Rental Car Supplier Diversity Outreach Day. Mr. Potter advised that the program, which involves 38 major Airports across the country, is aimed at helping rental car companies successfully pursue the Airport Concessions Disadvantaged Business Enterprise (ACDBE) goals and helping minority and small businesses better understand current and upcoming rental car concessions opportunities. He noted that several rental car companies that do business at Ronald Reagan Washington National Airport (Reagan National) and Dulles International, such as Enterprise, Avis, Budget, Hertz, Dollar, and Thrifty, will also participate in the event. The Airport Administration teams and the Office of Supply Chain Management will lead the Airports Authority's effort and focus on the ACDBE certification

process, contract goals and compliance requirements. Mr. Potter stated that these outreach events are a few of the many programs the Airports Authority participates in throughout the year to make sure people and businesses in the communities are aware of the opportunities to work for, and opportunities to conduct business with, the organization. He extended sentiments to the Human Resources team led by Tony Vegliante, Vice President for Human Resources and Administrative Services, and the Supplier Diversity team led by Julia Hodge, Vice President for Supply Chain Management, for their hard work, extensive planning and great organization to pursue the Airports Authority's mission of diversity and inclusion for small and disadvantaged businesses in business opportunities and hiring processes.

Mr. Potter reported that a major event is scheduled on Saturday, April 27, that serves as an important part of the Airports Authority's ongoing effort to provide safe and secure facilities and services for passengers, including responding effectively to unexpected situations. He stated that the emergency preparedness team, which consists of Airport Operations, Public Safety, and several other functions across the Airports Authority, as well as police, fire, medical and other local governments and first-response agencies from across the region, will participate in an emergency exercise at Reagan National. Mr. Potter advised that every three years each major U.S. airport is required by the Federal Aviation Administration to conduct a full-scale emergency exercise known as a Triennial Drill. He stated that these events provide the Airports Authority with an opportunity to practice its response to an incident involving a passenger aircraft and learn from the experience. Mr. Potter noted that each time the Airports Authority holds an emergency drill, it identifies things that will help to improve its plans and procedures for dealing effectively with a major mishap. He stated that it is an extremely important part of the emergency preparedness program, and he invited members of the Board to join the team on April 27 for a first-hand look at the extensive test of the emergency response plans and capabilities.

Mr. Potter recalled that last month he recognized members of the Airports Authority's Police Department who earned promotions. This month, he congratulated the following 17 members of the Airports Authority's Fire Department who have been promoted to new positions: new Deputy Chiefs Robert Mott and Michael Murphy; new Assistant Chiefs Craig Buckley and Stephen Gervis; new Battalion Chiefs Gregory Long, Jason Moore, Jeremy Pope, and Daniel Redman; new Captains Timothy Bettendorf, Jeffrey Crosby, Shaw Lynch, Darrin Pevarnik, Eric

Riehle, and David Scheulen; new Firefighter Technicians Joseph Bonneau and Christopher Horne; and new Firefighter Medic Christopher Northern. Some of the newly-promoted members who were in attendance stood up to be recognized, and all of the members received a round of applause.

Mr. Potter reported that the Police Department also has reason to celebrate. He further reported that new Deputy Chief James Wasem joined the Airports Authority after 28 years with Arlington County Police. Mr. Potter stated that James Wasem has held various positions in Arlington, including patrol commander, special operations commander, SWAT commander, criminal investigations commander, and human resources commander. He advised that in his new role Deputy Chief Wasem will oversee the Support Services Bureau, which includes training, lease records, and criminal investigations. Mr. Potter stated that the Airports Authority is fortunate to have someone with Deputy Chief Wasem's experience and knowledge of the area. Although he was on-duty and unable to attend the day's meeting, Mr. Potter welcomed him to the Airports Authority.

Mr. Potter recognized Corporal Kenneth Byers, one of the Airports Authority's police officers at Reagan National. He advised that Corporal Byers had recently received some very kind words from a passenger who had used Reagan National for the first time and was confused as to where she should meet her son and his family. The passenger referred to Corporal Byers as her knight in shining armor, stating that he had offered to escort her to the correct place, waited with her until her son and grandkids arrived, and helped to get her luggage settled into the car. Once she arrived at her family's home, the passenger realized she had misplaced her cell phone. Corporal Byers had located the phone at the Airport, checked the passenger's emergency contact list, and called her son to inform him he had the phone before taking it to Lost and Found where she was able to retrieve it the next day. The passenger advised that she was so impressed by the gracious way in which Corporal Byers handled the situation, stating that he is truly a credit to both himself and to the Airports Authority's staff. Mr. Potter agreed with the passenger and stated that the customer focus displayed by Corporal Byers defines the Airports Authority's values and represents employees' drive to perform well. He extended thanks and congratulations to Corporal Byers, who was present at the day's meeting and received a round of applause.

Chairman Session thanked Mr. Potter for recognizing the men and women at the Airports Authority for their contributions. He congratulated Corporal Byers and thanked him for his exemplary service. Chairman Session also thanked Mr. Potter for recognizing the Airports Authority as a participant in the upcoming Rental Car Supplier Diversity Outreach Day. He advised that several Directors, including himself, Mr. Mims and Mr. Adams, have been involved in an effort to encourage the rental car industry to increase its participation in potential ACDBE opportunities. Chairman Session noted that it has been an evolving process and that he is glad to learn that such efforts are underway.

b. Executive Vice President's Report

Mr. Davis shared a slide that illustrated that the latest passenger statistics serve as an indication that Reagan National and Dulles International are very busy places as the spring travel season begins. The overall passenger traffic at Dulles International was up more than 3 percent in February and more than 6 percent year-over-year. Domestic growth at Dulles International in February was up nearly 4 percent compared to February 2018, which Mr. Davis attributed to United Airlines' (United) increased capacity. Since October 2018 United has added nonstop service to more than a dozen new destinations. With regard to international passenger traffic at Dulles International, it was up 5.3 percent compared to February 2018 with increased service from United, Avianca Airline and British Airways. At Reagan National passenger traffic in February was down approximately 1 percent, which was due mainly to decreased airline load factors and schedule adjustments, as well as several different snow events during the month.

Mr. Davis reported that much of the growth at Dulles International is the result of United adding new domestic destinations, including two more Florida cities, Fort Myers and Sarasota, which were recently announced. He stated that the Airports Authority continues to benefit from the Airline Business Development team's outreach efforts with a heavy focus on talking with airline decision makers. These additions, combined with higher passenger counts on several United routes, are driving the positive growth being enjoyed by Dulles International.

Mr. Davis also reported that as some airports continue grappling with the difficulties posed by the grounding of the Boeing 737-Max airliner, the aircraft is not a large part of the airline fleets serving Reagan National and Dulles International so the impacts to operations at both Airports

have been fairly minimal. He noted that the aircraft makes up about 2 percent of the two largest airline fleets, United and American Airlines (American), and about 4 percent of Southwest Airlines' (Southwest) fleet servicing both Airports. Mr. Davis advised that only a few of these planes provide service at Reagan National and Dulles International. United had no 737-Max aircraft scheduled to serve at either of the Airports. At Dulles International, the only 737-Max aircraft was used by Southwest to service Denver, which was three times a day, and at Reagan National, American used the 737-Max aircraft for a daily flight to Los Angeles and twice-a-day service to Miami. He reported that the airlines are substituting other planes for most of the impacted flights and only service on a few flights has been temporarily reduced.

Mr. Davis advised that another driver of continued growth at Dulles International is the Airports Authority's marketing campaign aimed at making residents across the region more aware of the Airport's convenience, accessibility, and amenities, along with the increasing number of travel opportunities. He stated that customer research data shows that more than half of all travelers across the region choose their airport based on accessibility and convenience, and price is a distant second. Mr. Davis noted that the campaign messaging is based on defining convenience, including the growing number of nonstop destinations, the best on-time takeoff performance on the East Coast, and the free Airport access highway that gets passengers from the beltway to the Dulles terminal quickly without any stop signs or traffic lights, which is proving to be very effective in changing people's impression of it being difficult to get to Dulles International. He reported that the Airports Authority is also sharpening its focus on residents of the District of Columbia, which data shows to be a key segment of the Dulles customer base. Mr. Davis advised that the Airports Authority is targeting a number of methods for delivering its message to District of Columbia residents, including advertising in Metro stations, on trains, on buses, at bus shelters, and a large display at the Capital One Arena downtown and individualized digital ads based on customers' online preferences. He reported that the result has been a 21 percent growth rate in the number of people from D.C. zip codes logging on to the Dulles Airport Wi-Fi system which means more folks from Washington, D.C. are coming to Dulles International. Mr. Davis stated that the marketing campaign is helping to produce positive results in the Airport's customer surveys. He shared a slide where customers used a word or phrase that comes to mind when they talk about Dulles International. Mr. Davis noted that in January 2018 the words "convenient" and "Washington"

were included as descriptive words for Dulles International, but not very prominent. He pointed out that one year later after the campaign was implemented that while “convenient” is the biggest word on the chart that “Washington” and “D.C.” are almost as prominent, which is great progress for public perception, as well as for passenger numbers. Mr. Davis reported that the Airports Authority is taking the campaign a step further by promoting the Dulles destination and travel in general. Picking up on the old saying of “been there, done that,” the slogan for this year's campaign is “go there, do that.” Because of new data-driven marketing and communications technologies, the Airports Authority is able to target different segments of the population and play to specific wants, needs, and interests. Additionally, some of the marketing is based on life events and holidays, such as a radio ad focused on Mother's Day and a destination-specific ad focused on the destination of Zurich, Switzerland. Mr. Davis shared samples of the radio ads, which were well received. He advised that other channels, such as social media, are being used and will continue as part of the campaign throughout the year.

Mr. Davis reported that another new amenity at Dulles International, and the first in the U.S. airport industry, is the introduction of a concession called Sleepbox. He shared slides of the new concession and explained that it is one of the results from the Airports Authority's partnership with the start-up business incubator firm 1776. Mr. Davis reported that Sleepbox, which is a much nicer place to sleep in the Airport, is a convenient alternative to a hotel or gate-area chairs, and it is already putting Dulles International on the map for airport innovation. He stated that passengers on long layovers or whose flights might be canceled or delayed can now check into small rooms with a bed, workspace, and other features and take a nap or work in a private quiet setting. Even though Dulles International is the first U.S. airport to offer this type of amenity, short-term sleep concessions are available in large international airports all around the world. Mr. Davis reported that the first Sleepbox installation is located behind security in Concourse A at Dulles International. It contains 16 small rooms for rent by the hour and passengers are already giving it great reviews. Sleepbox is just one more way that the Airports Authority is looking to enhance the passenger experience, and Mr. Davis stated that it will likely become a trendsetting feature that other airports will want to emulate. The Sleepbox concession at Dulles International is receiving great media coverage, and Mr. Davis shared a video about the concession, which was well received.

He clarified that the cost of the large Sleepbox is \$40 for the first hour and the smaller one is \$30 for the first hour.

Mr. Speck inquired whether reservations are accepted for the Sleepbox concession, or if it is available only on a first come-first serve basis. Mr. Davis stated that reservations are accepted and can be made as far in advance as desired.

Mr. Dwoskin inquired about the percentage that the Airports Authority receives from Sleepbox. Mr. Davis stated that it is set up like a normal concessions contracts, and the Airports Authority receives 15 percent.

Mr. Tejada stated that he believed that Sleepbox was great for many reasons. He inquired as to whether different-sized beds were placed in the small and large lounges. Mr. Davis stated that the size of the bed is the same, noting that the only difference in the small and large lounges is the overall size.

Mr. Tejada complimented the Airports Authority on the use of the radio ads. He stated that some people get paid a significant amount of money to help to target an audience for select products. Mr. Tejada referenced the radio ad of the traveler flying to Zurich for his 50th birthday and inquired as to why studies were not performed that could target and potentially attract similarly-aged passengers. Mr. Davis stated that the Airports Authority would supplement its current approach. With the progress that has been made, as evidenced by the customer survey responses, effort would be dedicated to identifying the right segmentation of the customer by using a very broad scale approach across multiple ethnic groups. Mr. Davis advised that several different commercials would be developed to aggressively tell the Airports Authority's story using all types of communication vehicles. Mr. Tejada observed that Mr. Davis had anticipated his next inquiry about whether the ads would be aired in more than one language. Mr. Davis stated that work is underway and he hoped that the ads would be offered in multiple languages during the next month or so. Mr. Tejada advised that he has been listening to Pandora and has heard the Dulles International ads, which he believes have been selected for different markets and are very effective.

Mr. Davis stated that individuals who do a great deal of international travel have probably seen Sleepbox throughout other airports. He advised that with airports located in Abu Dhabi, Dubai and Thailand, as

well as a few other locations, Sleepbox is located relatively close to the actual gate so passengers can exit a lounge and walk comfortably to the gate. Mr. Davis noted that Deven Judd, Director, Customer & Concessions Development, has served as the Airports Authority's contact person for the Sleepbox lounge since its inception.

Mr. Sudow referenced Mr. Potter's report and stated that he believed that the Airports Authority has done a great job in reaching out and trying to recruit local businesses. He inquired whether the retainage pay to subcontractors who have completed their work is paid on a current basis as the subcontractors complete their work (with regard especially to Local Disadvantaged Business Enterprise (LDBE) companies). Mr. Sudow suggested that the new Contracting Manual include approaches to ensure timely payments by prime contractors to subcontractors and sub-subcontractors. Mr. Potter stated the Airports Authority is aggressively pursuing small businesses, ACDBEs or LDBEs, depending on contract opportunities. He explained the Airports Authority's role in payments and contractual privity. Mr. Potter reported that where the Airports Authority has a direct relationship with a contractor, payments are made by the Airports Authority as the work is completed. With regard to subcontractors, the Airports Authority manages the relationship and provides oversight, but the prime who has the contractual relationship with the subcontractor(s) is the entity responsible for making those payments. Mr. Potter stated that the Contracting Manual includes guidelines regarding the appeal process, noting that subcontractors and sub-subcontractors must first appeal to the prime contractor, and if there is no resolution, they can then appeal to the Airports Authority. He advised that the effort that the Airports Authority has made over the last several years to create as many prime opportunities for small businesses has been successful, especially for contracts associated with information technology and engineering. Mr. Potter explained that large-scale procurement opportunities where LDBEs were able to perform only as subcontractors have been changed to offer numerous direct contracting opportunities that help small businesses to gain exposure and to build their portfolios to allow them to be more viable in terms of pursuing other contracts going forward.

For the benefit of the new Board Members, Mr. Adams stated that Mr. Davis and his team had worked with 1776 and had organized a competition in 2018. He and former colleague Caren Merrick had served as judges for the competition and Sleepbox was one of the companies that participated in the competition. Mr. Adams observed that the

Airports Authority is one of the first in the nation to form this type of partnership and engage in such a competition. He stated that the opportunity for the Airports Authority to develop new businesses and be on the leading edge within the airport space was amazing. Mr. Adams shared that while he and Ms. Merrick both thought that Sleepbox was a great idea and a millennial's dream, they believed it was only a few boomers and Generation Xers who would use it. He stated that he hoped the new concession would prove him wrong, and Mr. Adams extended congratulations to the staff and recognized the great press that Dulles International is receiving in connection with Sleepbox.

Mr. Williams stated that his tenure on the Board preceded the arrival of Mr. Davis, and he observed a distinct difference between now and the office that he inherited when he first joined the Airports Authority. He further stated that the improvement in that office since Mr. Davis' leadership has been phenomenal. Mr. Williams recognized the excellent work of Mr. Davis and his team and commended Mr. Potter for his vision in selecting him. Mr. Davis thanked Mr. Williams for his kind words.

IV. NEW BUSINESS

- a. Recommendation to Amend the Reimbursement Agreement with American Airlines for the Design and Construction of Improvements to the Baggage System in Terminal B/C at Ronald Reagan Washington National Airport

Mr. Lazaro moved the adoption of the following resolution, which was unanimously approved:

WHEREAS, Pursuant to Resolution No. 15-19, the Airports Authority entered into an agreement (Reimbursement Agreement) with American Airlines (American), pursuant to which the Airports Authority agreed to reimburse American an amount not to exceed \$36.9 million for American's outbound baggage system project in Terminal B/C North Pier at Ronald Reagan Washington National Airport (Reagan National);

WHEREAS, Pursuant to Resolution No. 17-9, the Airports Authority amended the Reimbursement Agreement to increase American's scope of work for the design and construction of improvements to the baggage system at

Reagan National and to increase the maximum reimbursement amount from \$36.9 million to \$40.2 million;

WHEREAS, Since the initial rough order of magnitude cost estimate was developed in 2015, post-award project design and due diligence efforts have identified additional needs to be included in the scope of work, including baggage handling system enhancements, relocation and installation of utilities, labor and materials, in order to construct the improvements;

WHEREAS, These additional scope of work items, totaling \$24.5 million, were not included in the initial rough order of magnitude cost estimate which was developed based on the preliminary evaluation of the existing conditions of the terminal; and

WHEREAS, The revised total cost estimate of \$64.7 million was provided by American and was reviewed by the Office of Engineering staff, and the estimate and additional scope were determined to be reflective of current market conditions; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to amend the Reimbursement Agreement to increase American's scope of work and reimbursement amount for the design and construction of improvements to the baggage system at Reagan National by \$24.5 million to a new total of \$64.7 million.

The final resolution as 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 9:08 a.m.

Respectfully submitted:

Monica R. Hargrove

Monica R. Hargrove
Vice President and Secretary

Approved May 15, 2019