

BOARD OF DIRECTORS MEETING

Minutes of July 18, 2018

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. Eleven Directors were present during the meeting:

Warner H. Session, Chairman
Earl Adams, Jr., Vice Chairman
Anthony H. Griffin
Barbara Lang
Robert W. Lazaro, Jr.
Caren Merrick

A. Bradley Mims
David G. Speck
William E. Sudow
J. Walter Tejada
Mark E. Uncapher

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 20, 2018 BOARD OF DIRECTORS MEETING

The Chairman called for the approval of the Minutes of the June 20, 2018 Board of Directors Meeting, which were approved with one abstention from Mr. Lazaro who was not present at the June 20 Board of Directors Meeting.



II. COMMITTEE REPORTS

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

Mr. Lazaro reported that the Business Administration Committee had last met June 20. The Committee had approved the Recommendation to Award Two Contracts for Insurance Broker Services. Mr. Lazaro stated that a resolution would be offered later in the meeting.

b. Dulles Corridor Committee – David G. Speck, Member

Mr. Speck reported that the Dulles Corridor Committee had last met June 20. Staff had presented the Dulles Corridor Metrorail Project's (Metrorail Project) Quarterly Cost and Schedule Update for Phase One and the Monthly Cost and Schedule Update for Phase Two. Hensel Phelps had presented its Quarterly Update on Phase Two, Package B (Washington Metropolitan Area Transit Authority (WMATA) Rail Yard and Maintenance Facility).

c. Finance Committee – A. Bradley Mims, Co-Chair

Mr. Mims reported that the Finance Committee had last met June 20. Staff had presented a Report on Series 2018A Bonds Transaction Results. The Committee had concurred in the Pre-Solicitation Terms for the Credit Facilities Associated with the Aviation Enterprise's Variable Rate Portfolio. Mr. Mims stated that the Financial Advisors' Report, and the May 2018 Financial Reports for both enterprises had been presented.

d. Joint Dulles Corridor and Finance Committee – David G. Speck, Member

Mr. Speck reported that the Dulles Corridor and Finance Committees had met jointly for a special meeting on June 20. The Committee had approved a Recommendation for a Proposed Amendment to the Regulations that Establishes Toll Rates for the Use of the Dulles Toll Road. Mr. Speck stated that as many were aware, the first two Dulles Toll Road rate public information hearings were held in McLean on July 11 and in Reston the prior night. He further stated that the President would provide details about the public hearings in his report.

e. Strategic Development Committee – Caren Merrick, Co-Chair

Ms. Merrick reported that the Strategic Development Committee had last met June 20, and staff had presented an update on Project Journey.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter acknowledged and thanked all the members of the Airports Authority's team who worked during the very busy Fourth of July holiday to serve the large number of passengers who traveled through Ronald Reagan Washington National (Reagan National) and Washington Dulles International (Dulles International) Airports.

Mr. Potter reported a change in the Airports Authority's senior management team with the departure of Lee Wyckoff, Vice President for Audit, who recently informed management of his intention to pursue new opportunities. He recalled that Mr. Wyckoff joined the Airports Authority in 2015 when the organization was working to address recommendations from the Department of Transportation Office of Inspector General's (IG) audit of the organization's audit practices. Mr. Potter reported that under Mr. Wyckoff's leadership, the audit team successfully closed out all of the items noted in that IG report, and positioned the Airports Authority's audit function on a much stronger footing. He thanked Mr. Wyckoff for his service and leadership and wished him all the best in his new endeavors. Mr. Potter advised that while the Airports Authority searches for a successor, Audit Manager Alan Davis would serve as the Acting Vice President for Audit. He further stated that Mr. Davis joined the Airports Authority in May 2017 and is a certified public accountant with 32 years of audit experience in transportation, the non-profit sector, and financial and mortgage organizations. Mr. Potter introduced Mr. Davis, who received a round of applause.

As noted at last month's meeting and mentioned by Mr. Speck earlier that day, public hearings and the comment period for the Airports Authority's regulatory process for adjusting toll rates on the Dulles Toll Road are underway. Mr. Potter reported that the first of three public hearings was held the prior week in McLean, and the second was held the evening before in Reston. He advised that during these hearings, a number of Toll Road users, elected officials and their staff members, and residents of the communities along the Dulles Corridor joined the

Airports Authority to learn about recent and planned improvements on the Toll Road, receive updates on the progress of the Silver Line construction, and receive information on financial matters involving the Toll Road and Metrorail Project. Mr. Potter further advised that many of the attendees offered comments and suggestions, including expressions of appreciation for the information and the opportunity to provide input. He reported that the third public hearing, which is the final in-person opportunity, would be held the following day from 5 p.m. to 8 p.m. at the Stone Bridge High School located at 43100 Hay Road in Ashburn. Mr. Potter advised that signs would be visible directing drivers to the school, parking area, and hearing site in the school cafeteria. He stated that Airports Authority staff looked forward to meeting neighbors along the Dulles Corridor when they attend the last public hearing. Mr. Potter further stated that those unable to attend one of the hearings could access a virtual hearing on the Airports Authority and Dulles Toll Road websites, which served as an online forum that provides all the financial information and updates on the Dulles Toll Road and Metrorail Project that are available at the in-person hearings, along with the ability to provide comments. He advised that a number of people are taking advantage of the online format, and Mr. Potter invited further public input until the comment period closes on August 3.

As discussed last month, Mr. Potter reported that the public hearings are part of an open and transparent regulatory process which will lead to a vote by the Board later this year on new toll rates. As previously reported, he restated that this is the first time in five years that the Airports Authority needed to increase tolls since it has been able to hold toll rates flat through prudent management of construction and administrative costs, financial assistance from the Commonwealth of Virginia and regional partners of the Metrorail Project, and good financial terms under a low-interest loan through the federal Transportation Infrastructure Finance and Innovation Act program. Mr. Potter stated that the regulatory process, in addition to the public hearings, includes consultation with the Dulles Corridor Advisory Committee (DCAC), which consists of top-elected officials from Fairfax and Loudon Counties, as well as representatives of the Governor of Virginia and the Airports Authority. He advised that the DCAC meetings are also open to the public.

Mr. Potter stated that while few of the public comments received thus far express enthusiasm about higher toll rates, most people who have attended the hearings understand the necessity of a toll increase at this

time and have expressed appreciation for the information that subject matter experts at the hearings have provided.

Mr. Potter thanked Chairman Session and Directors Uncapher, Sudow, and Griffin who attended the hearings to talk with Toll Road customers and listen to their thoughts and comments.

Mr. Potter reported that the Airports Authority is making great progress in transitioning many of its information systems. He stated that the transition to the new Workday platform has been underway for slightly more than a year. In addition to moving the Human Resources and Payroll functions into Workday, the second phase of the transition to add capabilities for Finance and Procurement functions was recently launched. Mr. Potter reported that the effort was led by a cross-functional team totaling approximately 100 employees from the offices of Finance, Supply Chain Management, Information Technology (IT), Reagan National and Dulles International, Public Safety, Revenue, Board of Directors, and Human Resources. He recognized the leadership team that managed the successful Workday transition, including Chris Paolino, Deputy Vice President for Strategy, Business Transformation and Performance, who handled the overall management of the project; Controllers Chris Wedding and Anne Field from Finance, Mark Adams from Supply Chain Management, and Vamshi Pakiru from IT. Mr. Potter thanked all the members of the team who had contributed countless hours to Workday and asked those present to stand. They received a round of applause.

Mr. Potter reported that Naomi Klaus, Ethics Officer, would be retiring later in the month after having served in the General Counsel's Office for nearly 29 years. He stated that Ms. Klaus became the Airports Authority's first formal Ethics Officer in January 2013. She has also played a major role in almost all of the Airports Authority's operational areas throughout most of the organization's history, including Airport security, ground transportation, police and fire operations, the federal lease, and the Airports Authority's relations with the Federal Aviation Administration (FAA) and the Department of Transportation, aircraft noise, the slot and perimeter rule, the aftermath of September 11, 2001, historic preservation issues, and dealing with demonstrations and other large events at the Airports. Mr. Potter noted that Ms. Klaus' most lasting legacy has been her work as the Airports Authority's first formal Ethics Officer. He stated that she led the effort to rewrite the Airports Authority's Codes of Ethics for employees and Members of the Board. In

addition to administering those policies, Ms. Klaus answers numerous questions from employees and Board Members regarding the policies and provides regular guidance and training on these policies that are such an important part of the Airports Authority's stature and reputation with the public, elected officials, business partners, and customers. Mr. Potter advised that whenever any ethics-related questions arise throughout the Airports Authority, the quick and natural response across the organization has become, "ask Naomi." He further advised that "Ask Naomi" is the title of a column, which Ms. Klaus founded several years ago, that frequently appears in the employee newsletter "On Good Authority" that provides advice and answers employees' questions. Mr. Potter stated that having Ms. Klaus serve in this important role has been instrumental in making the Airports Authority a stronger, more effective, more credible, more transparent, and more highly-respected entity, and everyone at the Airports Authority owes her a huge debt of gratitude. Everyone joined Mr. Potter to thank Ms. Klaus for sharing a very significant portion of her life with the Airports Authority and for her long-lasting contributions to the organization. Ms. Klaus received a standing ovation.

Ms. Klaus stated that it has been her honor to serve. While she expressed thanks for the opportunity, she thought it was more important to express thanks for the respect shown to her in spite of some of the decisions that she reached and responses she delivered. She stated that she was looking forward to doing something different in prioritizing her time and really recognizing how lucky she is to be able to spend more time with her family. Ms. Klaus received a round of applause.

b. Executive Vice Presidents' Reports

Ms. McKeough reaffirmed that a very strong and successful summer travel season is underway. As she mentioned last month, the Memorial Day travel weekend had been successful. As Mr. Potter had reported, Ms. McKeough advised that the July Fourth week was an extremely successful travel period with a substantial amount of passenger activity and smooth operations. She noted that the biggest challenge to summer travel has been east coast weather patterns that either directly affect Washington, similar to the prior day, or storms in other areas that indirectly impact the Airports' flight activity, such as the impacts of inclement weather in the northeast corridor on Reagan National's operations. Ms. McKeough advised summer storms the prior day resulted in a record rainfall of approximately 2.8 inches at Reagan

National within a 40-minute period of time, which significantly impacted operations on the east coast. She reported that at Reagan National more than 140 flights, including departures and arrivals, had been canceled and there were significant delays ranging from one to four hours. In addition to the impacts to customers resulting from the flight delays and schedule changes, a tremendous amount of flooding occurred around the Airport, which greatly impacted traffic and the ability to move people in and out of the parking lots. Ms. McKeough thanked staff from Reagan National's Airport Operations, Engineering and Maintenance, and the Police and Fire Departments, who contributed greatly in helping customers move around the Airport during what appeared to be a flash flooding event.

As reported on the local news stations, Ms. McKeough stated that flooding also occurred on the George Washington Parkway (Parkway), which caused it to close completely south of Reagan National, resulting in more than 40 individuals needing to be rescued from cars where water was rising as they were stuck on the Parkway. She thanked the men and women of the Airports Authority's Fire Department who assisted the local jurisdictions with six rescues in the July 17 water rescue event.

Ms. McKeough also reported that May air traffic statistics (Tab 3) had been provided for the day's meeting. She reaffirmed that the trend lines are all very positive as passenger growth continues in domestic and international traffic. Ms. McKeough noted that the number of passengers that used Dulles International was actually higher than those that used Reagan National, which is part of the Airports Authority's strategic business plan that the Board and staff have all been working so closely on to grow Dulles International.

In response to a number of increasing community noise concerns about the traffic and flight patterns in and out of Reagan National, Ms. McKeough reminded everyone that the Reagan National Community Working Group (Working Group) was formed about three years ago at the request of the FAA. She stated that the FAA asked the Airports Authority and many airports across the country to form a group to hear from the community about noise concerns from flight patterns and to allow a forum where the airports, the FAA, the community, and the airlines could assemble in an effort to address community concerns. Ms. McKeough reported that the Working Group has met regularly for three years. Recently, the FAA had advised the Airports Authority that it would suspend its participation in the DCA Working Group, as well as

the BWI Working Group, due to concerns regarding pending litigation that the FAA is either actively addressing or expecting to address. Ms. McKeough reported that the Airports Authority has already advised the Working Group community members of FAA's decision. Additionally, elected officials who assisted the Airports Authority in appointing representatives from the various political jurisdictions that are affected by flight patterns at Reagan National, including Fairfax, Arlington, Montgomery and Prince George's Counties, as well as the City of Alexandria and the District of Columbia, would soon be advised. Ms. McKeough stated that FAA's decision to suspend its participation indefinitely is obviously an impact to the Working Group's ability to achieve its mission, which was to pursue options on how some of the noise could be mitigated and perhaps the flight paths adjusted. She reported that she would keep the Board informed and perhaps have more information to report at the September Board Meeting.

Mr. Uncapher stated that he believed that it is extremely unfortunate that the FAA has decided to suspend its participation indefinitely as the Working Group has provided an opportunity to develop a solution. He further stated that he believed that it was very much to the credit of the Airports Authority, particularly Ms. McKeough, that efforts were made to bring the various stakeholders together. While he recognized that it is a very complex issue, Mr. Uncapher stated that he hoped that the FAA would reconsider its decision.

Chairman Session agreed with Mr. Uncapher's comments. He stated that Ms. McKeough and Mr. Potter had met with elected officials in the District of Columbia to discuss noise concerns. Chairman Session further stated that Mr. Uncapher, Mr. Williams and others had met to address concerns that the District of Columbia and Maryland constituents have with the aircraft noise issue. He observed that a sincere conscientious effort has been underway to try to address the issue. While Chairman Session understood the context for which FAA is suspending its participation, he stated that he was disappointed. He noted that the Airports Authority team, led by Ms. McKeough, has worked extremely hard to address the noise concerns. Chairman Session stated that he appreciated the team's efforts.

Mr. Mims inquired about the next steps with regard to the Airports Authority's involvement with the Working Group. Ms. McKeough stated that she had recently advised the Working Group of FAA's decision, and it is planning its next course of action. She stated that she suspected

that because of summer calendars, the Working Group would suspend its sessions over the summer and reassess the situation in the fall.

Mr. Davis thanked the Board of Directors for its participation in the Office of Revenue workshops over the last several months. He observed that staff enjoyed opportunities to present the framework of the Revenue organization and explain how they plan to accomplish the goals while ensuring that Directors are aware of the progress being made in various areas.

Mr. Davis provided an update on the work of the Airline Business Development team as staff travels the world to bring new airlines and new destinations to both Airports, especially Dulles International. He reported that Carl Schultz of the Airline Business Development team recently flew to Amsterdam, Frankfurt, and Lisbon to meet with the European planning team of United Airlines and to call on officials at the headquarters of several other airline partners, including Lufthansa Group, which operates Lufthansa, Brussels, Swiss, and Austrian Airlines. Mr. Davis stated that Yil Surehan, Vice President for Airline Business Development, would provide an update in his report later that day.

Mr. Davis reported that another European airline partner at Dulles International, Brussels Airlines, is busy flying music fans from across the United States and around the world to the globally-popular Tomorrowland electronic dance music festival held annually in Boom, Belgium. He shared slides and advised that Tomorrowland is the world's largest electronic dance music festival, and Brussels Airlines is organizing party flights that are bringing nearly 12,000 of the festival's fans to the gathering of dance music disc jockeys and their followers. To help get Tomorrowland's travelers into the mood, the airline worked with the Airports Authority's team to bring one of its well-known Tomorrowland-themed parties to the gate area at Dulles International. Mr. Davis shared a video of activities at the gate. He advised that another party would be held on July 24.

Mr. Davis reported that the Airports Authority received some great publicity and recognition during the week as a sponsor of the Major League Baseball All-Star Game, which was held in Washington at Nationals Park (Nats Park) on July 17. He reported that the Airports Authority was prominent throughout the week's festivities, including having its name in lights during the game through an in-kind media

partnership with Major League Baseball. The partnership included: an Airports Authority ticket giveaway via social media to two lucky fans and their families who saw the game courtesy of Reagan National and Dulles International; the Airports Authority logo being prominently displayed in Nats Park during the All Star festivities; advertising in the official game program featuring Dulles International; special welcome messages to baseball fans arriving at both Airports; and a special pop-up store in Terminal A of Reagan National selling All Star gear, which proved to be very popular with passengers. Mr. Davis stated that it was a great game and a great week of activities, and the Airports Authority is delighted with the recognition that Reagan National and Dulles International received through the partnership. He thanked the Marketing and Concessions teams for their contributions to the successful event.

Mr. Davis also reported that another recent accomplishment involves the new airport mobile app, which was developed in-house by a cross-functional team driven by Goutam Kundu, Vice President and Chief Information Officer, and IT colleagues. He stated that Gene Sutch of the Revenue Office and Justin Grasso of IT would provide details of the app, as well as a demonstration later that day in the Strategic Development Committee Meeting.

Mr. Davis shared some interesting statistics and observations about air travel in the region, published in the *Washington Business Journal* on June 29. In a feature that ranked airports based on time between take offs and landings, the *Washington Business Journal* article stated that passengers might want to fly Dulles International if they want to boost their odds of leaving and arriving on time. Mr. Davis reported that Dulles International is currently ranked third nationally for on-time arrivals, and sixth nationally for on-time departures. Overall, Dulles International is also the top airport in the region for both on-time arrivals and departures at 84.5 percent. Reagan National, which can be impacted by winter weather and summer thunderstorms, as Ms. McKeough outlined earlier, came in at 79.1 percent. Mr. Davis advised that Baltimore Washington International Thurgood Marshall Airport (BWI) fell between both Airports at approximately 82 percent.

Mr. Davis reported that the same *Washington Business Journal* article stated that out of the 25 commercial airlines operating out of the three airports in the national capital region, 14 of them exclusively serve Dulles International, and only Spirit Airlines and Wow Air serve BWI exclusively. In comparison, the Dulles International list of exclusive

carriers includes names such as Air France, All Nippon Airways, Emirates, Etihad Airways, Korean Air, Lufthansa, Qatar Airways, South African Airways, Avianca Airlines, Copa Airlines, and Turkish Airlines. Mr. Davis stated that the comparison is indicative of which airport is truly the Washington region's gateway to the world. He extended congratulations to all of the Airports Authority team members that contribute to these efforts.

IV. NEW BUSINESS

a. Recommendation to Award Two Contracts for Insurance Broker Services

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

WHEREAS, In November 2017, the Business Administration Committee concurred with the pre-solicitation terms for the issuance of two solicitations for the provision of insurance broker services, one for Phase 2 of the Dulles Corridor Metrorail Project (Metrorail Project) Construction Insurance Program and one for the Airports Authority's Operational and Construction Insurance Programs;

WHEREAS, the solicitation for the Metrorail Project insurance broker services included the required Federal Transit Administration contract provisions;

WHEREAS, the solicitation for the Airports Authority's Operational and Construction Insurance Programs included a 20 percent Local Disadvantaged Business Enterprise participation requirement;

WHEREAS, The Evaluation Committee reviewed and evaluated the proposals submitted in response to the solicitations; and

WHEREAS, The Business Administration Committee received the results of the Evaluation Committee's evaluations of the submitted proposals, as well as the staff recommendations, and recommended that the Board of Directors approve the selections of Willis of Maryland, Inc. for the Metrorail Project

Construction Insurance Program and USI Insurance Services LLC for the Airports Authority's Operational and Construction Insurance Programs; now, therefore, be it

RESOLVED, That the selection of Willis of Maryland, Inc. to provide insurance broker services, which will include obtaining insurance policies, for the Metrorail Project Construction Insurance Program, for a three-year base term with two one-year option periods, at a value estimated not to exceed \$6.3 million, is approved;

2. That the selection of USI Insurance Services LLC to provide insurance broker services, which will include obtaining insurance policies, for the Airports Authority's Operational and Construction Insurance Programs, for a three-year base term with two one-year option periods, at a value estimated not to exceed \$37.2 million, is approved; and

3. That the President and Chief Executive Officer is authorized and directed to enter into contracts with Willis of Maryland, Inc. and USI Insurance Services LLC, consistent with the terms presented to the Business Administration Committee at its June 20, 2018 meeting.

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

b. Approval of Acting Ethics Officer

As previously reported, Mr. Potter stated that Ms. Klaus would retire from the Airports Authority at the end of the month. He requested approval from the Board of his nomination of Bruce Heppen to serve as Acting Ethics Officer while Ms. Klaus' replacement is recruited. Mr. Potter advised that Mr. Heppen has been employed as an Associate General Counsel at the Airports Authority for four years and is primarily responsible for legal issues involving employment and labor, freedom of information, and public safety matters. During his tenure, Mr. Heppen has assisted Ms. Klaus by providing training to new employees and by consulting with her regarding the application of the Code of Ethics to specific circumstances. Prior to the Airports Authority, Mr. Heppen worked at WMATA, including five years as Deputy General Counsel for General Law, and providing assistance in drafting the standards of

conduct for board members and for employees and providing advice and counsel on ethical matters. Mr. Potter stated that Mr. Heppen is well qualified for the role, and has the total confidence from him and Phil Sunderland, Vice President and General Counsel, in his abilities to handle the very important assignment on an interim basis. The motion was seconded by Mr. Lazaro and the Board approved the appointment of Mr. Heppen as Acting Ethics Officer. Mr. Heppen received a round of applause.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

Chairman Session reminded everyone that there will be no meetings in August, and that the September Board and Committee meetings would be held on Tuesday, September 18. He noted that the September meeting date was changed due to Yom Kippur. Chairman Session extended wishes to everyone to enjoy the remainder of the summer.

The Meeting was thereupon adjourned at 9:04 a.m.

Respectfully submitted:



Monica R. Hargrove
Vice President and Secretary

Approved September 18, 2018