



## BOARD OF DIRECTORS MEETING

Minutes of May 16, 2012

The regular meeting of the Board of Directors was held in the first floor Conference Rooms 1A, 1B and 1C at 1 Aviation Circle. The Chairman called the meeting to order at 9:25 a.m. Nine Directors were present during the meeting:

Michael A. Curto, Chairman  
Thomas M. Davis III, Vice-Chairman  
Robert Clarke Brown  
Richard S. Carter  
Frank M. Conner III

Shirley Robinson Hall  
Dennis L. Martire  
Warner H. Session  
Todd A. Stottlemeyer

William W. Cobey Jr. was connected by telephone.

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

The Chairman began the meeting with comments on the preliminary report of the Department of Transportation Inspector General. He said he had reviewed the interim findings carefully, and wanted to reiterate that he took the issues very seriously. When he had become Chairman in January, he had identified three overriding priorities: complete the Metrorail project as quickly and cost-effectively as possible; enhance cooperation with the Authority's partners; and improve the Authority's record of transparency. They remained his priorities, and progress was being made on all three initiatives. The Inspector General's report had told the Authority there was more to do to reach the level all wanted. That was exactly what the Authority would do. He had asked Mr. Potter and his senior team to review the Inspector General's findings as quickly as possible, and implement the necessary changes. He hoped and expected all could be addressed before the final Inspector General report was issued, sometime later in the summer.

Like any public institution, the Airports Authority's first priority was to serve the best interests of the public. In the current economy, every dollar was precious, and the public confidence in public institutions was at an all-time low. For those reasons, the Authority would not only have to do a great job, but would also have to do whatever was necessary to reassure the public that the Authority was fulfilling its responsibilities faithfully and honestly.

Reagan National and Dulles International were both well-managed and vital to the regional economy. The Authority's employees came to work every day dedicated to doing a great job. The Authority with its regional partners and the U.S. Department of Transportation were making progress on the rail project. Given its great importance, all needed to pull together to get it over the finish line.

Wherever there were administrative or oversight deficiencies, Mr. Curto said, he was committed to see them corrected; where the issue was more a matter of appearance than substance, he was willing to make adjustments to policies and procedures so that there would be no doubt about priorities. The Authority was a multi-state agency operating two airports while constructing one of the largest and most complicated infrastructure projects in the world.

The current mission was to listen to the Inspector General, correct any deficiencies, and complete the rail project. He was confident the necessary improvements could be made so that all could have confidence that the Airports Authority was as well run as any public body in the Nation.

One of the issues raised by the preliminary Inspector General report was the selection of the law firm Jenner & Block to advise the Authority on the implementation of federal legislation designed to revise the membership of the Authority. Because Mr. Curto's wife was an employee of the firm, a question had been raised about a potential conflict on his part. He said he had not ordered the engagement of the firm and that he did not believe there was an actual conflict. His wife was an employee of the firm, not an attorney. She had not and would not receive any compensation or benefit as a result of the engagement.

The decision to engage the firm had been a sound and responsible action by the Vice President and General Counsel to clarify the appropriate steps to implement the legislation. The Board accepted and understood that the new law would be implemented. Its sole objective had been to see that it would be implemented consistent with the Authority's charter. The legal analysis provided was publicly available and its merits could be judged by all interested parties. Moreover, the Board had repeatedly encouraged anyone who objected to the legal analysis to provide a brief that challenges the advice it received. To date no one had done so.

With respect to his personal situation, Mr. Curto said the issue that mattered most was not an actual conflict, but the appearance of any potential conflict. Like his fellow Members, he was an unpaid volunteer. He did the job because he believed in public service and because he was proud to be associated with an organization as important and successful as the Airports Authority.

In the particular case, he knew he had operated with the best of intentions. But that was not enough. As the leader of a critically important public body, he had to do everything reasonable to eliminate even the slightest appearance of potential conflict. On reflection, in the particular case, he should have acted with an abundance of caution to avoid even the slightest appearance of a potential conflict. Although beyond what was required, it would be the standard that he would follow in the future.

#### I. MINUTES OF THE APRIL 18, 2012 BOARD OF DIRECTORS MEETING

The Chairman then called for approval of the Minutes of the April 18 Meeting, which were unanimously adopted.

#### II. COMMITTEE REPORTS

##### a. Audit - Legal Committee – Shirley Robinson Hall, Audit Chairman

Ms. Hall reported that the Audit-Legal Committee had last met on April 18, as usual, in executive session. PricewaterhouseCoopers had presented the results of the 2011 financial statement audit. It would ulti-

mately issue an unqualified opinion with an "emphasis of matter" paragraph to alert readers to adjustments affecting prior periods. The Report to Management would be presented at the June Committee meeting.

With respect to internal audits, Valerie Holt, Vice President for Audit, had presented the results of several audits, including a review of a component of the Disadvantaged Business Enterprise program, a major services contractor, and subcontractor indirect cost proposals. The Committee also heard a briefing on the Performance Audit of the Rail Project, Phase 1.

b. Business Administration Committee – Warner H. Session, Chairman

Mr. Session reported the Business Administration Committee had met briefly on April 18. The sole agenda item had been the report of a selection panel on a contract to provide IT Service Desk and End-User Support Services. The staff had recommended the contract award to Digital Intelligence Systems Corporation, a minority business enterprise from McLean.

Operating through the service desk, the contractor would support end users throughout the Authority with both Enterprise Resource Planning (ERP) and more conventional non-ERP issues. Contract responsibilities would include training on desk-top, laptop, printer and other miscellaneous IT equipment.

The contract would be for one year with two one-year extension options, at an overall cost of \$4.7 million for all three years. Mr. Session said he would offer a resolution to approve the award later in the Meeting.

c. Dulles Corridor Committee – Thomas M. Davis III, Chairman

Mr. Davis started with the "good news" from the Inspector General report: the conclusion that the assumptions the Authority had used on Toll Road revenue projections appeared to be reasonable. The report had provided a second check on the work of the Authority and its consultant, and the results had been positive.

Mr. Davis then reported that the Dulles Corridor Committee had last met April 18. It had first heard the regular Dulles Corridor Metrorail Project Phase 1 February Cost Summary. February expenditures had been \$44.1 million bringing the total to date to \$1.81 billion.

Most of the Committee's discussion had been about the projected \$150 million overage in the budgeted contingency funds. That amount had been shown in reports to the Board for several months, and had not changed. It had been a worst-case projection that had resulted from cost items unpredictable when the project budget was established.

The costs had been driven by bids on "allowance" items, including \$80 million for increased Metrorail safety standards, and \$70 million for cost-ly utility relocation along Route 7, which had also been hampered by bad weather. The issues had been well understood by the funding partners, who recognized that the cause was not mismanagement, and were in fact relieved that the problem was not worse.

Lessons learned from these problems would mean that they would not occur on Phase 2. In large part, they had resulted from negotiating with a single contractor. On Phase 2, there would be a robust competitive process that would not leave costs to be determined later. At the June Board Meeting, there would be an amendment to the project budget to cover the additional costs.

The Committee had next heard the monthly financial report on the Dulles Corridor Enterprise March results. It appeared that the January toll increase had not had much of an impact on the use of the Toll Road; traffic figures had been meeting projections. March income had increased 9.8 percent over March 2011, to \$25.1 million.

Increasing E-ZPass use, with some resulting congestion and delay, was leading the staff to consider adding more E-ZPass only gates. Further adjustments, such as peak-hour pricing and discounts for electronic payments, were still being analyzed and would be brought to the Committee soon.

Mr. Davis said he had one action for the Board, a result of the decision in April to allow Loudoun County an additional 30 days for its decision on

whether to participate in Phase 2. Under the Toll Road permit and operating agreement, the Authority must reach a decision setting the "substantial completion date" for Phase 2, but would have to do so before Loudoun had made up its mind.

The Commonwealth had agreed with the Authority that the deadline for resetting the substantial completion date should be extended by amending the permit and operating agreement. Mr. Davis said he would offer a resolution to do so later in the Meeting. If the Board agreed, the Authority decision on completion would be due August 3, roughly 30 days after the Loudoun decision.

Mr. Brown said the design-build procurement was being held for the Loudoun decision, though the original plan had been to be issuing the Request for Qualification Information (RFQI) simultaneously with the County review period. It appeared the plan had changed; several Directors now believed the RFQI could not be issued until Loudoun had decided. The staff had never proposed that the RFQI phase would wait. The procurement had been delayed two months, at a time when the market was very favorable.

Mr. Davis agreed, but noted that if the Authority had kept to its original schedule, the Loudoun decision would have been made by a different Board of Supervisors. That schedule had been delayed when Secretary LaHood had called the partners in to discuss cost reductions.

d. Finance Committee – Frank M. Conner III, Chairman

Mr. Conner reported that the Finance Committee had met twice since the last Board Meeting, once on April 18 and again that morning, just before the day's meeting. Two major issues had occupied the Committee: policy considerations for setting near-term rates on the Toll Road, and the documentation to enable the Authority to access capital markets to re-finance aviation enterprise debt. He would be offering two resolutions. One would authorize the refinancings, for about \$40 million in net present value savings on outstanding finance costs; the other would appoint Barclays Capital and Loop Capital, with Barclays as bookrunning senior manager, on the sale of the 2012 Bonds.

### III. INFORMATION ITEMS

#### a. President's Report

Mr. Potter said he would follow up on the Chairman's comments made at the opening of the day's Meeting. He noted that he and the Chairman, with other staff, had met with the Department of Transportation Inspector General and staff the day before. There had been a candid and thorough discussion of the preliminary report; he had thanked the audit team for its work, promised the recommendations would be taken very seriously, and told them the Authority wanted to work with them to get a better understanding of some of the things they had seen.

Mr. Potter said he had been on the job since July 2011 and that he took pride in being a "straight shooter" and in getting things done. When he had accepted his current position, he had received full and unambiguous direction from all Directors that they expected the Authority to be well managed, cost effective and open to change. He and the staff had followed that charge. He could therefore assure the Board, its partners and the public that the Authority could and would substantively and fully address every issue identified by the Inspector General, whether in the preliminary report or subsequent reports.

The Inspector General's first issues had been administrative. Mr. Potter said he had already been addressing many of the specific issues identified. He had established a new department of internal controls that would report to the Chief Financial Officer; he would bring the formal proposal to the Board for approval later. The new department would assure transparency and accountability and the implementation of corrective actions Authority-wide. With respect to contracting and purchasing policies and procedures, a revised Contracting Manual would be submitted to the Business Administration Committee later in the day. With Board approval, staff would implement the new procedures promptly, but would also examine them in light of the Inspector General report to determine if additional changes were necessary. Mr. Potter said he was pleased to see that the preliminary assessment of the Dulles Toll Road revenue study concluded that the Toll Road has the financial capacity to fund the rail project. This was consistent with the Authority's analysis,

and should give everyone confidence in the underlying financial strength of the project.

Speaking more broadly, Mr. Potter said the Authority was well run, and had been for many years. But any institution of its size and scope can and should be improved. The economy in the region, both currently and in the future, depended to a great extent on the Authority's ability to build and maintain world-class transportation resources. He said he was proud to lead the agency at a critical time, and was absolutely confident it could improve its processes and procedures to meet and exceed the expectations of its partners and the general public.

The week before, Reagan National had hosted a successful weeklong visit of the Boeing 787 "Dreamliner" aircraft. Numerous industry, government, business, community, and media representatives had visited and toured the technologically innovative aircraft. Several hundred guests had attended a related National Aeronautic Association gala in the Signature terminal. He thanked the airport staff and the Authority police for thorough planning and efficient handling of the event.

Mr. Potter said that all appreciated the importance of customer service to the users of the facilities. A formal program, known as "Going the Extra Mile" or "GEM", promoted and recognized individuals working for all employers at the airports for outstanding service efforts. Two recipients of GEM awards were present; he asked the airport managers to introduce them.

Chris Browne, Vice President and Dulles Airport Manager, said the GEM program included an ongoing training program for all who dealt with the public at both Airports. At Dulles International, there were 18,000 credentialed employees in that category; over 1,000 had been trained in what it means to provide world-class service.

He introduced Solomon Wilday Johannes, who drove a Washington Flyer cab for Checker Taxi, and Ray Nelson, his supervisor. Mr. Browne read from a customer's letter: the writer had arrived at Dulles International late at night from her grandmother's funeral, and an expected ride had not showed up. She did not have enough money for a cab ride and left the Airport walking home to Fairfax with her bags, hitchhiking as she



walked. After 30 minutes of walking, Washington Flyer cab 370 stopped to help. The driver was very kind and supportive at a very miserable time of her life. He drove her all the way home; she was \$3 short, with no money for a tip. The driver paid the fare difference out of his own pocket, and would not tell her how to contact him. She very much appreciated his kindness and compassion, and said she would always use a Washington Flyer cab in the future. Mr. Browne said that he and Mr. Nelson had identified the driver as Mr. Johannes.

Paul Malandrino, Vice President and Reagan National Airport Manager, introduced Monty Sanchez, a customer service agent for US Airways. He had found a teddy bear with a photograph of a military member on its back. The only clue to the owner, on the back of the picture, consisted of several serial numbers and the name of the chain store where it had been developed. He called the firm, Walgreens, and was referred to its office in Kentucky, which matched the numbers to the owner, a young girl who had received it from her father when he was deploying to the war in Afghanistan. The bear was returned to the child. Mr. Sanchez said he had no expectations of being drawn before audiences because of the bear. He noted that he had watched the customer service video every year, which said advised employees that Reagan National was "*our* airport". He added that he was just doing his job.

Mr. Potter said that he, Margaret McKeough and Andy Rountree would be meeting with the rating agencies in New York on the following Monday, in connection with the upcoming bond sales.

Mr. Carter said it was useful to bring employees before the Board; putting a human face on the workforce was good to do, especially in difficult times.

b. Executive Vice President's Report

Ms. McKeough reported that Secretary of Transportation Ray LaHood had announced the Department of Transportation decisions on slot allocations that remained from the recent Federal Aviation Reauthorization Act. There were 4 pairs of slots for which the Department had received applications for beyond-the-perimeter services by both airlines providing limited service at Reagan National and airlines not yet serving the Air-

port. One pair had been granted to Alaska Airlines, which was already serving Reagan National. It would be used for new service to Portland. Southwest, also already here, had received a pair of slots for Austin service. JetBlue would receive a pair for San Juan. The only new entrant would be Virgin America, with daily roundtrip service to San Francisco. Facilities problems were not expected to be too great. The carriers would have to file their intended schedules with the Department in a week or so; new services were to begin by September.

A recent federal rule required airports and airlines to file a "Tarmac Delay Contingency Plan" with the Department of Transportation. These plans addressed passenger handling and passenger assistance whenever there were irregular operations, such as weather delays or other operational problems. Plans were due in the current week; the plan for Dulles International had already been approved. The problem was not new. Both Airports had developed comprehensive plans some years ago. Since then, however, it had become more apparent that other stakeholders, including the carriers, should be more involved in the planning.

Turning to the March passenger statistics, Ms. McKeough said that national growth had been just over one percent. Both Airports were slightly behind that benchmark. Reagan National had served over 1.6 million passengers, which represented less than a one percent increase. Dulles International had served 1.9 million passengers, also less than a one percent increase.

Ms. McKeough then reported that the breakdown of Dulles data between domestic and international traffic in recent monthly reports had been inaccurate. Although total figures had been correct, one carrier had been overstating its domestic traffic and understating its international traffic. The effect had not been significant, but international traffic, contrary to prior 2012 reports, had been growing slightly. For the first quarter of 2012, national passenger traffic was up 2 percent; Reagan National was up 2.2 percent and Dulles International was up less than one percent.

#### IV. NEW BUSINESS

##### a. Recommendation to Award IT Service Desk and End-User Support Services

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

WHEREAS, With the concurrence of the Business Administration Committee at its November 2011 meeting, the staff has developed a new approach to IT desk services, including training support;

WHEREAS, The staff has completed a competitive selection process for these services, and has recommended the award of a contract to Digital Intelligence Systems Corporation, of McLean, Virginia; and

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive procurement process, as presented at its April 18, 2012 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into a one-year contract, with two one-year extension options, with Digital Intelligence Systems Corporation, consistent with the terms presented to the Business Administration Committee at its April 18, 2012 meeting.

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

##### b. Approval of the Third Amendment to the Dulles Toll Road Permit and Operating Agreement

Mr. Davis moved the following resolution, which was unanimously adopted:

WHEREAS, The Airports Authority and the Virginia Department of Transportation ("VDOT") have previously entered into the Dulles Toll Road Permit and Operating Agreement, dated as December 29, 2006 ("Permit Agreement"), as amended by the First Amendment to the Dulles Toll Road Permit and Operating Agreement, dated as of July 9, 2007, and the Second Amendment to the Dulles Toll Road Permit and Operating Agreement, dated as of November 1, 2008;

WHEREAS, Section 6.06 of the Permit Agreement provides that the Airports Authority may modify the substantial completion date of the Dulles Corridor Metrorail Project ("Project") within 60 days of the completion of preliminary engineering for Phase 2 of the Project;

WHEREAS, On March 6, 2012, the preliminary engineering for Phase 2 of the Project was completed and delivered by the Airports Authority to Loudoun County and Fairfax County pursuant to the Agreement to Fund the Capital Cost of Construction of the Metrorail in the Dulles Corridor ("Funding Agreement") by and between Loudoun County, Fairfax County and the Airports Authority;

WHEREAS, The Funding Agreement provides that Loudoun and Fairfax Counties shall have 90 days following their receipt of the Phase 2 preliminary engineering materials in which to review the materials and notify the Airports Authority whether they will financially participate in Phase 2 of the Project ("Review Period");

WHEREAS, At the request of Loudoun County, the Funding Agreement has been amended to provide Loudoun and Fairfax Counties an additional 30 days to the Review Period, for a total of 120 days;

WHEREAS, The Airports Authority and VDOT have concluded that, in light of this amendment to the Funding Agreement, the period following completion of the Phase 2 preliminary engineering in which the Airports Authority, under Section

6.06 of the Permit Agreement, may extend the substantial completion date of the Project should be extended from 60 to 150 days, which is 30 days following expiration of the extended Review Period, and

WHEREAS, The Airports Authority and VDOT desire to amend the Permit Agreement to reflect this conclusion and have done so in the Third Amendment to the Permit Agreement which is attached to this resolution; now, therefore, be it

RESOLVED, That the Third Amendment to the Dulles Toll Road Permit and Operating Agreement is hereby approved; and

RESOLVED, That the President and Chief Executive Officer is authorized and directed to execute the Third Amendment to the Dulles Toll Road Permit and Operating Agreement.

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

c. Recommendation to Approve the Proposed Resolution Authorizing Issuance of Airport System Revenue Refunding Bonds, Series 2012A-C Bonds

Mr. Conner moved the following resolution, which was adopted by the unanimous vote of all eight Members present:

WHEREAS, The Metropolitan Washington Airports Authority ("Airports Authority") desires to authorize the issuance of Airport System Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds"), Airport System Revenue Refunding Bonds, Series 2012B (the "Series 2012B Bonds") and Taxable Airport System Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds" and together with the Series 2012A Bonds and the Series 2012B, the "Series 2012 Bonds") which may be issued in one or more series or subseries in an aggregate principal amount not to exceed \$425,000,000 to re-finance a portion of the costs of certain capital improvements

("Projects") at Ronald Reagan Washington National Airport and Washington Dulles International Airport (the "Airports") and for other purposes identified below;

WHEREAS, A public hearing has been held relating to the Projects to the extent required by Section 147 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, The Governor of Virginia and the Mayor of the District of Columbia have approved the issuance of the Series 2012 Bonds, to the extent that such bonds are subject to Section 147 of the Code;

WHEREAS, The Airports Authority desires to authorize the refunding of all or a portion of its outstanding Airport System Revenue Bonds, Series 2001A (the "Refunded 2001A Bonds"), all or a portion of its outstanding Airport System Revenue Bonds, Series 2002A (the "Refunded 2002A Bonds"), all or a portion of its outstanding Airport System Revenue Refunding Bonds, Series 2002D (the "Refunded 2002D Bonds"), all or a portion of its outstanding Airport System Revenue Refunding Bonds, Series 2003B (the "Refunded 2003B Bonds"), and all or a portion of its outstanding Airport System Revenue Refunding Bonds, Series 2004A (the "Refunded 2004A Bonds" and together with the Refunded 2001A Bonds, the Refunded 2002A Bonds, the Refunded 2002D Bonds, the Refunded 2003B Bonds, the "Refunded Bonds");

WHEREAS, The Airports Authority appointed Barclays Capital Inc. as senior bookrunning managing underwriter (the "Managing Underwriter") and Loop Capital Markets, LLC as the co-senior manager for the Series 2012 Bonds;

WHEREAS, The Airports Authority desires to use proceeds of the Series 2012A Bonds to (1) current refund a portion of the Refunded 2001A Bonds, (2) current refund a portion of the Refunded 2002A Bonds, (3) current refund a portion of the Refunded 2002D Bonds, (4) fund a deposit to the common reserve fund for the Series 2012 Bonds and other common re-

serve bonds, and (5) pay cost of issuance of the Series 2012A Bonds;

WHEREAS, The Airports Authority desires to use proceeds of the Series 2012B Bonds to (1) advance refund the Refunded 2003B Bonds, (2) advance refund the Refunded 2004A Bonds, (3) fund a deposit to the common reserve fund for the Series 2012 Bonds and other common reserve bonds, and (4) pay cost of issuance of the Series 2012B Bonds;

WHEREAS, The Airports Authority desires to use proceeds of the Series 2012C Bonds to (1) current refund a portion of the Refunded 2001A Bonds, (2) current refund a portion of the Refunded 2002A Bonds, (3) current refund a portion of the Refunded 2002D Bonds, (4) fund a deposit to the common reserve fund for the Series 2012 Bonds and other common reserve bonds, and (5) pay cost of issuance of the Series 2012C Bonds;

WHEREAS, The Airports Authority desires to set forth guidelines for determining the interest rate or rates, maturities, and other terms of the Series 2012 Bonds;

WHEREAS, There has been presented to the Airports Authority the form of the following documents that the Airports Authority proposes to execute in connection with the issuance of the Series 2012 Bonds, copies of which documents shall be filed in the records of the Airports Authority:

(a) the Forty-third Supplemental Indenture of Trust (the "Forty-third Supplemental Indenture"), between the Airports Authority and the Trustee, relating to the issuance of the Series 2012 Bonds, which supplements the Master Indenture;

(b) the form of the Series 2012A Bonds, attached as Exhibit A to the Forty-third Supplemental Indenture;

(c) the form of the Series 2012B Bonds, attached as Exhibit B to the Forty-third Supplemental Indenture;

(d) the forms of the Series 2011C Bonds, attached as Exhibit C to the Forty-third Supplemental Indenture;

(e) the Bond Purchase Agreement relating to the Series 2012 Bonds (the "Purchase Contract"), between the Airports Authority and the Managing Underwriter and the other underwriting firms named therein (collectively, the "Underwriters");

(f) the Official Statement relating to the public offering of the Series 2012 Bonds (the "Official Statement"); and

(g) the respective Refunding Agreements between the Airports Authority and the Trustee relating to the refunding of each series of the Refunded Bonds (collectively, the "Refunding Agreements"); now, therefore, be it

RESOLVED, That Barclays Capital Inc. was appointed as senior bookrunning managing underwriter, Loop Capital Markets, LLC appointed as the co-senior manager, and Citigroup Global Markets Inc., Davenport & Company LLC, Merrill Lynch, Pierce, Fenner & Smith Inc., Morgan Keegan & Company, Inc., Siebert Brandford Shank & Co., L.L.C., US Bancorp and Wells Fargo Securities N.A. are appointed as co-managers for the Series 2012 Bonds; and the Underwriters are authorized to distribute the Official Statement to the purchasers of the Series 2012 Bonds;

2. That the Series 2012 Bonds shall be issued in book entry form, pursuant to the Master Indenture and the Forty-third Supplemental Indenture and sold to the Underwriters pursuant to the Purchase Contract; all upon the terms and conditions specified therein;



3. That the Chairman or Vice Chairman, and the Chairman of the Finance Committee (and if timing and schedule permit, with the advice and consent of the Finance Committee) (the "Authority Representatives"), are authorized until September 30, 2012, and directed to jointly determine, after the Series 2012 Bonds have been priced in the market, the following:

(a) the exact principal amount, series, and sub-series designation of the Series 2012 Bonds, provided that the aggregate principal amount of the Series 2012 Bonds shall not exceed \$425,000,000;

(b) the interest rate or rates of each series or subseries of the Series 2012 Bonds;

(c) the maturity or maturities of each series or subseries of the Series 2012 Bonds, including the amount and date of any mandatory sinking fund redemption for a maturity;

(d) the provisions for redemption of each series or subseries of the Series 2012 Bonds prior to maturity;

(e) the amount and extent of any credit enhancement for the Series 2012 Bonds and the provider thereof;

(f) the amount of the debt service reserve requirement, if any, and the provider of any debt service reserve fund surety bond for the Series 2012 Bonds, or series or subseries of the Series 2012 Bonds;

(g) the amount of the purchase price for each series or subseries of Series 2012 Bonds;

(h) the par amount of the Refunded 2001A Bonds, the Refunded 2002A Bonds, the Refunded 2002D Bonds, the Refunded 2003B Bonds, and the Refunded 2004A Bonds, if any, to be refunded pursuant to the Refunding Agreements; and

(i) whether to issue the Series 2012C Bonds, the interest on which is expected to be taxable for federal income tax purposes;

all in a manner to achieve the most favorable net effective interest rate while balancing the Airports Authority's exposure to interest rate and market risks on the entire long-term debt within the Airports Authority's Aviation Enterprise Fund, including the Series 2012 Bonds; provided, that the determinations made pursuant to this paragraph shall comply with the following requirements: (i) the maximum term of the Series 2012 Bonds shall not exceed 31 years; (ii) no Series 2012 Bonds shall be subject to redemption at a redemption premium exceeding three percent (3%) of the principal amount thereof; (iii) the underwriters' discount relating to the 2012 Bonds shall not exceed two percent (2%) of the principal amount thereof; (iv) the true interest cost of the Series 2012 Bonds shall not exceed nine percent (9%) per annum; and (v) the Series 2012 Bonds shall be offered to the public at a price of not less than 95 percent (95%) and not more than 110 percent (110%) of the principal amount thereof, plus accrued interest;

4. That the payment or redemption of the Refunded Bonds with a portion of the proceeds of the Series 2012 Bonds, together with other funds of the Airports Authority, are authorized and directed in the manner and the amounts set forth in the respective Refunding Agreements;

5. That the Chairman or the Vice Chairman is authorized and directed to execute, by manual or facsimile signature, the Forty-third Supplemental Indenture, the Series 2012 Bonds, the Purchase Contract, the Official Statement, and the Refunding Agreements, all of which forms are hereby approved, with such changes, insertions, completions, and omissions as are necessary to reflect the bond principal amounts, the series or subseries designations of the Series 2012 Bonds, and other terms of the Series 2012 Bonds, including pricing on one or more dates, determined pursuant to paragraph 3 of

this Resolution, and the execution of these documents by the Chairman or Vice Chairman shall constitute conclusive evidence of their approval by the Airports Authority;

6. That the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Airports Authority or a facsimile thereof on the Forty-third Supplemental Indenture, the Series 2012 Bonds, the Purchase Contract, the Official Statement, and the Refunding Agreements, after their execution by the Chairman or Vice Chairman, to attest the same, by a manual or facsimile signature, and to deliver the Series 2012 Bonds to the Trustee for authentication upon the terms provided in the Master Indenture and the Forty-third Supplemental Indenture;

7. That the Chairman, the Vice Chairman, the President and Chief Executive Officer, and the Vice President for Finance and Chief Financial Officer are each authorized and directed, with respect to the Series 2012 Bonds, to execute one or more tax certificates on behalf of the Airports Authority in implementation of the covenants and agreements set forth in the Forty-third Supplemental Indenture and to make any election permitted by the Internal Revenue Code of 1986, as amended, that is determined by such officer to be to the advantage of the Airports Authority; and the representations, agreements and elections set forth in the executed tax certificates shall be deemed to be the representations, agreements and elections of the Airports Authority, as if the same were set forth in the Forty-third Supplemental Indenture;

8. That the President and Chief Executive Officer and the Vice President for Finance and Chief Financial Officer are each authorized and directed to execute, deliver and file all other certificates and instruments related to the issuance and sales of the Series 2012 Bonds, including Internal Revenue Service Form 8038 or 8038-G, any reimbursement agreement relating to any debt service reserve fund surety bond, and any agreement for the investment of proceeds from the sale of the Series 2012 Bonds, and to take any further action as the offic-

ers may consider necessary or desirable in connection with the issuance and sale of the Series 2012 Bonds, the refunding of the Refunded Bonds, and the other actions made pursuant to paragraph 3 of this Resolution;

9. That any authorization provided in this Resolution to execute a document shall include authorization to deliver the document to the other parties thereto; and

10. That any other acts of the Chairman, the Vice Chairman, the Chairman of the Finance Committee, the President and Chief Executive Officer, the Vice President for Finance and Chief Financial Officer or any other officer of the Airports Authority that are in conformity with the purposes, intent and conditions of this Resolution and in furtherance of the execution, delivery and performance by the Airports Authority of the Forty-third Supplemental Indenture are hereby authorized, and the authorizations granted herein to such officers of the Airports Authority shall apply equally to any person serving in such capacity on an interim or acting basis, except that the Airports Authority reserves unto itself the authority to appoint or remove any person or entity named, appointed or described in this Resolution or in the form of the Forty-third Supplemental Indenture presented to the Airports Authority who is to serve as underwriter, trustee, or provider of credit enhancement or in a similar role relating to the Series 2012 Bonds or the Refunded Bonds.

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

d. Appointment of a Senior Bookrunning Manager for the Airport System Refunding Bonds, Series 2012

Mr. Conner moved the following resolution, which was unanimously adopted:

WHEREAS, The Authority is preparing for the issuance of its Airport System Refunding Bonds, Series 2012 which may be issued in one or more series or subseries;

WHEREAS, The Authority has selected a syndicate of investment banking firms to serve as underwriters for financing or refinancing the costs of certain capital improvements at Ronald Reagan Washington National Airport and Washington Dulles International Airport; and

WHEREAS, The Authority desires to appoint from the syndicate an investment banking firm to serve as Senior Bookrunning Manager and two Co-Senior Managers for the sale of its Airport System Refunding Bonds, Series 2012; now, therefore, be it

RESOLVED, That Barclays Capital Inc. and Loop Capital Markets LLC are appointed Co-Senior Managers, with Barclays serving as Senior Bookrunning Manager, for the sale of the Series 2012 Bonds.

#### V. UNFINISHED BUSINESS

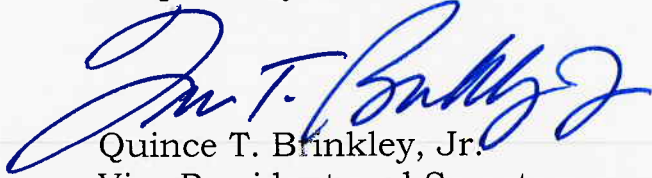
There was not any unfinished business.

#### VI. OTHER BUSINESS & ADJOURNMENT

The Chairman said he would call a Special Meeting to discuss publicly how to proceed with the procurement issues on the Phase 2 Dulles Rail Project, specifically the options for dealing with the Project Labor Agreement. If that could not be scheduled before June 6, when the Strategic Planning and Development Committee would meet, then it would be held on that date.

The Meeting was thereupon adjourned at 10:05 a.m.

Respectfully submitted:

A handwritten signature in blue ink, appearing to read "Quince T. Brinkley, Jr.", written in a cursive style.

Quince T. Brinkley, Jr.  
Vice President and Secretary



## SPECIAL BOARD OF DIRECTORS MEETING

Minutes of June 6, 2012

The special meeting of the Board of Directors was held in the first floor Conference Rooms 1A, 1B and 1C at 1 Aviation Circle. The Chairman called the meeting to order at 8:00 a.m. All twelve Directors were present during the meeting:

Michael A. Curto, Chairman  
Thomas M. Davis III, Vice-Chairman  
Robert Clarke Brown  
Richard S. Carter  
William W. Cobey Jr.  
Frank M. Conner III

H.R. Crawford  
Shirley Robinson Hall  
Dennis L. Martire  
Michael L. O'Reilly  
Warner H. Session  
Todd A. Stottlemeyer

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

The Chairman first thanked all the Directors for attending the Special Meeting. He then asked Mr. Conner, Chairman of the Finance Committee, to provide an informal report on the June 5 bond sale.

Mr. Conner thanked the financial advisors, the underwriting group and the finance staff for achieving a far better than expected result with the refunding of about \$312 in Aviation Enterprise bonds. The market had been tough, but the Authority's transactions preceded the more serious decline. When first discussed, the expectation had been for about \$30 million present value in savings on the refundings; later the amount dropped to \$20 million with interest fluctuations. Finally the Authority had issued \$311.8 million in bonds, with net present value savings of \$40.6 million. Equally important, \$41 million in gross cash flow savings had been set in the first four years, which would help with airline rates and charges and decrease cost per enplanement. The combined interest

rate was 3.82 percent. Barclays and Loop had performed very well; Barclays had taken on \$25 million of Authority bonds to sell over the next few weeks. The results had shown both the strength of the Authority and the weakness in the market.

## I. CONFIRMATION OF THE VICE PRESIDENT FOR COMMUNICATIONS

Mr. Potter presented David Mould to serve as Vice President for Communications. He noted that the position had been vacant for several years. Mr. Mould was a seasoned communications and public affairs professional, with experience in media relations, public policy and marketing. He had held senior communications positions in large public organizations, including the Tennessee Valley Authority, the National Aeronautics and Space Administration and the Department of Energy. He thanked the Directors who had helped with the selection, and asked the Board to confirm Mr. Mould. The Board then voted unanimously to confirm him.

Mr. Mould thanked the Board, and said he was pleased to join an important organization with a vital role in the regional economy at such an interesting time.

## II. PHASE 2 PROCUREMENT PREFERENCE FOR PROJECT LABOR AGREEMENTS

Mr. Potter began with a chronology of the project labor agreement (PLA) events. Before he had joined the Authority in July 2011, the Board had voted to require a PLA on the Phase 2 Metrorail project, for very specific reasons. The principal of these had been Bechtel's success with a PLA on Phase 1 when it came to labor management. This voluntary PLA had included a no-strike clause, assured a trained workforce, produced an outstanding safety record, and allowed a flexible work schedule. The flexibility was needed with so much work to be done in a heavily congested area, along Route 7 and bridging over the Beltway, which meant night work. The bottom line was that the PLA had allowed a stellar safety record with an efficient and cost-effective outcome.

When Mr. Potter had arrived at the Authority, cost estimate issues were the major issue. Secretary LaHood had convened the funding partners to



address cost concerns and get the project moving. All had stepped up to make Phase 2 more affordable. The Authority had already cut over \$300 million from the cost of the original design. In addition, by moving the station from a tunnel to above ground, it would cut out another \$300 million. The Counties agreed to take on the parking garages and the Route 28 station, and the Transit Authority agreed to downsize the rail yard. The Commonwealth agreed to provide \$150 million for toll mitigation. Overall, the discussions had resulted in a \$2.7 billion project and funding to help lower tolls, which made the project viable. A Memorandum of Agreement was reached with the financial partners lowering the cost of the project, mitigating tolls, and stipulating that the labor approach would comply with the Virginia right-to-work law. An agreement on the labor issue would be reflected in a side agreement between the Authority and the Commonwealth.

The Authority then negotiated a set of principals with the Commonwealth, largely around the idea that whatever the Authority did with respect to labor had to be compliant with the Virginia right-to-work law. That law focused on individuals, not on any company or corporation. It gave the individual the opportunity to work. The discussion was therefore about how to assure this right. In the process, he had learned that Virginia does allow hiring halls, which were a key element of the PLA. It enabled the unions to recruit and train workers to be hired on the project through a hiring hall. The law did specifically provide that no preference could be given to a union member over anyone else on a project. He noted that there were PLAs on most major capital projects in Virginia.

Mr. Potter had reported to the Board that he had reached agreement with the Commonwealth on terms for a mandatory PLA agreement. The Board had authorized him to sign the Memorandum of Agreement and the side agreement on the PLA. He had signed both in November; the Memorandum of Agreement had gone to Secretary LaHood, and the side agreement to Sean Connaughton, the Virginia Secretary of Transportation. The Secretary did not sign the side agreement, but in December 2011 the Governor did sign the Memorandum of Agreement. To it he attached a letter with a list of conditions that had to be met before the \$150 million could be provided.

In March, preliminary engineering was complete, triggering the County votes on continued participation. Fairfax County voted to stay in, and Loudoun County asked for 30 more days to decide, to July 4. The PLA remained an open issue.

In December, the Commonwealth had put conditions on the \$150 million that went beyond the bounds of the Memorandum of Agreement. Since that Agreement, Virginia had twice changed its law. First, it prohibited mandatory PLAs. The Board then changed to a voluntary PLA with preference for contractors who would use one. The Commonwealth then enacted a law that prohibited the contribution to a project that required, provided an incentive for, or included a preference for a PLA.

Secretary LaHood had convened the partners again in May. There were three issues: the new conditions on release of the \$150 million; the consistency of PLA conditions with the amended Virginia law; and the Loudoun County vote. Discussions with the Commonwealth followed the meeting with the Secretary. In a letter sent to Secretary LaHood two days before the day's Special Board Meeting, the Governor had reduced the conditions to a single one: the Authority's PLA preference had to go.

Mr. Potter noted the Board would be considering what to do next during the current Meeting. He said he had talked about Phase 2 repeatedly in the community, where he had heard many claims and recommendations about how the Authority could do better with the project. His answer was always the same. There was little flexibility with the project. The Transit Authority standards were rigid; the preliminary and value engineering had been done; and many costs had been taken out of the project. This meant the project was what it was. No more savings could be realized until bids were in. The competitive construction environment could not be better. But whatever approach a contractor might take, the project was still a federal one, with Davis-Bacon "fair wages", as had prevailed on Phase 1, which would not be changed by a PLA.

The one variable in the project was the financing, the opportunities for which were better right now than in the past 50 years. Now was the time to move ahead with the project.

The basic considerations were that fair wages would be paid; the Commonwealth's \$150 million contribution was tied to the labor approach, as a result of changes in the law. But it was not just the \$150 million on the table; he thought there could be more funds available from the Commonwealth in the future. The project would be going on for several years, and he did not want to preclude future grants. It was also clear that Loudoun would drop out if the PLA preference were not changed. If that occurred, two more events would happen. First, the project would be delayed. The Authority could not allow it to end at Wiehle Avenue; the line was supposed to serve passengers and employees at the Airport, and to allow them to travel west as well as east. It was also clear that the Authority did not have the long-term ability to accommodate Metrorail commuters on airport property. The Airport was being developed to support the regional economy, and was planned for a doubling of the passenger traffic over the next decades. The relocated station was actually as close to the Terminal as reasonable possible, and the Authority did not want to compromise the area near it. If the Airport station were the last station on the line and accommodation was not made for parking and bus services at other Phase 2 stations, then there would have to be a distant parking lot built for commuters on the Airport, with a bus to the station. Thus an adverse Loudoun decision would require a thorough reconsideration of the Phase 2 stations.

In short, there was a major decision to be made. It had to be definitive; the Authority would have to either have a PLA preference or not. A key Loudoun meeting would occur that evening, and the PLA would be on the table. The issue was not an issue to Mr. Potter, but Loudoun had made it a litmus test for further participation. Phase 2 had been a long journey so far, and it would continue to be so. But clearing the PLA issue could measurably shorten it.

The Chairman said he would comment, and follow with a motion to adopt a proposed resolution, which had been distributed to all Directors. He understood there might be an amendment to the proposed resolution as well. After the resolution had been moved, he would seek the views of every Member, in order of seniority. He said he had been fully supportive of a PLA since the beginning, for four reasons: cost, schedule, safety, and financing. The white paper prepared by Bechtel, the contractor on Phase 1, made clear that the PLA had saved millions of dollars on that

project. It had been instrumental in the safety program. As to financing, he always felt a PLA was aligned with the policy of the federal government, which had put almost \$1 billion into the project. That policy was to encourage the use of a PLA on any project of \$25 million or more. Since the Authority would be going back to the federal government for TIFIA loans, he thought using a PLA would make sense. Last summer, when the Memorandum of Agreement was negotiated, Mr. Curto said, he thought he saw blue sky. The project had been redefined, and the negotiation on PLA terms with the Commonwealth was beginning. It took months to negotiate. In November, the Authority had accepted language for the PLA that had been provided by the Commonwealth, in a letter from the Attorney General's office that laid out the relevant Virginia statutes, the language the PLA, and stated that it was consistent with the right-to-work law. In December, however, the letter from the Governor made the \$150 million already agreed to contingent on the PLA. It became clear the PLA was not favored elsewhere in Richmond. Legislation against funding a project with a PLA passed. Next, in order to accommodate the Commonwealth, the Board had on its own adopted a voluntary approach to the PLA, adopting the federal scoring system used on project over \$25 million. The drumbeat against the PLA continued in Richmond, so additional amendments were enacted against a preference or incentive PLA provision. There the issue stood. When the Authority was established it was assumed that decisions would be insulated from the politics of the day. That had changed when the Authority took on the rail project. Now the Governor had provided a letter that said, if the PLA provisions were removed, the \$150 million would be provided without any conditions. The Board's decision should be made in the best interests of the project. Mr. Potter had described what delays would result if the PLA incentive remained. The project would lose a minimum of 18 months, up to two years. The window on the construction environment and the window on the financial market would be lost. He would therefore vote in favor of removing the PLA incentive without any conditions. He thought it important to send a signal to Loudoun County that the Authority wished them to continue. He did so grudgingly, but believed it important to the project. The resolution he would propose would authorize and direct the President to negotiate a funding agreement for the \$150 million, with the expectation that it would be executed before the Dulles Toll Road ratemaking process was decided in September. He then moved that the following proposed resolution be adopted:

WHEREAS, The Airports Authority is constructing, in two Phases, the Dulles Corridor Metrorail Project, a 23-mile extension of the existing Metrorail system from East Falls Church through Washington Dulles International Airport and west to Ashburn ("Project");

WHEREAS, Construction of Phase 1 of the Project, from East Falls Church to Wiehle Avenue, is now approximately 70 percent complete, and the process for procuring Phase 2 design-build construction services is about to begin;

WHEREAS, The Authority has approved a two-step process for selecting a design-build contractor for Phase 2 in which (i) in step one, a Request for Qualifications Information ("RFQI") will be issued and, at its conclusion, a short list of qualified offerors will be established, and (ii) in step two, a Request for Proposals ("RFP") will be issued to the shortlisted offerors and, at its conclusion, a design-build contract will be awarded to the selected offeror;

WHEREAS, As part of the RFQI, the Authority has approved the use of a ten-percent workforce credit factor that would be awarded to any offeror who committed to entering into a project labor agreement ("PLA"), modeled after the one applying to Phase 1 of the Project, in the event the offeror is selected as the Phase 2 design-build contractor;

WHEREAS, In December 2011, the United States Department of Transportation, the Commonwealth of Virginia, Fairfax and Loudoun Counties, the Washington Metropolitan Area Transit Authority, and the Airports Authority executed a Memorandum of Agreement relating to Phase 2 of the Project, in which, among other things, the Commonwealth of Virginia agreed to contribute an additional \$150 million toward the Project, if appropriated by the Virginia General Assembly, and following execution of a funding agreement, to be used by the Airports Authority to pay interest on Dulles Toll Road revenue bonds, unless a different use were approved by the Commonwealth;

WHEREAS, In a June 4, 2012, letter to the Secretary of the U.S. Department of Transportation, a copy of which is attached, the Governor of Virginia has stated that "legal issues" arising from PLA-related legislation enacted during the 2012 session of the Virginia General Assembly need to be resolved before the Commonwealth can fulfill its pledge to contribute this additional \$150 million to the Project. In this letter the Governor has also stated that, if "no PLA bonus or preference, or requirement, [is] included in the procurement documents for Phase [2], . . . the Commonwealth will provide the \$150 million in additional funding, without any further conditions, when it is due in 2013";

WHEREAS, in lieu of the credit factor, and in order to ensure an exceptionally safe working environment for all Phase 2 workers and a highly effective and efficient management of Phase 2 labor resources, the Authority has considered inserting language in the RFQI that calls upon offerors to submit an effective plan for the management of workforce issues without specifically incentivizing the use of a project labor agreement;

WHEREAS, The Authority wishes to ensure that the Project does not lose any funding from the Commonwealth that, except for the credit factor, would be made available to the Project and would assist in reducing tolls on the Dulles Toll Road; and

WHEREAS, the Authority also wishes to ensure that the presence of the credit factor in the procurement for Phase 2 design-build construction services does not affect the upcoming decision of the Loudoun County Board of Supervisors whether Loudoun County will participate in Phase 2 of the Project; now, therefore, be it

RESOLVED, That the credit factor shall be eliminated from the Phase 2 RFQI, and the RFQI shall not award, or fail to award, any predetermined points to any offeror based upon its willingness or unwillingness to commit to a project labor agreement or any other agreement with labor organizations.

In addition, no such credit factor, other form of project labor agreement bonus or preference, or project labor agreement requirement shall be included in any other part of the procurement for Phase 2 design-build or other construction services. In lieu of the credit factor, the RFQI will request offerors to submit a plan for the management of workforce issues;

2. That the President and Chief Executive Officer is authorized and directed to begin discussions immediately with the Commonwealth of Virginia regarding the funding agreement for the additional contribution of \$150 million to the Project that is called for by the 2011 Memorandum of Agreement, and to execute such agreement following its review by the Chairman, after consultation with the Board;

3. That the funding agreement should be executed by the parties before September of this year, when the Board expects to begin consideration, through its committees, of staff recommendations on future toll rates for the Dulles Toll Road; and

4. That the Secretary is directed to cause a copy of this resolution to be delivered to the Governor of the Commonwealth, the Secretary of the U.S. Department of Transportation, the Chairman of the Fairfax County Board of Supervisors, the Chairman of the Loudoun County Board of Supervisors, and the General Manager of WMATA.

Mr. Davis said he had opposed the PLA originally because he believed the marketplace, not politics, should set out the parameters for the most cost-effective procurement. He thought the PLA preference a bad idea, but was prepared to go along with it to keep the project moving ahead. Now it appeared the only way to complete it was to remove the preference. Loudoun and the \$150 million were critical. He took issue with Mr. Potter's remark that most large projects in Virginia had PLAs. He said that in 29 year of public office in Virginia, he had noted that under Democratic Governors there were PLAs and under Republican Governors there were not. The choice was political. Politics should not be in the Board room, at least partisan politics.

Mr. Brown offered an amendment to the proposed resolution to provide that the PLA preference would be removed when a funding agreement was executed between the Authority and the Commonwealth. He believed the Authority had been dealing directly with the Commonwealth on the issue for at least a year, and had learned that a statement or a signature from Richmond could not be relied on. The Authority was making major decisions on a multi-billion dollar project. Toll rates would be set soon. The Authority would be selling bonds for the project later in the year, and needed to know from more than a letter of the Governor, not even addressed to the Authority, that the money would be available in 2013, without a specific date. He did not believe the letter should be relied on. Some apparently focused on the statement that said "unconditional", but the letter began with a statement that there were legal issues without stating what they were, and ended with a reference to seating new Members. He said there had been a history of a partner who kept moving the goalpost. The project was at a critical point and firm answers were required. A written agreement was necessary to assure the money would be there.

Mr. Brown said he was not sure the Virginia legislation by its terms actually reached the Authority, and asked about it. He noted that the legislation prohibited funding a project with a PLA; the Virginia contribution would not fund the project, but pay debt service on the bonds to relieve pressure on the toll payers. He also took issue with Mr. Potter's suggestion that there might be funds from Virginia in the future. He said the current politicians in Richmond were not about to appropriate any funds for the project. The situation might change in two or three years, after an election or two. The Washington Post had called the \$150 million a paltry amount of money. The Commonwealth was putting its money into privatization, contributing 6 percent to the Dulles rail and 26 to 28 percent to the privatization projects elsewhere in the Commonwealth. He hoped that more funds would come from the Commonwealth, but not think it likely. Mr. Potter said he agreed more money from the Commonwealth was not likely. But he said if the PLA was dropped, there was an opportunity to ask for more money; otherwise the Authority would not even get the \$150 million.

Mr. Crawford said the issue had been debated for a long while. The goals were to get the line to Dulles and to keep the tolls down. Further delay



would put the project in financial jeopardy. It would also increase tolls. He was concerned about the commuters who used the road every day. He was prepared to vote; the dispute had gone on for too long. He would vote for the motion pending. But he remained concerned about what might happen if the PLA preference was removed and Loudoun pulled out anyway. He suggested the Members should once again put their egos in their pockets and move along.

Mr. Cobey said that Mr. Crawford, Mr. Brown and he had been on the Board when it had asked to build the project, because it did not appear it would happen otherwise, and to finance it with tolls. He did not believe the votes would have been there to end the project at Wiehle Avenue; the project was all about rail to Dulles. He was ready to support the resolution that the Chairman had offered.

Mr. O'Reilly said it was difficult to put his ego in his pocket, but he would try to do so. He was not as pessimistic or as cynical as Mr. Brown. He was delighted with the Governor's letter, which he said was unqualified, and that the Governor could be taken at his word. The unfortunate part was that the project was not popular downstate, and the Governor did not have control over everybody downstate. As Mr. Potter had described, the Richmond position had changed in the General Assembly. Things could happen that were beyond the control of the Governor. In addition, if he had his way, the Governor would be gone in two months to run for Vice President. He did not know the Lieutenant Governor's position on the project; Mr. Davis said he supported it. Mr. O'Reilly said the Lieutenant Governor was likely to pay the \$150 million unless the General Assembly put up another roadblock. He had seconded Mr. Brown's motion because he was concerned that some things were beyond the control of the executive branch. Tying the PLA revision to the \$150 million made sense. Looking at the Chairman's proposed resolution that had been distributed at the beginning of the Meeting, he did not think a full linkage was still necessary. The proposed resolution, in the third "resolved" clause, already provided that "the funding agreement should be executed ... before September of this year"; he thought that a simple change of the work "should" to "must" would accomplish the same thing. It made sense, because the funding agreement needed to be done by September so the Board could actually set the tolls. He thought this would bridge the gap; the Directors all agreed the PLA preference would have to go,

but were concerned whether the \$150 million would still be forthcoming. Mr. Davis suggested using "shall" instead of "must", and Mr. O'Reilly agreed. He then moved that single word change as an amendment to the main motion. There followed some discussion about the word change; there was agreement that there was no direct linkage between the two actions. Mr. O'Reilly did note that it would be likely for some Members of the Board to bring up the PLA issue again if the \$150 million commitment was not signed by September.

Mr. Brown said he agreed with Mr. O'Reilly's approach. He believed a Virginia grant agreement would not be a difficult document to prepare, and that it could easily be done in about three weeks. He did not understand why the Board could not say that the agreement should be negotiated by July 4, so everything happened at the same time. Mr. Curto said that was more like a condition. As the proposed resolution stood, the two issues were still separate. Mr. Brown said he only meant to change the timing, so that the RFQI would not be out the door before the funding agreement was signed. Mr. Davis said a September deadline would not be a problem. He understood all bets would be off if the agreement was not done. Mr. Curto said all bets would be off, irrespective of the terms of a resolution, if the funding agreement were not executed. The funding agreement requirement was part of the Memorandum of Agreement. He would support Mr. O'Reilly's motion.

Mr. Stottlemeyer wanted make sure that, if Loudoun stayed in on July 3, there would be enough time to complete the funding agreement. Mr. Potter said it was hard to predict. Originally he had sought a funding agreement by the day's Meeting. The Transit Authority told him that the process had taken that agency several months because the Virginia funding agreements were designed for Virginia agencies and had to be revised. Mr. Potter said he thus had no idea whether the job would take three weeks or three months. Mr. Curto said the September deadline was more natural, as it fit the toll ratemaking process. He said he would accept Mr. O'Reilly's amendment into the main motion.

Mr. Brown said there was nothing conditional about the resolution with the simple one-word amendment. Assuming a positive result in Loudoun, the RFQI would go out in July. Nothing would happen if the

funding agreement was not done by September. It would be too late to talk about the PLA again after the RQI was out.

Mr. Brown asked the Chairman if he would support a motion restoring the PLA in September if the funding agreement were not done. Mr. Curto said he would put such a motion on the agenda.

Mr. Conner said the substance and benefits of a PLA were not in issue. He said he would vote for the Chairman's proposed resolution, as amended, and against Mr. Brown's proposal. Stepping back from the PLA and the details of a resolution, Mr. Conner said it was incredible that the original designers of Dulles had the vision to build an access road with right-of-way reserved for transit. The Authority was in an execution mode, not a vision mode. He wondered how the planners of 57 years ago would look upon this discussion of what word to use. The Authority was devoted to promoting the economic development of the region, and should not play Russian roulette with the project by attaching a condition to a resolution clearing the PLA. The Board needed to get past this issue and put Phase 2 to bed. The Board also needed to get back to running the Airports. It was also important to restore the credibility of the Board to manage the rail project. That would mean paying attention to the Board's constituencies. For better or worse, the project was a Virginia project, and Virginia had spoken very clearly on the issue. The Board was the steward of the public's money. Financing was not a one-day matter; the Authority would have to raise \$1.9 billion and doing so would be going on for several years. Given the construction market, there was no time to waste. The Board also needed to be responsive to the Inspector General's report, some of which was very fair. This kind of nitpicking over a resolution only compounded the concerns raised. The resolution should be adopted without any changes, so Loudoun would have no excuse for dropping out.

Mr. Martire said when he came on the Board, the AeroTrain was being built. The project cost about \$388 million, with a cost overrun of about \$188 million. He had investigated the project and called for an audit. The reason had been poor construction decisions. He had just heard Mr. Potter describe the benefits of a PLA; he had not heard anyone argue that the Authority was making a bad business decision to support an agreement that kept a project on budget, on time and safe. Until he heard a

business reason, the PLA should not be abandoned. He had never called for a PLA on any project at the Authority. The PLA on Phase 1 was not the Authority's doing; it had been there when the Authority took over the project. He found it offensive that working conditions would be changed for the workers, who have done an outstanding job in 100-degree heat and freezing cold winters. The working conditions would be changed because of politics, nothing more than politics. The government of Virginia had moved the goalposts several times, and would probably do so again. But as a fiduciary, he understood that the Authority needed the \$150 million. That was the bottom line; the Authority had to protect the toll payers. The Authority now had a gun to its head; the Board either removed the PLA preference or it would lose the money. As a fiduciary, he would vote to remove the preference. It did not mean there would not be any PLA; it would mean any PLA would be voluntary, as any contractor could choose to use one. He supported the resolution, with Mr. O'Reilly's amendment, which he said had solved the problem. He understood Mr. Brown's concerns as well. \$150 million would only lower the tolls for two years, and would not lower them very much. He agreed nevertheless that the resolution would allow the project to proceed. The project really needed more money, from the federal government as well as the Commonwealth, but there were no commitments. He pointed out that changing the working conditions in the middle of the project was not a simple matter. But he would support the resolution to keep the project moving.

Ms. Hall said the entire issue had been politically driven. Mr. Potter had clearly outlined the history of what the Authority had experienced. The Authority had been working in good faith every step of the way. This should be emphasized publicly. The Authority had cooperated with all entities in order to move forward. She had joined the Board to do business for the Airports, not politics. She added that the Board had not just operated in good faith, but had always been a functioning Board. The Board had been labeled dysfunctional, but she did not agree, and was ready to move forward.

Mr. Session was also ready to move forward. He agreed with Ms. Hall about the functionality of the Board. The good faith and good will on this project had been clearly one-sided. Unlike Mr. O'Reilly, he was as pessimistic as Mr. Brown. Every time the Authority acted in good faith, something changed. He had noted some unreadiness to vote on the

measure to remove the preference. He thought the removal of the preference should not be made with nothing in return. Mr. O'Reilly's amendment addressed this concern, and Mr. Session said he would vote for the resolution.

Mr. Carter said he wanted to express his appreciation for the commitment of all in the room. He was impressed that the Board had been the adults in the room all along. He was very supportive of the PLA, particularly because of the success in Phase 1. He was prepared to accept the resolution, as amended.

Mr. Stottlemeyer said he had been actively involved in the creation of the Authority, and had solicited a letter from four of the founders of the Authority, former Governors Robb, Baliles and Holton and former Senator John Warner. He read from it:

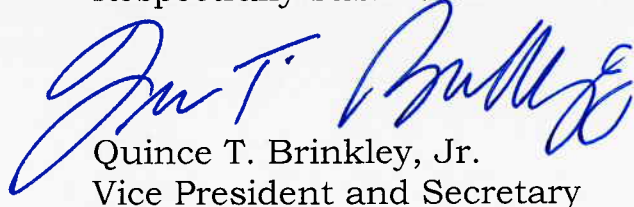
"Dulles rail is far too important to the future viability of the national capital region of Virginia to be allowed to fail now. In public office as Democrats and Republicans, we worked together to forge the foundation of the Metropolitan Washington Airports Authority and Dulles rail. As Democrats and Republicans we come together again to ask that you and your fellow decision makers on Dulles rail continue to work with Secretary LaHood and with each other to resolve your differences and move this vital project smartly forward in a cost-effective manner and without putting unfair burden on the Dulles Toll Road users. The Project Labor Agreement (PLA), the key point of contention, is a political and philosophical issue upon which reasonable people can disagree. To resolve that issue we recommend that the MWAA Board adopt the same prescription for Phase 2 as it prescribed for Phase 1, which is a voluntary PLA, without a preference and leave it to the selected prime contractor to choose the best method to meet MWAA's requirements for Phase 2."

Mr. Stottlemeyer said he hope the Board would listen to these individuals. Governor Holton had chaired the Commission that had set up the Authority and had served as its first Chairman; Senator Warner had been responsible for the legislation in the Senate; Governor Robb was involved in the process from the start, and no one had supported the Authority and Dulles more than Governor Baliles.

Mr. Brown said he still had a motion on the floor. He said his concern was simply that the way the proposed resolution was structured, there was a requirement that the funding agreement be executed, but there were no teeth if it was not. He was suggesting that the resolution include a provision that the procurement would start when the grant agreement was executed. He did not like any further delay to the procurement, but did not see any other way to have any confidence the Authority would ever receive the \$150 million. He asked Mr. O'Reilly if that argument appealed to him. Mr. O'Reilly said the argument appealed to him, but that it was for a discussion at the time when the Board would be deciding when the RFQI was to be issued. Mr. Brown said he understood the RFQI would be going out July 5. Mr. O'Reilly said that would only happen in Loudoun stayed in, and that there would in any event be a further discussion before the RFQI was issued. It was not critical to the current proposal. Mr. Brown said he would withdraw his motion, as there was not general support for it. The Chairman called for a vote on his original motion, as amended by Mr. O'Reilly. The resolution was approved by voice vote, with Mr. Brown voting in the negative.

The Meeting was thereupon adjourned at 9:27 a.m.

Respectfully submitted:

A handwritten signature in blue ink, appearing to read "Quince T. Brinkley, Jr.", is written over the typed name and title.

Quince T. Brinkley, Jr.  
Vice President and Secretary