



BOARD OF DIRECTORS MEETING

Minutes of March 19, 2014

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 9:45 a.m. Fifteen Directors were present during the meeting:

Frank M. Conner III, Chairman
Warner H. Session, Vice Chairman
Earl Adams, Jr.
Richard S. Carter
Lynn Chapman
Michael A. Curto
Thomas M. Davis III
Bruce A. Gates

Anthony H. Griffin
Shirley Robinson Hall
Barbara Lang
William Shaw McDermott
Caren Merrick
Nina Mitchell Wells
Joslyn N. Williams

The Secretary and Executive Management were present:

John E. Potter, President and Chief Executive Officer
Margaret E. McKeough, Executive Vice President and Chief
Operating Officer

I. MINUTES OF THE FEBRUARY 19, 2014 BOARD OF DIRECTORS MEETING

The Chairman then called for the approval of the Minutes of the February 19, 2014 Board of Directors Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Dulles Corridor Committee – Tom Davis, Co-Chair

Mr. Davis reported that the Dulles Corridor Committee had last met on February 19. Staff had presented the Dulles Corridor Metrorail Project Quarterly Update.

b. Finance Committee – Michael A. Curto, Co-Chair

Mr. Curto reported that the Finance Committee had met that morning and on February 19.

On February 19, staff had presented budget reprogrammings for the fourth quarter of 2013. Staff had also presented the preliminary December 2013 and January 2014 financial reports for both enterprises, as well as the pre-solicitation terms to select underwriter(s) roles for the 2014 Plan of Finance for the Aviation Enterprise. After an executive session discussion, the Committee had reconvened in regular session and had concurred with the amended evaluation criteria. Due to a conflict of interests, Mr. McDermott had not participated in the discussion.

At the day's Meeting, the Committee had first met in executive session to receive information from the Technical Evaluation Committee on the scoring of the proposals. In regular session, the Committee had recommended the following: Bank of America Merrill Lynch as Book-running Senior Manager; Citigroup Global Markets Inc. as Co-senior Manager; and Barclays Capital Inc.; Davenport & Company LLC; Loop Capital Markets LLC; Raymond James & Associates, Inc.; Siebert Brandford Shank & Co., LLC; US Bancorp Municipal Securities Group; and Wells Fargo Securities as Co-Managers.

Mr. Curto reported that consistent with February 19, Mr. McDermott had not participated in the day's discussions regarding this issue. He said that he would offer a resolution later in the day's meeting to select the assigned roles for the investment banking firms within the Aviation Enterprise Underwriting Syndicate for Series 2014 Bonds.

c. Human Resources – Joslyn N. Williams, Co-Chair

Please refer to text under Tab 11.2 (Recommendation on the Proposed Amendment to the Airports Authority Statement of Functions) for information regarding the Committee recommendation.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter reported that the day officially marked the final day of winter for 2014 and the following day would be the first day of spring. As he

had noted last month, this winter had been one of the toughest in the Authority's history with a record number of snow events. Mr. Potter thanked and congratulated everyone across the Authority who went the extra mile this season to deal with the inclement weather and serve customers.

In addition to challenging employees and straining the Authority's facilities, the harsh winter had also significantly impacted the first quarter budget forecast. Mr. Potter reported that revenues are below projections as a result of fewer passengers using the Airports because of canceled flights and less traffic on the Dulles Toll Road. With the excessive cost of snow removal efforts, expenses are over budget.

Mr. Potter reported that the Authority had established a limited contingency fund for weather-related events and staff is working to determine whether the fund is sufficient for this winter season. If additional funds are needed, Mr. Potter reported that the budget would be adjusted and staff across the Authority would reduce costs, when possible, to offset the financial impact.

Mr. Potter also reported that staff is working diligently to complete Phase 1 of the Silver Line Metrorail Project. As he had reported in February, Dulles Transit Partners, LLC (DTP) had issued a notice of substantial completion, which had initiated a 15-day review period for the Authority to decide whether to concur with the declaration. The Authority, in collaboration with the Washington Metropolitan Area Transit Authority (WMATA) and its other partners, had reviewed the information and had determined that it could not concur with the declaration because of a number of items needing additional work or further documentation. Mr. Potter reported that while staff was disappointed with the outcome, the Authority and its partners are very committed to safety and remained concerned about the time this effort is taking. He noted that the Authority, along with WMATA and DTP, are redoubling its efforts to deliver Phase 1 of the Project, and are all looking forward to another declaration of substantial completion in the very near future. Pat Nowakowski, Executive Director of the Metrorail Project, would provide further details in the Dulles Corridor Committee meeting later that day.

In other news related to the Metrorail Project, Mr. Potter reported that the Authority and its partners had received an official invitation to apply for a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan on February 21. As a result of this major milestone in the

TIFIA process, all involved are hopeful that it will result in a low-interest loan which will help mitigate toll rate increases on the Dulles Toll Road. Staff believed that the TIFIA loan, combined with financial assistance provided by the Commonwealth of Virginia, will keep tolls stable for the next five years. Mr. Potter thanked the many elected leaders and other officials on Capitol Hill, in Richmond and across the National Capital Region who had been instrumental in leading and supporting this effort.

Mr. Potter reported on the importance of elected leaders helping the Authority to fulfill its mission of providing transportation services to the region. He noted that the Virginia General Assembly had recently concluded its 2014 session in Richmond. During that session, a bill to enhance the ability of the Authority's Office of Public Safety to conduct background checks, which would greatly improve the efficiency of the security and hiring processes, had passed. Additionally, favorable outcomes had occurred with respect to a number of other proposals related to the Authority's business. Mr. Potter commended Michael Cooper, Manager, State and Local Governmental Affairs, and the entire Authority governmental affairs team for their excellent work.

Mr. Potter also reported that Mr. Session had joined him in late February to testify before Council of the District of Columbia (Council), which traditionally invites the Authority to provide an annual review of its operations. He noted that Shirley Robinson Hall and Barbara Lang had also attended to offer their support. At this year's hearing, Mr. Potter reported that he and Mr. Session had discussed the positive impact the Airports have on the District and the entire region in terms of employment, international connections, economic growth, tourism business and opportunities for local companies. Additionally, they had highlighted the Authority's concessions redevelopment program and its goal of giving our Airports a more distinct "Washington feel" with the addition of well-known local institutions such as Ben's Chili Bowl, which will open its first airport restaurant this year at Reagan National. Mr. Potter reported that they had also updated the Council on issues related to the growing shift of passenger traffic between Reagan National and Dulles International Airports, which is a key area of focus for the Authority this year, as well as the potential impacts of the imbalance if passenger traffic continued to grow.

Mr. Potter noted that the important topic with respect to the growing shift of passengers is also being discussed with other key leaders. He reported that Mr. Conner had joined him the prior week at briefings for the

two U.S. Senators from Virginia to discuss relative issues. Mr. Potter noted that he had also had a similar discussion with Congressman Frank Wolf.

Mr. Potter reported that similar meetings with other members of congressional delegations and with regional business and political leaders would also be planned. He stated that the Authority is grateful for the interest of its leaders and the business community in the future development of Reagan National and Dulles International Airports.

As the Board was aware, Mr. Potter noted that recent federal legislation had broadened the oversight role of the Department of Transportation's Office of Inspector General (IG) in the Authority's operations and governance. He reported that staff had been meeting with the IG's staff as they formulate their audit plans for the remainder of the year. As outlined in the legislation, the Authority would cover the IG's expenses for activities related to the Authority. Also, as directed in the legislation, the IG's staff may attend meetings of the Board. Mr. Potter introduced and welcomed Amy Berks, Senior Counsel to the IG, and reiterated the Authority's commitment to working cooperatively with the IG's staff.

Mr. Potter reported that the new and larger security screening area leading to the "Banjo" gates had recently opened for business, which had marked another key milestone in the Terminal A renovations at Reagan National. Mr. Potter referred to a photo that illustrated that the new security lanes are making a significant difference in helping the Transportation Security Administration (TSA) process passengers. Another photo had depicted a brighter and more modern look of the Terminal. Mr. Potter reported that staff believed that the facility upgrades at Terminal A, as well as the ongoing concessions redevelopment throughout both Airports, will greatly enhance the passengers' Airport experience.

Mr. Potter noted that a new series of radio advertisements designed to highlight Dulles International's new services and destinations, particularly in the international area, would soon be broadcasted.

Mr. Potter reported that Ms. McKeough would discuss slot reallocations as a result of the ongoing airline merger, the Airport Use and Lease Agreement negotiations with the airlines and further enhancements to Airport facilities and services in her report.

Mr. Chapman inquired whether the perimeter rule at Reagan National had been discussed during the recent meeting with Senators Kaine and Warner. Mr. Potter stated that the perimeter rule and the FAA Reauthorization Bill to be considered for 2015 had been discussed. With respect to the perimeter rule, he had informed the congressional delegation that the Authority believed that it should not be further relaxed. The recent mergers and past FAA reauthorization bills had taxed Reagan National's ability to accommodate the number of passengers now using the facility. At those meetings, Mr. Potter had stated that the Authority would also oppose any additional slots at Reagan National for that reason.

Mr. Session inquired about subsequent events that needed to occur since the Authority had received its official invitation to apply for the TIFIA loan, as well as the timeline to complete the process. Mr. Potter stated that the Authority is working with its partners to submit the formal documentation and formal application, which would likely occur within the next 30 days. He noted that the Fairfax Board of Supervisors would need to get approval from its Board before its formal submission. Mr. Potter stated that depending on the Fairfax Board of Supervisors' approval, the formal application would be submitted to the Committee at the US Department of Transportation in April for approval. The Authority could then seek out and execute available loans. Andy Rountree, Vice President for Finance and Chief Financial Officer, would provide additional details at the day's Finance Committee Meeting, if needed.

Mr. Conner congratulated Mr. Potter on meeting the March 1 deadline for completing the Terminal A security area at Reagan National. Mr. Potter thanked the Authority Engineering staff and Clark Construction who had worked hard to accomplish the goal.

b. Executive Vice President's Report

As Mr. Potter had mentioned, Ms. McKeough reported that she would provide a briefing on the status of the negotiations with the airlines on the Use and Lease Agreement later that day at the Strategic Development Committee Meeting.

Ms. McKeough reported that as part of the American-US Airways merger, the new American (American) was required to divest slots. The new American had recently announced that it had agreed that Southwest, jetBlue and Virgin American would receive the divested slots. Ms. McKeough reviewed charts that depicted the airlines' market shares prior

to the divestiture and the impacts it would have on the changing market conditions at Reagan National. Prior to the merger and divestiture, American Airlines and US Airways had shared approximately 67 percent of the market. Once the new divestiture is complete and new services began, jetBlue and Southwest would increase their market share by 3 percent and 7 percent, respectively. Virgin America would offer five total flights and represent 1 percent of the market share. Other carriers would comprise the remaining 25 percent, with Delta Airlines representing 12 percent with the second-highest market share.

Ms. McKeough reported that the Authority anticipated that the planned changes will have a significant impact at Reagan National and the shift in the two-airport system will likely continue. As many as 2 million additional passengers are expected to use the facilities at Reagan National as a result of the divested slot changes. Since the shift of passengers between Reagan National and Dulles International is expected to continue, it will have a negative impact on Dulles International. Ms. McKeough reported that attention is being dedicated to this important business priority in 2014 through the Use and Lease Agreement negotiations.

Ms. McKeough reported that another component of the divestiture is space at Reagan National. The new American was also required to relinquish five gates as part of its settlement agreement with the Department of Justice (DOJ). Once the new American had announced the airlines that would receive the divested slots, staff had prepared an analysis of Reagan National to accommodate the increased services and announced the space reallocation plan to the impacted airlines and DOJ. Ms. McKeough reported that Southwest would be the major tenant in Terminal A. To accommodate its growth, Southwest would get three additional gates, which would increase the total gates it operated in Terminal A to six. Ms. McKeough reported that staff is working with jetBlue so that it can relocate to the center pier. She noted that Virgin America would remain in the center pier. Once these changes are implemented, availability for increased airline services at Reagan National would no longer exist. The inability to accommodate additional growth would also be included in the Use and Lease Agreement negotiations.

Ms. McKeough reported that airlines had begun to announce how they will use their new slots. jetBlue had announced it would use six of its 12 slots for service to Charleston, SC; Hartford, CT; Tampa, FL; and possibly Nassau, Bahamas. While Southwest and Virgin America had not announced their schedules, both airlines plan to serve Dallas Love Field.

Ms. McKeough reported that staff would continue to monitor these developments.

Ms. McKeough reported that the January air traffic statistics had been provided for the day's Meeting. She noted that due to the weather-related events, a decline in operational activities had occurred during the first quarter of 2014. For January, aircraft operations had declined at Reagan National and Dulles International Airports by 7 percent and 8 percent, respectively.

Mr. Adams noted that other jurisdictions had exceeded their allotted budgets for snow removal and inquired about the status of the Authority's budget for that purpose. Ms. McKeough reported that the Authority had also exceeded its budget and that Mr. Rountree would present detailed budget information pertaining to the impact of weather-related events later at the day's Finance Committee Meeting. She noted that several alternatives would be considered when balancing the Authority's budget. Although reserve funds are available, every effort would be made to decrease costs in other areas and reprogram other operating funds to determine how other expenditures could be absorbed. The last alternative would be to adjust airline rates and charges at mid-year, which is permitted through the Authority's cost recovery business model.

Ms. Merrick stated that some roads had sustained lots of damage as a result of the recent winter weather and asked about the impacts on Authority roads. Ms. McKeough responded that all potholes would be addressed throughout the Authority's roadway system during the spring but that Authority staff had been working, when temperatures permitted, to fix them on a regular basis.

Mr. Carter inquired about some of the biggest challenges that the Authority would face as a result of the slot divestitures. Ms. McKeough responded that she believed that staff had made good strategic choices to keep the TSA wait lines in check and hold rooms within appropriate levels from an occupancy standpoint. She reported that staff had begun to consider parking options to increase capacity, which are limited since the garages could not be expanded physically due to height restrictions. Ultimately, the hold rooms would be more crowded and traffic and congestion would exist at the curbs. Mr. Potter reported that discussions would be held with the airlines in an attempt to determine the future capital plans for Reagan National. He noted that options, such as replacing Terminal A and constructing a commuter facility, would also be explored

once all of the changes resulting from the slot divestitures had been implemented.

Mr. Conner reported that as a result of the FAA reauthorizations, extended perimeter rules and increased slots, the traditional airport system of Reagan National and Dulles International initially intended to complement each other, had become competitive. He recalled that because the Authority had no supporting facts that the prior FAA Reauthorization would shift passengers from Reagan National to Dulles International, staff had not been successful in presenting the argument to the congressional delegation. Mr. Conner stated that the Virginia and Maryland congressional delegation had always been supportive in resisting the changes in the FAA Reauthorization because of the competitive impact on Reagan National and Dulles International. He thanked staff for its work thus far on such an evolving issue.

IV. NEW BUSINESS

a. Recommendation Regarding Selecting Book-running Senior Manager, Co-Senior Manager and Co-Managers for the Airport System Revenue and Refunding Bonds, Series 2014A

Mr. McDermott stated that he had a conflict of interests in this matter because his wife owns a Substantial Financial Interest, as defined in Section 3(e) of the Code of Ethics. He reported that he had executed a recusal agreement with Naomi Klaus, the Ethics Officer, and the Secretary to the Board. He had asked the Secretary to file his recusal agreement in the Board's official records; a copy is attached. Mr. McDermott stated that he would step back from the Board table while this matter is considered.

Mr. Curto then moved the adoption of the following resolution, which was unanimously approved by 14 Directors (excluding Mr. McDermott who was not present at the Board table):

WHEREAS, The Metropolitan Washington Airports Authority (the "Airports Authority") is preparing for the issuance of its Airport System Revenue and Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), which may be issued in one or more series or subseries;

WHEREAS, In Resolution No. 12-10, the Airports Authority selected a syndicate of investment banking firms to serve as underwriters in connection with financing the costs of certain capital improvements related to the Capital Construction Program (CCP);

WHEREAS, To facilitate the issuance of the Series 2014A Bonds, among other things, the Airports Authority issued a Request for Proposals (RFP) in February 2014;

WHEREAS, The RFP was distributed to the nine investment banking firms that comprised the Aviation Enterprise (AE) Underwriting Syndicate that the Board of Directors had selected in April 2012;

WHEREAS, The RFP requested that interested firms respond to a series of questions relating to the financing of the CCP, including questions asking for the firms' views and recommendations regarding the issuance of long-term fixed rate revenue and refunding bonds;

WHEREAS, All of the nine AE Underwriting Syndicate firms responded to the RFP; eight of which requested consideration as Senior Book-running Manager or Co-Senior Manager, and one of which requested selection as co-manager only;

WHEREAS, The Technical Evaluation Committee (TEC), including non-voting members, reviewed the RFP responses submitted by these firms and, using criteria in the RFP, evaluated the firms based on their responses to the questions that the RFP posed;

WHEREAS, The results of the TEC's review of the RFP responses that addressed the subject of long-term fixed rate revenue and refunding bonds were presented to the Finance Committee at its March 2014 meeting, following which the Committee made recommendations to the Board of Directors;

WHEREAS, The Board of Directors has reviewed and accepted these recommendations of the Finance Committee; and

WHEREAS, The Airports Authority desires to select certain firms from this syndicate of investment banking firms to serve as a book-running senior manager, a co-senior manager and co-managers for the Series 2014A Bonds; now, therefore, be it

RESOLVED, That Bank of America Merrill Lynch is selected as Book-running Senior Manager; Citigroup Global Markets Inc. is selected as Co-Senior Manager; and Barclays Capital Inc., Davenport & Company LLC, Loop Capital Markets LLC, Raymond James & Associates, Inc., Siebert Brandford Shank & Co., LLC, US Bancorp Municipal Securities Group and Wells Fargo Securities are selected as Co-Managers for the Series 2014A Bonds.

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

b. Recommendation on the Proposed Amendment to the Airports Authority Statement of Functions

Mr. Williams reported that the Human Resources Committee had held its first meeting that morning. The Committee had met in executive session to discuss personnel matters. In regular session, Mr. Potter had presented the proposed amendment to the Statement of Functions, which the Committee had approved. Mr. Williams then moved the recommendation to amend the Statement of Functions, consistent with the changes presented to the Human Resources Committee, which the Board unanimously approved.

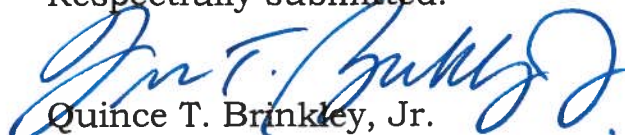
V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Meeting was thereupon adjourned at 10:20 a.m.

Respectfully submitted:


Quince T. Brinkley, Jr.
Vice President and Secretary

approved 4/16/14

MWAA Board of Directors Recusal Agreement

FROM: William Shaw McDermott

TO: Naomi Klaus, Ethics Officer

This is to affirm that I am disqualified from participating in the following Authority matter(s) due to my substantial financial interest in the business below:

Authority Transaction or Matter	Disqualifying interest
Selection of Book-running Senior Manager, Co-Senior Manager, and Co-Managers for the Airport System Revenue and Refunding Bonds, Series 2014A	Spouse holds ownership interest greater than \$15,000 in one offeror

In accordance with the Authority's Code of Ethics for Members of the Board of Directors, I am recused from participating in the above-listed matters. My recusal prohibits me from approving, disapproving, making, undertaking, influencing, or attempting to influence any action or decision of the Authority with regard to the above-listed Authority matters, or any other Authority matters that may involve or affect the particular offeror.

For the purpose of this recusal, the Board Secretary has been advised of the identity of the particular entity and to screen incoming matters to ensure that such matters relating to the above-listed interests are not brought to my attention.

I will seek the assistance of the Ethics Officer if I am ever uncertain whether or not I may participate in a particular matter.



Signature of Director

19 March 2014

Date



Signature of Board Secretary

19 March 2014

Date



Signature of Ethics Officer

3/19/14

Date