



BOARD OF DIRECTORS MEETING

Minutes of February 6, 2008

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:05 a.m. Eight Directors were present during the meeting:

H.R. Crawford, Chairman
James L. Banks, Jr.
William W. Cobey Jr.
Anne Crossman

Leonard Manning
Michael O. O'Reilly
Mame Reiley
David G. Speck

The Secretary and the following Officers were present:

James E. Bennett, President and Chief Executive Officer
Margaret E. McKeough, Executive Vice President and Chief Operating Officer
Edward S. Faggen, Vice President and General Counsel

I. COMMITTEE REPORTS

a. Planning and Construction Committee

In Mr. Epstein's absence, Mr. Cobey reported on the Committee's regular monthly meeting on January 16.

The Committee considered two matters.

Frank Holly reported on the CCP. He reported favorable, within-budget construction bids had been received on the Reagan National parking garage expansion project and on the Dulles International Arrivals Building project. Construction should be underway on both projects in the near future.

Steve Smith briefed the Committee on the concept plan that's been developed for a new rental car facility at Dulles, which is designed to handle an annual passenger volume at Dulles of 45 million annual passengers (MAP). This concept plan will be used in any future discussions between the Authority and representatives of the rental car companies regarding the terms of the business agreement that will govern the facility's construction.

Mr. Smith highlighted the more significant features of the concept plan: (1) a three-story structure; (2) a design that will allow a sizable facility expansion in the event Dulles moves well past 45 MAP; (3) off-site construction that will be necessary to accommodate continued operations of the rental car companies' business during construction of the new facility (e.g., relocation of the economy "blue lot"); (4) a price tag of over \$185 million for the rental car facility itself, and over \$25 million for off-site "enabling projects" associated with the facility; and 5) a 4.5 year-construction period.

Mr. Cobey reported that the Committee concurred with the concept plan and noted that the staff's next step would be to begin negotiating the terms of a business deal that would address the delivery of this new facility. Any such business agreement would fall within the jurisdiction of the Business Administration Committee.

b. Business Administration Committee

Mr. Manning reported on the Committee's regular monthly meeting on January 16.

Steve Baker presented the monthly contracting reports for November and December 2007 and reported that the Authority had awarded a total of \$34 million in contracts for those months. The largest single award for the two months had been for task order construction contracts at Dulles. Year-to-date LDBE contracts totaled \$112 million, or 34 percent, of the non-federally assisted contracts. Year-to-date DBE contracts totaled \$2.6 million, or 66 percent, of the federally-assisted contracts.

Mr. Baker also reported that each year the FAA requires airports to report on their DBE requirements. In 2006, although the Board established a goal of 25 percent for new 2007 federally-assisted construction contracts, the Authority did not award any new federally assisted contracts in 2007. However, the ongoing fourth runway project at Dulles is currently achieving a 27 percent DBE participation. Mr. Baker also reported that although the Taxiway Q project was eligible for federal funding, no federal funds were received. The project was then awarded under the Authority's LDBE program and received 100 percent participation.

Lastly, since Mr. Crawford would no longer serve as Chairman of the Business Administration Committee, he said that it had been a pleasure working with Mr. Baker and his staff and thanked them for their professionalism.

c. Finance Committee

In Mr. Brown's absence, Mr. Speck reported on the Committee's regular monthly meetings on December 19, 2007 and January 16, 2008.

December 19, 2007, meeting

At its December 19 meeting, the Committee received a report on the November 2007 financials. Mr. Speck reported that revenues for November were \$43 million and year-to-date revenues were \$471.8 million, a 10.4 percent increase over the same period in 2006, including an \$18.3 million increase in year-to-date concession revenue. November operating expenses were \$39 million and year-to-date operating expenses are \$387.6 million. Year-to-date operating income for November was \$41.7 million, and net income was \$62.4 million.

Mr. Speck reported that when comparing the operating data through November (91.7 percent of the year) to the budget, revenues are at 87.5 percent of budget and expenses are at 84.1 percent. Year-to-date net remaining revenue is estimated at \$132 million. Construction activity for the month was \$70.4 million and has reached \$663 million through November.

In executive session, the financial advisors for the Dulles Corridor reported on the current activity, including the feasibility study, for the Dulles Toll Road.

January 16, 2008, meeting

At its January 16 meeting, the Airport financial advisors discussed the Authority's outstanding auction rate notes (ARNs), and reported that recent activity in this market had priced the ARNs at 184 to 257 basis points over the short-term tax-exempt index. Based on these reports and the results of liquidity bids that the Authority had received, the Finance Committee directed staff to move forward to convert the ARNs to Variable Rate Demand Obligation bonds (VRDOs). Wachovia and Regions Bank/BLB will provide the liquidity for the VRDOs. The financing documents will be on the agenda for the February Finance Committee meeting.

d. Strategic Development Committee

Mr. Cobey reported on the Committee's regular monthly meetings on December 19, 2007 and January 16, 2008.

December 19, 2007, meeting

At its December 19 meeting, the Committee first received a briefing on the Registered Traveler (RT) program from Chris Browne, who addressed the genesis of the program, a small pilot program project that took place in 2005, the program's general characteristics, its interoperable features, the program requirements imposed by TSA, the reasons for the airline industry's opposition to the program, and the program's pros and cons for passengers at the Authority's two airports.

Mr. Browne also reviewed TSA's current position that airport security procedures are not to be altered for RT passengers, notwithstanding that, as part of the RT program, these individuals have been pretty thoroughly vetted by the federal government and cleared through numerous federal data bases.

Mr. Browne conveyed staff's recommendation that the Committee approve the Authority's implementation of the RT program at both airports because it presents an opportunity for the Authority to enhance the airport experience of those passengers electing to enroll in the program, without negatively impacting the experience of non-RT passengers.

The Committee concurred in the staff recommendation, and agreed to consider the results of the RT procurement at its January meeting.

The Committee also received a briefing on the 2007 Performance Measurement Cockpit Report. Margaret McKeough summarized the purpose and format of the report, and reviewed some of its findings, which were based on 2006 data. She explained that the report evaluated Authority performance in four major areas in which it has established significant, broad goals for itself: customer service, finance, efficiency, and learning and growth. For each of these four areas, the report identifies both quantitative and qualitative performance measures -- all told 29 quantitative and 8 qualitative measures are identified. Then, for most of the quantitative measures, specific quantitative goals are set and used both to evaluate the Authority's performance during the year, and to compare the Authority's performance with that of its peer. There are six airports used as peers for Reagan National, and 16 for Dulles.

Based on 2006 data, Reagan National met or exceeded 17 of its performance measure goals, and did not meet the remaining five; Dulles met 13 of its performance goals and did not meet 10.

Mr. Cobey reported that Committee members expressed their satisfaction with the report and the overall effort to evaluate the Airports' performance.

With respect to air service, Mark Treadaway briefly addressed the FAA process for allocating the six slots at Reagan National recently freed up by Air Tran. Mr. Treadaway also reported on recent discussions staff have had with a number of international air carriers. Further, he presented the final 2008 Comprehensive and Annual Air Service Plan, which the Committee accepted.

January 16, 2008, meeting

At its January 19 meeting, the Committee received a briefing on the Registered Traveler procurement from Chris Browne. Mr. Browne presented the staff recommendation that Verified Identity Pass be awarded this three-year contract, with two one-year options. As background to and in support of the recommendation, Mr. Browne reviewed the history of the RT procurement; reviewed the requirements of the RFP and the terms of the proposed RT contract; reviewed the makeup of the staff technical evaluation committee (TEC); reviewed the process used by the TEC, the RFP's evaluation criteria, and the TEC's scoring of the proposals submitted by the two offeror firms; and reported that the TEC rated Verified Identity Pass significantly higher than the other offeror.

By motion unanimously adopted, the Committee accepted the staff recommendation and recommended to the Board that it approve the selection of Verified Identity Pass to deliver an RT program at Reagan National and Dulles Airports.

Following Mr. Cobey's presentation, the Chairman asked when the RT program would be implemented at both Airports. Mr. Bennett responded that the program would likely become operational in March. He noted that within the next several weeks, Verified Identity Pass would organize press events at both Airports to introduce the program to the community.

The Chairman also inquired about the cost of the RT program, and Mr. Bennett responded that it would cost passengers \$99 to enroll in the program and an additional \$28 for TSA's application fee to perform the background investigation.

e. Audit Committee

Mr. O'Reilly thanked Mr. Cobey for his excellent leadership last year as Chairman of the Audit Committee. He then reported on the Committee's regular monthly meeting on December 5, 2007.

PricewaterhouseCoopers, the Authority's financial statement auditors, presented the 2007 Audit Plan, including a list of deliverables and a summary of required communications. Mr. O'Reilly noted that the schedule anticipated that the Audit

Committee would receive the preliminary results of the audit on March 5 and the Management Letter comments on April 2.

Mr. O'Reilly then reported that PricewaterhouseCoopers had confirmed that the firm did not have any relationships that may reasonably be thought to bear on its independence in performing audit services for the Authority.

The Committee also considered several recommendations to improve controls and financial results for a large revenue producer at Dulles. Mr. O'Reilly reported that the Committee understood that management would follow up on this review and that its progress would be discussed at a future meeting.

f. Information Technology Committee

Ms. Crossman reported on the Committee's regular monthly meeting on January 16.

At that meeting, staff had explained a revised evaluation approach for the ERP RFP. Ms. Crossman noted that the Committee raised some questions about one part of the approach. She recently met with staff and all questions were resolved to her satisfaction. Staff would soon provide the ERP RFP to the Committee for review and approval.

II. MINUTES OF DECEMBER 5, 2007, BOARD MEETING AND JANUARY 16, 2008 SPECIAL BOARD MEETING

The Chairman called for approval of the minutes of the December 5, 2007, meeting, and January 16, 2008 special meeting, which were unanimously adopted.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett reported on a number of items.

B Concourse Extension. Mr. Bennett reported that the 15-gate B concourse extension at Dulles had opened on schedule on January 15. JetBlue, Virgin America and AirTran Airways had moved into the new space on opening day; Delta had moved in on February 1; and American Airlines will move in on March 1. He noted that the relocation of these airlines from the center of the B Concourse has made available space for some of the international carriers to now relocate.

Mr. Bennett also reported that four airlines are now developing plans to develop airline clubs in the B Concourse. Lufthansa and Qatar Airways are designing new clubs to be located at the east end of the B concourse next to the train station that is being constructed between the B and A concourses. British Airways and American Airlines are designing new clubs for on the west end of the B Concourse near the new train station. Mr. Bennett noted that the new clubs will replace existing clubs on the D concourse. Once British Airways completed its new clubs, it would relocate its operations to the B Concourse. Mr. Bennett congratulated Chris Browne and his team for their success in accomplishing the overnight change. He also noted that Frank Holly and his team had assisted with the last-minute transitioning details. He encouraged Directors to tour the B Concourse at Dulles and noted that he believed the look was one desired for all future Authority facilities.

Mr. Bennett reported that, on February 1, the Authority transitioned into the new taxi contracts at Dulles. The overnight transition had gone well and taxi service was not impacted by the changeover. He noted that, while three separate contractors now provided taxi service at Dulles, the Authority provided curb management and dispatching functions through a separate contractor. Additionally, a new automated vehicle identification system had been added to track performance and to assist in dispatching. As a part of the system, all taxi vehicles are tagged with electronic identification tags and monitored by sensors around the Airport, which allows for better management of the taxicab fleet. Mr. Bennett reported that the new system was working well and provided for a better level of accountability and control.

Dulles Metrorail Update. Mr. Bennett reported that recent days had been fast paced dealing with the rail project. He noted that media reports had fairly accurately reported the actions that had occurred at the January 24 meeting with Federal Transit Administration (FTA) officials, Virginia congressional delegation and Governor Kaine.

Mr. Bennett reported that on February 1 the Authority had submitted a very detailed response to issues and questions that had been raised by FTA at the January 24 letter and in a letter following the meeting. He noted that the FTA was actively reviewing the submission, and that he had encouraged the agency to inform the Authority if any additional information or clarification was needed. Mr. Bennett reported that he anticipated receiving an indication within the month whether the Authority has addressed FTA's issues. He thanked the Rail Team for its effort in responding to FTA's letter.

Dulles Construction Update. Mr. Bennett reported that the Authority had received bids for the expansion of the National Airport parking garage and the expansion of the International Arrivals Building (IAB) at Dulles. He noted that both bids were now

in the evaluation process and that construction would likely begin April 1. The expansion of the parking garage would result in an additional level being added. In preparation for the expansion, additional surface parking on the south end of the Airport will be provided and will serve as temporary parking to replace parking that will be lost during the garage expansion.

In preparation of the Dulles IAB expansion, Mr. Bennett reported that demolition of several maintenance facilities had begun so that contractors could begin the expansion project.

Virginia General Assembly. Mr. Bennett reported that the Authority had begun its annual outreach program with members of the Virginia General Assembly. Several Directors had participated in recent events, and others were scheduled to attend future events. In working with the Chairman, Mr. Bennett reported that the Authority had hosted similar outreach activities for members of the District of Columbia Council and had provided updates on both Airports and on the Dulles Rail project. He thanked all participants, and noted that the sessions had been productive.

State of the Authority Presentation. Mr. Bennett reported that he would appear before the Council of the District of Columbia on February 14 to present the annual State of the Authority presentation. The Chairman would likely join him.

Mr. Speck reported that he had recently read a newspaper article about parking issues at other airports and steps that could be taken to address those issues. He noted that one of the recommendations had been on-line reservations, with an associated fee. He inquired whether the Authority had explored the on-reservation possibility. Mr. Bennett explained that Reagan National's valet parking included an on-line reservation option, but that it had not been considered for general parking. Mr. Speck then circulated the article. Mr. Bennett noted that "real-time" inventory was now captured on the Authority's website, which allowed passengers to learn about parking availability prior to arriving at the Airport.

Mr. Speck inquired whether Mr. Bennett was aware of any airports comparable to the size of either Reagan National or Dulles which had adopted a "no-smoking" campus. While he realized that smoking was not permitted in the buildings, he had noticed a group of smokers who gather immediately outside as passengers exit the baggage claim level of Terminal C. He noted that NOVA Hospital now had a no-smoking policy for the entire campus and was curious if any airports had considered the same policy. Mr. Bennett said that he was unaware of any Airports where smoking was prohibited outside, but that staff would research the issue.

Ms. Crossman suggested that the Authority consider changing the placement of Metro signage. She reported that her husband had recently arrived at Reagan National late one night and had been unable to find the Metro Station. As a result, he boarded an Authority-operated bus, and was surprised to learn that the bus driver was unaware of the Metro Station's location. Perhaps signage was not a problem for passengers who frequented the Airport, but Ms. Crossman noted that it may be for others. Mr. Bennett said that the signage issue would be revisited.

b. Executive Vice President's Report

Ms. McKeough reported that the U.S. aviation industry experienced a decline in passenger activity levels in both November and December 2007, as did Reagan National and Dulles.

She reported that in November 2007, the industry had experienced a decline of less than 1 percent. Approximately 1.5 million passengers utilized Reagan National, a decrease of about 1.5 percent over November 2006.

At Dulles, Ms. McKeough reported, over 1.9 million passengers were served in November 2007, a decrease of more than 1.5 percent over November 2006. Domestic flights were largely responsible for this decrease since international flights had increased by 14 percent. Cargo activity at Dulles also decreased in November, declining about 7 percent compared to November 2006.

In December 2007, both Airports had experienced a decline greater than the 3 percent decrease for the U.S. aviation industry. Reagan National served 1.3 million passengers, a decrease of 100,000 (7.6 percent) compared with December 2006. The decrease, she noted, was due in part to weather conditions that affected the markets served by Reagan National.

At Dulles, Ms. McKeough reported that 1.9 million passengers were served in December 2007, a decrease of about 100,000 (5 percent) compared with December 2006. She noted this decrease at Dulles was mostly attributed to a reduction in domestic operations. In fact, international traffic increased 13 percent in December 2007 over December 2006, while domestic activity had decreased 10 percent. Cargo activity at Dulles also decreased by 10 percent in December from a year earlier.

Turning to data for all of 2007, Ms. McKeough reported that Reagan National served a record-high total of 18.7 million passengers in 2007, an increase of 100,000 compared to 2006. At Dulles, 24.7 million passengers were served in 2007, an increase of 1.7 million compared to 2006 that resulted largely from an increase in

international activity. About 6 million international passengers had been served in 2007, an increase of 14 percent compared to 2006. Overall, Dulles experienced a 7.5 increase in 2006 compared to 2006.

Ms. McKeough recalled that the 2008 Business Plan included an objective to implement a more robust community exhibit program at both Airports, including an art component. She reported that the Authority would unveil exhibits, combined with an aviation theme, at both Reagan National and Dulles Airports to celebrate Black History Month.

At Reagan National, a photo exhibit of the Tuskegee Airmen and the celebration of the Airmen in their role of aviation in World War II would be displayed on the ground transportation level in Terminals B and C. On February 26, some of the Tuskegee Airmen would join the Authority to give a lecture, to which the public and area schools would also be invited.

At Dulles, South African Airways is working with the Authority to transport two South African artists who will perform live demonstrations on February 27 and 28 in the West Ground Transportation Center. The interactive experience with some of the Authority's school partners will allow the artists to teach the art form while they create dolls using the art of wirebending. Ms. McKeough noted that the dolls will be available for sale at some of the Airports' concessions through March. Additional information would be provided on the exhibits. She also noted that the Authority would continue to plan similar events as it worked to install a permanent art program at both Airports in 2008.

The Chairman suggested that reporters from Channel 16 and educational channels from Maryland and Virginia be invited to cover the Black History Month events.

IV. NEW BUSINESS

a. 2008 Business Plan

The Chairman asked whether certain items were included in the proposed 2008 Business Plan: (1) increased use of the Historic Terminal at Reagan National; (2) the possibility of advertising on Authority transportation systems to produce revenue; and (3) making both Airports more passenger-friendly. Ms. McKeough stated that each of these items was included in the Plan.

The Chairman asked whether it would be possible to retrofit mobile lounges to allow stranded passengers to deplane to take care of their immediate needs.

Ms. McKeough responded that the Business Plan included an objective for both Airport Managers to review the delayed stranded traveler program.

Mr. Speck observed that the Business Plan included the award of a Fixed Base Operator contract at Reagan National. He asked whether this was because the existing contract was expiring or general aviation was expected to expand. Ms. McKeough responded that the existing contract was expiring and needed to be addressed. Mr. Speck then asked about the Airline Use and Lease Agreement and inquired when it was last negotiated. Mr. Faggen started that the Agreement began in 1990, and it was reviewed continually. Mr. Bennett noted that the Agreement had recently been discussed and that staff would soon provide the Business Administration Committee with an updated paper identifying the issues that need to be renegotiated.

The Chairman thereupon moved the adoption of the 2008 Business Plan, which was unanimously adopted.

The Chairman reported that he hoped that Mr. Manning, in his capacity as the new Chairman of the Business Administration Committee, would meet with the Council of Governments to explore taxi reciprocity. The Chairman mentioned the one-day per week taxicab strike in the District of Columbia, and asked about its impact at Reagan National. Mr. Bennett responded that it had been monitored closely at Reagan National and the impact had been minimal because there were ample non-District taxi cabs to serve the public.

Mr. Speck asked whether taxi reciprocity would conflict with the existing taxi contracts at Dulles. Mr. Bennett responded that it would and, also, that taxi cabs not under contract with the Authority which picked up passengers at Dulles would be acting contrary to Authority rules and standards. He noted that it was a regional-wide issue that would need to be addressed by all jurisdictions.

The Chairman reported that he had met with COG officials, who were looking into the issue of taxi reciprocity. He then noted that Ed Faggen had also had discussion with the COG officials. Mr. Faggen reported that the reciprocal arrangements, which continued to be difficult issues, had been discussed for many years.

The Chairman noted that Mr. Banks now served as Chairman of the Public Safety Committee. He asked that Mr. Banks and Mr. O'Reilly, a member of that Committee, to present any available findings and recommendations about fire and police officers' compensation at the next meeting.

V. UNFINISHED BUSINESS

The Chairman reported that former Director Bob Rosenthal had suffered a major operation and was hospitalized in California.

VI. OTHER BUSINESS AND ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 9:55 a.m.

Respectfully submitted,



Philip G. Sunderland
Vice President and Secretary

Approved 3/5/08