BOARD OF DIRECTORS MEETING

Minutes of February 1, 2006

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 12:25 p.m. Ten Directors were present during the meeting:

Mame Reiley, Chairman
Robert Clarke Brown
William W. Cobey Jr.
Anne Crossman
Michael David Epstein
Weldon H. Latham
Leonard Manning
David T. Ralston, Jr.
Charles D. Snelling
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. MINUTES OF THE JANUARY 4, 2006 MEETING

The Chairman called for action on the Minutes of the January 4 Meeting and they were unanimously approved.

II. COMMITTEE REPORTS

a. Planning Committee

In the absence of Mr. Hazel, Mr. Cobey reported that the Planning Committee had met that morning and had first heard the Capital Cost Report, which had indicated costs were under control. The Committee had next heard an updated report on the mitigation the Authority must undertake to make up for stream impacts of the new runway at Dulles. Standards for mitigation had been changing, and the Corps of Engineers and the Virginia Department of Environmental Quality had just set the final permit standards. Mr. Cobey said it would come as no surprise that cost of mitigation had been going up, and was then estimated at between $15 and $20 million for the project. The Request for Proposals for stream mitigation could now be issued.

b. Business Administration Committee

In the absence of Mr. Crawford, Mr. Speck reported that the Business Administration Committee had last met on January 18. The Committee had first heard from Christopher Browne, Vice President and Airport Manager, on the report of a selection panel on the Dulles taxicab concession. The prevailing firm had been Dulles Taxi Systems, Inc., the incumbent. Criteria for the selection had been reviewed by the Committee before, and had adequately emphasized providing the best possible service to the Authority's customers.

The contract would be for two years with three one-year extension options, and would require payment of a minimum annual guarantee or 20 percent of gross revenue, whichever was greater. The current contract had provided the Authority with revenues of $4 million; the new contract would bring in more than $6 million.

The Committee had been impressed with the quality of the staff report; documentation of the selection process had been quite detailed and explicit. Members of the Committee had not had any concerns about it and had voted unanimously to recommend the award to the Board.

The Committee had also heard a report on some construction work that had been contracted out to Landow and Company Builders, which was affiliated with Landow Aviation Limited Partnership. Landow Aviation was developing general aviation hangars at Dulles, and the staff had decided to let it contract for some of the Authority's share of the work through its construction firm. This meant the project had been awarded without competition, which required Board approval.

The project itself had consisted of drainage work and a haul road, and would cost $975,000. The arrangement appeared to be to the Authority's advantage, and the Committee therefore recommended that the Board approve the project after the fact.

Steven Baker, Vice President for Business Administration, had reported that in federal fiscal year 2005, which had ended September 30, participation of Disadvantaged Business Enterprises ("DBEs") in the terminal concession program had reached 27.8 percent of gross receipts at Reagan National, or $21 million, up 17 percent from the FY2004 levels. At Dulles, the comparable figure had been 37.9 percent, or $39.8 million, up 34 percent from FY2004.

Mr. Speck reported that figures in the annual report to the Federal Aviation Administration on the 2005 DBE participation rate in federal-aid contracts had indicated the Authority had reached 36.1 percent on a 25 percent goal. The total amount had been $22 million.

The Committee had also heard a "look-ahead" report on plans to solicit for broker services for both the operational and owner-controlled wrap-up insurance programs. The selected criteria had been appropriate, and the Committee had concurred in the issuance of a Request for Proposals.

Finally, Mr. Baker had reported that the Authority had awarded about $515.8 million in contracts during 2005. He also noted that 42.7 percent of the $489.7 million in non-federally assisted contracts had been awarded to LDBE firms, a total of $209 million.

c. Strategic Development Committee

Mr. Brown reported the Strategic Development Committee had last met January 18, as usual in executive session. The principal elements of discussion during the air service development report had been the Independence Air shutdown and other carriers' reactions. He said that United Airlines, still the principal carrier at Dulles, would be coming out of bankruptcy the day of the meeting. Mr. Brown added that he expected Mr. Bennett to report on United's proposed acquisition of the Dulles A Gates through the Independence Air bankruptcy court.

The Committee had also heard an updated report for the Legislative Strategic Plan reflecting the Board's decision to operate the Dulles Toll Road, which Mr. Brown characterized as likely to be the most important development of the coming year.

d. Finance Committee

Mr. Snelling said the Finance Committee had last met January 18. The Committee had heard the regular monthly report of the Financial Advisors, which had addressed the successful January 12 bond sale. Proceeds of the $300 million Series 2006A Bonds had been used to refund $165 million of outstanding commercial paper and to provide an additional $95 million in new construction and capitalized interest funds. The retail pre-order period had been held January 11; less than one percent of the bonds had been sold retail, reflecting their long structure, with a serial maturity in 2030, and term bonds in 2031 and 2035. On the sale date, the remaining bonds had been four times oversold, showing solid interest in the Authority's finances. The bonds had been insured by FSA and the true interest cost had been 4.966 percent. The closing had been January 25. Mr. Snelling said that the Chairman and he had been able to participate in the pricing on a conference call, and that the Vice Chairman had signed the bond purchase agreement.

At the request of the Committee, the staff had presented a paper on operational liquidity that focused on "day's cash outstanding" and "cash to debt ratio". The Authority had compared well when benchmarked to other airport operators, with 354 days of cash on hand. The Committee had asked that the operational liquidity rates be included in the quarterly report on investment activities. For the liquidity of construction funds, the Authority relied on a bank letter of credit in commercial paper. After the bond sale and the refunding note mentioned earlier, the Authority had $400 million of commercial paper available for construction needs.

As discussed at prior meetings, the Committee had not reviewed the year-end financial reports because the books needed to stay open weeks longer than normal to deal with year-end accruals and other adjustments. Lynn Hampton, Vice President and Chief Financial Officer, had reported that December revenue had continued the strong 2005 performance, but that December accounting adjustments would probably produce negative operating income for the month. She expected that 2005 net income would be about $80 million.

e. Audit Committee

Mr. Speck reported that the Audit Committee had met on January 18. Valerie Holt, Vice President for Audit, had presented the 2006 risk assessment audit plan.

III. NEW BUSINESS

Mr. Speck moved the following resolution, which was unanimously adopted with ten affirmative votes as Resolution No. 06-3:

a. Authorization of a Sole-Source Contract Award to Landow Aviation Limited Partnership

WHEREAS, The Authority in 2002 authorized the development of four hangars and associated aprons by Landow Aviation Limited Partnership;

WHEREAS, By Supplemental Agreement with Landow in October 2004, the Authority was committed to construct several infrastructure projects for the hangar project, including a taxiway stub and an extension of utilities to the lease limits;

WHEREAS, Staff found it prudent to allow the drainage work on its share of the project to be constructed by Landow, both to reduce costs and provide for coordinated construction with Landow's own storm water construction work; and

WHEREAS, This construction to be completed by Landow & Company Builders on the Authority's behalf was approved without competition and therefore required the approval of the Board of Directors; now, therefore, be it

RESOLVED, That the additional work to be completed by Landow & Company in the first quarter of this year is hereby approved, consistent with the terms reported to the Business Administration Committee at its January 18, 2006 Meeting.

IV. INFORMATION ITEMS

a. President's Report

Mr. Bennett noted, as Mr. Brown had previously, that United Airlines would be coming out of bankruptcy later in the day, and said the four-year Chapter 11 proceeding had been very difficult for the company. He cited a WASHINGTON POST article that had quoted Glenn Tilton, Chairman, Chief Executive Officer and President of United, on the strength and importance of the Dulles market in United's future. United would also later in the day acquire rights to use the A Concourse from Independence Air. Atlantic Coast had operated there as United Express before it had dropped the United connection and begun operation as an independent airline. United would then move its regional services from the G Concourse back into the A Concourse, a major improvement for the passengers. Once the transition was complete, the Authority would proceed with the demolition of the temporary G Concourse.

The Authority's proposal to operate the Dulles Toll Road and build the Metrorail extension to Dulles had been developing support within business groups. Mr. Bennett had been busy making presentations to economic development groups and chambers of commerce around Northern Virginia. So far the overall reaction had been that the Corridor was critical to the business community, and that the Authority's proposal was the most certain way to complete the rail. The Commonwealth had not yet provided a schedule for evaluating the Authority proposal.

Finally, Mr. Bennett reported that on February 17 the House Committee on Government Reform would hold a field hearing at Dulles to review how the Government funded inline baggage screening systems and to explore options for changing the funding approach. Mr. Bennett said he had for several years been urging the Transportation Security Administration to reach an agreement with the Authority to fund inline baggage screening at both Airports, with little success. He had hopes that the hearing would improve the situation.

Mr. Speck asked about progress on a cell phone lot at Reagan National. Mr. Bennett said a proposal was under review by the engineers and planners.

b. Executive Vice President's Report

Ms. McKeough reported on the December traffic statistics. In that month Reagan National had served over 1.4 million passengers, a 10.5 percent increase over December 2004. The traffic level at Dulles had been just over 2 million passengers, nearly a 10 percent increase from the year before, chiefly because of Independence Air and the competitive response to its services. For the year, both Airports had set records. Reagan National had served 17.8 million passengers, an increase from 15.9 million in 2004 and a 12 percent growth rate. Dulles had served 27 million passengers, increased from 22 million in 2004, and an 18 percent increase.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 12:40 p.m.

Respectfully submitted:

Gregory Wolfe

Gregory Wolfe
Vice President and Secretary

approved March 1, 2006
GW

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