BOARD OF DIRECTORS MEETING

Minutes of February 4, 2004

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:10 a.m. Eleven Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
Mame Reiley, Vice Chairman
Robert Clarke Brown
H.R. Crawford
Mamadi Diané
John Paul Hammerschmidt
Weldon H. Latham
David T. Ralston, Jr.
David G. Speck
Charles D. Snelling
Jeffrey Earl Thompson

The Secretary and the following Officers were present:

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

I. MINUTES OF THE DECEMBER 3, 2003 MEETING

The Chairman called for the approval of the Minutes of the December 3, 2003 Meeting, which were unanimously approved.

II. COMMITTEE REPORTS

a. Business Administration Committee

Mr. Crawford reported that the Business Administration Committee had met twice, on December 17 and January 21, since the last Board Meeting. At both meetings, the Committee had spent a great deal of time on the United Airlines plans to build a temporary regional terminal at Dulles.

The project had been developed in a rush when it became clear that Atlantic Coast would no longer provide United Express regional services. It had also become clear that Atlantic Coast would not give up its Midfield A gates, so United needed both to find new United Express carriers and to build more gates.

Mr. Bennett had shared with the Committee many of the details of the agreements that had to be negotiated with United. Given that United remained in Chapter 11 reorganization, complex and unique terms were necessary to protect the Authority's interests.

Mr. Crawford said he understood that United had been cleared to begin construction, and might have started already. Mr. Bennett said that the codes department had issued building permits, and construction barricades had already gone up. Foundation work should have begun that week.

Mr. Crawford then reported that the Committee had reviewed health care program costs at its December meeting. Staff had presented a report comparing them to national trends and the Authority's own history. The numbers had demonstrated that the cost escalation in the Authority's program had been below the national average, and that the program adjustments made in 2002 had produced substantial savings.

In January, the Committee had considered a proposal to restructure the Airports Advisory Committee. For some time, the Advisory Committee had found it difficult to assemble a quorum for its monthly meetings, and it had not been providing any advice. The management alternative proposal was to appoint and call advisory committees to address particular questions. Initially, the current committee members would remain on call for the next two years. The Business Administration Committee had agreed with the proposed approach, and recommended the Board act to adopt it.

The Committee had also reviewed the Business Administration sections of the proposed Business Plan. There had not been any major changes.

Finally, Mr. Crawford observed that the regular monthly construction cost report was often updated and improved, but that its numbers basically indicated the same conclusion, that the construction program stays very close to its budget.

b. Finance Committee

Mr. Ralston reported that Finance Committee had also met twice since the last Board Meeting, on December 17 and January 21. At the December meeting, staff and the Financial Advisors had recommended a synthetic refunding of a portion of the Series 1994A Bonds through an interest rate swap. After much deliberation, the Committee had agreed to move forward with the swap, using the firms that had agreed to use the Authority's previous swap documentation. Those firms included Lehman Brothers, Merrill Lynch, Morgan Stanley and Bear Stearns.

Competitive proposals had been received on December 18. Lehman Brothers had provided the winning bid at 3.64113 and had received a notional amount of $113.95 million. Merrill Lynch and Bear Stearns had matched the bid and had each received a notional amount of $56.975 million. Bear Stearns had also been provided an incentive equal to approximately one basis point for its work on the deal. The 15-year swap had closed on January 6.

At the January meeting, the Financial Advisors had reviewed the 2004 plan of finance, recommending that the Authority proceed with a $250 million fixed-rate bond sale to lock in the current low interest rates. All firms in the underwriting team had been asked to submit a five-page summary of their views and recommendations on the plan of finance. At the February meeting, staff and Financial Advisors would make recommendations for underwriting the Series 2004 bonds.

At the December and January meetings the Committee had also reviewed the Authority's investment activities. Bond Counsel would be addressing a remaining question about the choice of investments for the proceeds of the Series 1998B bonds, reporting back at the February meeting.

The Committee had reviewed the 2004 Business Plan, and had asked that the plan of finance be upgraded to include expansion of the PFC line of credit.

Finally, staff had presented the preliminary financial statements for 2003. Revenues of $358.1 million had exceeded 2002 revenue by $20.7 million and had reached 98.2 percent of budget. Consolidated expenses had been $326.3 million, or 94.8 percent of budget, and had included $115 million of depreciation expense. Preliminary consolidated operating income was $31.7 million and preliminary net income was $20 million. Construction activity for the year had been $283 million, lower than anticipated because of inclement weather throughout the year and difficulties in awarding the automated people mover contract. Audited financial statements would be presented to the Committee in March.

c. Audit Committee

Mr. Thompson reported that the Audit Committee had last met on December 3. PricewaterhouseCoopers, the external auditors, had discussed plans for the calendar year and had presented recent developments related to auditing standards and assessments of the relevant risks of conducting a financial statement audit. The firm would report back to the Committee at the conclusion of the audit. The Committee had commended the Office of Telecommunications and Information Systems and the Office of Business Administration for their efforts to think through and put in place a new IT assets management plan.

In 2003, the Audit Committee had met six times.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett reported that since the President had signed the Federal Aviation Administration ("FAA") reauthorization act, 20 new slots had become available at Reagan National. An additional 2 slots, previously awarded to an airline that had failed to initiate service, had been returned. The FAA had a process for allocating the 22 slots to applicant carriers, who had sought a total of 72 slots. Of the 22 available, 12 were for flights beyond the 1250-mile perimeter; the other 10 were for flights within.

The airlines had applied for a total of 44 for beyond and 28 for within. Mr. Bennett said he expected the FAA to make a decision by the end of March.

Mr. Bennett then turned to air service developments. At Reagan National, on March 1 USAirways would begin replacing its turboprop aircraft with 50-seat or larger regional jets. The impact would be positive, with about 700 additional seats per day. At Dulles, on February 8, Frontier would begin twice daily service to Denver; on February 12, United would begin daily flights to Costa Rica; on February 14, United would begin Saturday only flights to Cancun; on February 20, United Express would begin daily service to Austin; on March 28, Alitalia would begin daily flights to Milan; on April 4, United Express would begin daily service to Minneapolis; and on June 10, United would begin daily flights to Zürich. Mr. Bennett observed that 2004 would be a good year for both Airports, assuming the economy continued to improve and the security situation did not change dramatically.

On January 1, the Bureau of Customs and Border Protection had initiated its "US-VISIT" program, initially an effort to track visitors to the United States from non-visa waiver countries. On arrival, visitors with visas are photographed and their two index fingerprints are electronically recorded. The second phase of the program, not yet implemented, would track the exit of the visitors, matching the photographs and fingerprints. So far there had not been significant delays for arriving passengers at Dulles. Delays might occur, however, during the peak summer months, particularly if the Bureau was unable to staff fully its entry booths.

The Capital Construction Program was moving forward at Dulles. A contract had been awarded to Smoot Construction to build the new air traffic control tower and work would begin in February. In addition, new ticketing kiosks at Dulles, under construction for two years, would open. After the airlines moved into them, work would begin to demolish and replace the last remaining original ticket kiosks.

The Virginia General Assembly was in session, and the Authority had held its annual Richmond breakfast on January 23. This year there was only one issue pending, related to the Authority's regulations on carrying firearms on airport property. Mr. Bennett said it would probably be necessary to revise those regulations to narrow their application somewhat.

The United States Court of Appeals for the 4th Circuit had affirmed the decision of the Eastern District of Virginia on the Dulles cab contract dispute. Mr. Faggen said the court had concluded that the award of the contract to DTS had been proper, and the decision had been favorable in many respects.

The Chairman said he recalled that the plaintiff, Washington-Dulles Transportation, Ltd., owed the Authority money from its former operation of the Dulles cab system. Mr. Faggen agreed, and said that it was being pursued in separate garnishment proceedings in Virginia and Ohio.

Mr. Bennett then reported that Daniel J. Feil, staff architect for Reagan National, would be taking early retirement to work as program manager for the Kennedy Center on its expansion project. He reminded the Directors that Mr. Feil had overseen the entire redevelopment of Reagan National.

In conclusion, Mr. Bennett addressed December traffic figures. Passenger counts at Reagan National had increased 4.1 percent, and on a year-to-date basis 10.4 percent. At Dulles, traffic had been off 2.6 percent for the month, and 1.7 percent year-to-date. The two Airports combined had handled 31.2 million passenger, up 1.1 million over 2002. Both Airports had outperformed the rest of the industry; nationally, domestic traffic had shrunk by 2.7 percent. Dulles had also slightly outperformed the national industry on international and transborder traffic for the year; it had declined 1.5 percent at Dulles, and 1.8 percent nationwide.

Mr. Latham asked if the number of security check points would be increased at Dulles. Mr. Bennett said there would be frequent movement of the check points as the main terminal station for the automated people mover was built. Recently, the center check points had been moved east; later, within six weeks, all points on the west end of the terminal would have to move east as well. Throughout the process the same number of checkpoints would be maintained.

Mr. Hammerschmidt asked about the attitude of the visitors from non-visa waiver countries to the US-VISIT requirements. Mr. Bennett said it appeared they had accepted them, and that he was not aware of any problems at Dulles. The more challenging issue would arise later in the year when the Department of Homeland Security planned to extend the program to foreign visitors who are not required to obtain a visa.

Mr. Speck asked if there had been any change in the status of restoring general aviation at Reagan National. Mr. Bennett said there had not, but noted that the FAA reauthorization act had required the Department of Transportation to develop a plan to allow general aviation back. From discussion with Administration officials, Mr. Bennett believed that general aviation would not return for some time.

Mr. Speck asked whether the Authority should try to change the status quo. Mr. Bennett said there was a concerted effort to do so under way in the general aviation industry, which the Authority had been supporting. He did not know what else could be done.

The Chairman suggested that the Planning Committee should address the general aviation issue. Mr. Speck said he believed in persistence. Mr. Snelling said the Authority's efforts had been "restrained and genteel". Mr. Brown asked how many slots had been allocated to general aviation; Mr. Bennett said 12 per hour, out of 62. Mr. Brown observed that 20 percent of the slots were for general aviation; if converted to air carriers, he asked, would there be sufficient gate capacity? Mr. Bennett said there would probably not be, although it would depend on which carriers got the slots and what types of aircraft would use them.

Mr. Diané said he had heard many complaints two weeks before when arriving international passengers had waited four hours to get through initial inspection, and then another two hours to get through a single Customs booth. Mr. Bennett said the Authority had worked with the Congress to assure there were enough inspectors present and offered to investigate the incident.

IV. UNFINISHED BUSINESS

There was not any unfinished business.

V. NEW BUSINESS

a. <u>2004 Business Plan</u>

The Chairman moved the adoption of the 2004 Business Plan, as it had been presented to the Board that day. His motion was unanimously adopted.

b. Selection of a Contractor to Operate and Manage the Public Parking Facilities and Shuttle Bus Operations at Reagan National

Mr. Crawford moved the following resolution, which was unanimously adopted.

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive evaluation of firms to operate and manage the public parking facilities and shuttle bus operations at Ronald Reagan Washington National Airport presented at its January 21, 2004 meeting, resulting in the selection of AeroLink Transportation, a 50/50 Joint Venture of Transportation Services, Inc. and Capital Transportation LLC; now, therefore, be it

RESOLVED, That AeroLink Transportation is hereby selected to manage and operate the parking facilities and shuttle bus operations at Ronald Reagan Washington National Airport; and

RESOLVED, That the President and Chief Executive Officer is authorized to negotiate and enter into a two-year contract with AeroLink Transportation for these services, with a three-year extension option, consistent with the Request for Proposals issued and the documentation of the contract terms presented to the Business Administration Committee.

c. Establishing a New System of Advisory Committees

Mr. Crawford moved the following resolution, which was unanimously adopted.

WHEREAS, The Airports Advisory Committee established by Resolution No. 92-20 has been unable to reach a quorum, despite a reduced level authorized in Resolution No.01-04;

WHEREAS, Members of the Committee have resigned, and replacements have not been appointed;

WHEREAS, The existing structure of the Committee has not been conducive to providing advice to the Authority and its management; and

WHEREAS, The President and Chief Executive Officer has recommended the Committee be reformed to be more useful to the Authority and more rewarding for the members of the Committee itself; now, therefore, be it

RESOLVED, That Resolution No.92-20 is hereby repealed;

2. That the President and Chief Executive Officer is authorized to develop new procedures for the convening of future Advisory Committees *ad hoc* to respond to specific requests for advice;

3. That the President and Chief Executive Officer is authorized to appoint members of future Advisory Committees with appropriate expertise from all jurisdictions of the metropolitan area; and

4. That the members of the existing Airports Advisory Committee will be appointed to any Advisory Committee constituted within two years of this date.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 9:45 a.m.

Respectfully submitted:

Gregory Wolfe

Gregory Wolfe
Vice President and Secretary

approved March 3, 2004
GW