



BOARD OF DIRECTORS MEETING

Minutes of February 5, 2003

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. Nine Directors were present:

Norman M. Glasgow, Jr., Chairman
David T. Ralston, Jr., Vice Chairman
Robert Clarke Brown
H.R. Crawford
Anne Crossman
John Paul Hammerschmidt
Weldon H. Latham
Mame Reiley
Jeffrey Earl Thompson

The Secretary and the following Officers were present:

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

I. MINUTES OF THE JANUARY 8, 2003 MEETING

The Chairman then called for the approval of the Minutes of the January 8, 2003 Meeting. They were unanimously approved.

II. COMMITTEE REPORTS

a. Finance Committee

Mr. Brown reported the Committee had last met January 22. The Financial Advisors had updated the Committee on the outlook for refunding and new money needs that would lead to new financings. Based on current liquidity forecasts and projected disbursements for the capital program, Mr. Brown said, it appeared new money would be required in mid or late summer.

Subsequent to the meeting, staff had spent a day in New York with Goldman, Sachs and Morgan, Stanley, the two firms appointed to be auction agents in the event the Authority engaged in auction rate financing. The Authority had not yet issued any auction rate securities, but other airport operators had, and the staff had been asked to look into it.

The Committee had also asked the staff Investment Committee to report on its use of investment products for the debt service reserve funds. The Committee had discussed approaches in the future, most likely to be taken at the time of pricing of new bond issues, when debt service reserve and possibly other funds might be put out for bid.

The staff Retirement Committee had asked that the Retirement Savings Program be modified to allow participants to borrow from their accounts for hardships or purchase of a principal residence. Such loans would have to be paid back in 5 years, or 29 years in the case of a residential financing. Mr. Brown said the changes would require Board action, and that he would have a proposed resolution to accomplish them.

Preliminary year-end financial reports showed operating income for the year at \$106 million, while net income, including the required accounting for the swap transaction and other charges, showed a loss of \$4.6 million. Mr. Brown observed that the swap would show unearned income when the rates were different. He also said he believed the Directors knew that the financial community understood the nature of the swap and its impact on financial statements.

Capital construction for 2002 had been \$295 million, about \$75 million below the projections at the beginning of that year. Mr. Brown observed that the numbers were

difficult to project and subject to change. Audited financials for the year would be available in March.

b. Audit Committee

Mr. Thompson said the Audit Committee was in the process of selecting external auditors. The staff had received proposals, and he hoped that other Directors would join the Audit Committee in interviewing them.

III. INFORMATION ITEMS

a. President's Report

Mr. Wilding reported that there had been competition for the use of several "beyond-perimeter" slots at Reagan National that Delta Air Lines had won to provide service to Salt Lake City. The new daily service had begun the previous Friday. A more recent competition for six "within-perimeter" slots had just been settled with the award of four of the slots to AirTran, a low-cost carrier that already served Dulles. The other two slots had been awarded to Corporate Airlines, a regional carrier allied with American Airlines. In the selection process, carriers had sought 28 slots where only the 6 had been available, suggesting there was still considerable competition for the limited resources at Reagan National.

Jet Blue would be adding an additional flight from Dulles to Long Beach, increasing its services there to seven departures per day.

Mr. Brown asked if AirTran would have much impact on fares at Reagan National; Mr. Wilding responded that two round trips per day would not, but that AirTran was just beginning there. Mr. Latham asked what points AirTran would serve; Mr. Wilding said the carrier had a choice of three points in Florida.

In November, Mr. Wilding had reported that the Federal Aviation Administration's Potomac Tracon had opened in Vint Hill, Virginia. Since then, terminal radar services from Dulles and Reagan National had been consolidated there. Richmond and Baltimore would be reassigned over the next thirty to sixty days.

Mr. Wilding noted that the President had submitted the federal budget for fiscal year 2004 to the Congress, and had included in it a \$3.4 billion authorization for airport grants, as well as \$4.8 billion for the Transportation Security Administration (“TSA”). The former maintained previous levels; the latter would assure the TSA could continue to operate at present levels.

The Bombardier protest on the people mover system contract had been pending Mr. Wilding’s decision for a while; two days before, he had issued a decision turning down the protest of the award to Sumitomo of America. An appeal to the Board would likely be the next step.

With respect to the Capital Construction Program, Mr. Wilding reported that the four-gate addition to the Dulles midfield concourse could open in mid-March. In the meantime, restoration of the roadway system in front of the Saarinen Terminal would begin in two weeks.

A few weeks before there had been a serious Metrorail derailment at Reagan National on a Sunday night. The guardrails had been knocked off onto the Airport roadways, some of which were closed for a full day during the repair efforts. Authority police had devised an alternate roadway system that had worked during that time.

The Authority had held its annual legislative breakfast in Richmond the week before. Two bills pending were of concern: one, sponsored by Senator Mims, would allow the Commonwealth to indemnify the Authority for roads built on the Airport; the second, introduced by Delegate Marshall, would direct the Authority to comply with the Federal Freedom of Information Act.

Finally, Mr. Wilding said that he would retire at the end of April. He said he had worked at the Airports for 43 years, the last 23 as head of the organization, and that it was time to “wander off”. He said he had very much appreciated the opportunity.

The Chairman thanked him for the report, and said that the Board appreciated the time, energy and effort he had devoted to the Authority, helping to establish the stature and credibility of the Authority locally, nationally, and internationally. He said the Board respected what he had done in the past and what he was doing in the present, and believed that he was leaving the Authority in good stead for the future. The Chairman said all had appreciated the opportunity to work with him. All applauded.

b. Executive Vice President's Report

Mr. Bennett reported on the December 2002 traffic figures. At Reagan National, December traffic had increased over December 2001 by more than 67 percent. At Dulles, it had increased 15 percent. Cargo at Dulles had increased 13.5 percent. On a year-to-date basis for calendar 2002 over 2001, traffic had fallen 3 percent at Reagan National and about 4 percent at Dulles.

Industry-wide in the United States, traffic had grown 11 percent for December. Both Reagan National and Dulles had exceeded that figure. International growth had been 15 percent nationally, 19 percent at Dulles.

The monthly traffic level at Dulles had actually exceeded the December 2000 level by 2.4 percent. Reagan National was below the 2000 level approximately 7 percent. Dulles had only exceeded the December 2002 level once, in 1999, when there had been considerable competition there.

Mr. Bennett noted that there had been water main breaks and flooding at the Airports as well as throughout the community.

Finally, he reported that Margaret McKeough, Vice President for Business Administration, had given birth on January 29 to Nora, an 8 lb. 14 oz. daughter.

IV. UNFINISHED BUSINESS

There was not any unfinished business.

V. NEW BUSINESS

a. Amendments to the Retirement Plan

Mr. Brown moved the adoption of the following resolution, which was unanimously adopted:

WHEREAS, The Authority in Resolution No. 88-46 established a retirement savings plan for its employees under section 457 of the Internal Revenue Code;

WHEREAS, Since June 2001, the Economic Growth and Tax Relief Reconciliation Act of 2001 has allowed section 457 operators to make plan loans to participants, under certain limited circumstances;

WHEREAS, The Retirement Committee has recommended that the Authority's Retirement Savings Plan include a plan loan feature;

WHEREAS, The Finance Committee has found that a plan loan feature would be beneficial to employees, and has recommended adoption of an amendment to the Plan to authorize it; now, therefore, be it

RESOLVED, That the proposed amendments to the Retirement Savings Plan, as presented to the Finance Committee January 22, 2003 are hereby approved and adopted.

b. Procedures for Considering the Dulles Automated People Mover Contract Protest

The Chairman announced that he and Mr. Latham had recused themselves from any consideration of the Dulles Automated People Mover matter, and turned the chair over to the Vice Chairman, Mr. Ralston.

Mr. Ralston said, with the President's decision having been issued two days before, the next step, should the protesting firm desire to pursue the matter, would be an appeal to the Board. He was therefore proposing a resolution that would establish procedures for consideration of the protest at the Board level. The appeal would be due in seven days, by February 10. The resolution would allow the protester 15 pages to address matters it deemed clearly erroneous in the earlier decisions. The matter would be considered by the Business Administration Committee, which would then advise the Board whether any further consideration of the protest would be warranted.

Mr. Ralston then moved the following resolution, which was thereupon unanimously adopted, with two abstentions:

WHEREAS, The Board of Directors in Resolution No. 02-28, selected the Sumitomo Corporation of America to design and install the Automated People Mover System at Dulles Airport;

WHEREAS, Bombardier Transportation (Holdings) USA has protested the selection of Sumitomo;

WHEREAS, Authority procedures permit an interested party to request Board review of the protest after a decision is rendered by the President and Chief Executive Officer;

WHEREAS, The Board's decision whether to review the protest is a matter within the Board's discretion; and

WHEREAS, Should the Board be requested to review a people mover contract protest, it is appropriate to designate a Committee and determine a procedure for consideration of the matter; now, therefore, be it

RESOLVED, That if an interested party makes a timely request for review of a people mover protest decision by the President and Chief Executive Officer, the request shall be referred to the Business Administration Committee, which shall consider whether the decision has properly and adequately addressed the appeal. The Committee shall, if possible, report on its deliberations to the Board at its March 5 meeting, with a recommendation whether the Board should give any further consideration to the protest; and

2. That any request for Board review of the decision shall state with specificity the errors in the decision for which the review is sought and shall be supported by citations to the record that support its assertions of error;

3. That the request shall not exceed 15 pages, single spaced, not counting exhibits;

4. That an interested party opposing review may file an opposition limited to 15 pages, single spaced, with the Secretary after three business days of service of the request, and shall serve the opposition on the other party by hand; and

5. Further submissions will not be accepted unless requested by the Committee.

VI. OTHER BUSINESS AND ADJOURNMENT

Mr. Brown asked if the resolution just adopted had amended, changed, or elaborated on any of the Authority's governing documents. Mr. Ralston said he considered it an elaboration, noting that the Board had not considered many protests. He agreed with Mr. Brown that there had never been such a resolution before, but said that in the past the initial consideration had been by the Business Administration Committee. In the current case, an extensive written record had been compiled in the decisions of Fred Seitz, Manager of Procurement and Contracts, and of the President and Chief Executive Officer. Over 12,000 papers had been turned over, and the Board would not need to develop an extensive record on its own.

The meeting was thereupon adjourned at 9:30 a.m.

Respectfully submitted:



Gregory Wolfe

Vice President and Secretary

approved March 5, 2003
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