BOARD OF DIRECTORS MEETING

Minutes of February 7, 2007

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:07 a.m. Nine Directors were present during the meeting:

Mame Reiley, Chairman
James L Banks, Jr.
William W. Cobey Jr.
Mamadi Diané
Michael David Epstein
Leonard Manning
Michael L. O'Reilly
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

The Chairman first welcomed two new Members to the Board: Jim Banks, a former member of the Richmond City Council, and Michael O'Reilly, former Mayor of Herndon.

I. MINUTES OF THE DECEMBER 6, 2006 MEETING, THE DECEMBER 20, 2006 SPECIAL MEETING AND THE JANUARY 3, 2007 MEETING

The Chairman then called for approval of the Minutes of the three Meetings, which were unanimously approved.

II. COMMITTEE REPORTS

a. Planning and Construction Committee

Mr. Snelling, who had recently been named Chairman of the Planning and Construction Committee, reported that the Committee had met that morning. It had first heard from Frank Holly, Vice President for Engineering, that construction had been going very well, as was verified by the cost figures.

Bruce Swanson of Parsons Management Consultants had given the quarterly illustrated report on the capital development program.

Finally, the Committee had discussed the need to purchase some land from the National Weather Service, National Oceanic and Atmospheric Administration, of the Department of Commerce, for the Fourth Runway at Dulles. Mr. Faggen had explained the proposed contract, and the Committee had voted to recommend that the Board approve the acquisition later in the meeting.

b. Business Administration Committee

In the absence of Mr. Crawford, Mr. Speck reported that the Business Administration Committee had last met on January 17. The Committee had first heard a brief report on Disadvantaged Business Enterprise ("DBE") participation in federally-assisted contracts. These contracts tended to be for major runway projects and other capacity items. In 2006, there had only been two federal-aid contracts, both on the Fourth Runway at Dulles. The participation rate, which must be reported to the Federal Aviation Administration annually, had been 23.5 percent against a goal of at least 25 percent. The total DBE contract amount had been $42,980,000.

The Committee had also heard reports on both the 2006 and the proposed 2007 Business Plans, as had all other Committees.

c. Finance Committee

Mr. Snelling noted that this would be his last Finance Committee report, as Mr. Speck would be chairing the Committee beginning at its next meeting. He noted that the Finance Committee had last met on January 17.

The agenda had been short, with the Financial Advisors' monthly report discussed first. Staff and the financial advisors had met shortly after the Committee meeting to develop the 2007 Plan of Finance. Recommendations from that session were to be presented to the Committee at its February meeting.

The 2006 year-end financial results would also be presented at the February meeting. Lynn Hampton, Vice President for Finance, had noted that the books were kept open for three weeks in January to provide an opportunity to post as many actual invoices as possible with the 2006 financial activities. She had reported that there had not been any surprises and that she expected the year-end financial reports to follow the trends that had prevailed throughout the year.

Finally, Mr. Snelling had advised the Committee and staff that he would be stepping down as the Chairman of the Finance Committee to chair the Planning and Construction Committee, at the request of the Chairman. As the Board had already learned, Mr. Speck had agreed to chair the Finance Committee. Mr. Snelling said his experience as Chairman of the Committee had been good, and that he was grateful and indebted to his fellow Committee members, the staff and the Financial Advisors for their advice, counsel and hard work, which had made his job easy.

The Chairman thanked Mr. Snelling for his two years as a committed Finance Committee Chairman.

c. <u>Strategic Development Committee</u>

In the absence of Mr. Brown, Mr. Snelling reported that the Strategic Development Committee had last met on January 17. At the time of the meeting, the Department of Transportation ("DOT") had already announced it would award the new China route to United for Dulles-Beijing services. The Committee therefore had many questions about procedural steps that would follow, but had been reassured that the decision was not likely to change.

Mr. Snelling said that the DOT route order would be final later in the week. The next China service, to be awarded in 2008, could go to either a passenger or an all-cargo carrier, so the Dulles service would not face much competition for a some time.

The Committee had also been advised of the upcoming Government Accountability Office ("GAO") report on slots at Reagan National. By now most Board Members had seen a draft of the report and the Authority's response to it. There was a possibility that the GAO would amend the report; in any event, the Congress would decide what to do about any new flights at Reagan National.

Finally, the Committee had heard a brief report on the schedule for the upcoming American Association of Airport Executives ("AAAE") annual conference and exposition, which in 2007 would be held in Washington from June 10 to 13. The Authority would be the host, and would be holding a major event at the Udvar-Hazy Air and Space Museum at Dulles. There would be more details forthcoming as the date got closer.

d. Audit Committee

Mr. Speck said that the Audit Committee had met on January 3. Pricewaterhouse-Coopers, the Authority's external auditor, had presented the audit plan for 2006, planning to update the Committee on progress at its April meeting. Valerie Holt, the Vice President for Audit, had presented the 2007 risk assessment plan.

Mr. Speck observed that the only time anyone would hear about any audit committee was when something was going wrong. He added that the Authority's work had become very complicated, with many activities going on every day. He said one of the reasons there was no bad news was the active audit staff and engaged Audit Committee. Although the Committee was not exciting, if it weren't doing its job, it would get a lot of attention. He thanked Ms. Holt, and said he had enjoyed the experience. He was happy to turn a good Committee and great staff over to Mr. Cobey, who would be chairing it in the future.

III. INFORMATION REPORTS

a. President's Report

Mr. Bennett welcomed the two new Directors, Messrs. Banks and O'Reilly. He then turned to the pending Federal Aviation Administration ("FAA") reauthorization legislation and the Administration's budget proposal, which had already been submitted to the Congress. The budget gave some indication about what would be coming in the reauthorization bill; it would reduce the airport improvement program fiscal-year funding level to $2.75 billion from $3.6 billion. This would affect the Authority, as it received some entitlement grants, as well as a $207 million letter-of-intent commitment from the program.

It appeared the Administration wanted to make large or medium hub airports ineligible for entitlement grants, but at the same time allow an increase in the Passenger Facility Charges airports collect from $4.50 to $6 or $7.

In addition, some other important matters were developing. It appeared that the plan was to eliminate passenger ticket tax of about 7.5 percent, as well as the flight segment fee, and to migrate to a user fee-based system to fund the air traffic control system. The airport improvement program would be funded by a new set of fuel taxes, which were currently producing only about $1.3 billion per year. A substantial increase would be necessary to fund the grant program, which the FAA was suggesting at a $2.75 billion level, already well below the previous $3.7 billion.

In addition, the FAA was considering turning over the operation and maintenance of airport-based navigation equipment to the airports. In addition to costs, the proposal would present a major liability issue for airport operators.

The proposed legislation included an amendment to the " come-see-me" provision, which requires the Authority to give up Passenger Facility Charges and FAA grants on a date certain. The original idea had been that the Authority would be subject to a Congressional oversight hearing before that date, after which the provision would disappear. Instead the date had been rescheduled. The new bill would extend it two more years, from 2008 to 2010. Finally, there was nothing yet on slots and perimeter in the bill although Mr. Bennett said he still expected some changes.

Mr. Bennett said that there was a competition under way at the Department of Transportation over two slots that had been released by Spirit Airlines. Spirit had received slots to fly from Reagan National to Detroit. Because the carrier could only operate one round-trip per day with two slots, it had given up on the market. Five airlines had applied to the Department for the two slots. Comair had filed for Little Rock, US Airways for Pensacola, ATA for Chicago Midway, Midwest for Milwaukee and AirTran for Atlanta.

With respect to the Toll Road, Mr. Bennett reported that most energy was being focused on the price negotiations for Phase 1 of the Metrorail extension project.

He advised the Board that three ground transportation requests for proposals ("RFP") had been published. Two were for the restructured Dulles taxicab program, one for the revised taxicab contract, the other for taxicab dispatching. Responses were due

March 12. An RFP for new shared-ride van services at both Airports had also been issued, with responses due by February 15.

Two public hearings would be held on Friday, February 9, on two regulatory proposals authorized by the Business Administration Committee. One would allow the collection of fees for emergency medical transports and the other would allow the police to bar individuals from the airports for acts in violation of Authority regulations.

As to the new China service, Mr. Bennett said it appeared the actual start date would be March 28. Mr. Speck suggested that it was late for the sale of tickets. Mr. Bennett noted that United had already argued to that effect in support of a prompt decision.

Mr. Snelling asked what would happen if FAA grant funds were not made pursuant to the commitment on the fourth runway. Mr. Bennett said that the commitment was to make the funds available to the extent they were appropriated. Mr. Snelling asked if the FAA had ever reneged on a grant for a project well underway. Mr. Bennett said he was not aware of any such case. The Authority would be able to continue the project anyway, although at a higher cost.

Mr. Epstein asked if the Authority had any responsibility in the redistribution of the Spirit slots. Mr. Bennett said the specific slots had been created by legislation and were administered by the Department of Transportation, and the Authority could comment to the Department on their disposition. Most slots, however, were the property of the airlines that were using them.

The Chairman thanked Mark Treadaway, Vice President for Air Service Planning and Development, for the work his team had done on the China service, resulting in general applause.

b. Executive Vice President's Report

Ms. McKeough said that traffic at Reagan National in December had exceeded 1.4 million passengers, comparable to December 2005. The industry as a whole had been up 2.2 percent. Dulles traffic had exceeded 2 million passengers in December, similar to December 2005, the last full month Independence Air had been operating there. International activity in December had been up over 10 percent, compared to the U.S. average of 6 percent. Total air cargo had been strong, up 20 percent, with international cargo up 40 percent.

With respect to the annual figures, Ms. McKeough reported that Reagan National had grown 4 percent over 2005; Dulles had shown a 15 percent decline, but 2006 had still been the second busiest year for that Airport. International activity had grown 6.3 percent, and cargo had grown 16 percent.

Mr. Speck said that an acquaintance had been approached on the Reagan National bag claim level and offered transport to Alexandria for $20. Mr. Speck noted that the offer had been declined, and asked if gypsy cabs had become a problem at the Airport. Ms. McKeough said there was not a serious problem, but that such incidents occurred from time to time, that the solicitation was unlawful, and that it was pursued whenever possible. Mr. Speck asked where solicitors would leave their vehicles; Mr. Bennett said they would be in the garages. Mr. Faggen said the problem was greater at Dulles. He said the frequent flyers at Reagan National knew where and how to get a cab through the dispatch system, so that the solicitors would not find many marks. The Chairman noted that other airports had signs advising customers not to accept services when approached and asked if that would be worthwhile. Mr. Bennett said signs and announcements were used at Dulles, but not at Reagan National, where the incidents were less frequent. At National in particular they tended to happen late at night.

Mr. Speck added that he had been able to visit one of the renovated rest rooms at Reagan National, and had been impressed with the renovations and cleanliness. He asked if the cleaners were expected to report maintenance issues, such as a non-working sink. Christopher Browne, Vice President and Dulles Airport Manager, said that the cleaners had a contractual obligation to report defects through the work-order desk and had a process in place to do so. Mr. Speck said he would be flying again the next day and would report.

IV. NEW BUSINESS

a. Approval of the 2007 Business Plan

Mr. Speck moved the adoption of the 2007 Business Plan. He noted that a person had been hired for the arts program a while ago and asked what that person had been doing. Jonathan Gaffney, Vice President for Communications, said she had been on duty for two months and was formulating an arts plan for the entire Authority.

Mr. Speck then raised an issue he said he had raised often before, improving the experience of arriving passengers, and asked why it had not been included in the Business Plan. Ms. McKeough agreed it had not been included, but noted that she had met with both airport managers and would be coming back to the Business Administration Committee with a plan. She would be happy to add an item on the issue to the Business Plan. Mr. Speck asked why it would not be included. Ms. McKeough said the Business Plan did not capture everything the management did. Mr. Speck said the issue should be included.

Mr. Speck noted that he was no longer an "ordinary flyer"; he kept noticing the experiences of others. Most passengers could not tell whether the airport or the airline was creating the "final experience" at the baggage claim, and the Authority should bring attention to that point.

In addition, Mr. Speck noted, after security clearance, one of the areas of inconvenience was finding a place to sit down to put shoes on. He had seen such an area at Las Vegas. He recognized that there was not much space for seats at Dulles and Reagan National. The Chairman observed there were seats at both Airports; Mr. Speck said they looked like an afterthought and were not always available. He urged Mr. Gaffney to order shoehorns with the Authority logo, as many passengers complained about putting their shoes back on. Mr. Speck concluded that as they travel, Directors should observe the many things that add or detract from the flying experience.

The Chairman then called for a vote, and the 2007 Business Plan was unanimously approved.

b. Authorizing the Relocation of the National Oceanic and Atmospheric Administration ("NOAA") Facilities and the Transfer of 40 Acres for the Dulles Fourth Runway Protection Zone

Mr. Snelling moved the following Resolution on behalf of the Planning and Construction Committee, which was unanimously adopted as Resolution No. 07-1:

> WHEREAS, The Fourth Runway, a new north-south parallel runway, is now under construction at Washington Dulles International Airport;
>
> WHEREAS, That Runway requires a cleared Runway Protection Zone ("RPZ") on United States property used by the National Weather Service of the National Oceanic and Atmospheric Administration, Department of Commerce;

WHEREAS, The Secretary of Transportation is prepared to ask the Secretary of Commerce to transfer approximately 40 acres of this land in fee to the Authority;

WHEREAS, The Authority will require an avigation easement on 64 acres of land the Weather Service will retain from its current parcel; and

WHEREAS, The condition of transfer is the replacement of National Weather Service facilities from both the transferred property and the retained property avigation easement on a different site;

WHEREAS, A Memorandum of Agreement has been negotiated between Authority and NOAA staff to implement the transfer by construction of agreed-upon replacement structures, relocation of NOAA staff and allowing NOAA to retain the right for continued use of an existing access road to its remaining property; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to enter into a Memorandum of Agreement with the Department of Commerce for the acquisition of land from the National Weather Service Sterling Test and Evaluation Center, substantially in the form presented to the Planning and Construction Committee on February 7, 2007.

c. Selecting the Bank of America to Provide Interim Financing for the Dulles Corridor Program

Mr. Snelling explained that the Authority would have short-term liquidity needs as it took responsibility for operating the Dulles Toll Road, particularly to defease the Commonwealth and Fairfax County debts. The proposal was to award the interim financing program to the Bank of America at a 3.748 percent all-in interest cost. He then moved the following Resolution, which was adopted by 8 affirmative votes, with Mr. Banks abstaining, as Resolution No. 07-2:

WHEREAS, Under the Dulles Corridor Project, the Authority will acquire the Dulles Toll Road in the spring of 2007 and begin construction on the Dulles Corridor Metrorail Extension soon after;

WHEREAS, Acquisition of the Toll Road will require the immediate defeasance of Commonwealth of Virginia and Fairfax County debt;

WHEREAS, Prompt capital improvements to the Toll Road and preliminary work on the Metrorail Extension will require the availability of capital before the Authority can make use of Toll Road revenues;

WHEREAS, Finance staff and Financial Advisors have recommended up to $150 million in interim financing until a permanent Dulles Toll Road bond indenture, an investment-grade feasibility study and a financing plan are developed; and

WHEREAS, The Finance staff and Financial Advisors have reviewed proposals for such financing from three banks and have recommended the Bank of America financing proposal; now, therefore, be it

RESOLVED, That the Bank of America is hereby selected to provide interim financing for the Dulles Corridor Project, in accordance with the terms presented to the Finance Committee on January 17, 2007.

V. UNFINISHED BUSINESS

At 9:50, at Mr. Speck's request, the Chairman convened the Board in executive session.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 10:25 a.m, and the Chairman announced that a meeting of the Committee of the Whole would follow.

Respectfully submitted:

Gregory Wolfe

Gregory Wolfe
Vice President and Secretary

approved March 7, 2007
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