BOARD OF DIRECTORS MEETING

Minutes of April 2, 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 9:00 a.m. Eleven Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
Robert Clarke Brown
H.R. Crawford
Anne Crossman
Mamadi Diané
John Paul Hammerschmidt
William A. Hazel
Weldon Latham
Mame Reiley
Robert M. Rosenthal
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 MARCH 5, 2003 MEETING

The Chairman then called for the approval of the Minutes of the March 5, 2003 Meeting. They were unanimously approved.

a. Planning Committee

Mr. Hazel reported that the Planning Committee had just met in executive session just before the Board Meeting. He said the regular air service development report had not been the kind of news the Board would like to hear. Staff remained optimistic, however, that once the problems in Iraq were over, service would recover. They were still working on the development of new services in the future.

Most of the Committee meeting had been devoted to Dulles runway planning. The Dulles Master Plan included land for two new runways, in addition to the three original ones, and the staff report covered what had developed in the later stages of planning. It had focused on the appropriate degree of separation between the next north-south runway and the existing runway 1L/19R.

The staff had identified a "preferred alternative" location for the runway for further analysis B one that would allow for ample aviation capacity. When the environmental process was complete, the Board would be asked to make a final decision on the project. Mr. Hazel said he was pleased the project was advancing, but also noted that the lead time seemed rather long.

Finally the Committee had briefly discussed the proposed 30-year extension of the Authority's Lease with the Government. As the extension would take the lease out to 2067, it would remove any doubts that the Authority could finish the projects it was currently planning.

b. Finance Committee

Mr. Brown reported that the Finance Committee had last met March 19. It had reviewed a plan of finance for 2003, which had included a $250 million financing in spring or early summer to refund several small series of bonds from 1993, plus some new money. A fall financing would be required because the credit facility for the original bond anticipation notes ("BANs") would expire. They would be refunded with $100 million in auction rate securities. Also in the fall, additional new money requirements would be funded with commercial paper, depending on new construction needs.

The underwriters for those several financings had already been designated by the Committee; a resolution confirming their selection would be offered later in the meeting.

The Financial Advisors had also reported that the finance team was reviewing the Passenger Facility Charge ("PFC") financing program, put in place over a decade before. The program had worked quite well, but would be reassessed to see if that type of financing program still made sense.

As to the February financial reports, Mr. Brown pointed out that the month had been both short and snowy. Revenues had been down and expenses had been up. Consolidated net income for the month had been a negative $6.6 million. The construction program had slowed by the weather, so that construction spending for the year-to-date had been substantially below projections.

c. Audit Committee

Mr. Thompson said the Audit Committee at its last meeting had met with PricewaterhouseCoopers and discussed the status of the financial audit, and reached resolution of certain issues that had arisen during it.

d. Legal Committee

Mr. Latham reported the Committee had met to consider only one item, the extension of the Authority's Lease with the federal government. The Committee recommended that the full Board authorize the Chairman to sign the appropriate Lease amendment.

III. INFORMATION ITEMS

The Chairman noted that Mr. Wilding would be making his 180th and last President's Report.

a. President's Report

Mr. Wilding reported that the Congress was considering, on a fast track, economic assistance for the airlines, chiefly to reimburse them for their additional security costs. The President's war supplemental would be the vehicle for the aid. On the House side, the figure was $3.2 billion; in the Senate, about $3.5 billion. A conference committee would resolve the final figures in a few days.

On a slower track, the Federal Aviation Administration ("FAA") reauthorization bill was moving through the process. At the end of September 2003, the existing FAA authorization would run out. Reauthorization bills typically included any current aviation legislative issues, and this year's included a number of provisions related to the FAA's airport grant program. In addition to the authorization levels and the continuation of recent statutory devices that protected them, the bill included provisions long sought by the airports to simplify and accelerate environmental review of major projects, most notably runways. The week before, the airport trade organizations had made excellent statements of airport interests, and Mr. Wilding offered to provide Directors with copies of them.

Mr. Brown asked whether the war supplemental provided for direct cash payments to the airlines. Mr. Wilding said it did, but that some of the relief consisted of insurance guarantees and some waivers of the $2.50 per flight segment security fee. The bill would thus provide for some revenue enhancements as well as reimbursements for past expenses. Mr. Brown asked if the relief would be appropriated from the general fund. Mr. Wilding said the House version would use the Airport and Airway Trust Fund, but that he expected it would ultimately be appropriated from the general fund.

Mr. Wilding noted that U.S. Airways had come out of bankruptcy two days before. He said it was a good sign that the carrier had been able to stick to the schedule it had set some time before.

Mr. Wilding reminded the Board that Bombardier, the disappointed offeror for the Dulles automated people mover system, had sued the Authority. The suit had originally been filed in the United States District Court for the District of Columbia, but the week before had been transferred to the Eastern District of Virginia. A hearing on a preliminary injunction would be held two days later in Alexandria.

On April 16, the Authority would be hosting the Commonwealth Transportation Board on a tour of Dulles, followed by a dinner. He urged Directors to attend.

As to construction, the north parking garage, Garage 1, would open April 15, together with a tunnel beneath the parking bowl connecting the new garage with the Main

Terminal. The week before, the construction in front of the Terminal would be cleaned up, and doors into the building that had been closed for some time would be reopened.

At Reagan National, new bollards would be constructed on both the upper and lower roadways, to prevent vehicles from getting too close to the terminal building.

Finally, Mr. Wilding said the day's Board meeting would be his last. He said he believed the Board and he had accomplished much together, and that he appreciated the opportunity to have done so. The Board and audience applauded.

b. <u>Executive Vice President's Report</u>

Mr. Bennett said that all airports continued to operate under the orange security alert rules. The main impact on the Authority had been overtime by certain Authority and contract employees. Operations had gone smoothly; this was not the first orange alert.

Mr. Bennett said that observers would note that a number of storefronts were boarded up in the Reagan National terminal. He explained that the terminal had been open for five years, and some of the concession contracts had run out. In some cases the operators were improving their space, in others the space was being remodeled for new operators.

The Chairman would be participating the following week on a panel on aviation noise issues at a community forum sponsored by the Arlington Committee of 100.

Finally, Mr. Bennett turned to the traffic statistics for February. At Reagan National, the traffic had increased over 15 percent; at Dulles, it had declined over 5 percent. On a year-to-date basis, Reagan National traffic was up over 24 percent, and Dulles just under 1 percent. February had been a snowy month, and Reagan National had been closed on February 16 and 17, with about 8 percent of the month's flights canceled. At Dulles, one runway had been kept open at all times, but the airlines had nevertheless canceled a substantial number of flights, about 4 percent of month's activities.

Nationwide, domestic flights had been down 5.8 percent for the month. Even with the snow impacts, Dulles had outperformed the nation as a whole. As to international services, with a 2 percent decline from the snow, Dulles was behind the rest of the nation, which had shown 5 percent growth.

March would be a difficult month, as it appeared that customers were cutting back on their travels, and airlines were filing reduced schedules for the spring.

Mr. Rosenthal asked if U.S. Airways, given its period of Chapter 11 bankruptcy, had paid all its charges. Mr. Bennett said that it had. Mr. Rosenthal then asked if the U.S. Airways reorganization plan would result in reduced activity at Reagan National. Mr. Bennett said that the U.S. Airways reorganization plan provided for a reduction in the mainline segment of its business to a minimum level of 279 large aircraft. Regional jets would increase from 80 to 320. Many of them would be used at Reagan National, but the airline had not yet shared its planned schedules with the Authority.

IV. UNFINISHED BUSINESS

There was not any unfinished business.

V. NEW BUSINESS

a. Proposed Amendment to the Federal Lease

Mr. Hazel said that the Planning Committee had recommended approval of the proposed amendment extending the federal lease thirty years. Mr. Latham said the Legal Committee also recommended approval. Mr. Crawford thereupon moved adoption of the following resolution, which was unanimously adopted.

> WHEREAS, The Metropolitan Washington Airports Authority and the United States of America entered into a 50-year Lease dated March 2, 1987, whereby the United States, acting by and through the Secretary of Transportation, leases the Metropolitan Washington Airports to the Airports Authority;
>
> WHEREAS, Long-term financing requirements and the needs of subtenants for long-term leases now require an extension to the Lease term;

WHEREAS, The Secretary of Transportation is authorized to negotiate and extension of term of the Lease at any time by 49 U.S.C. 41904(d); and

WHEREAS, Counsel to the Authority and the Secretary of Transportation have agreed upon an amendment to the Lease; now, therefore, be it

RESOLVED, That Amendment No. 3 to the Lease is hereby approved and the Chairman is authorized to execute it in substantially the form attached hereto.

b. <u>Approval of a Plan of Finance for 2003 and Selection of Senior Managers</u>

Mr. Brown said that the Board had in 2001 intended to regularize funding activities to support the Dulles *d2* program. The finance program was now back in order, and the Finance Committee's proposed resolution would put in place a team of underwriters and set the type of financings to be accomplished in 2003. The program would nevertheless remain flexible and subject to amendment as market conditions and Authority needs changed. He then moved the following resolution, which was unanimously adopted, with Mr. Latham abstaining.

WHEREAS, The Authority has requirements for new funds and refunding of outstanding debt instruments in 2003; and

WHEREAS, The Finance Committee recommends the following Plan of Finance and selection of underwriters to implement it; now, therefore, be it

RESOLVED, That there shall be a $250 million sale of the Series 2003A-C Bonds in June, distributed as follows:

o A $155 million AMT "new money" issuance, with Salomon Smith Barney and Redwood Securities Group to serve as senior manager;

- o A $60 million non-AMT refunding of the Series 1993A Bonds, with Siebert Brandford Shank & Co. to serve as senior manager, and

- o A $35 million taxable refunding of the Series 1993B Bonds, with Morgan Keegan & Company to serve as senior manager;

2. That there shall be a September or October financing, consisting of a $100 million AMT Auction Rate Securities refinancing of the Commercial Paper Bond Anticipation Notes Series B, for which Resolution No. 02-30 selected Morgan Stanley and Goldman Sachs & Company to serve as broker-dealers; and

3. That to the extent the Authority's funding needs warrant, there shall be a sale of $100 to $150 million of additional commercial paper, with Merrill Lynch & Company and Bear Stearns & Company to serve as dealers.

VI. OTHER BUSINESS AND ADJOURNMENT

At 9:25 a.m., the Board went into an Executive Session, which concluded at 11:20 a.m. Mr. Thompson moved that James E. Bennett, Executive Vice President and Chief Operating Officer, be appointed President and Chief Executive Officer, succeeding James A. Wilding, effective May 3, 2003. The motion was adopted unanimously.

The meeting was thereupon adjourned at 11:30 a.m.

Respectfully submitted:

Gregory Wolfe

Gregory Wolfe
Vice President and Secretary

approved May 7, 2003