BOARD OF DIRECTORS MEETING

Minutes of April 4, 2007

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Vice Chairman at 9:12 a.m. Ten Directors were present during the meeting:

H.R. Crawford, Vice Chairman
James L Banks, Jr.
Robert Clarke Brown
William W. Cobey Jr.
Anne Crossman
Mamadi Diané
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

I. MINUTES OF THE MARCH 7, 2007 MEETING

The Vice Chairman then called for approval of the Minutes of the March 7, 2007 Meeting, which were unanimously approved.

II. COMMITTEE REPORTS

a. Planning and Construction Committee

Mr. Snelling reported that the Planning and Construction Committee had last met, quite briefly, on March 21. Because the agenda had been light, the Committee had spent more time than usual on the monthly construction cost reports.

At the Committee's request, the reports had been improved by the use of color to show the degree of variance from budget. While the colors did draw the Committee's attention, on examination the variances remained quite small for active projects that had proceeded beyond the planning stages. Projects not fully authorized were still carried in the report, showing greater variances from estimates made long before the scope had been settled. The bottom line had remained the same; costs were well under control.

The Committee had also discussed the possibility of funding renovation of Reagan National Terminal A with private funds, but had not come to any conclusions.

b. Business Administration Committee

As Mr. Crawford was chairing the Board Meeting, he had asked Mr. Manning to deliver the Business Administration Committee report. Mr. Manning reported that the Committee had last met March 21. Steven Baker, Vice President for Business Administration, had confirmed that the concessions management team had received two awards for customer service from Airport Revenue News, one for the best concessions team and the other for innovative concessions, both in the medium-sized airport category.

Mr. Baker had also advised that an arrangement had been made to locate two combined coffee service - newsstand units on the baggage level in the Reagan National B-C terminal. They would initially be in place for a six-month experiment.

Mr. Manning also reported that there had been $32.8 million in contracts awarded in February, with Local Disadvantaged Business Enterprise participation amounting to $31.9 million, or 97 percent of the total. The largest contract in February had been awarded to Flippo Construction of Forestville, Maryland for an alternative water supply for Reagan National. The cost had been $2 million.

Arl Williams, Vice President for Human Resources, had summarized the results of the 2006 Performance Management Partnership program, the pay-for-performance system that linked employee pay to behavior and achievement of agreed-upon goals. The 2006 average pay increase of 5.7 percent had been the highest since the program started in 2001, which staff had taken to be a measure of the program's success.

Finally, the Committee had reviewed a package of proposed Toll Road regulations, which had been prepared well in advance of the time the Authority would begin to operate the facility. Most of the regulations would be necessary to replace existing Virginia rules. Before they could be adopted, they would be the subject of consultation with the Toll Road Advisory Committee of local officials. The Committee had authorized the staff to publish the proposals for public comment at a time they considered appropriate.

c. Finance Committee

Mr. Speck reported that the Committee had met on March 21 and again immediately before the Board Meeting. At the March meeting, staff had reported that expenses in February had been $6 million higher than in January; the increase had resulted directly from several snowstorms in February. Because January had been strong, he said, year-to-date revenue, expense and operating income had remained "positive".

In the monthly educational report, staff and the financial advisors had presented a short primer on interest rate swaps. Mr. Speck said he had asked the team to discuss the advantages and disadvantages of competitive and negotiated bond sales at the April meeting.

The Financial Advisors' monthly report had focused on the 2007 plan of finance. The Series 2007A Bonds had been sold in 2005 as forward refunding bonds and were scheduled to close on July 3. In October, a $200 million interest rate swap with an effective interest rate of 3.55 percent was scheduled to "go live". In addition, the Authority would need to select underwriters for the Series 2007B Bonds; a Request for Proposals would be circulated to underwriters soliciting ideas on the airport debt program. Mr. Speck said he had also asked the staff to "include" a request for qualifications for underwriters for future toll road bonds.

Finally, the Committee had met that morning to discuss the process for the selection of underwriters for both Airport and Dulles Toll Road/Metrorail projects.

c. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had also met on March 21. The Committee had first heard a status report on the American Association of Airport Executives annual conference that the Authority would be hosting in June. Over 2000 attendees were expected. There were several events that as many Directors as possible should attend; information on them had been previously distributed.

He urged Directors to register for the conference as soon as possible, as the Authority had a number of complimentary registrations that would be used by staff if Directors were not interested.

The Committee had then in executive session heard the air service development report. On March 20, the Department of Transportation had tentatively approved the Virgin America certificate, after settling the foreign ownership issue. The new low-cost carrier would initially serve Dulles, JFK, San Francisco, Las Vegas and San Diego.

At the time of the Committee meeting, Mr. Brown said, the European Union ("E.U.") was scheduled to vote on the E.U. - U.S. air service agreement, which it in fact unanimously approved on March 22. The agreement would take effect March 8, 2008. It would allow new services in both directions between any U.S. and European cities, and would lead to interesting new transatlantic services for Dulles and other gateways.

The new Dulles services announced at the time of the meeting included JetBlue's addition of Orlando and United's addition of Oklahoma City, the largest domestic market not served from Dulles. Ethiopian would be adding two Addis Ababa flights per week to its existing four on June 1. Also on June 1, Iberia would start Madrid. A new carrier, Qatar, would start daily service to Doha on July 18. Ocean Airlines, an all-cargo carrier based in Milan, had received U.S. approval and would begin Dulles service in June.

d. Audit Committee

Mr. Cobey reported that the Audit Committee had last March 7. It had first considered the adequacy of controls over percentage completion reporting on selected classes of Authority property. Valerie Holt, the Vice President for Audit, had also discussed management's significant progress in addressing prior year audit observations and recommendations. He noted that there would be a Committee meeting at 10:30 that day, and asked as many Directors as could to attend, as PricewaterhouseCoopers, the Authority's external auditors, would be making the first presentation on the 2006 audit.

III. INFORMATION REPORTS

a. President's Report

Mr. Bennett reported first on the Metrorail extension project. Negotiations had been concluded with the Dulles Transit Partners on Phase 1 of the extension from West Falls Church to Wiehle Avenue. The result had been a memorandum of understanding for a design-build project in the amount of about $1.6 million. Of the $1.6 billion, $1.1 billion was fixed and covered critical areas of the project, including aerial structure through Tysons and 2100 feet of tunnel. The remaining $500 million was an allowance for certain subcontracts, such as station finishes, power systems and signal systems, which would be competitively bid later in the construction project.

Over the next several weeks the management team and staff would be briefing the partners – Fairfax and Loudoun Counties and the Washington Metropolitan Area Transit Authority – to inform them of the results of the negotiations and to answer questions. They would also be briefing the Federal Transit Administration on the pricing structure and the construction of the agreement, to support the goal of obtaining approval of final design later this summer. He thanked the negotiators, Dennis Dayton of the legal staff and Mike Loulakis of Akerman Senterfitt Wickwire Gavin.

The week before had been extremely busy, beginning with a visit to Dulles by the Airbus A-380; a number of the Directors had been able to ride on it. Mr. Bennett said the important news had been that the aircraft had operated without in incident or impact to the Airport. The purpose of the flight had been to demonstrate that the aircraft could operate to the U.S. without major modifications to the airports. It had succeeded at Dulles, although it had set a Dulles record refueling with 60,000 gallons of jet fuel. There was not any fixed date when the aircraft would serve Dulles, but there were already three airlines interested.

Also in the previous week, United had launched regular daily service to Beijing. Mr. Crawford had represented the Authority at the ribbon cutting, which Virginia Governor Tim Kaine had also attended. United had been quite pleased at the flight's performance, at least in the early stages. On the flight's arrival in Beijing there had been a substantial reception for the travel community. With all the China publicity, United had started Rome service that week almost unnoticed. That service, however, was also doing quite well.

Mr. Bennett added that an immediate result of the EU agreement Mr. Brown had mentioned was the announcement that Aer Lingus would serve Dulles - Dublin beginning September 3.

From an air service perspective, Mr. Bennett said, the Authority was off to a good start. June would mark the twentieth year of Authority operations of the Airports; in that period, international services had grown over 600 percent. 2007 would be an especially good year for new international services. Carriers had already announced 105 new weekly departures, with 18,444 departing seats, to seven new cities and five new countries.

In the Congress, the Federal Aviation Administration reauthorization hearings continued. The week before, the airport community had testified on the Administration's proposed bill. The airports had agreed that the Passenger Facility Charge cap should be increased from $4.50 to $7.50 and thereafter indexed to inflation rates for construction costs. In addition, airports had strongly supported increases in the Airport Improvement Program, in the face of a $1 billion reduction the Administration had proposed. Airport representatives had testified that the levels should increase, as the costs of construction continued to grow faster than general inflation. Mr. Bennett noted that existing authorizations would lapse if the legislation was not enacted by September 30.

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

Ms. McKeough said that the statistics for February, normally a slow month, would reflect the extreme weather conditions. Reagan National had serviced about 1.2 million passengers, 1.4 percent lower than in February 2006. In the year-to-date Reagan National had continued at about .5 percent ahead of industry growth. Dulles had shown a 7.8 percent increase in traffic, with over 1.6 million passengers. International traffic had grown at about 10 percent, versus 5.9 percent nationwide.

For the year-to-date, Dulles had been up 11 percent. Cargo had been strong, increasing 11 percent; freight alone, up 13 percent.

IV. NEW BUSINESS

The Agenda did not include any items requiring Board action.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS AND ADJOURNMENT

Mr. Crawford said the Board owed Mark Treadaway, Vice President for Air Service Planning and Development, a hand of applause. The Board concurred. He said he had appreciated the opportunity to speak at the United China service ribbon cutting. Only 27 years before, he said, Dulles had been a joke, way out in Virginia. No one had wanted to use it. The Authority had since shown the naysayers that they were wrong.

Mr. Crawford added that he had also represented the Board at the Chinese Embassy event, which was well attended, though not by other Members of the Board.

He said that ever since the Board's photographs had been published in the WASHINGTON POST, he had been invited to a number of events where he had discussed the airports. He said the Authority's reputation was a tribute to its staff. The day before he had been at a Kiwanis event with the County Executive of Fairfax and the County Manager of Arlington, where the Airports Authority came up, even though the subject had been veterans, and all had spoken highly of the Authority staff. He reminded the Directors that they were all ambassadors for the Authority at other public events.

He then raised a matter of protocol. He said that the Authority was not operating the Richmond airport, but two federal airports serving the Nation's Capital. The Authority should make certain that the Mayor and the Council Chairman, the two most powerful officers of the District of Columbia government, are invited to all events, not just those held in the District. He said he was surprised they had not been invited to the A-380 demonstration at Dulles.

Mr. Crawford also noted that the Greater Washington Council of Governments would be celebrating its fiftieth anniversary soon, and urged that the Authority pay for a table or two.

Mr. Manning reported briefly on an experience he had with a disagreeable skycap in the international arrivals area at Dulles on his return from Beijing. The skycap had complained of the wait time while Mr. Manning paid customs on some purchases, and had complained of the distance to Mr. Manning's car. He observed that most customers did not know that the airlines employed the skycaps and would blame the Authority for such an incident.

The Vice Chairman thereupon adjourned the meeting at 9:50 a.m., and announced that a meeting of the Committee of the Whole would follow.

Respectfully submitted:

Gregory Wolfe

Gregory Wolfe
Vice President and Secretary

approved May 2, 2007
GW