



BOARD OF DIRECTORS MEETING

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

Mame Reiley, Chairman  
Robert Clarke Brown  
William W. Cobey Jr.  
Anne Crossman  
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

I. MINUTES OF THE APRIL 4, 2007 MEETING

The Chairman then called for approval of the Minutes of the April 4, 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 on April 18. The Committee had first heard the monthly construction cost report. Since the prior report, the implicit price deflator of 2.5 percent had been applied to projects less than 50 percent complete. Cost still remained within budgeted levels. The Committee then had seen the quarterly Parsons Management Consultants report on construction activities.

Finally, the Committee had reviewed the report of the selection panel on a design contract for reconstructing the existing north-south runway to the west, which would in the future be the center runway, and building two new taxiways to connect it to the Fourth Runway then being constructed. The Committee had accepted the staff recommendation to award the design contract to CH2M Hill of Chantilly, at a cost of \$5.47 million. Mr. Snelling noted the ultimate construction cost was currently estimated at \$60 million.

### b. Business Administration Committee

In Mr. Crawford's absence, Mr. Manning delivered the Business Administration Committee report on its April 18 meeting. Steve Baker, Vice President for Business Administration, had advised the Committee that the Authority had awarded \$29 million in contracts in March. The largest had gone to Simpson Unlimited, Inc., of Front Royal, for Dulles Main Terminal expansion joint replacement, at a cost of \$1.4 million. Local Disadvantaged Business Enterprise ("LDBE") participation in the contract had been close to 90 percent. Mr. Baker had also reported that total LDBE awards through March had totaled \$36.5 million, or 59 percent of total contract awards.

The Committee had also heard an initial report on customer service initiatives, particularly for arriving passengers. In large part, Mr. Manning said, the initiatives had been developed in response to reports and suggestions of Directors. The first identified need had been in the baggage claim area, caused by an increase of 10 to 15 percent in checked baggage and a 25 percent staffing shortage in airline baggage personnel.

Several improvements were already in place. At Reagan National, signs and baggage information displays had been changed, additional seating had been added, and roving Travelers' Aid agents had been introduced in the baggage claim area. Simple changes, such as substituting an "information" sign at the Travelers' Aid desk and placing blue signs to identify the existing courtesy telephones had already led passengers to use both more often. In addition, at Reagan National staff had added two newsstand kiosks at the baggage level that sold snacks, soft drinks, newspapers and coffee. The initial customer reaction had been favorable.

At Dulles, the staff had hired additional student ambassadors to help customers in the baggage area and had moved baggage information signs so they were easier to find.

The two airport managers, Christopher Browne and Paul Malandrino, had also discussed particular baggage service deficiencies with the airlines. They had advised the Committee that the carriers were aware of the problems and that they expected to see some improvements.

Finally, the Committee had reviewed the plans for the procurement of natural gas for Dulles. Because price quotes would be available only for 48 hours, the bids would come in on June 6, the morning of the next Board meeting, so that the prevailing bid could be approved that day.

c. Finance Committee

Mr. Speck reported that the Finance Committee had also last met on April 18. The staff had reported consolidated operating income for March of \$43.2 million, the highest monthly revenues on record. First quarter consolidated operating revenues of \$123.6 million had exceeded first quarter 2006 by \$14.9 million. Expenses for the first quarter of \$112.9 million had exceeded the first quarter of 2006 by \$10.6 million. The increased expenses had consisted of unusual overtime and supplies required for the several snow events in February, as well as the Dulles Corridor initiative.

Operating income for the first quarter had been \$10.7 million, up \$6.4 million from 2006. High delinquent payments had been reported at the Committee meeting; they had been brought down by the Federal Aviation Administration's late payment of \$2.2 million, including \$29,000 in interest at 5.25 percent.

The meeting agenda had included a short primer on competitive and negotiated bond sales. The May meeting would include a briefing on the retirement plans.

The Financial Advisors monthly report had focused on the 2007 plan of finance. The Series 2007A Bonds had been sold, and were scheduled to close July 3. A Request for Proposals (“RFP”) for underwriters for aviation bonds had been circulated in April, and candidates would be interviewed by Directors on May 31.

Staff had also reported that expenses for the Dulles Corridor project were approaching authorized levels of \$7 million. That budget had been set to carry the project through March; it now appeared the project would continue through the calendar year. A budget amendment would be prepared for action at the next Board meeting.

d. Strategic Development Committee

Mr. Brown noted that the Strategic Development Committee had agreed not to meet in April in order to allow more time for the Committee of the Whole.

e. Audit Committee

Mr. Cobey reported that the Audit Committee had last met on April 4. PricewaterhouseCoopers had presented the results of the 2006 financial statement audit. The firm had given the Authority an unqualified opinion. The firm had also discussed controls over business processes and areas where improvements could be made in the finance and information technology areas.

III. INFORMATION REPORTS

a. President’s Report

Mr. Bennett first noted that the annual report had been finished, and copies had been put at each Director’s place.

He said that the Federal Aviation Administration reauthorization bill was progressing. The Senate was scheduled that day to introduce its own version of the bill, and the House at the end of the month. The Administration bill was not being followed.

It did appear, however, that the Senate would not propose an increase in the passenger facility charge limitation, despite the unanimous support for raising it to \$7.50, and indexed to construction inflation. The Senate bill, however, would most likely include increases in the current Airport Improvement Program grant funding levels, from \$3.8 billion to \$4 billion, with further increases through the authorization years.

It had also been reported that the Senate bill would include a pilot program under which airport operators would collect passenger facility charges directly from the passengers instead of as part of the ticket. He said the program would be difficult to administer, and that he thought the airlines has suggested the program. He added that he had not yet heard of any provisions that would affect the Reagan National slot or perimeter rules, but that he still expected them.

With respect to the registered traveler program, the Transportation Security Administration had issued an RFP and many vendors had shown interest. Ultimately there would be a separate line for the registered travelers, who would be biometrically recognized.

At Reagan National, business was good, and parking shortages continued to grow. The program to advise customers not to park at the Airport if possible and to check in advance for parking availability had been advanced. Information was available on the Authority website, or by telephone. Mr. Bennett said the situation would become more challenging as construction started on garage expansion. Up to 300 parking spaces would be lost because of construction staging.

Mr. Cobey suggested that variable parking rates would help spread the demand. Nothing in the way of radio messages or website information would control it the way price would. Mr. Bennett said rates had been raised in 2006 and a valet parking service added in the hopes of tamping down some of the demand. The rate change had slowed the demand somewhat, but the length of stays in the garages continued to increase.

Mr. Snelling suggested some computer modeling to set a daily price for the parking. Mr. Bennett said he was not aware of any program to set dynamic prices for airport parking. Mr. Speck said a simpler approach would be to charge more for each successive day of parking in order to create turnover.

Ms. Crossman said it was more important to create more parking, and said parking should not be made untenable for some customers. One should not have to be wealthy to use the airport. At Mr. Snelling's suggestion, the Chairman assigned the parking issues to the Planning and Construction Committee.

Mr. Bennett said that the triennial emergency drill, required by federal certification regulations, would take place that weekend at Dulles. It tests all aspects of emergency response, including those of local partners and hospital facilities. The Chairman said she had attended a drill at Reagan National, said it was very interesting, and urged Directors to attend the Dulles drill.

Mr. Bennett noted that another new airline would be serving Dulles. On July 15, Copa would begin service to Panama City.

The Authority had received an award from the Fairfax County Public Schools for its work with the Earl Pulley Career Center. Center students have certain disabilities; Reagan National had successfully employed about ten of them each year.

Mr. Bennett noted that the Authority website had links added to connect job hunters interested in aviation with the airlines.

b. Executive Vice President's Report

Ms. McKeough said that the statistics for March had been affected by weather conditions. Reagan National had served 1.6 million passengers in March, a decline of 1.7 percent from March 2006. The national growth rate for March had been just over 1 percent. Dulles had served 2.1 million passengers in March, up 13.7 percent over March 2006. International traffic had been up nearly 12 percent. Year-to-date, Dulles traffic had been up 11 percent.

Cargo had grown 14 percent, freight 15.5 percent, affected by the growth in international services.

Mr. Speck said he had spent an evening at Reagan National at the Travelers Aid information kiosk. He had also spoken to the roving Travelers Aid agent. Passengers had interesting remarks. One request was for wifi access, which would be helpful for rebooking when flights were canceled. Another asked for charging stations; a third suggested a connection to a printer, to print out boarding passes.

Ms. McKeough said that construction on infrastructure for improved cell phone and wifi access was nearly complete at Reagan National and was already complete at Dulles. A public announcement was not going to be made until it could apply to both Airports.

Mr. Speck asked about charging stations. Ms. McKeough said the issued had been raised in focus groups last year. Charge units were being installed as part of the concession redevelopment on the piers. Outlets were already located near the pay phone stations; apparently they were not well known to customers. At Dulles, they were also available at the telephone issues.

Mr. Epstein asked if the wifi service would be free. Ms. McKeough said there would be a fee charged by the subscriber's service. The installation had been made by a consortium of the five largest cell phone companies in the area.

#### IV. NEW BUSINESS

- a. Selection of a Firm to Provide Design Services for the Reconstruction of Future Runway 1C-19C and Construction of Taxiways W and W1

Mr. Snelling moved the following resolution, which was unanimously adopted as Resolution No. 07-8:

WHEREAS, A competitive evaluation of firms to provide architectural/engineering design services for the reconstruction of existing Runway 1L-19R, to be designated 1C-19C in the future, and Taxiways W and W1 that will connect it to the new Runway 1L-19R resulted in the selection of CH2M Hill, Inc.; and

WHEREAS, The Planning and Construction Committee is satisfied with the results of the competitive evaluation of firms to provide these services, based on the Request for Qualifications, interviews, and analysis presented at its April 18, 2007 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to negotiate and enter into a contract with CH2M Hill, Inc. for these architectural/engineering design services, consistent with the documentation of the proposal presented to the Planning Committee at

its September 6, 2006 meeting and the Planning and Construction Committee at its April 18, 2007 meeting; and

RESOLVED, That the President and Chief Executive Officer is further authorized to negotiate and enter into a contract with the second ranked firm identified to the Planning and Construction Committee for these services in the event negotiations with CH2M Hill , Inc. are not successfully concluded within a reasonable period of time.

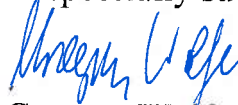
V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS AND ADJOURNMENT

The Chairman thereupon adjourned the meeting at 9:52 a.m., and announced that a meeting of the Committee of the Whole would follow.

Respectfully submitted:



Gregory Wolfe

Vice President and Secretary

approved June 6, 2007  
JW