



BOARD OF DIRECTORS MEETING

Minutes of May 3, 2006

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. All Directors were present during the meeting:

Mame Reiley, Chairman
H.R. Crawford, Vice Chairman
Robert Clarke Brown
William W. Cobey Jr.
Anne Crossman
Mamadi Diané
Michael David Epstein
William A. Hazel
Weldon H. Latham
Leonard Manning
David T. Ralston, Jr.
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 5, 2006 MEETING

The Chairman then called for action on the Minutes of the April 5 Meeting, which the Board approved unanimously.

II. COMMITTEE REPORTS

a. Planning Committee

Mr. Hazel reported that the Planning Committee had met that morning. It had first heard the March capital cost report, which had not included any major changes, and then the quarterly Parsons Management Consultants update, with photographs of construction progress at Dulles.

b. Business Administration Committee

Mr. Crawford reported that the Business Administration Committee had last met on April 19. It had first heard the regular monthly contracting report, this one covering the month of March. Year-to-date contracts at the end of that month had totaled \$85.7 million, with \$35.4 million in Local Disadvantaged Enterprise (“LDBE”) participation constituting 41 percent of the total. The largest single award had been a \$9.3 million contract for the Tier 3 North Apron at Dulles. It had been awarded to Atlantic Contracting and Material Co., Inc., of Upper Marlboro, itself an LDBE, which had meant that the project reached 94 percent LDBE participation on a 35 percent goal.

The Committee had also heard the report of a selection panel on a contract for baggage handling systems operations and maintenance services at Dulles. Mr. Crawford noted that the contract was complex and costly. The prevailing firm had been FMC Technologies of Ogden, Utah, at nearly \$10 million for five years.

Mr. Crawford then turned to the Dulles taxi concession. He said that the management had decided the pending contract should not be awarded, and had recommended instead that the Authority engage in a wide-ranging study of alternative structures for providing the services. This approach, with which the Committee had heartily agreed, required an extension of the existing contract. Because that would amount to a sole-source award, the Board would have to act on it.

c. Finance Committee

Mr. Snelling said that the Finance Committee had last met April 19. The Committee had begun with the regular monthly Financial Advisors’ Report. Staff and the

financing team had been continuing to develop a comprehensive Plan of Finance that would include evaluation and recommendations for an appropriate use of debt and non-debt financing alternatives for the Capital Construction Program. The Plan would include a 10-year horizon of planned financing activities and would include recommendations for the use of non-debt financing, derivatives, and fixed and variable-rate debt.

Mr. Snelling commended the staff for its long-term planning efforts, but cautioned that until the study was completed, the Authority needed to remain “flexible and opportunistic” in responding to market changes. Current programs should be continued in timely fashion until a comprehensive plan was completed, settled and agreed upon.

Financial performance in the first quarter of 2006 had slowed when compared to 2005 activity, while continuing to track better than in 2004. First quarter operating revenues had been \$108.7 million, \$5.3 million lower than the same period in 2005, while 7.6 million higher than 2004. First quarter expenses had been \$102.3 million, an increase of \$2.7 million over 2005. Increased utility costs had accounted for over half the increase.

March year-to-date net income of \$28.3 million had been \$12.8 million greater than 2005, principally from increases in the non-operating income from PFCs, federal grants and interest. At the end of the first quarter, operating revenue had reached 21.1 percent of the budget, while operating expenses had reached 23.1 percent of budget.

The Committee had then briefly discussed the implications of financing the Dulles Toll Road. Mr. Snelling had suggested that it would be a good idea to give Andrew Rountree, the Deputy Chief Financial Officer, primary responsibility for working with the Committee on the Toll Road, as he had already been heading the toll road transition project. Mr. Snelling had also suggested that the Committee consider whether additional specialized financial advice would be necessary or desirable in view of the differences between airport financing and road and rail financing.

Mr. Snelling noted that construction activity for the first quarter had been \$117.6 million, slightly lower than budget expectations.

Finally, he reported that the Committee had reviewed the Comprehensive Annual Financial Report (“CAFR”). With the conclusion of the 2005 annual financial audit, staff had reported \$477 million in operating revenues, \$414 million in operating expenses, \$63 million in operating income and \$79 million in net income. Total assets had increased \$655 million while liabilities had increased \$576 million. Revenue bond coverage had remained strong at 1.66 percent of debt service requirements. He commended the Chief Financial Officer and staff for the CAFR.

d. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had last met on April 19, as usual in executive session. There had been a number of air service developments; certainly the most dramatic had been the Southwest Airlines announcement that it would start at Dulles later in the year.

The Committee had also learned that South African Airways had finally made its Dulles service to Johannesburg daily, and had switched its stopover point to Dakar, where it could drop off and pick up passengers in both directions. For Washington travelers, this meant that Dulles would now have daily service to West Africa.

At the time of the meeting, Ethiopian had been planning to add a fourth weekly flight to Addis Ababa via Accra, with some hopes that Ghana would allow Washington-Accra traffic. Since then, Mr. Brown had learned, Ethiopian had withdrawn from its plan to purchase 20 percent of the new Ghana Airways, so it appeared likely the Accra routing would change.

Saudi Arabian would be adding a third weekly flight and upgrading its services.

The Committee had also spent some time discussing the current Toll Road and Dulles Rail activities. He said Mr. Bennett would address the issues in the President’s Report.

e. Audit Committee

Mr. Speck said that the Audit Committee had also met on April 19. It had heard the final results of 2005 financial audit. PricewaterhouseCoopers, the external auditors,

had discussed internal controls and other matters related to financing operations. The audit had been completed on schedule.

f. Legal Committee

Mr. Latham reported that the Legal Committee had last met on March 1, immediately after the Board Meeting. Attendance had been good, with five Directors present in addition to the three regular members.

The Committee had first considered the litigation update, most of which understandably would not be reported on in open session. He said the Authority's litigation posture in general was very good.

The Committee had also discussed a 9th Circuit case that could ultimately affect the Authority's contracting programs: WESTERN STATES PAVING CO. v. WASHINGTON STATE DEPARTMENT OF TRANSPORTATION. In that case, a non-minority firm had successfully challenged the Disadvantaged Business Enterprise ("DBE") elements of the federal-aid highway program. The State of Washington had been unable to demonstrate that its application of the federal DBE rules had been "narrowly tailored" to remedy past discrimination. If this or a similar decision were to become applicable to the Authority, staff would undertake a new disparity study and take any other actions necessary to comply.

The Committee had also been advised of the selection of Wickwire Gavin, a firm that specialized in construction contracting matters, to assist the Authority in the ongoing discussions with the Commonwealth of Virginia and Bechtel about the design-build contract for the rail extension to Dulles.

There had been a report that law firms the Authority had retained were continuing to improve the diversity of their own workforces and were utilizing their diverse talent on Authority matters.

With respect to the diversity within the Authority, the Committee had heard a presentation of the 2006 Employee Workforce Profile and staff's improving efforts to increase employee diversity so that the workforce would reflect the community it served.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett noted that the Directors had been provided with copies from the initial run of the 2005 Annual Report. He pointed out that, for the first time, financial results were not included in the report text, but that a disc containing the CAFR was attached to the back cover.

The Toll Road and rail transition continued, with transition plans being developed by the Commonwealth representatives and Authority staff. Teams were working on roads, rail, financial and legal issues. On April 28, the Commonwealth had submitted its request to the Federal Transit Administration for approval to enter into final design for Phase 1 of the rail project, meeting a deadline in the schedule previously agreed to with that agency.

Fairfax County and others had asked Governor Kane to verify independently whether a tunnel under Tysons Corner could be constructed in lieu of the current plan, under which the line would be elevated in that area, except for a short tunnel section. A review would begin soon; the Commonwealth was seeking participants for a review panel. Mr. Bennett said the Authority would probably be included.

That morning the Virginia House of Delegates was holding an oversight hearing to hear the administration's rationale for selecting the Authority to operate the Toll Road and construct the rail project. Virginia Secretary of Transportation Pierce Homer was testifying.

Mr. Bennett commended the staff for working hard on the transition at the same time it was running the airports.

On Monday, May 1, United had completed the transfer of its regional operations at Dulles from the G Concourse to the A Concourse. The temporary G facility, constructed two and a half years before, had been closed. Passengers would be relieved with the improved service. Mr. Brown said the temporary building should be demolished promptly.

At Reagan National, a cell phone waiting area would soon be constructed, with operations starting early in June. It would provide customers some relief from the short-term parking difficulties.

Nearly 200 students were being hired for summer jobs at both Airports. A large number had been assigned to assisting customers through the Transportation Security Administration (“TSA”) checkpoints. They would help passengers divest themselves of cell phones, computers and keys, and also bring back to the intake points the bins that carry clothing and paraphernalia through the screening devices, relieving TSA screeners of the functions.

The students were both from colleges and high schools, and salaries varied from \$8 to \$11 per hour. The program provided an excellent opportunity, and drew students from all over the region.

Mr. Bennett said there were still concerns, chiefly at Dulles, over the ability of the TSA to provide enough screeners to handle the summer demand. Staff was working with the TSA at all levels to address the matter. The problem was also a national one, and the airport trade associations were addressing it as well.

With respect to construction, a notice to proceed would be issued by May 5 for tree cutting and grading for the new Dulles runway. On April 28, employees at Dulles had been transferred to a new parking lot at the north end of the reservation, between the Greenway and Route 606. The former employee lot would be used as an overflow long-term lot for passengers. One of the economy lots would then be taken out of service to expand the rental car area.

Resurfacing of the Dulles Access Highway would begin the week of May 8. Work had also begun on the section of the access road between Route 28 and the Main Terminal to add lanes for capacity and increased efficiency.

At Dulles, Harry’s Tap Room, a full service restaurant, had opened in the Main Terminal.

In the week before, the American Association of Airport Executives (“AAAE”) had held its annual conference in San Diego. It had been well attended by Authority staff because the Authority would be hosting the 2007 conference in early June in the

Convention Center in downtown Washington. The conference would be a large one; about 3000 delegates were expected.

Mr. Speck asked if it would ever be possible to use an E-ZPass at Authority parking facilities. Mr. Bennett said efforts were under way to bring that about. There were some compatibility issues between the revenue control systems and the E-ZPass system. Mr. Latham asked the status of the TSA's plans for frequent flyer registered travelers. Mr. Bennett said it was not yet clear what TSA was prepared to offer. The Authority had been one of the founding airport members of the registered traveler consortium, which had approached TSA to urge that such a program be interoperable at all airports. He said TSA had accepted that principle, but was still vague what benefits registered travelers would enjoy.

b. Executive Vice President's Report

Ms. McKeough presented the March traffic statistics. At Reagan National, traffic had continued to grow, with more than 1.6 million passengers for the month. This had been a 3.5 increase over March 2005. The industry nationwide had declined 2.3 percent for March. As to the first quarter, Reagan National traffic had increased more than 6 percent, while the industry had been down 1 percent.

At Dulles, the March passenger count had been 1.9 million, a decrease of over 20 percent from 2005. The total exceeded, however, all other prior March counts. For the quarter, the count at Dulles had declined nearly 19 percent. International traffic had been steady and flat for the month, and cargo had increased 5 percent.

Mr. Brown asked why traffic was down nationally. Ms. McKeough said part of the explanation was a reduction of capacity in many markets as costs continued to rise. Mr. Bennett pointed out that Easter had occurred in March in 2005, which affected the comparison to 2006, when the additional holiday traffic would be counted in April.

IV. NEW BUSINESS

Mr. Crawford moved the following resolution, which was adopted as Resolution No. 06-8 by the affirmative vote of 12 Members, with Mr. Ralston recused:

a. Sole Source Contract Extension for the Dulles Taxicab Concession

WHEREAS, The current Dulles Taxicab Concession Contract, originally scheduled to terminate on July 31, 2005, was extended to May 31, 2006;

WHEREAS, The procurement process begun with the April 1, 2005 Request for Proposals has been internally protracted and complicated by post-evaluation substitution of key elements by one of the proponents, so that it is not clear the process can lead to a contract that best meets the Authority's needs;

WHEREAS, Changing conditions, including continued development along the Dulles Corridor and around the Airport, and changing technology have led to questions whether the traditional concession approach is in the best interests of the traveling public and the Airports Authority and whether alternative structures for the taxicab concession would better serve those interests; and

WHEREAS, The President and Chief Executive Officer intends to cancel Request for Proposals Number 6-05-C001 in order to study the needs for taxicab services and analyze options for the provision of taxicab services at Dulles; and

WHEREAS, It is necessary and appropriate to extend the existing contract for enough time to provide continuity of service while the analysis proceeds; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is hereby authorized to extend the Dulles Taxicab Concession Contract with Dulles Taxi Systems, Inc. for up to 12 months.

b. Selection of a Firm to Provide Baggage Handling System Operations and Maintenance Services at Dulles

Mr. Crawford moved the following resolution, which was unanimously adopted as Resolution No. 06-9, with all thirteen Members present voting:

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive evaluation of firms to provide baggage handling system operations and maintenance services at Washington Dulles International Airport, presented to it at its April 19, 2006 meeting; now, therefore, be it

RESOLVED, That FMC Technologies - Airport Services is selected to provide these services, including the provision of all labor, materials, equipment and supervision; and

RESOLVED, That the President and Chief Executive Officer is authorized to negotiate and enter into a contract with FMC Technologies - Airport Services, consistent with the terms presented to the Business Administration Committee April 19, 2006.

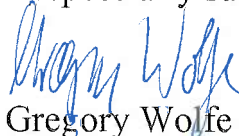
V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS AND ADJOURNMENT

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

Respectfully submitted:



Gregory Wolfe

Vice President and Secretary

*approved June 7, 2006
RW*