



BOARD OF DIRECTORS MEETING

Minutes of May 7, 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. Nine Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
David T. Ralston, Jr.
Robert Clarke Brown
H.R. Crawford
Anne Crossman
Mamadi Diané
John Paul Hammerschmidt
William A. Hazel
Mame Reiley

Charles D. Snelling, nominated by the President and awaiting a confirmation hearing before the Senate Committee on Commerce, Science and Transportation, was also present.

The Secretary and the following Officers were present:

James E. Bennett, President and Chief Executive Officer
Edward S. Faggen, Vice President and General Counsel

I. MINUTES OF THE APRIL 2, 2003 MEETING

The Chairman then called for the approval of the Minutes of the April 2, 2003 Meeting. They were unanimously approved.

II. COMMITTEE REPORTS

a. Planning Committee

Mr. Hazel reported that the Planning Committee had met just before the Board Meeting. There had not been much news in the regular air service development report. Both Airports seemed to be holding their own in terms of passenger traffic, a positive situation, given the war in Iraq and the SARS epidemic. Authority staff had continued to work with JetBlue staff on increased services at Dulles.

Some time before, Mr. Hazel said, the Business Administration Committee had agreed to move the quarterly construction report to the Planning Committee. Nils Pearson of Parsons Management Consultants had presented it to the Planning Committee for the first time that morning. Mr. Hazel said the report had been very informative, and encouraged all Directors to arrive early on Board Meeting days to hear the report when it was on the agenda.

b. Business Administration Committee

As Mr. Crawford had not been able to attend the previous Business Administration Committee Meeting, Ms. Crossman delivered the report. She said the Meeting had been held April 16. The first issue had been the Dulles food and beverage contract, for which the Authority would soon be issuing a Request for Proposals. The next contract would take a more up-to-date approach, employing a “fee manager”, a firm that would subcontract with other vendors and not itself operate any facility in the terminals.

Staff had reported that additional terrorism insurance coverage had finally been obtained. The Airports would be well covered.

The Committee had also approved some small changes to the Freedom of Information Policy. Ms. Crossman also reported that the Reagan National custodial contract procurement had been suspended and would be rebid after some cost savings could be realized through changing the scope of the contractor’s responsibilities.

c. Finance Committee

Mr. Brown reported that the Finance Committee had last met April 16. It had reviewed progress on the 2003 plan of finance. At the time, a working group had been preparing three bond issues for marketing. The original plan had been to market the bonds in June, but since the Committee meeting, staff had advised him that the funding requirements and the construction plans that had generated them were being reanalyzed. At the May Finance Committee meeting, staff would be ready with a new schedule.

The Committee had also heard a proposal from the staff to reprogram part of the 2003 Budget, principally to deal with snow removal costs in excess of Budget. Terrorism and war risk insurance coverage had also exceeded budgeted levels. Mr. Brown said he would offer a resolution later in the meeting.

The March financial reports had also been presented. They still showed construction progress under budget, chiefly because of the unusual winter weather. Snow removal costs had been up and revenues had been down somewhat, as flights had been canceled. Much would be recovered in other ways: parking rates had been increased, and staff had tightened up again on expenses generally. Mr. Brown said he believed the Authority would be in good shape by the end of the year, even though under target levels in March.

d. Audit Committee

In Mr. Thompson's absence, Mr. Ralston reported that the Audit Committee had met for a half-day interview with candidate firms for external auditors. It would make a recommendation to the Board at its June meeting. He observed that comments of the candidate firms had convinced him that the Authority had taken the right steps several years before to establish that the external auditors were selected by and reported directly to the Audit Committee. Such an approach was now being advanced for all corporations in the wake of the recent financial scandals.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett said he felt "somewhat strange" to be sitting at the head of the table. He thanked the Directors for their attendance at the retirement dinner for Jim Wilding, his predecessor, held the previous week.

On April 30, Mr. Bennett reported, Norman Y. Mineta, the Secretary of Transportation and a former Member of the Board of Directors, had signed an amendment extending the Authority's Lease with the United States for an additional thirty years, to March 2, 2067. The need for the amendment came from the customary 30-year life of airport revenue bonds. He then congratulated Ed Faggen and Leslie Berkowitz for working the Lease through the Department of Transportation.

Mr. Bennett noted that a copy of the 2002 Annual Report had been set out in front of each Director. He thanked Margaret Bishop for the production. For the first time, the annual report would also be available on a CD, as well as on the Authority website.

In the Congress, the Federal Aviation Administration ("FAA") reauthorization bill was under consideration. The week before, the Senate Committee on Science, Commerce and Transportation had reported its version of the bill, a three-year bill with funding for the airport grant program at \$3.4 billion for Fiscal Year ("FY") 2004, \$3.5 billion in FY 2005 and \$3.6 billion in FY 2006. In addition, the bill would create a new Aviation Security Capital Fund to pay some of the capital costs of airport security, such as the in-line baggage screening equipment. The funding source would be the \$2.50 per ticket security fund, and expenditures from it would be authorized at \$500 million per year.

The House Transportation and Infrastructure Committee was scheduled to debate its FAA reauthorization bill the following week. Its provisions were expected to be similar to those in the Senate bill.

Mr. Bennett added that the Senate bill included an amendment, offered by Senator Ensign of Nevada, that would add twelve air traffic reservations ("slots") at Reagan National, all for flights beyond the 1250-mile statutory perimeter. It had passed, after two previous attempts, on a 12-11 vote. Strategies were being developed to defeat the

measure on the Senate floor. The House bill was also likely to include some slot-related provisions, but no one yet knew how many.

Mr. Bennett noted that AVIATION DAILY had quoted Senator Lott of Mississippi to the effect that the perimeter and slot rules at Reagan National were obsolete and should be eliminated, and that they would probably be the largest point of debate in the reauthorization process.

The Department of Transportation (“the Department”) had recently announced a suspension of the “use-or-lose” policy with respect to Reagan National slots. The rule for some time had been that airlines not “using” a slot – that is, not scheduling a flight for it – would have to give it up for reassignment to another carrier. Because of the decline in traffic resulting from the war in Iraq and SARS, the rule had been suspended. Carriers were to notify the Department of any slots they may not be using for the time being, and the Department would reallocate them temporarily to other carriers. When the slot-holding airline needed the slots again, they would be recalled from the temporary holders.

Mr. Bennett said he and Mr. Faggen had met with Department of Transportation officials to urge that the suspension not be continued. Ms. Reiley asked how long the current suspension would last; Mr. Bennett said it would continue through October.

Mr. Hazel asked what interests sought to eliminate the perimeter rule. Mr. Bennett said an apparent coalition of carriers who wished to provide long-haul services at Reagan National. He cited America West, Frontier and Alaska Airlines on the perimeter rule. For service within the perimeter, Air Trans sought additional slots. That carrier had received four slots from Spirit Airlines, but had not yet begun service because it needed more to operate a schedule to its satisfaction.

Mr. Bennett reported that the Transportation Security Administration recently advised airports that it would be reducing the number of security screeners nationwide by 6,000 by the end of September. At Reagan National, the reduction target was about 100; at Dulles, there were not any targeted reductions, as the operation there already did not have enough staff to operate efficiently. Airport and public safety staff were closely monitoring delays and lines at both Airports, and were working with TSA to make sure service levels did not deteriorate further.

Mr. Hammerschmidt asked how many screeners were assigned to each Airport. Mr. Bennett said there were supposed to be 950 screeners at Dulles, and about 503 at Reagan National. He said that TSA would be revisiting the proposed cutbacks.

Mr. Bennett reported that a TSA representative had announced at a recent American Association of Airport Executives meeting in California that the agency would be canceling the memoranda of agreement for law enforcement support negotiated with every airport. He noted that a law enforcement officer was currently present at every security checkpoint. TSA's goal was to eliminate those officers and return to the law enforcement model in place before September 11, 2001.

This was a positive development; the former model of "flexible response" was a more efficient way of providing law enforcement support. Under the memoranda of agreement, however, TSA had been reimbursing the airports for the costs of providing officers. Now it expected not to pay for the services. Before September 11, when security screening had been an airline responsibility, the airlines had paid the airports for the flexible response. Those payments had ended when TSA took on the screening.

Mr. Bennett said the Board was aware that an unsuccessful offeror had filed a protest on the award of a duty-free contract. The protest had gone through the first step of the process; an appeal had been filed, and was now pending his decision. He noted that because of the size of the contract, the selection had been fully delegated, and that neither the Board nor any Committee had been involved. He said he would keep the Members informed of the situation.

With respect to air service, Mr. Bennett reported that JetBlue had added a flight to Long Beach on May 1, and bmi british midland would be restoring six round trips per week to Manchester.

In March, passenger traffic at Reagan National had increased nearly 10.5 percent over March 2002. On a year-to-date basis, it had increased 18.6 percent. The growth, once again, had resulted from the partial closure of the Airport in early 2002. At Dulles, traffic was off by 5.2 percent, and off 1.5 percent year-to-date. March had been a difficult month for the industry worldwide because of the Iraq war and SARS. Domestic traffic on a nationwide basis had been off about 5.5 percent. International traffic at Dulles had been off 6 percent, slightly worse than the overall levels. March

2003 had been the busiest month at Reagan National since September 2001. But March 2003 traffic there had been off 18 percent compared to March 2001, and off more than 13 percent at Dulles.

Mr. Crawford asked how TSA had established the staffing levels of 950 at Dulles and 503 at Reagan National. Mr. Bennett said the agency had a "staffing model" that identified how many screeners were needed based on the number of screening lanes, the number of passengers, the number of baggage screening machines, and the hours the system would be operated. Mr. Crawford asked if a letter of concern from the Board on the proposed reductions would be helpful. The Chairman asked Mr. Bennett how he had been responding to the problem. Mr. Bennett said there had been discussions with the federal security directors at both Airports, both about the law enforcement support and the proposed reduction in screeners. He said a letter from the Board would not yet be necessary, and that he expected the immediate issue would be addressed in the Congress. Mr. Bennett said the situation would have to be monitored, especially as traffic grew over the summer. A similar case had developed in the summer of 2002 with the shortage of Customs and Immigration and Naturalization Service inspectors at Dulles.

Mr. Crawford said he had received a letter about the duty free protest making fairly strong accusations of serious flaws in the selection process. If there were any validity to the charges, the Board should consider getting involved. Mr. Bennett said the Directors would receive copies of the responses to the protester's allegations. The Secretary said that three letters from the protesting firm had been addressed to all Board Members and were being distributed to them. The Chairman said he had already responded to those letters to say that the Board had not participated in the decision and that the protest would be addressed in the course of normal administrative procedures.

IV. UNFINISHED BUSINESS

There was not any unfinished business.

V. NEW BUSINESS

a. Proposed Amendment to the Freedom of Information Policy

Ms. Crossman moved the following resolution:

WHEREAS, The Authority in Resolution No. 92-16 adopted a Freedom of Information Policy, and

WHEREAS, The language of the original Policy has engendered some confusion over the release of records that may be withheld on protection of privacy grounds; now, therefore, be it

RESOLVED, That the Freedom of Information Policy is amended to read as follows:

Freedom of Information Policy

1. All records of the Authority are available to the public upon reasonable request, except those identified as "not required to be disclosed" in this Policy.
2. While this Policy identifies documents "not required to be disclosed", it does not require that such documents be withheld unless disclosure is prohibited by law. The head of the office holding the records requested has discretion to make records that are not required to be disclosed available for inspection and copying.
3. Records Not Required to be Disclosed
 - a. Personal Privacy. Personnel and payroll records containing information concerning identifiable individuals, except that access shall not be denied to the person who is the subject thereof. The name, position, and salary of Authority employees, however, are public information.

- b. Confidential Business Information. (1) Confidential business information of the Authority: commercial, financial, or proprietary information which, if disclosed, would harm the competitive or negotiating position of the Authority; (2) confidential business information of others: records containing commercial or financial information provided from outside the Authority if the submitter claims a privilege for the information and gives reasons protection is necessary. Examples of such records include competitive negotiation proposals, sealed bidding records, cost estimates, and business plans.

- c. Law Enforcement and Security Records. Records compiled for law enforcement and security purposes, but only to the extent that and as long as the production of such records would (1) interfere with investigative or enforcement proceedings; (2) deprive a person of a right to a fair trial or an impartial adjudication; (3) constitute an unwarranted invasion of personal privacy; (4) disclose the identity of a confidential source and confidential information furnished only by the confidential source; (5) disclose law enforcement and security techniques and procedures not generally known outside the law enforcement community; (6) cause a suspect to flee or evade detection; (7) result in the destruction of evidence; or (8) endanger the life or physical safety of an individual.

- d. Privileged Documents. Records subject to a generally recognized privilege, such as the attorney work product and attorney-client privilege; other documents that would not be available to a person in litigation with the Authority; and records with respect to matters customarily addressed by the Board of Directors in Executive Session.

- e. Predecisional Documents. Records containing recommendations and advice with respect to decisions to be taken by the President and Chief Executive Officer or the Board of

Directors, but only to the extent matters addressed therein are addressed in a final decision document. Documents prepared for the Board of Directors or its committees and not otherwise exempt from disclosure will normally be made available only after they have been provided to the Directors.

4. Records will normally be provided without charge. A schedule of standard search and reproduction fees will be established, however, for requests for longer records, for a substantial number of records, and for records that are not readily identified or require a search.
5. When an exception applies to only a portion of a record, the rest of the record will be released.
6. This Policy applies to existing records only, and does not require the Authority to create a new record to compile or summarize information.
7. Records will be made available informally, without delay or procedural requirements when the obligation to release is clear. When the obligation to release is not clear, however, or whenever a requester desires formality, requests for records are handled in accordance with the following procedures.
 - a. Requests. Formal requests should be made in writing to the head of the office holding the records requested, if known; to either Airport Manager; or to the President and Chief Executive Officer. The request will be forwarded to the appropriate office for action.
 - b. Authority Response. As soon as possible, but not later than two weeks of receipt, requested records shall be made available; the requester shall be notified of reasons for delay and the anticipated time of release; or the requester shall be notified of reasons the records will not be released.

- c. Appeals of Denial. If a request is denied or delayed, the requester may appeal the decision in writing to the Business Administration Committee by submitting the appeal to the Secretary, who is the Custodian of Records of the Authority. The Committee's decision will be administratively final.

After the General Counsel had briefly explained some of the provisions, the resolution was unanimously adopted.

- b. Reprogramming of the 2003 Budget

Mr. Brown offered the following resolution and explained its purpose. He said the Budget had three categories: the Operations and Maintenance Program, the Capital Construction Program, and the Capital Maintenance and Investment Program (“CMIP”). The first two categories were funded through revenues, as provided in the Airport Use Agreement and Premises Lease. The Capital Maintenance and Investment Program was funded with whatever revenues were left over, generally those labeled “net remaining revenues”. The device of a budget amendment would take costs that were normally an operations expense and charge them to the Capital Maintenance and Investment Program, thus keeping program authorizations for each of the three programs level for the year. Some of the projects in the CMIP category would be deferred beyond 2003.

This in turn allowed the Authority to absorb cost overruns resulting from the extreme weather without charging them back to the air carriers.

WHEREAS, The Board of Directors by Resolution No. 02-33 approved the 2003 Budget on December 4, 2002;

WHEREAS, Since then, the Authority has incurred unanticipated expenses, including extraordinary snow removal costs and the procurement of war risk insurance;

WHEREAS, The management has identified capital projects in the Capital Maintenance and Investment Program (“CMIP”) that either will not require funding in 2003 or can be deferred to a subsequent fiscal year, a list of which is attached to this Resolution; and

WHEREAS, The management proposal to reprogram \$4,700,000 in excess snow removal costs from the Operations and Maintenance Program will not exceed the overall program limitations of the 2003 Budget, now, therefore, be it

RESOLVED, That the Budget reprogramming as proposed by the President and Chief Executive Officer at this meeting is hereby approved.

The resolution was unanimously adopted, with all eight Directors present at the time voting.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 9:40 a.m.

Respectfully submitted:



Gregory Wolfe
Vice President and Secretary

approved Olm 4, 2003
