



## BOARD OF DIRECTORS MEETING

Minutes of August 6, 2003

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 9:00 a.m. Eight Directors were present during the meeting:

David T. Ralston, Jr., Vice Chairman  
Robert Clarke Brown  
H.R. Crawford  
Mamadi Diané  
John Paul Hammerschmidt  
William A. Hazel  
Mame Reiley  
David G. Speck

Charles D. Snelling, nominated by the President but not yet confirmed, 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

The Vice Chairman welcomed David Speck, a new Virginia Member, to the Board.

### I. MINUTES OF THE JUNE 4, 2003 MEETING

The Vice Chairman then called for the approval of the Minutes of the June 4, 2003 Meeting. They were unanimously approved.

## II. COMMITTEE REPORTS

### a. Planning Committee

Mr. Hazel reported that the Planning Committee had met at its usual time, just before the Board Meeting. It had first heard the Air Service Development Report. Mr. Hazel said he expected Mr. Bennett would later report that air traffic was growing again, though rather slowly. At Reagan National, US Airways had recently resumed its full hourly schedule for its Boston and New York shuttles, and Delta Air Lines had done the same with its shuttle to LaGuardia. JetBlue had added a third daily round trip between Dulles and Fort Lauderdale.

Mr. Hazel said that most Directors had already heard that Atlantic Coast Airlines, which had long been operating as a United Express carrier, had announced plans to convert itself into a low-cost carrier based at Dulles. Of equal importance, United Airlines had announced that it would maintain Dulles as its east coast gateway, and provide service to all points it had been serving, even without Atlantic Coast as its United Express partner.

The Committee had also heard the informative PMC report on construction at both Airports. He urged all Directors to come early for Board Meetings to hear that report, which was presented quarterly.

### b. Business Administration Committee

Mr. Crawford reported that the Business Administration Committee had last met July 23. It had first reviewed the proposed Disadvantaged Business Enterprise (“DBE”) participation goals for federally-assisted projects. The goals were required by the U.S. Department of Transportation, and had to be submitted annually. Once again the staff was proposing a goal of at least 25 percent. The Committee had accepted the goal and concurred in the external process for developing and validating the goal, a process then already under way. If the 25 percent participation level did not change, it would be brought to the Board for approval at its October Meeting.

The Committee had also discussed at some length a “look-ahead” report on a planned solicitation for the public parking contract at Dulles. The staff proposed to award the contract for two years, with a single three-year extension option. The Request for

Proposals (“RFP”) would include a DBE goal of at least 25 percent. At the Committee’s request, the staff would report back after two years, before awarding any extension.

The structure of the contract would be that the offerors would bid a management fee. All revenues would go to the Authority. In addition to the management fee, the contractor would also receive an incentive fee that would depend on performance. The Committee had concurred in the issuance of the RFP.

A second “look-ahead” report addressed the selection of an advertising agency to provide marketing services, advertising, and graphic support. The contract would be of a “task-order” type, with a 20 percent LDBE requirement, a one-year base, and two one-year extensions. After a discussion of how the prevailing firm would be compensated, the Committee had agreed that the selection process should proceed.

The Committee had also addressed the solicitation for a firm to publish, distribute and operate the Authority’s WASHINGTON FLYER MAGAZINE. Mr. Crawford said he had gathered from the extensive discussion that the Magazine had caused some controversy in the past, when it had been directly subsidized between \$350,000 and \$800,000 per year. The direct subsidy, however, had ended in 2001. The Magazine currently supported itself with its own advertising revenues, as well as other advertising elements in the terminals, including baggage area TV monitors, CNN local ad insertions and the interactive hotel/motel kiosks.

Mr. Crawford said there were some unresolved issues among the Directors as to the value of the Magazine, but that the Committee had agreed that the staff should proceed with its RFP as proposed. The Magazine could be discussed at future Committee meetings.

Mr. Brown pointed out that the Magazine did not actually support itself, but was paid for with a hidden cross-subsidy. Mr. Crawford reiterated that the Committee could revisit the issue. Mr. Snelling said he thought the issues raised had been procedural, on how the Board examined the materials when making decisions, not whether the Magazine was good or bad. It appeared to him the Magazine met everyone’s needs.

c. Finance Committee

Mr. Brown reported that the Finance Committee had met twice since the last Board Meeting, on June 18 and July 23. At both meetings the principal focus had been on the three bond issues the Board would be asked to approve later in the meeting, as well as the auction rate notes bond issue, which the Board would be asked to approve in September.

The Committee had reviewed all supporting documents for the Series 2003A-C bonds, which would be priced on September 10. The proceeds would be used to refund two old series, \$92.6 million in outstanding Series 1993A and B Bonds, and \$100 million of the Series B Bond Anticipation Notes. About \$40 million in new money would be generated to support the *d2* program at Dulles.

The authorizing resolution Mr. Brown would be offering would delegate final approval of the terms of the issues to the Chairman or the Vice Chairman and the Chairman of the Finance Committee. On August 20, as part of the Board's standard "due diligence", there would be a special workshop on the bond issues immediately after the Finance Committee meeting. He emphasized that the Official Statement for the series was the Board's statement, and that the Board had legal responsibility for it. The underwriters would be conducting due diligence interviews on August 26.

At its July meeting, the Committee had also instructed the Financial Advisors to seek ideas from the members of the finance team for the possible refunding of other bond series. Proposals would be considered at the August or September Finance Committee meetings.

Staff had also reported on the Passenger Facility Charge ("PFC") leveraging program, which had been in place for nearly a decade with Bank of America, now with Wachovia. The Committee had asked the staff to review the performance of the program and evaluate it against other alternatives. The pricing information was already available.

At the May Finance Committee meeting, Mr. Thompson had asked the staff to prepare a paper on forecasted financial results for 2003. The paper was done; it would be taken up at the August meeting.

At the half-year point, the June financial reports showed that operating income year-to-date was \$7.2 million, reflecting continued recovery of the Airports, and that revenues and expenses were both at 47 percent of budgeted levels.

The Committee had been monitoring projections of construction activity, which were critical to determining funding needs. In the past, construction had not kept up with projections, but the record was improving. Unusual levels of snow and rain over the previous six months had, however, caused additional construction delays.

Mr. Snelling asked if the analyses for refunding of prior bond issues would include a present value analysis, and an analysis of fixed versus variable rate. Mr. Brown said they would, and noted that some of the proposals from bankers included derivative products, so there would be many alternatives to review. The Committee would look at the risks of each alternative, as well as the risk of not doing anything.

Mr. Hammerschmidt asked how the Authority's Passenger Facility Charge ("PFC") revenues were affected by the several airline bankruptcies. Mr. Faggen said the Authority had collected all PFC revenues from both US Airways and United Airlines. Lynn Hampton, Vice President for Finance and Chief Financial Officer, said that the companies in bankruptcy had treated PFC revenues more like taxes; they did not become part of pre-petition debt.

Mr. Snelling asked if the Authority could evict airlines that did not pay PFCs or rental rates. Mr. Faggen said there was an automatic stay in bankruptcy that prevented the Authority from collecting on past debts other than through the bankruptcy court. Any obligations arising after a bankruptcy filing had to be kept current. Mr. Snelling asked if any future airline use and lease agreement should include a more secure position for the Authority in bankruptcy situations. Mr. Faggen pointed out that such a provision could still be rejected by the bankruptcy court.

The Vice Chairman then said he wished to proceed with new business.

### III. NEW BUSINESS

- a. Authorization of the Series 2003A-C Airport System Revenue and Refunding Bonds

The Vice Chairman said that the proposed resolution would approve in draft form all the documents that had been presented at the meeting. He said it was important to note that the resolution would delegate to either the Chairman or the Vice Chairman and the Chairman of the Finance Committee the responsibility to approve and execute the final documents.

Mr. Brown then moved the adoption of the following resolution. He said that it authorized three series of bonds. Series 2003A was the largest, an issue subject to the Alternative Minimum Tax ("AMT"), that would for the most part refund \$100 million in existing bond anticipation notes. It would also provide about \$40 million in new money for the *d2* program. The Series 2003B would refund the Series 1993A Bonds, a non-AMT tax-exempt issue of about \$64 million, and the Series 2003C would be a taxable issue of about \$35 to \$45 million to refund the Series 1993B Bonds, including \$11 million of new money proceeds to reimburse the Authority for its purchase of the Fairchild Building at Dulles. Mr. Brown noted that there was an additional delegation to the Chairman or Vice Chairman and the Chairman of the Finance Committee to approve the pricing and other final details of the transactions. He said the current rates, though not as good as a month or so before, were still very favorable.

The Vice Chairman referred to a statement in the draft Official Statement that reported his law firm, Foley & Lardner, was representing Washington victims of the September 11 incidents. The firm would not represent any clients with respect to claims against the Authority. Mr. Ralston also noted that the firm's representation in these cases was entirely *pro bono*. The only work was assisting families in presenting claims to the federal claimants' fund. He said the only possible concern was the government's statutory subrogated interest to the claims of those who collected from the fund. It was highly unlikely that the government would pursue any claims against airports or airlines. Mr. Ralston also noted that Foley & Lardner represented the Authority, together with a large number of other airports, in airline bankruptcy cases. He asked Mr. Faggen and disclosure counsel present if they would be troubled, in view of these relationships, if he voted on the bond series. Mr. Faggen said he had discussed the matter with the Secretary and that they had agreed that as the representation was *pro bono* and only before the compensation board, there was not any conflict with the Authority, which did not have any role in compensation process. Mr. Ralston asked other lawyers present at the meeting who were involved in the bond issue. Pauline Schneider of Hunton & Williams, Underwriters' counsel, said she was not

troubled. Jack Gardner of Hogan & Hartson, bond and disclosure counsel to the Authority, also agreed that there was no conflict presented.

The Vice Chairman then called for a vote on the following resolution.

WHEREAS, The Board of Directors of the Metropolitan Washington Airports Authority (the "Authority") desires to authorize the issuance of the Series 2003A, the Series 2003B and the Series 2003C Airport System Revenue and Refunding Bonds (collectively, the "Series 2003A-C Bonds") in an amount not to exceed \$300,000,000, to finance or refinance certain capital improvements (the "Projects") at Ronald Reagan Washington National Airport and Washington Dulles International Airport (collectively, the "Airports"), to refund or pay at maturity \$100,000,000 of Bond Anticipation Commercial Paper Notes, Series B (the "Prior Notes"), \$58,695,000 principal amount of outstanding Airport System Revenue and Refunding Bonds, Series 1993A, and \$33,930,000 principal amount of outstanding Airport System Taxable Revenue and Refunding Bonds, Series 1993B (collectively, the "Refunded Bonds"), and to set forth the guidelines for determining the interest rate or rates on such bonds;

WHEREAS, A public hearing has been held relating to the Projects to the extent required by Section 147 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, The Governor of Virginia and the Mayor of the District of Columbia have approved the issuance of the Series 2003A-C Bonds, to the extent the Series 2003A-C Bonds authorized hereunder are subject to Section 147 of the Code; and

WHEREAS, There have been presented at this meeting the form of the following documents that the Authority proposes to execute to carry out the transaction described above, copies of which documents shall be filed with the records of the Authority:

- (a) the Fifteenth Supplemental Indenture of Trust, dated as of October 1, 2003 (the "Fifteenth Supplemental"), between the

Authority and Manufacturers and Traders Trust Company (formerly Allfirst Bank) (the "Trustee"), which supplements an Amended and Restated Master Indenture of Trust, dated as of September 1, 2001, between the Authority and the Trustee (the "Master Indenture");

- (b) the forms of the Series 2003A-C Bonds, attached as Exhibit B to the Fifteenth Supplemental;
- (c) the Bond Purchase Agreement relating to the Series 2003A Bonds (the "Series 2003A Purchase Contract") between the Authority and Citigroup Global Markets, Inc. and Redwood Securities Group, on behalf of itself and the other underwriters listed therein (collectively, the "Series 2003A Underwriters");
- (d) the Bond Purchase Agreement relating to the Series 2003B Bonds (the "Series 2003B Purchase Contract") between the Authority and Siebert Brandford Shank & Co., L.L.C., on behalf of itself and the other underwriters listed therein (collectively, the "Series 2003B Underwriters");
- (e) the Bond Purchase Agreement relating to the Series 2003C Bonds (the "Series 2003C Purchase Contract", together with the Series 2003A Purchase Contract and the Series 2003B Purchase Contract, the "Purchase Contracts") between the Authority and Morgan Keegan & Company, Inc., on behalf of itself and the other underwriters listed therein (collectively, the "Series 2003C Underwriters", together with the Series 2003A Underwriters and the Series 2003B Underwriters, the "Underwriters");
- (f) an Official Statement to be dated the date of sale of the Series 2003A-C Bonds (the "Official Statement"), in preliminary form, relating to the public offering of the Series 2003A-C Bonds;
- (g) the Refunding Agreement dated as of October 1, 2003 (the "Prior Notes Refunding Agreement") between the Authority, the Trustee and the Prior Notes Issuing and Paying Agent; and



- (h) the Refunding Agreement dated as of October 1, 2003 (the “Refunded Bonds Refunding Agreement”, together with the Prior Notes Refunding Agreement, the “Refunding Agreements”) between the Authority and the Trustee including the notice of redemption of the Refunded Bonds; now, therefore, be it

RESOLVED, That the Underwriters are authorized to distribute the Official Statement to prospective purchasers of the Series 2003A-C Bonds;

2. That the Series 2003A-C Bonds shall be issued in book entry form pursuant to the Master Indenture and the Fifteenth Supplemental and sold to the Underwriters pursuant to the Purchase Contracts, all upon the terms and conditions specified therein;

3. That either the Chairman or Vice Chairman and the Chairman of the Finance Committee are jointly delegated the authority and directed to determine, after the Series 2003A, Series 2003B and the Series 2003C Bonds have been priced in the market:

- (a) the exact principal amount of the Series 2003A Bonds, Series 2003B Bonds and the Series 2003C Bonds,
- (b) the interest rate or rates,
- (c) the maturity or maturities of any Series including the amount and date of any mandatory sinking fund redemption for a maturity,
- (d) the provisions for redemption of each Series prior to maturity,
- (e) the amount and extent of any bond insurance, and the provider thereof,
- (f) the amount and provider of any Debt Service Reserve Fund surety bond, and
- (g) the amount of the purchase price;

in a manner to achieve the most favorable net effective interest rate on the Authority's long-term debt incurred through the issuance of the Series 2003A-C Bonds; provided that the combined aggregate principal amount of the Series 2003A-C Bonds shall not exceed \$300,000,000, the maximum term of each Series shall not exceed 31 years, the Series 2003A-C Bonds shall be subject to redemption at the option of the Authority not later than October 1, 2013, and the redemption premium shall not exceed 3 percent of the principal amount thereof, the underwriter's discount relating to any Series shall not exceed 1 percent of the principal amount thereof, the true interest cost of each Series shall not exceed 7 percent, and that each Series shall be offered to the public at a price of not more than 110 percent of the principal amount thereof plus accrued interest;

4. That the payment or refunding of the Prior Notes and Refunded Bonds with proceeds of the Series 2003A-C bonds, together with other funds, is authorized and directed in the manner and the amounts set forth in the Refunding Agreements.

5. That the Chairman or the Vice Chairman is authorized and directed to execute the Fifteenth Supplemental, the Purchase Contracts, the Official Statement, and the Refunding Agreements and the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Authority on such documents as required, and to attest the same;

6. That the Chairman or the Vice Chairman is authorized and directed to execute, by manual or facsimile signature, the Series 2003A-C Bonds, the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Authority or a facsimile thereof on the Series 2003A-C Bonds, and to attest the same, by a manual or facsimile signature, and either is authorized and directed to deliver the Series 2003A-C Bonds to the Trustee for authentication upon the terms provided in the Master Indenture and the Fifteenth Supplemental;

7. That the Fifteenth Supplemental, the Purchase Contracts, the Series 2003A-C Bonds, the Official Statement, and the Refunding Agreements shall be in substantially the forms submitted to the Board of

Directors at this meeting, which are approved, with such completions, omissions, insertions and changes necessary to reflect the bond principal amount and other terms of the Series 2003A-C Bonds and as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes;

8. That the Chairman, the Vice Chairman, the President and Chief Executive Officer, and the Vice President for Finance and Chief Financial Officer are hereby individually authorized with respect to the Series 2003A-C Bonds to execute a tax certificate, if any, on behalf of the Authority in implementation of the covenants and agreements set forth in the Fifteenth Supplemental, or to make any election permitted by the Code, and determined by such officer to be to the advantage of the Authority; and the representations, agreements, and elections set forth therein shall be deemed the representations, agreements, and elections of the Authority, as if the same were set forth in the Fifteenth Supplemental;

9. That the Officers of the Authority, including the President and Chief Executive Officer and the Vice President for Finance and Chief Financial Officer, are individually authorized to execute, deliver and file all other certificates and instruments, including Internal Revenue Service Forms 8038 and 8038-G and any reimbursement agreement relating to any Debt Service Reserve Fund surety bond, and to take all such further action as they may consider necessary or desirable in connection with the issuance and sale of the Series 2003A-C Bonds;

10. That any authorization herein to execute a document shall include authorization to deliver it to the other parties thereto; and

11. That all other acts of the Chairman, the Vice Chairman or Chairman of the Finance Committee, the President and Chief Executive Officer, the Vice President for Finance and Chief Financial Officer or any other Officers that are in conformity with the purposes and intent of this Bond Authorizing Resolution and in furtherance of the issuance and sale of the Series 2003A-C Bonds are hereby approved and confirmed.

The Vice Chairman announced that the Resolution had been unanimously adopted by a vote of all eight Directors present.

Mr. Crawford said he had raised at the last meeting an issue about air conditioning units that were not working in the midfield terminal C-D at Dulles. He noted that the Board had just approved a \$300,000,000 bond issue, and said he could see no reason why the air conditioning could not be repaired with funds from one of the Authority's reserve funds. He asked for a report at the next meeting.

Mr. Bennett said the C-D midfield was a temporary building with more than a hundred independent rooftop cooling units. Though it had been in place about twenty years, it had originally been designed to last 5 to 10 years. The Authority was spending tremendous sums replacing rooftop units, which were failing as fast as they could be replaced. The replacement units were being delivered as soon as they were manufactured. In addition, a plan to replace them all was being developed as part of an effort to extend the life of the midfield buildings, a step that had become necessary because recent adjustments to the *d2* program meant that the C-D building would be in use for some time yet. Mr. Bennett said he would present a report to the Board on the program for rehabilitating the older midfield terminal buildings.

Mr. Diané asked how long it would take to restore the air conditioning. Keith Meurlin, Vice President and Dulles Airport Manager, said one full unit was being delivered, and a second had just been manufactured. He noted that because the midfield had been built over time in separate sections, the air-conditioning units were not of the same size, and were not even from the same manufacturers. He said money was available in the Budget for the Capital Maintenance and Investment Program, and unit orders hadn't been delayed. Frank Holly, Vice President for Engineering, said it would take several months to restore the entire ventilation system; it would not be fully corrected until the spring of 2004.

#### IV. INFORMATION ITEMS

##### a. President's Report

Mr. Bennett reported that on July 30 the U.S. District Court for the Eastern District of Virginia had granted the Authority's motion for summary judgment in the Bombardier people mover contract litigation. An opinion had not yet been issued, and Bombardier

still had the right to appeal. The Vice Chairman said the result was an excellent outcome, and thanked the attorneys involved.

On August 1, a new duty-free operator, Dulles Duty-free, had taken over the concession at both Airports. The former operator had protested the award, but had not taken further action after receiving an adverse decision from Mr. Bennett in mid-July.

On July 28, Atlantic Coast Airlines had announced that it would form a new low-fare regional carrier to be based at Dulles, instead of continuing as a United Express operator. Details on the carrier's plan were not yet available, but it appeared it would end all turboprop operations, and combine its Chicago and Dulles fleets of regional jets to operate a hub at Dulles. The current 130 daily Atlantic Coast regional departures at Dulles would grow to 275. The carrier also planned to add larger single-aisle aircraft to its fleet, to increase departures up to 325 per day. This would have a substantial impact on services at Dulles.

The Atlantic Coast announcement had led to extensive speculation about how United Airlines would react with its services at Dulles. On July 31, United had confirmed its commitment to Dulles, stating that United and United Express would continue to offer more than 240 daily departures to the 69 nonstop destinations that they currently served. United would have to find other commuter air carriers to operate the United Express flights to do so. The potential, if both United and Atlantic Coast could carry out their announced intentions, would be a considerable growth in service at Dulles in 2004.

Mr. Hammerschmidt asked what gates would be used. Mr. Bennett said Atlantic Coast would continue to use the existing Concourse A gates. Staff was working with United to accommodate the new express partners elsewhere on the Airport.

Mr. Snelling asked to what extent the two carriers had to negotiate with the Authority. Mr. Bennett said they were already negotiating. Mr. Snelling asked if there were any potential for resolving other issues in the negotiations; Mr. Bennett said it was possible.

Mr. Brown asked where United would find the capacity to continue its existing service patterns. Mr. Bennett said United already had contracts with several different United

Express carriers, including Air Wisconsin and Trans States, which were already operating at Dulles. He said he expected three or four such carriers would provide the United Express services. Mr. Brown asked if the customers would notice. Mr. Bennett said little would be apparent to the customers; they would still make their reservations, purchase their tickets, and check in with United.

Mr. Brown observed that the Atlantic Coast plan would be the first attempt to provide low-fare services with regional jets. He asked if the model could be successful. Mr. Bennett said he did not know enough details to comment on Atlantic Coast, but said he did believe there was an opportunity for low-fare services to secondary or tertiary markets. The existing low-fare services were all between major markets. Atlantic Coast could not operate at the same scale as Southwest, with larger aircraft and longer stage lengths, but could operate at a substantial discount from fares charged currently in the smaller markets.

The Vice Chairman asked if the Atlantic Coast restructuring was under way, or a posturing element of its negotiations with United. Mr. Bennett said he understood the two were still negotiating to continue the existing arrangements. The Vice Chairman asked how soon the two would have to reach agreement. Mr. Bennett responded that he expected if agreement was not reached, the changes would occur in 2004, when United was to come out of Title 11 reorganization.

Mr. Snelling observed that an assessment of the alternative outcomes should be made so that the Authority would be able to reach its own conclusions about what might work in order to decide how to allocate its own resources. Mr. Bennett said the staff was trying to determine what the impacts might be.

With respect to the Federal Aviation Administration ("FAA") reauthorization legislation, Mr. Bennett reported that during the last week of July the conference committee had reported out a Bill for action in both House and Senate in September. In the Bill, additional slots for Reagan National remained at 20 per day, 12 for service outside the 1,250-mile nonstop perimeter and 8 for within the perimeter. An existing provision of law required the Authority to undergo oversight hearings in the Congress, with a suspension of the right to airport improvement grants and new PFC approvals until the provision was amended, beginning in September 2004. The conference committee, acting on a House bill that had eliminated the provision, instead extended the date to September 2008.

Mr. Bennett further reported that definition of aircraft eligible to operate under commuter air carrier slots had been changed in the conference report to include aircraft of 76 seats or less. This change had been supported by both the Authority and US Airways. Another provision of the conference report would require the Department of Homeland Security to develop a security plan that would allow general aviation to resume operations at Reagan National. The meaning of this provision was not clear.

Mr. Bennett said the reauthorization bill would run for four years, with grant levels for the airport improvement program set at \$3.4 billion in FY2004, increasing \$100 million per year to \$3.7 billion in FY2007. The Bill also authorized a new Transportation Security Administration grant program of \$500 million per year to fund airport security improvement projects. The grants would be available to pay 90 percent of costs at large airports.

Mr. Bennett noted that on August 12 the FAA would be holding a lottery to allocate six air carrier and nine commuter air carrier slots at Reagan National. They were all reserved for services within the perimeter, and all were in the 9 p.m. hour. The slots were not being used by other airlines. Fifteen airlines had applied for them. The Authority had provided comments to the effect that carriers with slots for large aircraft should not be allowed to use them with regional jets or smaller aircraft, as the current general slot rules explicitly permitted.

The week before, Mr. Bennett noted, the Virginia Department of Rail and Public Transit had announced that it would next month submit a plan to the Federal Transit Administration (“FTA”) on Phase I of the Dulles Rail project. Construction would begin in 2005 and be completed in 2009, with the westernmost station at Wiehle Avenue, about five miles from Dulles. Phase II would take the line from Wiehle Avenue to Routes 7 and 772 in Loudoun County, passing through the Airport, in 2015. Mr. Bennett said it would have been preferable to go all the way in one project, but the FTA authorization ran only for six years and it made sense to limit the first phase. He said it was important that the project would not stop at Tysons Corner; its continuation did indicate the intent of all parties to go on to and through Dulles in the future.

Mr. Hammerschmidt asked what kind of leverage the Authority would have to get the line completed. Mr. Bennett said there was a memorandum of understanding with all partners in the program – the Commonwealth of Virginia, Loudoun County, Fairfax County, the Washington Metropolitan Area Transit Authority, and the Airports

Authority – to complete the project. Mr. Brown said there had been a proposal at one time to do the planning and design work for the whole project to assure a high level of commitment. Mr. Bennett said he understood the FTA would not fund the planning and design for the entire line, but that the parties would work on it nevertheless, and seek reimbursement when further grants became available.

Mr. Hammerschmidt observed that the Authority's ownership of the Access Road right-of-way provided the basic leverage. Mr. Brown asked to what extent Phase I would use the right-of-way. Mr. Bennett said it would be on Authority property between I-66 and Tysons Corner, and again from Route 7 to Wiehle Avenue, about half the distance between Tysons Corner and Dulles.

Mr. Brown asked if the BRT ("Bus Rapid Transit") proposals had been dismissed with the rail project proceeding in the right-of-way median. Mr. Bennett said that bus services would be expanded in the corridor, but a separate busway would not be built in the median.

Mr. Bennett called the Board's attention to the Authority's 2002 Regional Economic Impact report, an update done from time to time, which would be released that day. The report indicated that there had been 27,551 direct jobs at the two Airports, which had generated \$1.3 billion in employee earnings. The two Airports had together generated \$4.6 billion in direct business revenue, \$237 million in state and local taxes, and \$682 million in federal aviation taxes. The overall employment level had been higher than 1998, the last time the study had been conducted. The number jobs at Reagan National had declined by about 2000, but the loss had been more than made up for by job growth at Dulles. Mr. Ralston asked where the Reagan National job losses had been. Mr. Bennett said they had been mainly in airline and general aviation positions. Construction at Reagan National had also declined. The direct business revenue had also been off from 1998. On the whole, however, Mr. Bennett said the report presented very good news, given the downturn in aviation business since September 11.

Mr. Hammerschmidt asked if the report would be distributed. Mr. Bennett said it would, and would be found on the Authority's web site. Mr. Brown asked how the report had been generated. Mr. Bennett said the firm of Martin and Associates had done the report; it was also responsible for similar reports at major airports throughout the Nation. Their economic models had been "fine-tuned" and had produced a very



accurate report. Some of the information had been generated by mathematical formulas, but the basic data had been gathered directly from the sources. All employment data, for example, had been obtained by calling the employers. Mr. Hammerschmidt asked if there were any estimates about how much revenue the Authority lost by the exclusion of general aviation. Mr. Bennett said there was general understanding of the Authority's lost revenues; it was difficult, however, to estimate the economic impacts on the local economy. He noted that when there was a deficiency because of the loss of general aviation aircraft landing fees and fixed base operator fees, it was made up by increased charges to the air carriers.

Mr. Bennett finally turned to the air traffic reports for June. At Reagan National, the traffic had increased a little more than 11 percent over June 2002. On a twelve-month basis, it had increased 24 percent; on a year-to-date basis, it had been up 13.5 percent. At Dulles, June traffic had been off by 2.2 percent; on a twelve-month basis, it had been off .9 percent; on a year-to-date basis, off 3.1 percent. The total domestic industry had declined by 4 percent for the month. North American international traffic had declined by 5.4 percent; at Dulles, it had been down 5.3 percent.

Compared to the same month in 2001, Reagan National June traffic had still been off 14.5 percent. Dulles had been down 11 percent from the same June 2003 to June 2001 comparison. There were nevertheless signs that traffic was rebuilding. Additional services had been added or announced. JetBlue had begun a new round trip between Dulles and Long Beach, and would begin operating a new flight to Fort Lauderdale in September. US Airways had announced it would begin flying from Dulles to San Juan, beginning the following Saturday, and that it would begin two daily round trips between Reagan National and Kansas City, as well as daily nonstop service to Fort Meyers, both in October.

The Vice Chairman asked that Mr. Bennett be sure to transmit a copy of the Bombardier decision to the General Accounting Office as soon as he received it, with the Board's complements.

Mr. Brown said that the attendance at the Board workshop on the use and lease agreement with the carriers had not been good. He asked what plans Mr. Bennett had for addressing the issues in the future. Mr. Bennett reminded the Board that the Authority had the right to terminate the existing use and lease agreement as of December 31, 2004, after 180 days notice, and that the briefing had been to address

trends in such agreements since September 11 and other developments in the industry. He said a decision would have to be made on possible cancellation by July of 2004. There would be further discussions with the Board, principally through the Business Administration Committee, in the fall and spring. Mr. Brown suggested an evening retreat to go through the issues.

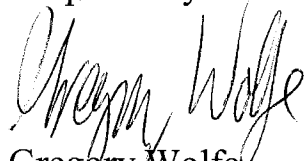
V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 10:00 a.m.

Respectfully submitted:



Gregory Wolfe  
Vice President and Secretary

*approved as amended, September 3, 2003*



