



BOARD OF DIRECTORS MEETING

Minutes of October 7, 2009

The regular meeting of the Board of Directors was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:05 a.m. The following Directors were present during the meeting:

H.R. Crawford, Chairman  
Robert Clarke Brown  
William W. Cobey Jr.  
Frank M. Conner III  
Michael David Epstein

Dennis L. Martire  
Michael L. O'Reilly  
Mame Reiley  
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

I. COMMITTEE REPORTS

Because a quorum was not yet assembled, the Chairman altered the agenda to consider the monthly Committee reports.

a. Dulles Corridor Committee

Ms. Reiley reported that the Dulles Corridor Committee last met on September 16, 2009. At that meeting, Mr. Bennett reminded Directors that the Airports Authority will assume responsibility of the Dulles Toll Road, effective October 1, 2009. Ms. Reiley noted that a successful transition had occurred.

Mr. Bennett reported that three public hearings were held to educate the public about the potential toll rate increases. Mr. Bennett reported that approximately 150 people attended the hearings and approximately 225 comments were posted on the Airports Authority's website. Mr. Bennett stated that the Committee would receive a presentation on the comments at a later date.

Dulles Corridor Metrorail Project Phase 1 Monthly Cost Summary and Project Update. Pat Nowakowski reported that the total project budget totaled \$2.75 billion, and forecasted spending remained within the budget estimate of \$2.47 billion.

Dulles Transit Partners Quarterly Report. George Morschauser presented a construction completion overview of the Dulles Rail project, including safety performance and the major utility relocation progress achieved to date. Mr. Morschauser noted that approximately 73 percent of the total program utility relocation work, including the project staffing plan, is complete according to the design-build schedule through August 2009.

Ms. Reiley reported that a complete set of summary minutes were included under Tab A-2 of the materials distributed for today's meetings.

The Chairman inquired whether the number of attendees from all three public hearings totaled 150. Ms. Reiley confirmed that the total was correct and that approximately 225 comments were received on the website.

## II. MINUTES OF THE SEPTEMBER 2, 2009 ANNUAL BOARD MEETING

Since a quorum was present, the Chairman called for approval of the minutes of the September 2, 2009 Annual Board Meeting, which were unanimously adopted.

### I. COMMITTEE REPORTS (continued)

#### b. Business Administration Committee

Mr. Snelling reported that Mr. Manning chaired the September 16, 2009 Business Administration Committee meeting. Because Mr. Manning was unable to attend today's meeting, Mr. Snelling provided the Committee Report.

Monthly Contracting Report. Steve Baker presented monthly contracting reports for June, July and August 2009. He noted that LDBE contract participation through August 31 totaled \$55 million and represented 34 percent of the non-federally funded contracts awarded to date. Mr. Baker stated that DBE participation totaled \$7 million, and represented 11.3 percent of the federally funded contracts awarded this year. Mr. Baker stated that the Lane Construction Corporation of Cheshire, CT was awarded the largest construction contract for

June through August 2009, totaling \$22 million for runway 1C-19C rehabilitation at Dulles, and included a 25 percent DBE participation requirement. In addition, Lane Construction was awarded a contract totaling \$12 million to complete the overlay and taxiway rehabilitation work at Reagan National, and has a 25 percent DBE participation goal. Mr. Baker stated that Atlantic Contracting of Maryland was awarded a contract totaling \$2.9 million. This contract is for new apron and demolition work associated with the Airport Rescue and Firefighting Facility at Reagan National. LDBE participation for this contract will total 88 percent of the award.

Revised Business Terms for the Advertising Concession RFP at both Airports. Mr. Baker presented a modification to a pre-solicitation paper for a concession opportunity, which was originally presented and approved by the Committee in April 2009. A motion was made and the revision was approved.

Pre-Solicitation Terms for a Fee Manager to Lease, Market and Manage Food and Beverage and Retail Concessions at both Airports. Mr. Baker reported that the existing concession management contracts would end on June 30, 2010. He stated that a new RFP will be issued to offer companies an opportunity to manage and lease space at both Airports. The new solicitation would require a 15 percent LDBE participation goal. The selected offerors will be required to market, lease and manage all retail food and beverage concessions at both Airports.

Directors inquired about the solicitation and its process. Mr. Baker noted that Westfield was the incumbent fee manager. Several suggestions were made to collect data from Westfield's tenants and tenants of competing firms. Mr. Garson noted that as a business, it is important that both tenants and constituents be treated fairly, and that the fee manager would need to exert great control and respect.

The recent legal situation with Legal Seafood was discussed. Directors and staff discussed the contractual terms and whether Westfield would reimburse the Airports Authority for attorney fees. Mr. Manning suggested that a clause be added to future contracts stating that if a concessionaire sues the Airports Authority, and loses the case by a court decision, the concessionaire should be liable for all fees incurred. Mr. Snelling reported that although preliminary information indicated that the legal fees involving Legal Seafood would total less than \$100,000, the actual fees paid to date totaled approximately \$140,000.

Recommendation to Award the Airport Communications Systems Contract. George Ellis presented staff's recommendation to award the Airport Communications Systems (ACS) contract to Verizon Federal Incorporated (Verizon). The contract includes both Airports, the Airports Authority's offices, the Dulles Toll Road Administrative building and the Dulles Corridor Metrorail Project Office. Mr. Cobey recused himself from participation in the vote. A motion was made and the proposal was accepted. Later in today's meeting, Mr. Snelling would offer a resolution on the contract award.

The Committee discussed a news article about the Detroit lottery and installation of kiosks at its airport, and the potential for the Airports Authority to generate revenue up to \$300,000, by adding new kiosks at both Airports. Mr. Manning indicated that the consideration for future lottery vendors at the Airports would not benefit him or his business in the District of Columbia.

Mr. Manning reported on his participation in the recent AAEE/AMAC Disadvantaged Business Enterprise Conference held September 14 and 15 in Washington, D.C. Mr. Manning commended Steve Baker and Richard Gordon on their work efforts in eliminating fraud and other issues associated with the federal DBE program.

Mr. Snelling reported that a complete set of summary minutes were included under Tab A-2 of the materials distributed for today's meetings.

c. Finance Committee

Mr. Brown reported that the Finance Committee met on September 2 for a Special Meeting and on September 16, 2009. The Board had previously acted on the Commercial Paper Notes Letter of Credit issue at its September 2 Special Meeting. Staff requested that the information be included in today's Committee Report since it was not previously reported.

At its September 16 meeting, Mr. Brown reported that the Finance team reported on the inaugural sale of the Dulles Toll Road revenue bonds, which marked the kickoff of the financing for the Metrorail project totaling \$963 million. Mr. Brown noted that this issue was the largest ever general municipal financing completed in the metropolitan Washington area. The Airports Authority's pricing advisor, Frasca and Associates, reported on pricing and the data about the strong aftermarket trading. Mr. Brown stated that the borrowing cost for this program was 6.04 percent, which appeared high compared to some of the previous airport financings, but was a good price for this offering. Mr. Brown noted that Toll Road

credit is different than airports revenue bond credit, and for the first time, Build America Bonds were sold with a triple-B rating, which is a good rating and price for this first offering. Mr. Brown reported that with the \$963 million, the Airports Authority has roughly one third now of the financing done for the total Metrorail project using Toll Road bonds. Citi and Morgan Stanley provided information on the bond sale, and that 21 percent of the sales were to retail investors. Mercator reported on activities on the Toll Road financing program, including preliminary thoughts about a follow-on financing, and the initiation of subordinate-lien financing.

Mr. Brown reported that the comment period for the Airports Authority's proposed toll rate increases ran from August 14 to September 14, 2009. He noted that staff's recommendations will be presented at the October Joint Dulles Corridor and Finance Committee meeting. Mr. Brown reported that the Airports Authority submitted four applications to the Department of Transportation (DOT) for Transportation Investment Generating Economic Recovery (TIGER) grants. He indicated that TIGER is a discretionary grant program provided by DOT and that the award will be politically driven.

Mr. Brown reported that the July and August 2009 Dulles Corridor Enterprise financial reports showed that the Airports Authority is getting some relief from the declining economic activity. Transactions and revenues for January through May 2009 were slightly less than those in the prior year. As a result of the economy showing signs of recovery, both transactions and revenues increased in June through August 2009, compared to June through August 2008. Mr. Brown reported that year-to-date revenues were down .8 percent, but noted that the performance statistics were still considered more favorable than national toll road trends.

Mr. Brown reported that Jeffries and P.G. Corbin started discussions regarding the 2010 Aviation Plan of Finance. The Committee's quarterly investment report was postponed. Mr. Brown noted that the Finance Committee would present a resolution to retain the current financial advisors as a part of the Airports Authority's team for future financings and that adjustments to the scope of services would be provided. Mr. Snelling commented on the October 6 event to celebrate the success of the inaugural bond sale. He acknowledged the combined efforts of the finance teams under Mr. Brown's leadership.

d. Strategic Development Committee

Mr. Cobey reported that the Strategic Development Committee met on September 16, 2009. He stated that in executive session, Mark Treadaway provided information on air service developments and discussed regulatory issues for the period May 9 – September 4, 2009.

In regular session, the Organizational Structure Review was discussed and tabled until the Chairman could be consulted. Mr. Cobey reported that a Steering Committee has been appointed to lead the Review.

Mr. Cobey stated that Mr. Treadaway presented the 2008 ACI Air Service Quality Study. Domestically, both Reagan National and Dulles were benchmarked against 15 airports; internationally, both Airports were compared to over 100 global airports. The key strengths and weaknesses of each Airport were listed in the report. Mr. Treadaway indicated that both Airports ranked ahead of the median. Mr. Cobey stated that Mr. Treadaway presented the annual results of the 2008 Passenger Research Study. He noted that Mr. Treadaway indicated that the most important functions of the Study are to benchmark customer perceptions and satisfaction levels and to provide management a guide to areas needing improvement and for future planning of services and facilities at both Airports. Mr. Cobey stated that detailed written minutes were included in the information provided for today's meeting. Since continuous improvement to the services offered by the Airports Authority is essential, Mr. Snelling suggested that the Committee include a benchmarking process as a regular part of its meeting agenda to address consumer issues.

The Chairman apologized that the discussion about the Organizational Structure Review was tabled because he was unable to attend the September 16 meeting. Mr. Cobey explained that the Committee agreed that a more-detailed discussion was necessary regarding the proposed timeline. It was recommended that the discussion continue at the Annual Retreat, which would eliminate time constraints. Mr. Snelling clarified that the discussion, and not the action presented by the Chairman, was tabled. The Chairman stated that the September 16 Organizational Structure Review was an informational item to discuss the schedule; no action was necessary. Mr. Cobey confirmed that the Committee agreed to delay the timeline discussion and schedule until the Chairman was in attendance. The Chairman asked Mr. Bennett whether the Committee's decision would adversely affect the schedule. Mr. Bennett replied negatively, and noted that staff will proceed once the Steering Committee has reviewed the scope of work and the timeline and determined how staff should

proceed. For the record, the Chairman reported that the Strategic Development Committee discussed the Organizational Structure at its May 20, 2009 meeting, and that the Committee report was provided and approved at the June 3, 2009 Board meeting. The Chairman stated that a special Steering Committee meeting will be held before the end of the year. Mr. Brown requested that the scope of services for the Organizational Structure Review be presented to the Board before its submission in the form of a Request for Proposals. A motion was made and accepted.

### III. INFORMATION ITEMS

#### a. President's Report

Mr. Bennett reported that the transition of the Toll Road was successfully completed on October 1, 2009 and that the Airports Authority employees now provide all services on the Toll Road. He referenced the newly displayed aerial photograph of the entire Dulles Corridor in the Board Conference Room and noted that staff would periodically refer to it. Mr. Bennett thanked all employees who contributed to the process over the past year that led to the successful transition.

Mr. Bennett reported that the new security mezzanines opened in the Main Terminal at Dulles. He expressed disappointment with the Transportation Security Administration (TSA) staff performance and its inability to expeditiously process customers through security checkpoints. While TSA changed its standards many times during the construction of the checkpoints and the mezzanines, they were built to ensure that the most state-of-the-art equipment was available to TSA. Mr. Bennett stated that TSA's performance processing Airport customers has been unsatisfactory. He noted that Airports Authority staff had conversed with the Acting TSA Administrator and Headquarters staff, who acknowledged the Airports Authority's concerns. Mr. Snelling reported that he recently traveled through the security mezzanine and noted how beautiful the facility is. Mr. Bennett stated that the facility has the potential to provide a wonderful level of service to Airport customers, but explained that a problem exists because passengers are queued upstairs and cannot go downstairs because TSA staff is not processing customers timely. Ms. Reiley inquired about TSA's staffing percentage. Mr. Bennett stated that TSA has not opened all of its available security lanes. Mr. Bennett reported that the first phase of the new arrivals building project, a new immigration control facility, opened on September 22, 2009, which provides a spectacular experience for arriving passengers. Mr. Bennett noted that Customs and Border Protection staff is doing a superb job,

and that the traveling experience for enplaning international passengers has greatly improved.

Mr. Bennett presented an update on the Automated People Mover (APM) system at Dulles and noted that the train's operation requires a 30-day system demonstration, which has been unsuccessful thus far. He stated that the contractor has entered into a temporary stand-down period and is working with its headquarters staff to assess the problems which are prohibiting the completion of the system demonstration test. He noted that while a completion date has not been established, the testing will resume later this month. Mr. Bennett stated that the Airports Authority would not accept the APM from the vendor until the system demonstration has been completed, and all criteria have been met. Mr. Bennett reported that Mr. Snelling has taken a special interest in the project and that the Board will be updated on its progress.

Mr. Bennett reported that the Airports Authority has successfully negotiated another transactional agreement with TSA for two additional in-line baggage screening systems at Dulles, which totaled \$154 million. He stated that the additional systems, coupled with the in-line system under construction (previously funded by TSA), will adequately provide in-line screening for checked bags. The new operational systems will enable the Airports Authority to remove its screening devices from the ticketing lobbies at Dulles and improve the efficiency of the existing system. He noted that the \$154 million project represented approximately 75 percent of the total program costs.

Mr. Bennett reported that the four TIGER grant applications represent \$238 million and will benefit the Dulles Corridor. He noted that these grants include: improvements to the Toll Road; Access Highway; the HOT lanes interchange; additional funding for Phase 1 of the Dulles Metrorail project; a project to introduce open road tolling to the Dulles Corridor; and a proposal to widen Route 606.

Mr. Bennett reported that the recent Annual Dulles Day Plane Pull was a successful event; over \$125,000 was raised. He noted that the Airports Authority Police Department created the Plane Pull concept to raise money for the Special Olympics; it had become the largest fundraiser for the Special Olympics in the Commonwealth of Virginia. Mr. Bennett stated that there was a special tribute in the memory of Sergeant Steve Sullivan, who was instrumental in organizing the event for many years.



The Chairman inquired who controlled the new VIP holding room at Dulles. Mr. Bennett responded that the VIP holding room is under the control of Customs and Border Protection. The Chairman inquired whether photographs of President Barack Obama and Vice President Joe Biden were on display in the VIP room. Chris Browne acknowledged that the photos were displayed after the opening.

The Chairman reported that he sent flowers, on behalf of the Board, to express sympathy on the passing of Elmer Tippet's mother.

b. Executive Vice President's Report

Ms. McKeough reported on the passenger activity levels for August 2009 at both Airports. She stated that the U.S. aviation industry experienced a 6 percent decline in passenger activity in August 2009. Ms. McKeough reported that the passenger activity at both Airports was constant compared to total passenger levels on a yearly basis. The decline at Reagan National and Dulles was less than 1 percent. The international activity at Dulles for August 2009 increased approximately 6.5 percent, compared to August 2008. Domestic activity at Dulles declined approximately 3 percent in August 2009, compared to August 2008. Cargo activity at Dulles continued to decline in August 2009; it decreased approximately 16 percent compared to the same period the prior year.

The Chairman inquired about an offer to install advertising banners at the Airport that could generate approximately \$250,000 in income per banner to the Airports Authority. Mr. Bennett responded that he informed the concessions team that the Airports Authority does not want to distract from the ambiance of the terminal by displaying large advertising banners in the Dulles Concourse. He stated that it is not consistent with the Airports Authority design standards. The Chairman stated that as the time approaches for considering employees' annual performance increases, all feasible possibilities to generate revenue should be explored. Mr. Bennett expressed concern about criticism from people using the terminal if the banners are displayed. The Chairman requested that the Board be given an opportunity to review the proposals. He believed that vendors, including banks and the regions' professional athletic teams, would be especially interested in advertising on the Terminals' bland walls.

Ms. McKeough reported that an active solicitation is currently underway and that the Airports Authority is in the process of bidding its advertising concession contract. The recommended award will be presented to the Committee and the Board. As a part of that solicitation, Ms. McKeough noted that vendors have been invited to propose new ideas to increase advertising revenues. For the

record, the Chairman reported that because displaying advertising banners could potentially generate a substantial amount of revenue, he requested that the Board should be presented an opportunity to review the visual proposals. Ms. McKeough stated that the information will be available once the new advertising concession contract is awarded and an advertising program is developed.

#### IV. NEW BUSINESS

##### a. Recommendation to Approve the Airport Communications Systems Contract

Mr. Snelling moved the adoption of the following resolution:

WHEREAS, on November 19, 2008, the Business Administration Committee concurred in the issuance of a Request for Proposals (RFP) for services to operate and maintain the Airport Communications System (ACS) at Ronald Reagan Washington National and Washington Dulles International Airports, Dulles Toll Road and Dulles Corridor Metrorail Project office;

WHEREAS, the Office of Information Systems and Telecommunications issued an RFP for the ACS services contract on May 4, 2009;

WHEREAS, a Technical Evaluation Committee reviewed the submissions of five offerors and determined that three of the five did not have the experience or expertise necessary to manage and operate a project of this magnitude;

WHEREAS, the Technical Evaluation Committee thereafter interviewed the two remaining offerors and determined that Verizon Federal, Incorporated, would best deliver the ACS services; and

WHEREAS, the Business Administration Committee, at its September 16, 2009, meeting, voted to recommend to the Board of Directors that it approve the award of the ACS services contract to Verizon Federal, Incorporated, consistent with the terms and conditions set out in the staff paper presented to the committee at that meeting;

**NOW, THEREFORE, BE IT RESOLVED**

1. That award of the ACS services contract to Verizon Federal, Incorporated, is approved;
2. That the President and Chief Executive Officer is authorized to negotiate and enter into a contract with Verizon Federal, Incorporated, for the provision of ACS services on terms and conditions consistent with those presented to the Business Administration Committee at its September 16, 2009, meeting;
3. That the Local Disadvantaged Business Enterprise participation rate in the ACS services contract shall not be less than 30 percent; and
4. That this Resolution shall be effective upon its adoption.

Mr. Cobey recused himself from voting because of his common stock holdings. The resolution was thereupon adopted.

The final resolution filed in the Board of Directors office includes a copy of the staff recommendation paper.

#### V. UNFINISHED BUSINESS

There was not any unfinished business.

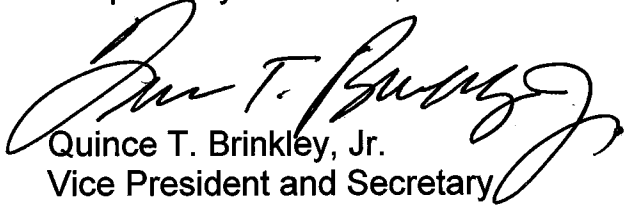
#### VI. OTHER BUSINESS & ADJOURNMENT

The Chairman referred to the federal investigation underway with taxicab companies in the District of Columbia. He noted that Airports Authority staff should ensure that it has no existing or pending contractual agreements with any of the companies that may be indicted. Ms. Reiley stated that the "accused" companies had not yet been proven guilty. The Chairman noted that the investigation is a very serious one, and that it would be best if staff conducted a review to ensure that the Airports Authority has no agreements with the companies involved.

Mr. Snelling called for a brief executive session to discuss potential litigation; his motion was seconded. At the conclusion of the executive session, a motion was made to adjourn and to reconvene the regular session and was seconded. Mr. Snelling reconvened the regular session.

There being no further business, the meeting adjourned at 10:11 a.m.

Respectfully submitted,



Quince T. Brinkley, Jr.  
Vice President and Secretary

Approved 11/4/09