BOARD OF DIRECTORS MEETING

Minutes of October 1, 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 9:20 a.m. Nine Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
David T. Ralston, Jr., Vice Chairman
Robert Clarke Brown
Anne Crossman
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

I. MINUTES OF THE SEPTEMBER 3, 2003 MEETING

The Chairman call for the approval of the Minutes of the September 3, 2003 Meeting, which were then unanimously approved.

II. COMMITTEE REPORTS

a. Planning Committee

Mr. Hazel apologized that the Planning Committee had lasted 15 minutes later than intended, delaying the start of the Board Meeting. He proposed to waive delivery of the customary Committee report, as nearly all Directors then present had attended the Committee session. The Chairman agreed.

b. Business Administration Committee

The Chairman explained that Mr. Crawford had arrived earlier for the meeting, but had been called away for a business emergency. In his absence, the Chairman reported that the Business Administration Committee had last met September 24.

It had dealt with a selection panel report on a contractor to provide information technology support services. The contract would be for one year, with four possible one-year extensions, at the option of the Authority. The first year would cost $5.2 million, and would include a number of subcontractors to meet a Local Disadvantaged Business Enterprise requirement of 38 percent participation. The selection panel had recommended that the award be made to DigitalNet Government Solutions of Herndon, and the Committee had agreed. The Chairman said he would offer a resolution on the award later in the meeting.

The Committee had then considered and concurred in two proposed procurement actions under the "look ahead" procedures. One had been for "maintenance and repair services for vertical and horizontal pedestrian conveyances at both Airports" – elevators and moving sidewalks. The second had been the proposed RFP for the telecommunications system contract. Verizon Federal Services was the incumbent operator of the Authority's telecommunications network under a contract that would expire at the end of the year. In anticipation of the contract termination, the staff had conducted two studies to review the Authority's infrastructure and to consider operation of the system by the Authority itself. George Ellis, Vice President for Telecommunications, had advised the Committee that the studies had shown an in-house operation would not be cost-effective. Staff was therefore proceeding with an RFP for a contract similar to the current one.

Next, Frank Holly, Vice President for Engineering, had presented the monthly construction cost report; there had not been anything unusual to note.

Finally, Margaret McKeough, Vice President for Business Administration, had advised the Committee that six major Dulles construction projects would be awarded in October.

c. Finance Committee

Mr. Brown reported that the Authority was that morning closing four bond transactions, concluding the Plan of Finance for 2003. Directors had been provided with the applicable Official Statements and credit agency reports. All credit ratings had been confirmed, with AA- from Fitch Ratings, Aa3 from Moody's Investors Service, and A+ from Standard and Poor's. He said the ratings were very good for the current market, and that the results of the bond sales had been good as well.

Series 2003A, B and C were all fixed-rate. The Series A bonds totaled $185 million, and had been "senior managed"by Citigroup, formerly Salomon Smith, Barney, and Redwood Securities Group. Series B bonds were $44 million, managed by Siebert Brandford Shank & Co., a minority firm. Series C was $53 million, managed by Morgan Keegan & Company, the first time a regional firm had underwritten an Authority issue.

The interest rate was 5.21 percent for Series A, an AMT issue. For Series B, a non-AMT refunding, the rate had been 4.18 percent, providing greater than a 4 percent savings. The Series C taxable bonds had gone out at 5.54 percent, a very good rate for taxable debt. They had achieved a 12 percent present value savings with respect to the Series 1993B bonds, which they had refunded. Both the A and C series would fund some new construction: the Series A would provide about $70 million for the *d2* capital program at Dulles, and the taxable C series would reimburse the Authority for the acquisition of the Vastera Building at Dulles.

Mr. Brown said it was important to note that the early maturities of the Series B and C bonds had been issued without bond insurance, a great credit to the Authority and the underwriters. Very few airport bonds had been sold without insurance since September 11, 2001.

The $150 million Series D bonds, an auction rate product new to the Authority, would provide additional diversification in the investor marketplace. The initial rate had been 1 percent; it would be adjusted every 28 days. Goldman Sachs and Morgan Stanley had handled the sales.

A guaranteed investment contract ("GIC") would be used for the Series A debt service reserve. This would be the first time the Authority had used the device. The interest rate achieved on the GIC had exceeded the arbitrage rate, which would mean there would not be any negative arbitrage on that debt service reserve.

All in all, Mr. Brown said, the summer and fall had been very busy for the staff and the finance team and that they had done a very good job. There was now enough cash available for construction needs for the next twelve months. The rates were very good, and had been accomplished in an environment that was not easy for airports, given the financial problems of the airline tenants.

The Committee had also asked the finance team to look at ideas for synthetic refunding of the Series 1994A Bonds, which could not be advance refunded. A recommended set of decisionmaking standards for the use of derivatives would be presented at the October Committee meeting.

The Committee had reviewed and approved an extension to 2006 of the flexible-term passenger facility charge revenue notes, a syndicated bank note product that Bank of America and Wachovia had been providing for a number of years. It had been a successful low-cost financing program. Staff had negotiated an extension with the provider banks at a higher letter-of-credit cost, reflecting the current market. It remained an economical product.

Mr. Brown said the Committee had long been watching how construction expenditures fell behind projections used to schedule financings. Frank Holly had investigated the reasons for this phenomenon. Staff had at first thought that invoices were not being submitted in timely fashion. In fact, that had not been the case; the principal cause in 2003 had been weather delays: snow early in the year and rain throughout the summer, followed by a hurricane in the fall. Design work had also been delayed.

The Committee had discussed the revisions to the 60-percent designs that had been done earlier in the year, in large part to bring them back to the original scope of the projects in the *d2* program.

With respect to the monthly financials, August had been the best month in 2003. At two-thirds of the year, operating revenues were at 63 percent of Budget, and expenses at 61 percent. Net remaining revenues were at two-thirds of the projected $60 million.

The annual budget workshop had followed the Finance Committee meeting. This gave the Board a "look ahead" at the budget issues. The process for development of the 2004 budget was different from years past. A draft budget would be presented at the October committee meeting, when it would still be a work in process. If Directors had any concerns that needed to be addressed, the staff would have time to deal with them. In the past, the budget was presented at the November Committee meeting for approval at the December Board Meeting, leaving little time for adjustments.

Mr. Ralston said that bond rating reports were very insightful, and suggested that they be distributed widely, including legislators in Richmond, in the District Building, and on the Hill. They presented a succinct version of how the Authority had successfully met the challenges of the past 18 months. Mr. Brown observed that they were not technical documents and could readily be understood.

d. <u>Audit Committee Report</u>

In the absence of Mr. Thompson, Mr. Ralston reported that the Audit Committee had last met September 3, with a large attendance. Several important issues had been discussed, including a progress report on follow-up to the last management report from the external auditors. Most items had been closed; the remaining open issues were in the process of closure. Audits of the Authority's construction activities and three concession contracts had also been reviewed.

e. <u>Legal Committee Report</u>

In the absence of Mr. Latham, the Chairman reported that the Legal Committee had met the day before. The Committee heard a report on litigation, all of which was going very well. Staff had reported on diversity efforts within the Authority. Finally, the Committee had discussed a revised Code of Ethical Responsibilities for Members of the Board of Directors. The revised version would ready for approval at the November or December Board Meeting.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett first reported on the status of the Federal Aviation Administration ("FAA") reauthorization bill. He said that there did not appear to be any resolution in sight. The House of Representatives would in a day or two consider a motion to recommit the bill to the Conference Committee, which would then be likely to remove the provision concerning privatization of air traffic control functions at low activity airports, the most controversial element of the bill. The Committee would then return the bill for action in both House and Senate.

In the meantime, the Congress had passed a 30-day funding extension, to the end of October, to keep the FAA operating while the reauthorization bill was settled. Enactment of the bill was important, as it included many other important aviation provisions, particularly an authorization of $3.4 billion in grants to airports for security and safety improvements, as well as several provisions applicable only to the Authority.

Mr. Brown asked if the 30-day extension had also extended the ticket tax. Mr. Bennett said it had not; the tax was the subject of a separate bill. Mr. Brown observed that the ticket tax had lapsed several years before; Mr. Bennett said the tax was still being debated. As of October 1, the $2.50-per-ticket security surcharge had been reinstated, so that the fare for round-trip flights with a connection would go up by $10.

Mr. Bennett reported that sidewalk between the Dulles Main Terminal and the West Flank Garage, opened in fall 2002, had been closed temporarily while an enclosure was being built to provide all-weather protection. The project had just begun, and would be complete in the first quarter of 2004. Customers had been urged to park in the North Garage, which was already connected with the Main Terminal by a pedestrian tunnel.

Operations had been suspended at both Airports in the late afternoon of Thursday, September 18 because of Hurricane Isabel. Dulles had reopened the following morning; Reagan National the following midday. There had been some flooding at Reagan National, an event that had occurred before, caused by tidal surges. Low-lying areas on the south end of the Airport, notably employee parking lots, had been flooded, and a few cars that had not been removed had floated away. Water had reached some of the airfield electrical systems, but the power had already been shut down. Damage had been minimal, as staff had done an extraordinary job in preparing the Airports and the tenants for the storm.

On September 30, the supersonic SR-71 Blackbird, in storage at Dulles since 1989, had been moved into the National Air and Space Museum Steven F. Udvar-Hazy Center. Other exhibits were being moved in steadily; the space shuttle would be moved by mid-October. The Center would open December 15.

On October 23, AirTran would begin service at Reagan National with three round trips to Atlanta, one to Fort Lauderdale and one to Fort Myers. They would operate out of the Old Terminal, now designated Terminal A, along with other carriers providing new services. As a result of the sudden growth, staff was working with the TSA to relocate passenger screening checkpoints to provide additional capacity.

The annual Dulles Day, a fundraiser for Special Olympics, had been held September 20, two days after the hurricane. This year the event had raised nearly $100,000. Lt. Michelle Taylor of the Authority Police Department had been recognized by Special Olympics for her contributions over the years, and had been nominated to the Special Olympics International Law Enforcement Torch Run Hall of Fame.

Mr. Bennett said that Charles C. ("Skip") Erhard, Manager of the Airport Administration Department at Dulles since before the transfer of the Airports in 1987, had resigned and returned to the FAA to head the Airport Compliance Division of the Office of Airport Safety and Standards. Chellie Cameron, currently of the Office of Business Administration and formerly of Dulles Airport Administration Department, would replace him.

Several important matters would be coming before the Board in the fall, including the 2004 Budget, the 2004 Business Plan, and the list of contracts that would affect the public.

With respect to August traffic, Mr. Bennett reported that Reagan National traffic was up 6.8 percent for the month, over 33 percent for the twelve-month basis, and 12.3 percent for the year-to-date. At Dulles, traffic was off just less than 1 percent for the month, up 1.4 percent on the twelve-month basis, and down 3 percent for the year-to-date. August traffic had been reduced because of the massive northeast power blackout that restricted traffic headed north to several states for two days. Nevertheless, both Airports had continued to outpace the domestic industry elsewhere: U.S. airport traffic had been off almost 5 percent for August. Dulles international and transborder traffic had grown 2.6 percent; the North American rate for the same period was down 1 percent.

Mr. Diané said that he had spoken to a former Chair of South African Airlines, who had told him the carrier had strongly considered coming to Washington, but had been convinced by a U.S. airline not to do so. He volunteered to discuss the matter again with her. Mr. Bennett said he would like to follow up with South African, as South Africa was a focus point for air service development.

IV. NEW BUSINESS

a. Establishment of 2004 Disadvantaged Business Enterprise Goals for Federally-Assisted Construction Contracts

Mr. Hammerschmidt moved the following resolution, which was unanimously adopted:

> WHEREAS, The Federal Aviation Administration, under the Airport and Airway Improvement Act, requires airport proprietors to develop and submit annual goals for the participation of Disadvantaged Business Enterprises (DBEs) in federally-assisted contracts;
>
> WHEREAS, The Business Administration Committee in July approved the proposed goal of at least 25 percent participation for public comment; and
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> WHEREAS, Public comment was supportive of the 25 percent goal; now, therefore, be it

RESOLVED, That the 2004 goal for DBE participation in federally-assisted contracts shall be at least 25 percent of the total contracting dollars for such contracts.

b. Selection of a Firm to Provide Information Technology Support Services

Mr. Ralston moved the following Resolution, which was unanimously adopted:

WHEREAS, A competitive evaluation of firms to provide information technology support services resulted in the designation of DigitalNet Government Solutions, LLC.

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive evaluation of firms to provide these services, which was based on evaluation of the responses to the Request for Proposals, development of a short list, site visits, and oral presentations, as presented at its September 24, 2003 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to negotiate and enter into a contract with DigitalNet Government Solutions, LLC for these services, consistent with the documentation of the proposal presented to the Business Administration Committee at its September 24 meeting.

c. Authority Support of the Washington Bid to Host Super Bowl XLII in 2008

Ms. Reiley moved the following Resolution, which was unanimously adopted:

WHEREAS, The Washington, DC Convention and Tourism Corporation is leading a region-wide formal bid to designate Washington, DC and the Capital Region as the site for Super Bowl XLII (2008) and related Official Events;

WHEREAS, The National Football League, which owns, produces and controls the annual professional football championship known as the "Super Bowl", has asked Washington, DC and the Capital Region to provide various organizational, financial and promotional assurances to accommodate, stage and conduct Super Bowl XLII (2008) and its related Official Events and activities;

WHEREAS, The Metropolitan Washington Airports Authority is fully supportive of the designation of Washington, DC and the Capital Region for Super Bowl XLII (2008); now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to provide to the National Football League, at no cost, expense or liability to the League or the two participating Teams, during the period commencing two weeks before the game through one week following, at both Airports:

(a) Information counters identified by appropriate signage at mutually agreeable locations, and

(b) An area at a mutually agreeable location to be used by the League and the Teams; and

RESOLVED, That the Authority will cooperate with those needing special services in connection with the Super Bowl.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 9:55 a.m.

Respectfully submitted:

Gregory Wolfe
Vice President and Secretary

approved November 5, 2003
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