



BOARD OF DIRECTORS MEETING

Minutes of October 4, 2006

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:00 a.m. Ten Directors were present during the meeting:

Mame Reiley, Chairman
H.R. Crawford, Vice Chairman
Robert Clarke Brown
William W. Cobey Jr.
Mamadi Diané
Weldon H. Latham
Leonard Manning
David T. Ralston, Jr.
Charles D. Snelling
David G. Speck

The Secretary and the following Officers were present:

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

I. MINUTES OF THE SEPTEMBER 6, 2006 MEETING

The Chairman then called for action on the Minutes of the September 6, 2006 Meeting, which the Board approved unanimously.

II. COMMITTEE REPORTS

a. Planning Committee

Mr. Cobey reported that the Planning Committee had met at 8:30 that morning. The Committee had first heard the regular monthly Capital Construction Cost Report, which had indicated that costs remained under control.

The Committee had then considered the staff recommendation to award a contract to provide professional engineering services for implementation of geographic informational systems at both Airports. The Committee had been satisfied with the selection process and was prepared to recommend approval to the Board. The prevailing firm was CH2M HILL, at a cost of \$5,568,866.

b. Business Administration Committee

Mr. Crawford reported that the Business Administration Committee had last met September 20. Most of the session had been devoted to an executive session discussion of the Dulles taxicab system. After that discussion, the Committee had agreed to the management's preferred option and in public session had approved the terms of a Request for Proposals that would be issued soon.

The basic plan was that the curbside, loading and dispatch functions would be awarded to an independent company, not the same company that operates the taxicabs, as had been the practice. Separate bids would be taken from taxi fleet operators and two or more of them would be selected. The operators would still be obliged to meet the service requirement then in effect, on the age and cleanliness of cabs, the ability to take credit cards and availability when necessary during late hours.

All cabs would use the Washington Flyer logo, the drivers would pay a stand fee per trip and a vehicle identification system would guarantee fairness.

The Committee had then heard the results of a selection panel on a new contract to maintain the mechanical conveyance systems at both Airports, consisting of 131 elevators, 30 moving sidewalks and 69 escalators. The panel had recommended Schindler Elevator Corporation of Beltsville, and the Committee had agreed. Mr. Crawford said he would offer a Resolution later in the meeting to award a one-year contract with four one-year extensions at a cost for the entire five years of \$21 million.

Finally the Committee had heard the plans for the 2006 Business Opportunity Seminar for Local Disadvantaged Business Enterprises (“LDBEs”), Disadvantaged Business Enterprises (“DBEs”) and Minority and Women-Owned Business Enterprises (“MBEs” and “WBEs”, respectively), to be held at the Wardman Park Hotel on November 2, from 10:30 a.m. to 5:30 p.m. Mr. Crawford said he would be there, and urged other Directors to attend.

c. Finance Committee

Mr. Snelling first reported that the Board had held a 2007 Budget workshop on September 19, and that a draft Budget would be presented at the October Finance Committee meeting.

The Committee had also met on September 20. The Financial Advisors had reported on the results of the renegotiations of the 2006 swap transaction. The swap had been moved to 2008 and the Authority had received \$2.8 million, which would offset the November 2006 borrowing, effectively lowering the interest costs.

The Authority then had a total of \$850 million in forward-starting hedges, with \$200 million in 2007; \$100 million in 2008; \$300 million in 2009 and \$250 million in 2010.

The Committee had also discussed the sizing of the November financing. After a review of cash on hand, available commercial paper and construction needs, the staff had recommended \$400 million in 2006B Bonds

In addition, the Financial Advisors and staff had recommended that the current outstanding commercial paper be left outstanding to take advantage of investment opportunities brought about by the continuing flat yield curve.

In Executive Session, the Committee had reviewed financing scenarios for future construction plans.

With respect to the monthly financial reports, Mr. Snelling said that consolidated operating revenue for August had been about \$40 million and year-to-date revenue had been \$306 million. Expenses for August had been nearly \$33 million and year-to-date expenses had been \$273.5 million.

Operating income for August had been \$6.7 million, which was the first time in 2006 that the monthly operating income had exceeded the comparable month in 2005. Year-to-date operating income had been \$32.8 million, \$20 million behind the level for the same period in 2005.

Year-to-date net income through August had been about \$88 million, or \$43.7 million ahead of the prior year. The increase in net income was primarily a result of growth in grants and investment income.

Year-to-date revenues had been at 59.7 percent of budget, while expenses had been at 59.4 percent. Construction activity for August had been about \$61 million, while year-to-date expenditures had been \$413 million.

Just after the executive session, the Committee had recommended underwriters for the next financing. Lehman Brothers was proposed for senior book running manager, and the proposed management team consisted of Bear Stearns, Merrill Lynch, UBS, A.G. Edwards, Banc of America Securities, Ferris Baker Watts, Morgan Keegan, M.R. Beal and Siebert Brandford Shank. Raymond James and BB&T would be participating in the selling group, and PNC would be added to it. Mr. Snelling said he would later offer a Resolution to select the team.

d. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had last met on September 20, once again entirely in executive session. The Committee had first heard a brief report on air service development. The major news had been the China route proceeding, in which the Authority was aggressively supporting United's bid for the Dulles - Beijing route. The competition was American at Dallas/Fort Worth, Northwest at Detroit and Continental at Newark. The Authority was emphasizing the importance of capital-to-capital service, while others were emphasizing how the particular carriers deserved the award. He said the Washington campaign was clever and creative.

Since the meeting, Mr. Brown said, South African Airways would soon be flying nonstop from Dulles to Johannesburg, just in time for anyone going to the ACI World Conference in Cape Town.

The Committee had then turned to the Dulles Toll Road and Rail project. It had first heard from the Chairman, three members and the staff person from the American Society of Civil Engineers panel that had reported to Virginia Governor Kaine on the feasibility of a rail tunnel under Tysons Corner. The presentation had been scheduled before the Governor had reluctantly decided against the tunnel, but it had proved useful because there had been a number of questions about the basis of the report.

The Committee had then heard briefings from a consultant on the relative benefits of design-build and design-bid-build contracting approaches. Members of the legal team negotiating the design-build contract with the Dulles Transit Partners (“DTP”) then reported on their activities. The contract, which the Authority would inherit from the Commonwealth of Virginia, provided for the negotiation first of terms and conditions, which was then under way, followed by negotiation of a price developed by the private DTP. The negotiations, slowed when the tunnel alternative had been under consideration, were then on a fast track. The Commonwealth had asked the Authority to take the lead position in further negotiations.

Finally, several members of the Committee had asked for regular telephone briefings on the status of toll road and rail developments, and the first had been held the previous Friday. The process was to continue on a weekly basis, hopefully at a regular time.

e. Audit Committee

Mr. Speck said that the Audit Committee met on September 6. Valerie Holt, the Vice President for Audit, had discussed controls on information security and the Authority’s information management systems, and had presented contract compliance results for one of the concessionaires.

III. INFORMATION ITEMS

a. President’s Report

Mr. Bennett began with the China route case. He said the Authority’s voluminous pleadings had been filed in the public Department of Transportation docket on September 25, and passed around a copy of the filing. It contained letters from the Governors of Maryland and Virginia, the Mayor of the District of Columbia, eight former U.S. Trade Representatives, and many others. All pleadings had been filed,

and the proceedings were in the rebuttal stage. Rebuttals were due October 16; the docket remained open until the end of October. The Department would then begin its process to a final decision. Over 72,000 letters of support had been filed for the United proposal.

Mr. Snelling reported that his Congressman, Charles Dent, was preparing a letter in support, and that he expected to obtain letters from Pennsylvania Senators Arlen Specter and Rick Santorum. Mr. Bennett noted that the Pittsburgh Airport and business community was also supporting Washington. Even US Airways was supporting United's application.

Mr. Speck asked if there was a deadline for decision. Mr. Faggen responded that the agreement with China called for startup of the service in March, so that a decision was likely before the end of the year. There was, however, no specific deadline date. Mr. Brown asked what equipment would be used on the flight; Mr. Bennett said United's service would be a daily flight with a 747-400, the largest aircraft proposed for the China service. United's competitors were proposing 777s.

Mr. Bennett then reported that both houses of Congress had passed legislation changing the so-called "Wright Amendment", which prohibited nonstop flights from Dallas Love Field to other than the four states adjacent to Texas. The legislation adopted an agreement worked out by the Cities of Dallas and Fort Worth, American Airlines, Southwest Airlines and Dallas/Fort Worth Airport under which the restrictions at Love Field would be phased out over eight years. It also limited the number of gates at the airport to 20. The legislation did not, however, include requested anti-trust immunity for the agreement. Mr. Bennett said he was not sure what impact this development would have on the Reagan National perimeter rule.

With respect to construction, Mr. Bennett reported that the last tunneling machine at Dulles had bored through, ending the tunneling at Dulles for some time, a major milestone. The tunnels would soon be turned over to the automated people mover contractor.

Developing October 9 through 11, there would be major changes for passengers at Dulles. The screening checkpoints would be moved from the east to the west side of the Saarinen Terminal, and a new walkway would allow arriving passengers to exit to the baggage claim without first returning to the main floor and then coming back down again.

Mr. Bennett noted that a final notice to proceed had been given to the contractor demolishing the G Concourse.

Mr. Bennett said that October would be “airline month” at Dulles with major new services added. The following day, October 5, Southwest Airlines would begin service. Later in the month, South African would begin flying nonstop, and United would begin Tokyo and Kuwait service. JetBlue would add West Palm Beach, and United would start service to Tucson.

The following weekend, October 7, would be the 14th Annual Plane Pull at Dulles, a fundraiser for Special Olympics organized by the Authority Police. Teams competed to pull a Federal Express 727 over a fixed distance.

Mr. Bennett said the toll road and rail negotiations were again moving, as Mr. Brown had reported, and emphasized that the price of the rail project had not yet been developed. Previous figures had been estimates, and the price would not be proposed until terms and conditions had been agreed upon.

At its annual conference in Reno the week before, the Airports Council International - North America (“ACI-NA”) had decided to withdraw from the Airport Legislative Alliance, a joint lobbying effort with the other airport organization, the American Association of Airport Executives (“AAAE”). ACI-NA would be setting up its own legislative operation. The Chairman asked why this had happened. Mr. Bennett said he had opposed the action in the ACI-NA Board. Some of his fellow Board members did not feel they had been adequately represented by the Alliance. Mr. Bennett said it made more sense for the two organizations to negotiate their differences and present a single view to the Congress, rather than presenting two views to the Congress for it to choose.

Finally, Mr. Bennett reported the United Way campaign would begin the following week, chaired by Valerie Holt. The Authority was one of the larger participants in the local United Way.

The Chairman congratulated Mr. Bennett on the new Southwest service, which she said was in part the result of his own reputation with the airline.

b. Executive Vice President's Report

Ms. McKeough presented the passenger statistics for August. At Reagan National, there had been over 1.5 million passengers, a 3.5 percent increase over August 2005. Nationwide, there had been a decline of over 2.5 percent. For the year-to-date, growth continued to exceed 5 percent.

At Dulles, the passenger level was just over 2 million, a decline of 18 percent from August 2005. For the year, the decline continued at 18.5 percent, compared to the national decline of just over 1 percent. International activity had been strong, up nearly 5 percent from 2005. Cargo had increased 45 percent.

Ms. McKeough said she expected significant changes in the pattern during the last quarter of the year.

She also reported that major work would begin on the landside of Terminal A at Reagan National. It included renovation of the facade and the curb and check-in area.

IV. NEW BUSINESS

a. Selection of the Underwriting Team for the November Financing

Mr. Snelling moved the adoption of the following Resolution. After Mr. Brown recused himself, it was unanimously adopted as Resolution No. 06-22:

RESOLVED, That the following firms are selected to provide underwriting services for the Authority for the Series 2006B Bonds:

Book Running Senior Manager: Lehman Brothers

Co-Managers:

Merrill Lynch & Co., Inc.
Banc of America Securities LLC
Bear Stearns & Co., Inc.
UBS Financial Services Inc.
Morgan Keegan & Company, Inc.
Siebert Brandford Shank & Co., LLC
Ferris Baker Watts, Inc.

M.R. Beal & Company
A.G. Edwards & Sons, Inc.

b. Selection of a Firm to Maintain Elevators, Escalators and Moving Sidewalks

Mr. Crawford moved the following Resolution, which was unanimously adopted as Resolution No. 06-23

WHEREAS, A competitive evaluation of firms to provide maintenance and repair services for the elevators, escalators and moving sidewalks at both Airports resulted in the designation of Schindler Elevator Corporation; and

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, as presented at its September 20, 2006 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to negotiate and enter into a contract with Schindler Elevator Corporation for these services, consistent with the documentation of the proposal presented to the Business Administration Committee at its September 20 meeting.

c. Selection of a Firm to Provide Professional Engineering Services for the implementation of Geographic Informations Systems

Mr. Cobey moved the following Resolution, which was adopted unanimously as Resolution No. 06-24:

WHEREAS, A competitive evaluation of firms to provide professional engineering services for the implementation of the Geographic Information Systems resulted in the designation of CH2M HILL, Inc.; and

WHEREAS, The Planning Committee is satisfied with the results of the competitive evaluation of firms to provide these services, based on the Request for Proposals, interviews, and analysis presented at its October 4, 2006 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to negotiate and enter into a contract with CH2M HILL, Inc. for these professional engineering services, consistent with the documentation of the proposal presented to the Planning Committee at its June 7 and October 4, 2006 meetings; and

RESOLVED, That the President and Chief Executive Officer is further authorized to negotiate and enter into a contract with the second ranked firm identified to the Planning Committee for these services in the event negotiations with CH2M HILL, Inc. are not successfully concluded within a reasonable period of time.

V. UNFINISHED BUSINESS

Mr. Crawford said he had seen a television report on some unsanitary conditions at Reagan National concessions and asked what was being done about it. Steve Baker, Vice President for Business Administration, said health department records were normally not updated until a subsequent inspection, and the reports the television program cited addressed deficiencies for the most part already corrected. There was an ongoing concern with the situation at Westfield, the developer responsible for the concessionaire subcontractors. Mr. Latham asked if the problems continued. Mr. Baker said there was an ongoing problem of rodent control at the Airport, but the items reported in the television program had already been corrected. That was being addressed airport wide, with concessionaire participation. In the past, when concessionaires had treated their own rodent problem, the animals had simply moved elsewhere until the threat subsided. Mr. Snelling asked if the problem was intractable. Mr. Baker said that it would require continuing efforts; Mr. Bennett said rats were a problem at all airports, particularly when they were under construction. Mr. Snelling observed the vermin could access the airfield easier than he could. Mr. Crawford noted that the District was infested, particularly because of the construction going on.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 9:45 a.m.

Respectfully submitted:



Gregory Wolfe

Vice President and Secretary

approved November 1, 2006
GW