



BOARD OF DIRECTORS MEETING

Minutes of October 6, 2010

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

Charles D. Snelling, Chairman	H.R. Crawford
Michael L. O'Reilly, Vice Chairman	Leonard Manning
Robert Clarke Brown	Dennis L. Martire
William W. Cobey Jr.	Mame Reiley
Frank M. Conner III	David G. Speck

The Secretary and Executive Management were present:

E. Lynn Hampton, President and Chief Executive Officer
Margaret E. McKeough, Executive Vice President and Chief Operating Officer

I. MINUTES OF THE September 1, 2010 ANNUAL BOARD MEETING

The Chairman called for approval of the minutes of the September 1, 2010 Annual Board Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Audit Committee

Mr. O'Reilly reported that the Audit Committee had last met on September 1 in executive session to discuss the results of the annual follow-up Audit. He reported that Valerie Holt, Vice President for Audit, had presented the audit results showing the closure rate for 2009 at 93.6 percent, similar to those in previous years. Mr. O'Reilly said that the high rate of closures was indicative of management's significant cooperation in resolving audit-identified issues. Mr. O'Reilly reported that the Committee had also reviewed the results of the two largest revenue producing concessionaires.

b. Business Administration Committee

Mr. Manning reported that the Business Administration Committee had last met on September 15. The Committee had heard its regular monthly contracting report. Steve Baker, Vice President for Business Administration, had reported that August contracts had totaled \$5.9 million. Local Disadvantaged Business Enterprise (LDBE) contract participation had totaled \$92 million, representing 49 percent of the non-federally assisted contracts awarded to date. He added that of the \$4.5 million in federal-aid contracts, DBEs had received \$701,000, or 15.6 percent of the total.

Mr. Manning reported that the Committee had considered the annual DBE goal-setting process for the federally-assisted design and construction contracts, noting that the Board is obliged by the Department of Transportation to set goals for 2011-2013. Mr. Manning said that staff must first assess the availability of DBE contractors, and then propose goals that would be published for a 45-day comment period. Mr. Manning reported that staff had asked the Committee for concurrence to proceed, and that the Committee had granted the concurrence with the understanding that the goals, if unchanged in light of comments, would come back for Board approval after the comment period.

Mr. Manning reported that Mr. Baker had advised the Committee that the 2010 Business Opportunity Seminar would be held October 14 at the Renaissance Hotel in the District. The purpose of the Seminar would be to inform the local business community of the Airports Authority's contracting opportunities in the coming year. To date, 320 companies and 30 individuals had registered for the Seminar.

Mr. Manning reported that the Committee had reviewed two proposed contract awards at Reagan National: the first for Unarmed Guard Services and the second for a Parking Access Revenue Control System. He said that the Committee had been satisfied with the competitive procurement processes for both contracts and had agreed to make a recommendation to the Board for approval. Mr. Manning reported that he would recommend both resolutions for the approval of the awards later in the day's meeting.

Mr. Crawford noted that he had invited Mayor-Elect Vincent Gray and all members of the DC City Council to the Seminar. He said that Chairman Gray had always been very supportive of the Airports Authority and that he would present him with an award at the Seminar.

c. Finance Committee

Mr. Conner reported that the Finance Committee had met twice, on September 15 and before the day's meeting. Mr. Conner noted that he and several other Committee Members had also met by phone to price the variable debt offering, under a delegation made in the last bond authorizing resolution. Mr. Conner reminded the Board that the swap would go live on October 1. A full report would be provided at the October 20 Committee meeting.

Mr. Conner reported that the Committee had also discussed refunding opportunities at the day's meeting. He would offer a resolution designating senior managing underwriters for the refunding later in the day's meeting. Mr. Conner added that a Special Board Meeting would be required on October 20 to approve various documents associated with the refunding.

Mr. Conner reported that the Committee had continued to review the market and whether a Build America Bond issuance would be appropriate. He said that the Committee had received a notice from the Department of Transportation that the Airports Authority could not participate in the next round of TIFIA loans. The financial advisors and staff were working on a strategy for future participation.

Mr. Conner reported that a final application for a \$39 million Tiger II grant to cover costs associated with the I-495 ramp to Dulles Access Highway and the Toll Road had been submitted. An announcement identifying the recipients was expected soon.

d. Dulles Corridor Committee

Ms. Reiley reported that the Dulles Corridor Committee had last met September 15 and had found it necessary to proceed in executive session. The principal issues that the Committee had addressed were cost and alternate alignments for the Metrorail line at Dulles International. Ms. Reiley said that there will be a special meeting later that day to continue the discussion.

Ms. Reiley reported that in public session, Pat Nowakowski, Executive Director of the Metrorail Project, had presented the regular Phase 1 Cost Summary and Project Update for August. Project cost estimates had increased \$1 million from July, and expenditures to date had increased from \$800 million to \$842 million. Ms. Reiley reported that contingency use for the month had been \$1.8 million, primarily for changes in construction approaches for the Beltway "Hot Lanes".

Ms. Reiley reported that Mr. Nowakowski had advised the Committee that plans were being prepared to recover the 90 days of schedule lost because of utility work, and that it would take approximately 30 days to resolve the issue.

e. Joint Business Administration and Planning & Construction Committees

Mr. Martire reported that the Business Administration and Planning and Construction Committees had met jointly on September 15 to hear the staff's response on proposed initiatives for the Airports Authority's construction programs. He reported that the principal issues discussed had been the recently implemented E-Verify program for all construction and certain service contracts; the use of OSHA training programs for contractors; and a more intense review of contractor qualifications, noting that more disclosure would be required in the Request for Proposals language.

Mr. Martire reported that Ms. McKeough had responded to Committee inquiries and had addressed two specialized contracting methods: 1) a two-step RFQ procedure requiring contractors to bid based on past performance with grading based on an on-time execution, safety and other criteria prior to providing prices; and 2) the use of "Best Value" procurement methods awarding bids based on price, technical proposal and other criteria to provide the Authority with the best overall value. He indicated that both methods were authorized in the Airports Authority's contracting manual, and that although Best Value had not been routinely tried, the two-step RFQ procedure had been used by the Airports Authority in the past.

Mr. Martire reported that the Committees had then met in executive session to hear a report on the final acceptance of the AeroTrain.

f. Legal and Governance Committee

In Mr. Garson's absence, Mr. Snelling had reported that the Legal and Governance Committee had met on September 1 and September 15. Both meetings had been held in executive session to discuss the selection of a new President and Chief Executive Officer. Krauthamer and Associates, Inc. had provided information on the position description and search process. The Committee would receive an update on the search process at the day's 1 p.m. meeting.

g. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had last met on September 15 to review the status of the "temporary" midfield concourse C/D at

Dulles International, with a focus on the capital investment made by the Airports Authority over the years since its construction.

Mr. Brown reported that concourse C/D had been constructed piecemeal in the 1980s and would ultimately be replaced by a modern Tier 2 midfield terminal above the AeroTrain station that had already been built in place. Mr. Brown noted that with the construction of the first-class A/B Concourse, it had become evident that concourse C/D had endured far beyond its original use expectancy and had therefore required some rehabilitation.

Mr. Brown reported that the Phase 1 rehabilitation had been completed in 2004 at a cost of \$18 million, and that the current Phase 2 rehabilitation was designed to extend the building's useful life for five to ten years. He added that the rehabilitation of the midfield FIS in the C/D concourse had cost \$15 million in 2008, and that the budget for additional rehabilitation had been set at \$30 million. Mr. Brown reported that the total rehabilitation bill, including \$20 million spent on the former Concourse G, had been about \$83 million.

Mr. Brown reported that the costs and timing of constructing the Tier 2 midfield concourse had been reviewed, in addition to the impact of its rates on the airlines. He noted that while it may be possible theoretically and legally to comingle costs between A/B and C/D to level rates, the benefit of doing so would be limited because of the sizable cost of the AeroTrain project currently included in the rate base.

Mr. Brown reported that the Committee had also discussed plans for the Airport Use and Premises Lease in executive session. He noted that the Committee would hold a two-hour workshop on the issue in two weeks; he encouraged interested Directors to attend.

III. INFORMATION ITEMS

a. President's Report

Ms. Hampton reported that the Dulles International Arrivals Building, Phase 2, would open the first week in November 2010, and that the Arts in Place Exhibit would open approximately one year later. She said that after that opening, the original baggage area would close for renovation and would reopen near the end of Phase 3 completion.

Ms. Hampton recognized what she called an important milestone, noting that October 1, 2010 had marked the Airports Authority's first year of active management of the Dulles Toll Road. She reported that a meeting to inform the

public on what had happened with the Toll Road since the Airports Authority had taken over its management would be held on October 25.

Ms. Hampton also reported that on October 15 a temporary power generator would be installed to ensure continuous power to the computer system in the event of a general loss of power. A permanent generator would be installed some time in 2011.

Ms. Hampton reported that staff at both Airports was currently working on snow plans for the upcoming winter season.

Ms. Hampton reported that *Travelers Magazine* had recognized Reagan National Airport as the second best overall domestic airport in the country.

Mr. Speck inquired about an update on the deteriorating overpass over the George Washington Parkway maintained by the National Park Service. Ms. McKeough responded that staff had submitted a formal letter to the Park Service requesting its attention to this matter; Paul Malandrino, Vice President and Reagan National Airport Manager, had also followed up with several phone calls to the Park Superintendent. Ms. McKeough said that no response had been received to date.

Mr. Crawford noted that the Council of Governments (COG) had created an aviation oversight committee, and inquired whether the Airports Authority had been a participant on that committee. Ms. Hampton responded that the COG had had an aviation committee in place for years, but that it had recently disbanded the committee, which had dealt principally with noise issues. Instead, a single liaison, Mary Hynes, an Arlington County Councilmember, had been designated as the official Aviation Policy Liaison. Ms. Hampton said that Ms. Hynes had not contacted the Airports Authority on any issues.

Mr. Crawford suggested that someone from the Airports Authority be in place representing its interests. Because of current events, Mr. Crawford believed that COG would become more involved in aviation oversight. Ms. Reiley noted that Michael Cooper, Manager, State and Local Government Affairs, was in contact with Ms. Hynes.

Ms. Hampton said that by disbanding the committee and assigning a liaison, COG was downscaling its involvement in aviation oversight. She noted that the Airports Authority was still involved in many of its activities.

Mr. Snelling reported that the COG aviation oversight would be a reoccurring item on his regularly-scheduled meetings with management.

Mr. Crawford requested a briefing on the Weldon Latham's Diversity Report. Ms. Hampton reported that staff would meet with Mr. Latham on October 7 to review a number of questions and suggestions. She said that a final report would be given to the Legal Committee. Since the report was under Mr. Baker's purview, Mr. Manning observed, the Latham report would be presented to the Business Administration Committee. Mr. Crawford requested a follow-up report to Anne Crossman's work performed on the Airports Authority information technology programs. Mr. Snelling said that the topic was a reoccurring one on his meeting agenda with the President. He had received a report that Mrs. Crossman's efforts had been very beneficial and that staff was implementing her suggestions. Mr. Snelling reported that management and Mrs. Crossman were in agreement that the measures being taken were helpful and necessary. Ms. Hampton affirmed that Mrs. Crossman was very familiar with both sides of the industry and that her information had been very useful.

Mr. Snelling conveyed his satisfaction that management had put forth a tremendous effort and hard work given the unprecedented amount of issues that the Board had and would tackle. He added that the Board's relationship with management had never been better, and that the challenges ahead would no doubt be met successfully.

b. Executive Vice President's Report

Ms. McKeough reported that contributions from the September 25 Dulles Plane Pull, which benefitted the Special Olympics, had totaled over \$110,000. More than 10,000 people had attended the event.

Ms. McKeough reported that the Airports Authority was continuing its long tradition of supporting the United Way. The Airports Authority would sponsor its 11th annual golf tournament to raise funds for the Loudoun County United Way, with the Vice Chairman and Mr. Martire representing the Airports Authority. Ms. McKeough reported that Mark Treadaway, Vice President, Air Service Planning and Development, and Acting Vice President, Office of Communications, would serve as the Airports Authority's Chairperson for the 2011 United Way Campaign. The Airports Authority would also hold its annual corporate fundraising kick-off event for its employees.

Ms. McKeough reported on pending slot transactions at Reagan National. With Republic Airlines's recent assumption of two slots through its acquisition of Midwest Express, the United States Department of Transportation (DOT) was considering reallocation of the slots. Ms. McKeough said that DOT had received five applications for the use of the two slots, including the incumbent. A decision on the reallocation is expected in the next several weeks.

Ms. McKeough reported that management was closely monitoring the announcement by Southwest Airlines that it planned to merge with AirTran sometime next year. She said that the merger would most likely have an impact on the Airports Authority because AirTran had existing operations at Reagan National. If the merger was successful, Southwest would begin serving Reagan National. The necessary slot transaction would present novel questions, as the slots held by AirTran consisted of a hybrid of slots of different categories. Ms. McKeough said that it was unclear how the Department of Transportation would treat the slots—whether it would allow Southwest to assume them in the merger or reallocate them.

Ms. McKeough reported that Reagan National staff was working closely with Jet Blue, which was scheduled to begin service on November 1. She said that the Board would be advised of any celebratory events.

Ms. McKeough reported that the U.S. aviation benchmark for August 2010 traffic activity was an increase of 1.2 percent. Both Reagan National and Dulles International had exceeded that national benchmark. Ms. McKeough reported that Reagan National had served approximately 1.65 million passengers, a 4 percent increase, or approximately 65,000 more passengers than in August 2009. At Dulles International, about 2.26 million passengers, a 2.5 percent increase, or about 55,000 more passengers than in August 2009, had been served. Ms. McKeough said that Dulles International had experienced the strongest passenger level in more than four years, driven primarily by domestic activity.

Ms. McKeough reported that year-to-date Reagan National and Dulles International had shown a modest growth rate of just less than one percent. Cargo at Dulles International had increased 20 percent, driven by a 30 percent growth in international freight.

Mr. Snelling inquired whether management had analyzed the pros and cons of the proposed Southwest merger. Ms. McKeough reported that the staff was closely monitoring the issue and that there did not appear to be any negative impacts. However, Ms. McKeough said that further facility challenges for Reagan National could arise in 2011.

IV. NEW BUSINESS

a. Recommendation of Senior Managing Underwriters for the Airport System Revenue Refunding Bonds, Series 2010E-F

Mr. Conner moved the adoption of the following resolution, which was unanimously approved:

WHEREAS, the Metropolitan Washington Airports Authority (the "Airports Authority") is preparing for the issuance of its Airport System Revenue Refunding Bonds, Series 2010E (AMT), Airport System Revenue Refunding Bonds, Series 2010F (Non-AMT) (collectively, the "Series 2010E-F Bonds") which may be issued in one or more series or subseries in an aggregate principal amount not to exceed \$485,000,000;

WHEREAS, the Airports Authority has selected a syndicate of investment banking firms to serve as underwriters for financing or refinancing the costs of certain capital improvements at Ronald Reagan Washington National Airport and Washington Dulles International Airport; and

WHEREAS, the Airports Authority desires to appoint investment banking firms from the syndicate to serve as senior managing underwriters for the sale of its Series 2010E-F Bonds;

NOW, THEREFORE, BE IT RESOLVED

1. That Morgan Keegan & Company, Inc. is appointed as the senior managing underwriter for the sale of the Series 2010E Bonds;
2. That Barclays Capital Inc. is appointed as the senior managing underwriter for the sale of the Series 2010F Bonds; and
3. That this Resolution shall be effective upon its adoption.

b. Recommendation to Award a Contract for Unarmed Guard Services at Reagan National

Mr. Manning moved the adoption of the following resolution, which was unanimously approved:

WHEREAS, the contract for unarmed guard services at Ronald Reagan Washington National Airport, scheduled to expire September 30, 2010 was extended to October 30, 2010;

WHEREAS, the Business Administration Committee concurred in the issuance of a Request for Proposals for these services at its February 17, 2010 meeting;

WHEREAS, a Technical Evaluation Committee reviewed the competing proposals and recommended the selection of Master Security of Hunt Valley, Maryland; and

WHEREAS, the Business Administration Committee is satisfied with results of the competitive procurement process, as presented at its September 15, 2010 meeting;

NOW, THEREFORE, BE IT RESOLVED

1. That the President and Chief Executive Officer is authorized and directed to enter into a one-year contract with 4 one-year extension options with Master Security Company, Inc., for the provision of unarmed guard services at Reagan National, consistent with the terms presented to the Business Administration Committee at its September 15, 2010 meeting; and

2. That this resolution shall be effective upon its adoption.

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

- c. Recommendation to Award a Contract for a Parking Access Revenue Control System for Reagan National

Mr. Manning moved the adoption of the following resolution, which was unanimously approved:

WHEREAS, the Airports Authority sought a new parking revenue control system for Ronald Reagan Washington National Airport, with extended warranty and maintenance, that will allow credit card only entrance and exit lanes, use of contactless "smart cards", a parking space reservations system, a level space counting system, and a license plate recognition system;

WHEREAS, a competitive selection process, begun in December 2009, resulted in a staff selection panel recommendation that the contract be awarded to CTR Systems, Inc., of Warrendale, Pennsylvania; and

WHEREAS, the Business Administration Committee is satisfied with the results of the competitive procurement process, as presented at its September 15, 2010 meeting;

NOW, THEREFORE, BE IT RESOLVED

1. That the President and Chief Executive Officer is authorized and directed to enter into a contract with CTR Systems, Inc., consistent with the terms presented to the Business Administration Committee, and
2. That this resolution shall be effective upon its adoption.

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

Mr. Snelling announced that Ethiopian Airlines would host its inaugural flight from Dulles International in November 2010. He said that he had asked Mr. Manning to represent the Airports Authority on the flight.

V, UNFINISHED BUSINESS

There was no unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

There being no further business, the meeting was adjourned at 9:40 a.m.

Respectfully submitted:



Quince T. Brinkley, Jr.
Vice President and Secretary

Approved 11/3/10