BOARD OF DIRECTORS ANNUAL MEETING

Minutes of November 5, 2003

The seventeenth Annual Meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:35 a.m. Ten Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
David T. Ralston, Jr., Vice Chairman
Robert Clarke Brown
H.R. Crawford
Anne Crossman
John Paul Hammerschmidt
William A. Hazel
Mame Reiley
David G. Speck
Jeffrey Earl Thompson

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. ELECTION OF OFFICERS

The meeting began with the election of officers for 2004. The Chairman first called for nominations for Chairman; Mr. Thompson nominated Mr. Glasgow. There were not any further nominations, and Mr. Glasgow was unanimously elected. The Chairman then called for nominations for Vice Chairman; Mr. Crawford nominated

Ms. Reiley. There were not any further nominations, and Ms. Reiley was unanimously elected. Finally, the Chairman called for nominations for Secretary, and then nominated Gregory Wolfe. There were not any further nominations, and Mr. Wolfe was unanimously elected.

II. MINUTES OF THE OCTOBER 1, 2003 MEETING

The Chairman called for the approval of the Minutes of the October 1, 2003 Meeting, which were then unanimously approved.

III. COMMITTEE REPORTS

a. Planning Committee

Mr. Hazel said the Planning Committee had met early that morning in order to leave time for a briefing on the proposed derivatives policy. In the regular air service development report, staff had reported LAB/Bolivia would begin regular service between Dulles and La Paz, with a stop in Miami, on December 7. In addition, a new carrier, Transatlantic International Airlines, was planning to begin service to Dakar, Senegal and Freetown, Sierra Leone. A start date had not yet been established.

The Committee also discussed the confidential 2004 Comprehensive and Annual Air Service Plan, which served to guide the activities of the air service planning and development office.

Finally, the Committee had reviewed a list of contracts affecting the traveling public and the draft 2004 Business Plan. These items would be presented to the other Committees later in the month.

b. Business Administration Committee

Mr. Crawford reported that the Business Administration Committee had last met October 15.

It had first discussed the selection of a firm to manage and operate the public parking and shuttle bus system at Reagan National. The Committee had not acted on the report, as two of the Directors present had recused themselves and the others had chosen not to proceed. Mr. Crawford said he understood that the staff was conducting a best-and-final offer procedure that would settle all remaining questions.

The Committee had then heard a report on plans for the medical and dental programs in 2004. Board approval of the rate structure was required annually. Costs for the Authority's health programs were increasing, as they were everywhere else. As a result, staff had been considering various approaches to restructuring the medical and dental programs. For 2004, however, they had recommended that the Authority continue its two existing programs, HMO services with Kaiser Permanente, and a PPO and dental program with CareFirst BlueCross/BlueShield.

The combined premium rates would increase 16.5 percent, or $1,706,820, an amount Mr. Crawford said was considered reasonable under the circumstances. The Authority would continue to pay 80 percent of the premiums, and would therefore bear 80 percent of the increase. The Committee had agreed to this approach, and recommended that the Board approve it at the November meeting.

Margaret McKeough, Vice President for Business Administration, and Ed Faggen, Vice President and General Counsel, had reported to the Committee on the continuing negotiations with US Airways on plans for building a "regional concourse facility" on the Reagan National airfield, just outside the Authority office building. The proposal was not new, having been discussed several times in the past. US Airways had more recently become enthusiastic about it, considering the project important to its recovery from bankruptcy.

The Authority was proceeding cautiously, as the air carrier industry remained volatile, and the future of US Airways was not settled. The Authority would need some assurances so that it would not be left at some time in the future holding the debt on a facility that no carrier wanted to use.

Finally, Mr. Crawford said that the annual Business Opportunity Seminar would be held the afternoon of November 20 in Crystal City. He said he would be there, and asked all Board Members to attend.

c. Finance Committee

Mr. Brown reported the Finance Committee had last met October 15. In executive session, it had discussed the 2004 Budget. This Budget was being reviewed on a new schedule, with the draft being presented to the Finance Committee one month earlier than in the past, allowing greater opportunity for Board participation. The final budget recommendation would be presented at the Committee's November meeting. The Committee had spent well over an hour at its October meeting, and had found the discussion useful.

Also at the October meeting, the finance team had offered a draft policy on Authority use of derivatives. Mr. Brown observed that the use of derivatives had recently grown dramatically in the municipal marketplace. The Government Finance Officers Association had recommended that agencies develop such policies. In a special session just before the current meeting, the financial advisors had offered a briefing for the entire Board. Mr. Brown pointed out that the policy would neither commit the Authority to the use of derivatives, nor authorize the staff to proceed with them. It was only a framework for evaluating proposed derivative products.

Staff had been considering a synthetic refunding of the Series 1994A Bonds, which could not be "advance refunded". The Committee expected to hear a recommendation from the financial advisors at the November meeting.

Financials for September showed the month had been the second best in 2003, reflecting revenue increases and rigorous spending controls. Three-quarters through the year, revenues were at 71 percent of budget, while expenses were at 68 percent. Net remaining revenues were at 74 percent of budget.

IV. INFORMATION ITEMS

a. President's Report

Mr. Bennett reported that the senior managers had held their annual retreat the week before. The Chairman had joined them for dinner and a speech.

The regional concourse discussions with US Airways were continuing. There were still two issues remaining: the type and amount of security that would be necessary during the construction process, and the type and amount of security required once the facility had been leased.

The Federal Aviation Administration reauthorization bill was beginning to move again. It had been delayed for some time in a dispute over the privatization of the air traffic control system. The original conference report had included a provision endorsing privatization. A revised report removed all reference to privatization, and it had passed the House of Representatives the previous week 211-207. It was pending Senate action; there was talk of a filibuster.

Mr. Bennett reminded the Directors of the longstanding litigation with the former taxicab operator at Dulles. There were two cases: one challenging the decision to award the contract to a different firm, the other a suit brought by the Authority to recover fees unpaid during the period of the company's operations. The first lawsuit was pending in the U.S. Court of Appeals for the Fourth Circuit; the Circuit Court of Fairfax County had recently decided the second in favor of the Authority. The unpaid fees, miscalculated profit sharing, had been found to exceed $1.1 million. Efforts to collect it would begin soon.

During the holiday season, there would be promotional advertising of the two Dulles parking garages and the Pay-n-Go payment system.

The Chairman asked when the covered walkway between the west flank garage and the Main Terminal would be complete. Mr. Bennett said it would be finished in the first quarter of 2004.

Mr. Bennett reported that AirTran had begun service at Reagan National on October 23 with five flights per day, three to Atlanta, one to Fort Meyers, and one to Fort Lauderdale. Later in the month, the Fort Lauderdale flight would be replaced with West Palm Beach service. All the flights were heavily subscribed. On November 13, Spirit Airlines would start two round trips per day at Reagan National to Fort Lauderdale.

Both AirTran and Spirit would operate out of Terminal A. Because of the increased traffic, the passenger screening checkpoint had been moved and expanded from two to three lanes.

In addition, the increased traffic had brought back conditions that had prevailed before September 11, 2001, with garages at Reagan National filled during the week and the economy lots filled during the weekends. Staff was considering several approaches to increasing parking capacity.

The Department of Homeland Security, Customs and Border Protection agency ("CBP"), was implementing a program known as US-VISIT to track non-immigrant visa holders on their entry into and exit out of the United States. At the existing checkpoints, the CBP agents would photograph each such visitor and take biometric fingerprints before admission. Upon exit, the visa holders would be expected to find a kiosk somewhere in an airport and put their fingers into the machine to "check out" of the country. The program had been developed in response to criticism of the Immigration and Naturalization Service's inability to track the hijackers involved in the September 11 events. The new system would be in place by the end of the year. Mr. Bennett said airports were concerned that the planners had not thought out how passengers flowed through the terminals, and how the visa holders would find the machines.

Mr. Hammerschmidt asked who would pay for the program; Mr. Bennett said the entire cost would be paid by the Department of Homeland Security.

With respect to September traffic, Mr. Bennett reported that it had grown 3.9 percent at Reagan National from September 2002. On a twelve-month basis, the traffic had been up over 26 percent; on a year-to-date basis, up over 11 percent. At Dulles, however, the traffic had declined 3.8 percent for the month, had remained even on a twelve-month basis, and year-to-date had declined over 2 percent. Mr. Bennett said it was important to note that traffic had been affected in September by Hurricane Isabel, which had closed both Airports for a full 24 hours.

Industry-wide, domestic traffic had remained soft, declining almost 2 percent in September. International and transborder traffic had been down about 3 percent.

Mr. Speck said he had been contacted by one of the members of the Airports Advisory Committee, which he had learned was down to 7 members of a normal complement of 20. He said the question appeared to be whether the Committee should continue, and, if it should, how to get it back to its full membership.

Mr. Bennett said the matter had been discussed internally, and would be brought to the Board for consideration soon.

Mr. Speck then asked if there had been any changes with respect to general aviation at Reagan National. Mr. Bennett said all that had changed had been a "sense of Congress" provision included in the pending FAA reauthorization bill that urged the Administration to restore the traffic. The Administration response could not be predicted.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. NEW BUSINESS

a. Renewal of the Medical and Dental Insurance Programs

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

> RESOLVED, That the President and Chief Executive Officer is authorized to renew contracts for calendar year 2004 with CareFirst Blue Cross/Blue Shield for its Preferred Provider Organization and Dental Programs, and Kaiser Permanente for its Health Maintenance Organization Program, consistent with the premium rates and documentation of the proposal recommended by the Business Administration Committee for action at this meeting.

b. Proposed Derivatives Policy

Mr. Brown moved that the Derivatives Policy be approved, as submitted to the Board that day. He called attention to the last line of the Policy, which stated that in the future it should be amended as appropriate. In the discussion before the Annual Meeting that morning, it had been made clear that as the policy was applied to particular proposed transactions, the Board might have the occasion to amend the policy.

Mr. Brown also pointed out that the Policy only addressed the use of derivative products for the Authority's debt program; it did not apply at all to the investment program.

The motion was thereupon adopted.

VII. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 10:05 a.m.

Respectfully submitted:

Gregory Wolfe
Vice President and Secretary

approved, as amended,
December 3, 2003