



BOARD OF DIRECTORS MEETING

Minutes of November 7, 2007

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

Mame Reiley, Chairman
H.R. Crawford, Vice Chairman
James L. Banks, Jr.
Robert Clarke Brown
William W. Cobey Jr.

Michael David Epstein
Weldon H. Latham
Michael L. O'Reilly
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 OCTOBER 3, 2007 MEETING

The Chairman called for approval of the minutes of the October 3, 2007, meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Planning and Construction Committee

Mr. Snelling reported on the Committee's regular monthly meeting on October 17.

He reported that the Committee received three reports:

a. CCP Cost Report. Frank Holly presented the monthly Capital Construction Program cost report for September. He reported that there were no changes in the cost forecast of any capital project and that no new contracts had been awarded.

b. PMC Quarterly Report. Bruce Swanson of Parsons Management Consultants presented the quarterly report on the Capital Construction Program, which was very informative. He first updated the Committee on the four major construction projects underway at Reagan National: (a) the 9,000 square foot addition to the administrative office building; (b) the renovation of the facade on Terminal A; (c) the build out of the consolidated communications center in hanger 5; and (d) the construction of the new rescue and firefighting facility at the south end of the airport.

Mr. Swanson also reported that over 500,000 man hours had been performed on capital projects at Dulles in August, and that 30 to 35 contracts were being worked on. He then provided a lengthy report on the status of each of the major capital projects at Dulles, including (a) the Automated People Mover system, (b) improvements to the road network both north and south of the airport, (c) construction of the 4th runway and parallel taxiways, (d) improvements to the fuel farm, (e) construction of the new rescue and firefighting station, and (f) construction of the stallion branch sanitary trunk line.

c. Parking Garage Expansion at Reagan National. Frank Holly updated the Committee on the status of the project to expand the Terminal A and B/C parking garages at Reagan National. Construction proposals for this project were received during the summer, and exceeded the project's budget by approximately \$8 million, which caused staff to re-assess the project.

As a result of the re-assessment, staff had made a number of changes in the project that have reduced costs by about \$3 million. Nonetheless, the project's estimated costs were \$5 million higher than the amount currently authorized, and brings the total project cost to approximately \$50 million. The additional \$5 million dollars in costs for this project will be included in the 2008 Budget and any authorization to proceed will come with the approval of the budget. If authorization is given, construction could begin in the spring of 2008.

Mr. Holly further explained that the staff had re-assessed the feasibility of this approach to providing additional parking at Reagan National, and compared the cost of this project with the cost of constructing a garage over the CSX rail tracks and constructing a new garage at the south end of the Airport. This re-assessment again showed that, even with an additional \$5 million in costs, expanding the Terminal A and B/C garages was financially more feasible than any alternative approaches.

Lastly, Mr. Snelling reported that the Committee engaged in a discussion on the return that the Authority would earn on its investment in these new parking spaces

and, more generally, on whether the Authority should develop a return on investment ("ROI") standard for its capital investments. Mr. Bennett pointed out that, unlike private investors, the Authority, when constructing airline-related facilities, is largely restricted by federal regulations to recovering its costs, as opposed to making a certain return on its investments. Mr. Bennett agreed, however, to review the parking garage project from an "ROI" point of view and determine the return that the Authority would earn on its investment.

b. Business Administration Committee

Mr. Crawford reported on the Committee's regular monthly meeting on October 17.

He reported that Steve Baker presented the monthly contracting report for September. The Authority had awarded a total of \$13.2 million in contracts. The largest single award had been to Atlantic Contracting and Material Co. of Upper Marlboro, Maryland, for the demolition of the Shop 1 Annex and construction of a temporary mobile lounge road at Dulles. Year-to-date LDBE/DBE contracts totaled \$114 million.

Mr. Baker reported that the 17th annual Business Opportunity Seminar (BOS) would be held at the Omni Shoreham Hotel in Washington on November 16. Thus far, over 800 participants had registered to attend the BOS, and 25 employees would staff the booths.

Mr. Crawford indicated that he believed Vincent Gray, Chairman of the District of Columbia City Council, and Council Members Marion Barry, Yvette Alexander and Kwame Brown would attend the Seminar.

The Chairman suggested that Authority staff send a notice about the BOS to all members of the District of Columbia City Council, followed up by a phone call. Mr. Bennett agreed that actions would be taken to notify City Council members.

Mr. Crawford reported that Arl Williams presented the staff recommendation for three new carriers to provide employee and retiree medical and dental insurance coverage in 2008: 1) Aetna would replace CareFirst as the primary medical plan carrier; 2) Kaiser Permanente would continue as an option; 3) CVS Caremark would replace Express Scripts as the Pharmacy Benefits Manager; and 4) Metropolitan Life would replace CareFirst as the dental carrier.

He noted that the changes represented a 2 percent decrease in total healthcare costs and that increased benefits would be made available to employees. With the

existing plans, Mr. Williams reported that employees who lived outside of the CareFirst service area (west of Route 123 in Virginia and in West Virginia and Pennsylvania) were limited to receiving care through a CareFirst PPO option.

The Committee voted to recommend that the Board approve the contracts with the new healthcare and dental insurance companies.

Mr. Crawford stated that Mr. Baker reported that the Authority reduced the cost of its property and casualty insurance program by 3.6 percent for the 2007-2008 policy year, which was highly commendable, while maintaining much of the same coverages.

Mr. Baker also reported that the Terrorism Risk Insurance Act (TRIA) was scheduled to expire the end of this year, and Mike Natale, Manager, Risk Manager, noted that a seven-year TRIA extension was currently under consideration in Congress.

Mr. Crawford saluted Lynn Hampton on being honored as the Alexandria Chamber of Commerce 2007 Business Leader of the Year at a gala celebration on October 26.

Mr. Crawford then offered congratulations to Bob Brown and Charles Snelling on their recent reappointments to the Board.

c. Finance Committee

Mr. Speck reported on the Committee's regular monthly meeting on October 17.

He reported that operating income continued to out pace prior years, with year-to-date revenue for the third quarter reaching \$385.2 million. Concession revenues increased \$15.7 million over the same year-to-date period in 2006, including an increase of \$7.4 million in parking revenue. Year-to-date expenses were \$336.8 million through September. Operating income through the third quarter totaled \$48.4 million, up \$9.2 million from 2006 and down \$8.8 million from 2005.

Net income year-to-date totaled \$91.2 million, which is consistent with this period in 2006. When comparing the actual financial results to budget, at 75 percent through the year, revenues have reached 70.9 percent and expenses have reached 68.4 percent of budget. Construction activity for the month totaled \$77.1 million and year to date was \$549.1 million.

The Committee received a presentation from the financial advisors on the 2008 plan of finance. They stated that because construction activity was outpacing the forecast, the 2008 bond sale could be moved up to late summer or alternatively they may recommend an increase in the Authority's Commercial Paper program.

Mr. Speck reported that the Committee also discussed the investment of the Series 2007B construction funds.

He then reported that the financial advisors for the Dulles Corridor presented information on current activities, including the feasibility study for the Dulles Toll Road. A survey of the toll road users is being handed out or mailed to EZPass users. Preliminary results are expected in November.

The Committee also discussed the process for selecting an airport consultant. Mr. Speck reported that he would represent the Board on the Technical Evaluation Committee (TEC). The recommended firm will be forwarded to the Finance Committee for its review and then to the Board for approval. Mr. Speck reported that he would present a proposed Resolution later in the day's meeting.

In executive session, the members of the Finance Committee discussed the Authority's draft 2008 budget.

d. Strategic Development Committee

Mr. Brown reported on the Committee's regular monthly meeting on October 17.

Due to the increasing lengthy agenda, he stated that he had postponed several agenda items because he believed they warranted an extensive discussion. Therefore, the new international passenger survey, the 2007 performance management cockpit report, and the Registered Traveler program were deferred to the Committee's November meeting. Mr. Brown noted that he had provided some issues to Mr. Bennett that he believed should be addressed in the Registered Traveler paper that would be presented at the November meeting.

Mark Treadaway reported on recent staff meetings with federal agencies regarding the Model Ports program that discussed ways of "re-energizing" the program at Dulles. Included in the discussion was the possibility of revising queuing procedures for passport review at the international arrival facilities. Mr. Treadaway promised to keep the Committee informed as these discussions developed.

Mr. Treadaway reported on the recent Routes Conference in Stockholm, and noted

that staff had engaged in over 20 meetings with passenger and cargo airlines. Following the conference, staff met in other European locations with additional airlines.

Mr. Treadaway reported that Maxjet had decided to discontinue its Dulles to Stansted, England, route, citing competitive pressures.

Finally, Mr. Treadaway noted that a draft of the 2008 Air Services Development Business Plan would be presented to the Committee in November.

The Committee then had a brief discussion about the feasibility of providing a low-cost terminal for low-cost airlines at Dulles. Mr. Brown noted that he had read reports that some airports around the world were considering this route. Mr. Bennett advised that it may conflict with federal rules in the United States. The Committee asked staff to prepare a paper on the issue.

Mr. Brown congratulated Lynn Hampton on her recent honor as 2007 Business Leader of the Year and noted that he was happy that he and many of his colleagues had attended.

e. Audit Committee

Mr. Cobey reported that the Audit Committee had not met in October, but he encouraged Directors to attend the Audit Committee meeting, which would be held immediately following the Committee of the Whole meeting.

f. Information Technology Committee

In Ms. Crossman's absence, Mr. Brown reported briefly on the Information Technology Committee meeting on October 3, 2007.

At the meeting, the Committee heard presentations from the Authority's two Enterprise Resource Planning (ERP) consultants, Booz Allen Hamilton and L3 Communications.

Booz Allen has assisted the Authority in the BPR, or Business Process Re-engineering, phase of the ERP program and is now assisting staff in preparing the upcoming ERP Request for Proposals (RFP).

L3 Communications' role has been to assist the Authority in overseeing the ERP program, providing independent verification and validation services.

Each consultant made a brief presentation to the Committee and then provided the opportunity to ask questions and discuss issues and concerns.

Mr. Brown also noted that on November 6 the members of the Information Technology Committee attended a presentation on the ERP software from one of the potential vendors. He reported that the briefing had been a three-hour session, which had been well attended by Authority staff. Sessions had been arranged for vendors to demonstrate their software products. Mr. Brown said he believed it was important that the Board continue to exercise vigorous oversight during the ERP program.

The Chairman asked if the Board would be involved in the actual procurement of the ERP program. In Ms. Crossman's absence, Mr. Brown reported that Ms. Crossman would not serve as a member of the TEC. Mr. Snelling noted that it was Ms. Crossman's intent to have the Committee approve the RFP prior to its issuance. The Chairman inquired as to whether committee approval of an RFP was a normal practice. Ms. McKeough reported that committees often receive a pre-solicitation paper on the terms of the RFP, but that she would be pleased to provide the Committee with the entire RFP. Mr. Brown noted that because of the size of the ERP procurement, the TEC would present its recommendation to the Committee, and then to the Board.

g. Legal Committee

Mr. Latham reported that the Committee met earlier that day and concluded the business delegated to it by the Board in the Dulles taxicab protest process.

He reported that the Committee had earlier met on October 24 and conducted a thorough review of the taxicab procurement process. The Committee carefully reviewed and considered the RFP, staff recommendations, actions taken by the Business Administration Committee and the Board, and the record of the protest, including written submissions by the protestor and earlier decisions by the Authority's protest official and Mr. Bennett. The October 24 meeting included discussions with members of the staff evaluation panel responsible for the Dulles taxicab contract decision.

Mr. Latham reported that earlier that the Committee decided unanimously to deny the protest.

He complimented the Committee members for a thorough job and thanked them for their assistance in ensuring that the protest process was objective, fair and equitable.

The Chairman asked whether it would be permissible for the Authority to include geographical-based criteria in an RFP. Mr. Faggen noted that the Legal Committee had discussed this issue and that it would be considered.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett reported on a number of items.

Dulles Metrorail Update. He reported that the Authority continues to work on several items with the Federal Transit Administration (FTA), which includes a financial analysis of the model used to identify the local funding available to construct the project. The Authority's financial staff and financial advisors have been working with the financial management oversight consultants, and the review should be concluded within the next week.

Mr. Bennett reported that the FTA is finalizing a review of the Authority's technical capacities to determine whether its proposed management plan and resources are adequate to execute the project. He reported that the review was underway and should be completed in the near future. He noted that these were the last steps to obtaining a formal final design approval for the project.

Mr. Bennett indicated that some relocation utilities in the Route 7 corridor would begin this fall, and that the gas line work would begin shortly.

Late last week, he noted, the Dulles Corridor Rail Association released a recent poll that it conducted concerning the project. The poll results were mailed to Directors the day before, but copies were available at the meeting. Mr. Bennett stated that the poll confirmed the high level of public support for the construction of the rail project and its extension to Loudoun County.

Dulles Construction Update. Mr. Bennett reported that Mr. Snelling had provided a very thorough overview of the Dulles projects underway. He noted that those who have recently used Dulles may have noticed that the new roadway work on the Access Road has now opened for traffic exiting the Airport. Because of the good construction weather, the project was completed several months earlier than scheduled.

A north-south vehicle service road between the Main Terminal and Concourse C has now reopened after being closed for three years during the tunneling and construction of the Automated People Mover (APM) system. Mr. Bennett reported

that a bridge under Concourse B that connected to the regional terminal was used for tug traffic carrying baggage and mobile lounge traffic prior to APM construction. Since the service road has now reopened, mobile lounges and tug traffic could begin to use the area once again. Mr. Bennett reported that he hoped that the shortened route would make baggage delivery more efficient than experienced during the last three years.

B Concourse Extension. Mr. Bennett reported that the B Concourse extension is on schedule and expected to be operational in early 2008. Airlines and concessionaires are now configuring their space for airline gates and the openings of retail and beverage facilities.

Holiday Travel. Mr. Bennett noted that heavy airport traffic is expected at both Airports during the upcoming Thanksgiving holiday. He reported that both Airport managers and staff were preparing for this by ensuring that adequate staff would be available to address customer service issues, including line flows and the distribution of blankets to passengers whose flights were delayed because of weather. Concessionaires would also prepare to extend their hours of operation to accommodate passengers experiencing flight delays.

Mr. Bennett reported that Congress has also expressed significant concern about the upcoming holiday travel season. The House Transportation and Infrastructure Subcommittee on Aviation has scheduled hearings to review industry preparations for the upcoming holiday period. The Department of Transportation, along with airline and airport representatives, will participate. Mr. Bennett reported that it was not likely that legislation would be enacted as a result of the hearings, but that a substantial press coverage could occur.

Air Traffic Systems. As he had previously reported, Mr. Bennett noted that the Federal Aviation Administration (FAA) and the Department of Transportation (DOT) were working on a congestion plan to reduce delays that occur at the New York airports, which Authority staff continues to watch closely. DOT's intent may be to reinstate the slot rule at Kennedy Airport, which would restrict the amount of operations at Kennedy to 80 per hour (compared to its present level of mid 90s to 100). Mr. Bennett reported that if that restriction were to continue throughout the spring and summer of 2009, airlines would have to reduce their scheduled flights out of New York airports which could provide potential opportunities for additional carriers at our Airports, particularly international carriers to provide service from Dulles.

United Way Campaign. Mr. Bennett reported that the Authority's annual United Way campaign was underway. He thanked this year's coordinator, Paul Malandrino.

Combined with the Loudoun County United Way golf tournament that the Authority sponsors each year, Mr. Bennett reported that the Authority would raise more than \$100,000 for United Way for the Greater Metropolitan Washington area. He noted that the Loudoun County United Way golf tournament, lead by Chris Browne, had become the largest event for the Loudoun County United Way. The contribution raised at the Authority offices is usually one of the largest received at the Arlington United Way.

American Trans Air. Mr. Bennett reported that ATA has decided to cease its service at Reagan National on November 28 and its slots would be reallocated. He noted that several airlines, including Air Tran, which would like to add additional low-carrier service at Reagan National, had expressed an interest in acquiring some of the slots.

b. Executive Vice President's Report

Ms. McKeough reported that historically September was one of the slower airline traffic months at both Airports. However, this September produced strong results relative to the same month in many previous years.

She reported that in September over 1.4 million passengers utilized Reagan National, an increase of approximately 45,000 (3.3 percent) over September 2006.

At Dulles, Ms. McKeough reported that almost 1.9 million passengers were served in September, an increase of more than 100,000 over September 2006. She noted that the increase reflected both domestic and international passengers, with the growth in domestic passengers at 3.5 percent and in international passengers at 17 percent. She also noted that cargo activity remained consistent in September with the level of activity in September 2006.

IV. NEW BUSINESS

a. Proposed Recommendation to Approve the 2008 Medical and Dental Insurance Programs

Mr. Crawford moved the adoption of the following resolution:

WHEREAS, the Authority has undertaken a review of the health and dental care insurance markets;

WHEREAS, the Authority has elicited employee views on health providers and benefits through an employee survey; and

WHEREAS, based on its review of the market and the views of employees, the Authority has selected four firms to provide primary medical care, pharmacy benefits, and dental care and benefits to Authority employees and retirees in 2008;

NOW, THEREFORE, BE IT RESOLVED

1. That Aetna and Kaiser Permanente are selected to provide primary medical care benefits and insurance, CVS Caremark is selected to provide pharmacy benefits, and Metropolitan Life is selected to provide dental care benefits and insurance, all to Authority employees and retirees in calendar year 2008;
2. That the President and Chief Executive Officer is authorized to negotiate and execute contracts with these four firms, consistent with the terms and conditions presented to the Board of Directors on November 7, 2007; and
3. That this resolution shall be effective upon its adoption.

Mr. Speck complimented the staff for its outstanding work in executing the contracts at favorable costs with increased benefits.

The resolution was thereupon unanimously adopted.

- b. Proposal for Finance Committee and Board of Directors Participation in the Procurement of Airport Consultant Services

Mr. Speck moved the adoption of the following resolution:

WHEREAS, the Authority's current contract for airport consultant services expires in March 2008;

WHEREAS, the Authority has decided to issue a Request for Proposals, inviting interested and qualified firms to submit proposals for the provision of these services starting in March 2008 ("Airport Consultant RFP");

WHEREAS, under Resolution 01-20, the authority to conduct the upcoming procurement of these services ("Airport Services Procurement") and to approve the award of a contract for the services ("Airport Services Contract") has been delegated by the Board of Directors to the President and CEO;

WHEREAS, the Board of Directors, upon the recommendation of the Finance Committee and only for purposes of the upcoming Airport Services Procurement, has determined that the Finance Committee should participate in the procurement and that the Board should approve any award of the Airport Consultant Contract;

NOW, THEREFORE, BE IT RESOLVED

1. That the Chairman of the Finance Committee shall participate as a voting member on the technical evaluation committee ("Technical Committee") that will review, score, rank and otherwise evaluate the firms responding to the Airport Consultant RFP;
2. That the results of the Technical Committee's evaluation and the staff recommendation as to the firm to be selected for the Airport Consultant Contract shall be conveyed to and reviewed by the Finance Committee, which shall make a recommendation to the Board of Directors;
3. That the Board of Directors, after reviewing the staff and Finance Committee's recommendations, shall approve any award of the Airport Consultant Contract; and
4. That this resolution shall be effective upon its adoption.

Mr. Brown thanked the Finance Committee Chairman for the resolution and believed that the procurement of airport consultant services was an important one in which the Board should have a role. He noted that the airport consultant industry had undergone a vast change since the last time the Authority procured these services. He reported that several companies had "rolled up," merged or been acquired by other companies that presently provide services to the Authority under different contracts. He wanted to be sure that those involved in the RFP process were aware of and properly considered these changes in the industry. Mr. Speck acknowledged Mr. Brown's comments.

The resolution was thereupon unanimously adopted.

V. UNFINISHED BUSINESS

Mr. Crawford noted that the Board had received Mr. Latham's verbal report on the actions of the Legal Committee in the taxi protest, but that the Board had not voted on it. He said that he wanted the record to be clear that the District of Columbia delegation, in prior meetings, had not favored the taxi contract awards, and that he

had not voted that day in favor of the Legal Committee's decision. Both the Chairman and Mr. O'Reilly stated that the Board had delegated authority to the Legal Committee to issue the Authority's final decision in the taxi protest, and that no Board vote to approve or accept the Committee's decision had been taken because none was required.

Mr. Snelling suggested that the Board vote either to receive and file or to receive and accept the verbal report that the Committee chairman had given earlier in the meeting, thereby providing official cognizance of the Board's receipt of the report. He asked if the Chairman would welcome a motion to receive and file the Committee chairman's report. The Chairman had no objection and deferred to Mr. Latham, who also had no objection. A motion to receive and file the Committee chairman's report was made by Mr. Snelling, seconded by Mr. O'Reilly, and passed, with nine Directors voting in favor and with Mr. Crawford recusing himself.

VI. OTHER BUSINESS AND ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 9:50 a.m.

Respectfully submitted,



Philip G. Sunderland
Vice President and Secretary

Approved Dec. 5, 2007