



BOARD OF DIRECTORS MEETING

Minutes of November 3, 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
Robert Clarke Brown
William W. Cobey Jr.
Frank M. Conner III

Michael David Epstein
Leonard Manning
Dennis L. Martire
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 OCTOBER 6, 2010 and THE SPECIAL OCTOBER 20, 2010 BOARD OF DIRECTORS MEETINGS

The Chairman called for approval of the Minutes of the October 6, 2010 and Special October 20, 2010 Board of Directors Meetings, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Business Administration Committee

Mr. Manning reported that the Business Administration Committee had last met October 20. Steve Baker, Vice President for Business Administration, had presented the statistics from the monthly Contracting Report for September. In that month, new contract awards had totaled \$32.9 million. Mr. Baker had reported that Local Disadvantaged Business Enterprise contract participation year-to-date had totaled \$96.3 million, or 47.6 percent of the non-federally assisted contracts awarded. Of the \$24.52 million in federal-aid contracts, Disadvantaged Business Enterprises had received \$8.5 million, 35.2 percent of the total.

Mr. Manning also reported that the Committee had heard a report on the annual renewal of the Aviation Enterprise Insurance Portfolio. Premiums had not increased significantly, despite the addition of the AeroTrain and tunnels to the coverage. The entire portfolio cost had increased only 2 percent.

Arl Williams, Vice President for Human Resources, had presented the Committee with the 2011 Medical and Dental Insurance Programs. Mr. Manning said that Airports Authority employees would face an 8 percent increase over 2010 costs.

Mr. Manning reported that the Airports Authority would continue to use the same contractors, Aetna and Kaiser Permanente for health insurance; Metropolitan Life for dental insurance and CVS Caremark for the pharmacy program. He said that there were two significant changes in the program: first, dependent eligibility age increased from 25 to 26, as required by the new federal rules. Second, the dental program would be changed from a fully-insured to a self-insured program, which would limit the increase to 8.5 percent compared to the 23 percent increase if the Airports Authority had continued the fully-insured option. Metropolitan Life would continue to administer the program. Mr. Manning said that he would offer a resolution to approve the new plan later in the day's meeting.

Finally, Mr. Manning noted that the Committee had met in executive session to consider contract issues related to the Enterprise Resource Planning Project.

b. Dulles Corridor Committee

In Ms. Reiley's absence, Mr. Speck reported that the Dulles Corridor Committee had met twice since the October Board Meeting, both times spending most of the time on alternative Metrorail station locations at Dulles International. Both meetings had been held in open session.

On October 6, immediately after the Board Meeting, the engineering and architecture consultants, members of the CTLGroup, had made the first full presentation on their initial analysis of the rail station alternatives.

Mr. Speck reported that the consultants had reviewed two tunnel alternatives, both the original design in the parking bowl and a new alternative directly underneath the Arrivals Ramp, and advised that, in their opinion, both could be constructed less expensively than anticipated, and suggested that there was less of a difference in cost between above ground and underground alternatives.

They also suggested a new alternative: locating the station on the Arrivals Ramp, with an elevated rail approach to and from the Terminal Building. They indicated

that this alternative would be similar in cost to the elevated station structure at the North Garage.

The consultants also had recommended that the Airports Authority divide the Phase 2 projects into three parts for contracting purposes, dividing the work much the way the Washington Metropolitan Area Transportation Authority had in constructing its 107-mile Metrorail system.

Mr. Speck said that there was a lot more work to be done in a short period of time to reach an agreement on as many basic points as possible.

At the October 20 meeting, the Committee had been informed that the Virginia Department of Historic Resources (DHR) had already expressed concerns about new alternatives in advance of a full presentation by the Airports Authority. The Committee had since learned that the DHR had also expressed concerns about the aerial garage alternative as well.

A meeting with the historic office in Richmond was scheduled for November 9. The Committee hoped for a joint recommendation from CTL and staff on how to proceed with the alternatives at the November Committee Meeting.

With respect to other matters, Pat Nowakowski, Executive Director of the Metro-rail Project, had presented the regular Monthly Phase 1 Cost Summary and Project Update for September.

In September, estimates had not changed from August, and expenditures had increased about \$42 million, consistent with prior activity.

The Committee had also discussed the project schedule and Dulles Transit Partners (DTP) and Airports Authority staff efforts to reach an agreement on accelerating the work schedule to offset delays resulting from snow and utility relocation. Staff and DTP had been working on this issue for two months, and the Committee had expressed its concern that they had not yet come up with an agreement.

Mr. Nowakowski had also advised the Committee that preliminary engineering for Phase 2 would be completed in March 2011.

George Morschauser, Project Executive Director, DTP, had presented the quarterly update on the project, on the whole, an upbeat event. Safety programs were working very well, and the utility relocations had been completed, removing an obstacle to progress. Minority hiring goals had been exceeded. Mr. Morschauser had also given an endorsement of the benefits of a labor agreement of

the type used on the Phase 1 contract. The Committee would be discussing this issue further before entering into a contract on Phase 2.

c. Finance Committee

Mr. Conner reported that the Finance Committee had last met on October 20. In executive session, the Committee had discussed the draft 2011 Budget. The Committee would consider the Budget later in November before presenting its recommendation to the Board in December.

Mr. Conner reported that the Financial Advisors for the Aviation Enterprise had presented a wrap up of the variable rate financing that had been successfully completed.

The Committee had considered and approved the recommendation for the proposed refunding of two smaller existing issuances, coupled with an open market purchase. The Committee had also approved the co-managing underwriters for these transactions. Both of the proposed resolutions had been adopted by the Board at a Special Meeting immediately following the October 20 Finance Committee Meeting. Mr. Conner reported that because of the recent movement in the market, it might become necessary to delay or terminate the offerings. Present cost savings were not as attractive as initial indications.

Mr. Conner said the Financial Advisors for the Dulles Corridor Enterprise were monitoring the Build America Bonds (BABs) program to learn if it would be extended.

Mr. Conner reported that staff had learned that its recent TIGER II application had been denied. Also, the Airports Authority had not been selected for the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program, but there would be a more appropriate opportunity to resubmit a Letter of Interest in December.

Mr. Conner reported that the August and September 2010 Financial Reports had been encouraging, noting that debt service coverage was at 1.46 times, which had been an improvement when compared to 1.43 times during the same period in 2009. The days of unrestricted cash on hand had been 411 as of September 30, a slight increase compared to the previous month of 403 days.

d. Legal and Governance Committee

In Mr. Garson's absence, Mr. Snelling reported that once again the Legal and Governance Committee had met twice since the last Board Meeting, both times

in executive session, and both times concerning the selection of a new President and Chief Executive Officer.

He said that the Committee would meet again later that day with Gregg Moser of Krauthamer & Associates, Inc. to discuss progress made to date on identifying viable candidates.

Mr. Snelling urged any Directors who had the time to stay for the session, which would begin immediately after the Board Meeting.

Mr. Snelling said that the process was proceeding well, noting that there had been a number of good applicants, and that the Committee was working through the process.

The Chairman then introduced Cathy Hudgins, Fairfax County Board of Supervisors, and the next Chairman of the Washington Metropolitan Area Transit Authority, who was seated in the audience.

e. Planning and Construction Committee

Mr. Martire reported that the Planning and Construction Committee had last met earlier that morning, addressing business it had not completed at its regular meeting on October 20. Directors may remember that meetings that day went on well into the afternoon; to help keep on track, the Committee agreed to defer some of its agenda items.

At the October 20 meeting, Frank Holly, Vice President for Engineering, had presented the monthly capital construction cost report. He had said that ongoing projects were all coming in on or below budget; the only problems had been some "legacy" or completed projects that were still generating costs in the process of being closed out. The safety record had remained quite good, with no lost-time incidents to date, and quality controls had not detected any major deficiencies.

Finally, the AeroTrain station punch lists had shown 98 percent completion, which was very good.

The Committee also heard and concurred in pre-solicitation terms for Architectural and Engineering services on safety enhancements for Runways 4-22 and 15-33 at Reagan National.

The two deferred items, Major Projects and Studies for the 2011 Capital Construction Program and the Parsons Management Consultants Quarterly Program Report, had been addressed earlier that morning.

The Chairman then asked the status of the remaining AeroTrain issues. Mr. Holly reported that issues related to the AeroTrain contract had mostly been resolved. He noted that the remaining corrective work dealt with the replacement of switch covers. Mr. Holly explained that these were located in critical areas and would require service to be recirculated, detoured or terminated. The work would be scheduled in a manner to minimize the impacts to service. Mr. Holly reported that the defects had been discovered last summer, and reported that while no additional problems had surfaced recently, that the replacements would still be completed. He said that the AeroTrain equipment had become more reliable, and that the contractor had exceeded its 99.5 percent performance requirement for the last two months.

f. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had met twice since the last Board meeting. As Mr. Martire had noted earlier, Committee meetings had run rather long. Mr. Brown said that the Strategic Development Committee had postponed some of its regular agenda items to accommodate time to address sensitive issues on other Committee agendas. The October 6 meeting had served as a catch-up session for the postponed issues.

Mr. Brown noted that the Committee had heard extensive and excellent reports on the Airports Authority regular passenger research process and on 2010 annual performance measures. Mr. Brown said that Directors had found the reports useful, as they contained valuable information in understanding customers' concerns and their resolution. Mr. Brown noted that the Board had been very interested in benchmarking as it had been one of the Chairman's longstanding interests. He said that the data had been very useful, both for tracking internal progress and for comparing both Airports to peer Airports.

With respect to the passenger search results, Mr. Brown said that most areas had fared well. He noted that on the whole, passengers enjoyed their experiences, except at Reagan National Terminal A. Mr. Brown noted that passengers at Dulles International had not been fond of the long walks, particularly on the connector between the AeroTrain and Midfield Terminal A. The Chairman said that the President had been working to accommodate passengers regarding the long walk. Chris Browne, Vice President and Dulles Airport Manager, said that staff had been working with United Airlines to install graphics to help customers

understand the purpose of the distance. Mr. Browne also noted that Student Ambassadors were also available to provide guidance to customers.

Also at the October 6 meeting, the Committee had heard a status report on the Federal Aviation Administration Act reauthorization. Mr. Brown noted that with the upcoming "lame duck" session of the current Congress, the outcome could not be predicted.

The Committee's entire October 20 meeting had been conducted in executive session, as an Airport Use and Lease Agreement Workshop. Mr. Brown reported that the Workshop had provided education for Directors as the Committee was beginning to examine options for a new contract, which the Airports Authority signs with the airlines serving both Airports. He said that the Airports Authority could terminate the Agreement next year, but that a six-month notice would be required prior to the termination.

III. INFORMATION ITEMS

a. President's Report

Ms. Hampton noted that at the earlier Planning and Construction Committee Meeting that morning, the Committee had heard about the International Arrivals Building (IAB). Ms. Hampton reported that the IAB had opened earlier that day, about two months ahead of schedule. South African Airlines passengers had been the first to use it. Ms. Hampton indicated that the replacement of baggage claim devices and skylights and the installation of art would complete the project in approximately nine months. In addition to the increased passenger capacity, the IAB now had the capacity to accommodate baggage from the anticipated arrival of the A380 aircraft.

Ms. Hampton reported that on October 25 the Airports Authority had held the annual Dulles Toll Road Public Update, where staff had informed the public about the Toll Road's finances and operations, and the rail project. She noted that once the construction of the Metrorail extension was completed, the Airports Authority would continue to operate the Toll Road for approximately 50 years and updates would be provided throughout this period. Ms. Hampton said that about 60 people had attended the October 25 Update. She noted that since the public had become aware of the Airports Authority approach, favorable comments were being received.

Ms. Hampton reported that the Dulles Corridor Advisory Committee, chaired by Mr. Snelling, would meet on November 18. Members of the Committee included Ms. Hampton; Sharon Bullova, Chairman of the Fairfax County Board of Supervi-

sors; Tony Griffin, Fairfax County Executive; Scott York, Chairman of the Loudoun County Board of Supervisors; and Tim Hemstreet, Loudoun County Administrator; and other representatives from the Commonwealth. The Committee would receive updates on the progress of rail construction and an update on the Toll Road's performance.

Ms. Hampton reported that the first Advanced Imaging Technology (AIT) screening machines had been installed at Dulles International, and that 15 additional machines would be installed by December 8. Thus far, the installation had gone smoothly. In conjunction with the operation of the AIT machines, the Transportation Security Administration (TSA) had begun its new pat-down procedures, which had almost immediately received unfavorable comments. Mr. Epstein reported that a friend had shared with him information regarding her recent unpleasant experience with an AIT screener where the machine's operator, who had viewed her image, had come out of his viewing room and saw her in person. This act was in violation of TSA procedures. He said that his friend had also been a part of an offensive body pat-down process. Both instances, he said, had occurred at Reagan National¹. Ms. Hampton noted that she had also heard about similar instances with other passengers. Mr. Snelling said that he had been a strong supporter of the AIT machines. Unlike the scenario that Mr. Epstein had described, Mr. Snelling said it had been his understanding that the machine's operator was prohibited from personally viewing the passenger. Ms. Hampton said that she and Paul Malandrino, Vice President and Reagan National Airport Manager, would submit a report to TSA. Mr. Epstein suggested that a letter of apology be sent to his friend. Chris Browne, Vice President and Dulles International Airport Manager, said that the viewing rooms were not contiguous to the screening area; they were remote. Mr. Snelling asked the President to make representation to TSA, on behalf of the Board, regarding the incident. Ms. Hampton said that both the AIT screening process and the new pat-down procedures were under TSA's jurisdiction, but that it was the Airports Authority's responsibility to treat customers politely and get their complaints to the correct agency. Mr. Speck observed that the same pat-down procedures were being used at all airports. Mr. Cobey said that he had recently witnessed an "unbelievable" pat-down process involving two females at the Raleigh-Durham Airport. Ms. Hampton expressed her concern for pregnant women who would not want to use AIT screening and would therefore have to participate in the pat-down process. Mr. Epstein expressed concern with the emerging radiation level when using AIT machines, which Mr. Snelling said was very insignificant. Ms. Hampton noted that passengers who refuse AIT were subject to the pat-down process.

¹ It was later determined that the incident involving Mr. Epstein's friend had not occurred at Reagan National, but at one of the Chicago Airports.

Ms. Hampton reported that federal agencies had been instructed to reduce employee flying and travel generally for both cost and environmental reasons. The Airports Authority, would, of course, soon see the effect of this directive.

As Mr. Conner had reported, Ms. Hampton said, the Airports Authority had not received the \$40 million TIGER II grant for the overpass improvements from I-495 onto the Dulles Access Highway. Additionally, the Airports Authority had received notice that it would no longer be eligible to receive Federal Emergency Management Agency (FEMA) reimbursements for on-Airport snow expenses because it had the ability to charge its customers through landing fees. Ms. Hampton noted that the Toll Road would still be eligible for FEMA reimbursements.

Ms. Hampton reported that the condemnation suit with Lerner for property at Tysons Corner was proceeding to decision. Staff would report results back to the Board as soon as they were available.

Ms. Hampton reported that Airports Authority staff had recently learned that the owner of the Dulles Jet Center had settled with its insurance company. The Dulles Jet Center would be rebuilt, under its existing contract.

Ms. Hampton reported that the United Way Campaign had begun, and that the Board would have an opportunity to participate in the Campaign at the December Board Meeting.

b. Executive Vice President's Report

With respect to air service, Ms. McKeough reminded Directors that JetBlue had launched its service at Reagan National on November 1. She encouraged Directors to see JetBlue's renovated space in Terminal A. As both Ms. Hampton and Mr. Holly had reported earlier, Airports Authority staff was looking forward to making improvements to the rest of Terminal A.

Ms. McKeough said that over the past weekend Delta Airlines had begun providing additional service with the vacant slots associated with the US Airways slot swap being discussed with the Department of Transportation (DOT). She also reported that Spirit Airlines had received two additional slots from DOT and would begin to offer service from Reagan National to Myrtle Beach.

Ms. McKeough reported that Turkish Airlines would begin service on November 6 at Dulles. In addition, Ethiopian Airlines would begin to provide service with 777 aircraft on November 19. Finally, Cayman Airlines and United Airlines would both begin service to the Cayman Islands during the winter.

Ms. McKeough then turned to the traffic statistics, reporting that September had been a strong month at both Airports. At Reagan National, a record had been set with a 6 percent increase in passenger activity levels. At Dulles International, a 4.5 percent increase in passenger activity had occurred in September. Ms. McKeough said that September 2010 activity levels were comparable to those of 2005. She reported that domestic activity had increased 4.5 percent, and that international activity had increased 5.5 percent.

Ms. McKeough reported that year-to-date activity levels at Reagan National and Dulles International had shown a growth of more than 1 percent. Cargo at Dulles International had increased 5.6 percent in September, driven by 7 percent growth in international freight.

Mr. Epstein inquired what factors had contributed to the increased activity. Ms. McKeough responded that a substantial amount of new international service had begun, and that United Airlines' domestic activity had increased significantly.

Mr. Speck reminded the Board of his recent inquiries about the deteriorating overpass over the George Washington Parkway. He observed that the concrete had continued to deteriorate and the rusting had continued to accelerate and inquired if the overpass had become a safety issue. Ms. McKeough responded that Airports Authority staff had inspected the area and had found no indication of structural compromise. Mr. Speck said that the condition of the overpass maintained by the National Park Service was terrible, particularly compared to the nearby overpass maintained by the Commonwealth. He called the Parkway an important gateway to the Airport. Both overpasses carried exiting traffic from the Airport. Airports Authority staff had learned that funds for the maintenance for the overpass were at the time, included in the National Park Service's 2012 budget. Ms. Hampton said that Airports Authority staff would continue to follow up with letters and phone calls.

IV. NEW BUSINESS

- a. Recommendation to Approve 2011 Medical and Dental Insurance Programs with Proposed Premium Rates

Mr. Manning moved the adoption of the following Resolution, which was unanimously adopted:

WHEREAS, the medical and dental insurance coverage funded jointly by the Airports Authority and its employees requires annual renewal;

WHEREAS, beginning in 2011, adjustments to the Airports Authority health insurance programs may be required to meet changing federal standards;

WHEREAS, Management has proposed to renew existing coverage with some modifications to the program and basic terms of the contracts; and

WHEREAS, the Business Administration Committee has recommended that the Board of Directors approved the modified program.

NOW, THEREFORE, BE IT RESOLVED

1. That the President and Chief Executive Officer is authorized and directed to enter into renewed contracts with Aetna Insurance Company and CVS Caremark to administer the Airports Authority's self-insured health and prescription drug services, respectively; with Kaiser Permanente for fully-insured health and prescription drug services; and with Metropolitan Life Insurance Company for the administration of self-insured dental programs;
2. That the program modifications, as presented to the Business Administration Committee at its October 20, 2010 meeting, are hereby approved; and
3. That this Resolution is effective upon its adoption.

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

- b. Authorizing the Legal and Governance Committee to Review and Issue Final Decision on the Protest of the Proposed Award of the Contract to Market, Lease and Manage the Food, Beverage and Retail Concessions

Because the item had not been noticed in the distributed agenda for the day's meeting, Mr. Snelling asked for a motion to permit the Board to consider the proposed resolution. The motion was offered and unanimously approved.

Mr. Snelling thereupon moved the adoption of the following Resolution, which was unanimously adopted:

WHEREAS, the Contracting Manual in Paragraph 7.3 provides a procedure allowing unsuccessful offerors for Airports Authority contracts to protest the Airports Authority's decision to award a contract to another;

WHEREAS, the final phase of the Contracting Manual protest procedure consists of a review of, and a final decision on, the protest by the Board of Directors or by a Committee of the Board when so designated by the Board;

WHEREAS, the Manual also provides that the decision by the Board or a Committee designated by the Board is to be the final decision of the Airports Authority;

WHEREAS, on September 1, 2010, the Board approved the selection of a firm to be awarded contracts to market, lease and manage the food, beverage and retail concessions at both Washington Dulles International Airport and Ronald Reagan Washington National Airport;

WHEREAS, on September 13, 2010, a protest of that selection was filed with the Airports Authority and the protest is now before the Board under the protest procedures; and

WHEREAS, the Board wishes its Legal and Governance Committee to review this protest and to make and issue the Airports Authority's final decision on the protest;

NOW, THEREFORE, BE IT RESOLVED

1. That the Legal and Governance Committee is hereby authorized to review the protest of the proposed award of the contracts to market, lease and manage the food, beverage and retail concessions at both Washington Dulles International Airport and Ronald Reagan Washington National Airport, and to make and issue the Airports Authority's final decision on the protest; and
2. That this resolution shall be effective upon its adoption.

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:

A handwritten signature in blue ink, appearing to read "Quince T. Brinkley, Jr.", written in a cursive style.

Quince T. Brinkley, Jr.
Vice President and Secretary

approved 12/1/10