



BOARD OF DIRECTORS MEETING

Minutes of December 1, 2004

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Chairman at 9:20 a.m. Ten Directors were present during the meeting:

Norman M. Glasgow, Jr., Chairman
Mame Reiley, Vice Chairman
Robert Clarke Brown
H.R. Crawford
Anne Crossman
Mamadi Diané
William A. Hazel
Weldon H. Latham
Charles D. Snelling
David G. Speck

David Ralston was connected by telephone.

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 NOVEMBER 3, 2004 ANNUAL MEETING

The Chairman called for action on the Minutes of the November 3, 2004 Annual Meeting. They were first amended on the motion of Mr. Snelling and then unanimously approved on the motion of Mr. Crawford.

II. COMMITTEE REPORTS

a. Business Administration Committee

Mr. Crawford reported that the Business Administration Committee had last met, relatively briefly, on November 17. Staff had first reported on October contract awards. The major awards had been a \$232 million contract for the Dulles automated people mover tunnel, east side, and a \$3.7 million contract for the Dulles remote employee parking lot.

The staff had presented a draft legislative program, structured as a list of ten issues that the Communications office monitored. Rather than discuss the particular issues, the Committee focused on general questions of government relations, including how to get closer to legislators, to what extent the Authority should employ lobbyists, and how the Board should be kept apprised of legislative activities.

The Committee had also reviewed the annual list of upcoming contracts that do not require Board approval, but were likely to be of interest to the Board because they more directly affect the traveling public. There had been three contracts on the list: the passenger information counters; the baggage cart operation; and the airport television news concession. The Committee did not believe it would need to review the contracts in detail, and advised the staff to follow the normal procurement procedures.

Finally Mr. Crawford said that Frank Holly, Vice President for Engineering, had assured the Committee that the capital program cost projections remained steady, all within the capital budget.

b. Finance Committee

Mr. Ralston delivered the Finance Committee report by telephone. He said that the Committee has last met November 17. The first agenda item had been the 2005 Budget, which had previously been reviewed at a workshop in September and at the October Finance Committee meeting. The Budget included proposed expenditures of \$407.8 for the Operations and Maintenance (O&M) Program; of \$34.5 million for the Capital, Operating and Maintenance Investment Program (COMIP); and of \$510.9 million for the Capital Construction Program (CCP). The Budget also would authorize new COMIP projects in the amount of \$29.6 million and new capital projects at \$371.9 million.

The Budget responded to the tremendous growth in activity at both Airports. It would increase the O&M Program 11.4 percent to \$407.8 million, including two major new items: \$6.5 million for retiree health benefits and \$3.8 million to operate buses to and from Concourse G and both the Dulles Main Terminal and Concourse D. Excluding the two new items, growth was only about 6.5 percent.

The O&M Program would include 26 new positions, consisting of firefighters, police officers, ramp control officers, and financial staff. Thirty-one existing positions “frozen” in prior years would be filled in 2005. The Performance Management Partnership Program would be funded at \$3.5 million.

The COMIP budget would include construction of a new firehouse at Reagan National and increased funding for the in-line baggage security system at both Airports. The latter project would be 75 percent federally funded. Funds to restart the design of the Tier 2 Concourse and the Concourse B West Twelve Gate addition, and to restart the enterprise resource planning process were other major new CCP items.

The regular monthly Financial Advisors’ Report had focused on the Authority’s various commercial paper products. Commercial Paper Series One, which had closed on November 10, was currently a \$150 million program. Commercial Paper Series Two was being created to replace the existing Commercial Paper Bond Anticipation Notes, and would close in January.

The Financial Advisors had discussed the desirability of using commercial paper as opposed to other variable rate debt products. A process had been proposed to issue and use commercial paper during a construction period, then refund it with either fixed, variable rate demand obligations, or auction rate securities when the construction period was completed.

The Financial Advisors had also reported that work continued on revising prior swap documentation to develop documents that both provide a high level of security for the Authority and include terms that make the Authority’s swap agreements acceptable to more counterparties. A briefing session was being planned to educate further Directors who were interested on the nature of swaps.

Mr. Ralston also reported that the finance team was revising the capital construction cash flows for use in the borrowing plans for 2005. The 2005 Plan of Finance would be presented to the Committee at its January meeting.

The Committee had also reviewed the annual report on contracts affecting the traveling public and had not sought further review of any of them.

The quarterly investment committee report had been presented to the Committee. Because the Authority was still holding proceeds from the Series 1994A Bonds refunding as well as all the bond principal payments, the portfolio had grown substantially. The payments had been made on October 1 and the investment balance had returned to normal.

Finally, Mr. Ralston reported that the October financial reports had showed continuous growth. Revenues to date had been \$365.2 million. Concession revenues had exceeded 2003 by \$25.6 million. Expenses had continued to remain flat at the 2003 levels. Depreciation of \$102 million had constituted one-third of the total \$299.7 million in year-to-date operating expenses. Construction spending had again exceeded \$30 million. Consolidated net income to date had been \$81.9 million. Construction spending for the year would approach the budgeted amount.

c. Legal Committee

Mr. Latham reported that the Legal Committee, instead of a meeting, had conducted a conference call on the proposed regulatory amendments that were on the agenda for action that day. The members of the Committee had been in full accord that they would recommend them for formal approval by the full Board.

There were three types of rules. The first related to the weapons rules adopted the month before. He said that in the course of rulemaking, the staff had learned that Authority rules for shipping weapons were problematic. In reaction to public comment, counsel proposed that a weapon prepared for shipping need only be unloaded and locked, not fully disassembled. This proposal was consistent with all federal gun regulations. In addition, gun owners traveling overseas with a weapon would be permitted to deliver it to the Bureau of Customs and Border Protection even several days before a flight.

The second provision would allow the staff to dispose of abandoned vehicles more expeditiously by adopting rules identical to the general Virginia code provisions. A third set of provisions would tighten up rules on vehicles for hire, requiring detailed written logs for drivers picking up passengers and adopting the Virginia point system in proceedings to deny an airport taxi operator's permit.

These amendments were chiefly housekeeping rules, and the members of the Committee had no hesitation about recommending the Board adopt them.

d. Audit Committee

In the absence of Mr. Thompson, Ms. Crossman reported that the Audit Committee had last met November 17. The Authority's external auditors, Pricewaterhouse-Coopers had presented the 2004 Audit Plan and risk considerations. The auditors had discussed the impact of certain Government Accounting Standards Board ("GASB") pronouncements on the audit and the ongoing implementation of SAS 99. The Committee also had discussed management's follow-up on prior audit recommendations.

III. NEW BUSINESS

a. Adoption of the 2005 Budget

Mr. Ralston, still on the telephone, moved the adoption of the following resolution. Mr. Brown then pointed out that the Board had in the past rejected telephonic meetings. While he appreciated the occasional need for call-ins, he did not think it appropriate for members to actually participate telephonically, by making motions or voting. He did not object to the Committee report being delivered by telephone, but thought a line should be drawn on formal actions. Mr. Ralston agreed, and Mr. Brown moved the adoption of the resolution, which was unanimously adopted by all 10 Directors present.

RESOLVED, That the 2005 Budget, as presented to the Finance Committee on November 17, 2004, is hereby adopted, effective as of January 1, 2005;

2. That there is hereby made available for expenditure in 2005 for the care, operation, maintenance, construction, improvement, and protection of Ronald Reagan Washington National and Washington Dulles International Airports a total of \$966,706,700, consisting of:

(iv) \$407,805,600 for the Operation and Maintenance Program, including \$170,734,000 for debt service;

(v) \$34,491,100 for the Capital, Operating and Maintenance Investment Program;

(vi) \$524,410,000 for the Capital Construction Program;

3. That projects identified in the Budget in the amount of \$29,602,100 for the Capital, Operating and Maintenance Investment Program and \$371,939,000 for the Capital Construction Program are hereby authorized;

4. That the President and Chief Executive Officer is authorized to modify or adjust expenditures under the Budget in a manner consistent with the 2005 Budget within the levels approved for each of the above three programs; and

5. That this Resolution provides funding for expenditures for (a.) capital projects authorized in this Budget, (b.) other programs or projects authorized by Resolution, or (c.) otherwise approved in accordance with delegations to the executive staff.

b. Amendments to the Metropolitan Washington Airports Authority Regulations

Mr. Latham moved the following resolution, which was thereupon unanimously adopted.

WHEREAS, The regulation on the disposal of abandoned vehicles is inefficient and inconsistent with Virginia law applicable to other public entities;

WHEREAS, Regulations on vehicles for hire intended to prevent the unauthorized solicitation of passengers have been difficult to enforce and require clarification;

WHEREAS, A minor clarification of the regulations is appropriate to aid in the orderly administration of taxicab operations;

WHEREAS, Public comments on the recent amendments to the dangerous weapons provision of the Metropolitan Washington Airports Regulations brought to light the absence of a provision for carrying dangerous weapons on international flights and a provision related to the shipment of weapons that is ambiguous;

WHEREAS, The President and Chief Executive Officer proposed for comment in THE WASHINGTON POST of October 22, 2004 amendments to the Metropolitan Washington Airports Regulations addressing these four sets of proposed amendments;

WHEREAS, A public hearing on these proposed amendments was held November 4, 2004, and

WHEREAS, After consideration of comments from the public, the Authority has determined that such amendments are necessary to be accorded the force and effect of law in the public interest; now, therefore, be it

RESOLVED, That section 4.46 of the Metropolitan Washington Airports Regulations is amended, with the force and effect of law, to read as set forth below:

“§ 4.46. Disposal of Abandoned Vehicles.

Should the owner of any motor vehicle, trailer, or semitrailer removed by the Authority police fail or refuse to pay costs incidental to removal or fail to respond to notice given as provided above, the Authority Property Manager may, after holding the vehicle thirty (30) days from receiving the vehicle into custody and after due notice of sale, dispose of the vehicle at public sale. The proceeds from the sale shall be forwarded by the selling officer to the Authority to be maintained for the owner. The Authority shall pay from the proceeds of sale the cost of removal, storage, location of the owner and lienholders and notice of sale and the balance of the sale shall be held for the owner and paid to the owner, without interest or other charges, upon satisfactory proof of ownership.

Notwithstanding any other provision of this chapter, any inoperable motor vehicle, trailer, semitrailer or part of a motor vehicle, trailer, or semitrailer which has been removed by the Authority police pursuant to other provisions of this chapter may be disposed of to a demolisher, without the title and without the notification procedures. The demolisher, on taking custody of the inoperable abandoned vehicle, shall notify the Virginia Department of Motor Vehicles as provided in Section 46.2-1205 of the Virginia Code, as it may be amended from time to time.”

RESOLVED, That section 5.3 of the Metropolitan Washington Airports Regulations is amended, with the force and effect of law, to read as set forth below:

“§ 5.3. Operating Conditions for Vehicles for Hire Other than Taxicabs.

(1) Notwithstanding any other provision of this Chapter, no driver of any limousine, executive sedan, or any other vehicle for hire whatsoever with a seating capacity of fifteen or fewer persons shall pick up or attempt to pick up a passenger at National unless:

(a) the driver, or, if an independent contractor, his company or, if an employee, his employer has a contract with the Authority authorizing him to pick up passengers for hire at National; or

(b) the driver comes to National to pick up a passenger in response to a request to transport that passenger received prior to his coming onto National, and he has a record of the date and time the request was received, the name of the person to be picked up and transported, the person’s destination, and the date, time and point of the pickup. Records must be written legibly, in ink.

(2) No driver of any limousine, executive sedan, or any other vehicle for hire shall solicit passengers, directly or indirectly, personally or in concert with another.

(3) No driver of any limousine, executive sedan, or any other vehicle for hire shall operate his vehicle at National unless he and his vehicle are in compliance with the laws governing vehicles for hire in the jurisdiction in

which his vehicle purports to be licensed or certificated. Every driver of a vehicle for hire operated at National must be licensed or certificated to drive a vehicle for hire in at least one jurisdiction. Every vehicle for hire operated at National must be licensed or certificated as a vehicle for hire in at least one jurisdiction.”;

RESOLVED, That sections 5.5 through 5.23 of the Metropolitan Washington Airports Regulations is amended, with the force and effect of law, to read as set forth below:

“§5.5. Operating Conditions for Taxicabs Picking up Passengers outside the Dispatch System.

In addition to the requirements of Section 5.4, every taxicab driver picking up or attempting to pick up passengers at National between the hours of 6:00 A.M. and 2:00 A.M. the following day shall do so only at the direction of the taxicab dispatcher through the taxicab dispatch system except under one of the following circumstances:

(1) The taxicab driver or, if an independent contractor, his company or, if an employee, his employer has a contract with the Authority authorizing him to pick up passengers for hire at National; or

(2) The taxicab driver comes to National to pick up a passenger in response to a request to transport that passenger received prior to his coming onto National, and his manifest shows the date and time the request was received, the name of the person to be picked up and transported, the person’s destination, and the date, time and point of the pickup. Manifests must be written legibly, in ink.

§5.8. Denial of an Airport Taxi Operator’s Permit.

The Airport Manager may refuse to issue an Airport Taxi Operator’s Permit for any of the following reasons:

(1) repeated or serious violations of the motor vehicle laws of any jurisdiction or the provisions of this chapter (the accumulation of twelve or more uniform demerit points, calculated according to the Common-

wealth of Virginia's system, against the driver's license within a twenty--four month period shall be prima facie grounds for denial of a permit);

(2) conviction, plea of guilty, or plea of nolo contendere to the violation of any law involving commission of a felony, any sex offense, soliciting for prostitution, or, in the last five (5) years, any other crime involving alcohol, marijuana, or any drugs classified as controlled substances;

(3) procuring or attempting to procure an Airport Taxi Operator's Permit by fraud, misrepresentation, false or misleading statements, evasions, or suppression of material facts; or

(4) procuring or attempting to procure more than one Airport Taxi Operator's Permit.

§ 5.21. Accepting Taxicab Passengers.

No taxicab (as defined in § 5.2) driver shall pick up, or attempt to pick up, passengers at Dulles unless:

(1) he or, if an independent contractor, his company or, if an employee, his employer has a contract with the Authority authorizing him to pick up passengers for hire at Dulles; or

(2) he comes to Dulles to pick up a passenger in response to a request to transport that passenger received prior to his coming onto Dulles, and the manifest shows the date and time the request was received, the name of the person to be picked up and transported, the person's destination, and the date, time and point of the pickup. Manifests must be written legibly, in ink.

§ 5.23. Operating Conditions for Vehicles for Hire Other than Taxicabs

(1) Notwithstanding any other provision of this Chapter, no driver of any limousine, executive sedan, or any other vehicle for hire whatsoever with a seating capacity of fifteen or fewer persons shall pick up or attempt to pick up a passenger at Dulles unless:

(a) the driver, or, if an independent contractor, his company or, if an employee, his employer has a contract with the Authority authorizing him to pick up passengers for hire at Dulles; or

(b) the driver comes to Dulles to pick up a passenger in response to a request to transport that passenger received prior to his coming onto Dulles and he has a record of the date and time the request was received, the name of the person to be picked up and transported, the person's destination, and the date, time and point of the pickup. Records must be written legibly, in ink.

(2) No driver of any limousine, executive sedan, or any other vehicle for hire shall solicit passengers, directly or indirectly, personally or in concert with another.

(3) No driver of any limousine, executive sedan, or any other vehicle for hire shall operate his vehicle at Dulles unless he and his vehicle are in compliance with the laws governing vehicles for hire in the jurisdiction in which his vehicle purports to be licensed or certificated. Every driver of a vehicle for hire operated at Dulles must be licensed or certificated to drive a vehicle for hire in at least one jurisdiction. Every vehicle for hire operated at Dulles must be licensed or certificated as a vehicle for hire in at least one jurisdiction.”; and

RESOLVED, That section 8.4 of the Metropolitan Washington Airports Regulations is amended, with the force and effect of law, to read as set forth below:

“§ 8.4. Dangerous Weapons Prohibited.

(1) No person may possess a dangerous weapon within or bring any dangerous weapon into the Airports' terminals or the airfields or any building that opens onto the airfield on which signs are posted so as to give reasonable notice to the public unless:

(a) the person is a passenger of an airline and possesses the weapon in one of the Airports' terminals for the sole purposes of (i) presenting such weapon to U.S. Customs agents in advance of an international flight, (ii)

checking such weapon with his luggage, or (iii) retrieving such weapon from the baggage claim area; and the weapon, if a firearm, is unloaded and carried in a locked, hard-sided container to which only that person retains the key or combination; or

(b) the weapon is (i) packaged for shipment in a container that is locked or otherwise secured and (ii) if a firearm, unloaded, and (iii) brought or possessed on Authority facilities for shipment by air or retrieval after shipment by air.

(2) The provisions of this section shall not apply:

(a) to persons authorized by 49 CFR § 1540.111 to carry a dangerous weapon on their persons or accessible property in the sterile areas of the Airports;

(b) to law enforcement officers required to carry firearms while in the performance of their official law enforcement duties while on the Airports;

(c) to employees or agents of the Authority and the weapon is to be used under Authority direction for Authority purposes such as game control; or

(d) to persons who need the weapon in the performance of their duties for legitimate airport purposes (such as armored car guards) and the Airport Manager has previously approved, in writing, that person possessing a weapon where he would otherwise be prohibited.”

Mr. Latham asked whose rule prohibited telephonic meetings. The Secretary said that the rule appeared in Robert’s Rules of Order, which were incorporated by the Authority’s Bylaws for any matters not addressed by the Bylaws themselves. The Robert’s rule prohibited such meetings unless explicitly authorized by the bylaws. Mr. Latham asked if it could be changed; the Secretary confirmed that it could be changed by amending the Bylaws.

IV. INFORMATION ITEMS

a. President's Report

Mr. Bennett observed that the day's meeting would be the last Mr. Glasgow would chair, and thanked him for his service. He noted, however, that under the compact legislation creating the Authority, Members served until their successors were qualified, and that he therefore expected to see Mr. Glasgow at future meetings.

Mr. Bennett noted that a ceremony had been held for the opening of the new pedestrian tunnel between the Saarinen Terminal and Midfield Concourse B, with the Chairman and Mr. Hammerschmidt present. He apologized to Mr. Hazel for problems getting through security at the event. Press coverage had been good, and the passengers had been very appreciative of the new facility.

US Airways had reached an agreement with GE Capital that would produce some interim financing of \$140 million for the carrier's restructuring efforts. In consideration, US Airways would turn back 25 mainline aircraft, and GE Capital would serve as financier of the planned future large regional jet deliveries. The agreement also included some financial milestones for US Airways to meet. The first would occur mid-January, and the second would require the carrier to come out of bankruptcy by the end of June. Not all developments had been positive for US Airways. One of the carrier's largest unions, the Communications Workers of America, had authorized a strike of its members, principally ground service agents, if the bankruptcy court rejected the labor contract.

As Mr. Latham had mentioned, the new weapons regulation had gone into effect December 1. The only coverage had been reports on the 11 p.m. news the night before. Signs had been posted on buildings where the rule applied.

Mr. Bennett said he had that morning reported to the Planning Committee that the Authority had an agreement in principle to acquire 830 acres of additional land on the west side of Dulles. Closing could be accomplished soon; it would facilitate construction of the first additional runway. It would also provide an opportunity for other revenue-producing development.

With respect to the Transportation Security Administration ("TSA") activities, the checkpoints at both Airports were being expanded. At Reagan National, two

additional checkpoints would be added at the north, one at the center and two at the south. The US Airways shuttle check-in facility originally located next to the north checkpoint would move across the hall, to the location of the luggage store at the base of the escalator. US Airways was proposing a 40 percent increase in passenger capacity in its February schedule, so the north checkpoint adjustments were moving quickly. TSA had agreed to equip and staff all the new checkpoints.

At Dulles, four additional checkpoints had been added before the Thanksgiving holidays, for a total of 26.

Mr. Bennett said management was continuing to review the “opt-out” rules that would allow security checks to be performed by contractors instead of federal employees. On November 19, TSA had begun accepting applications. The program, however, provided that TSA would be the contractor, and guidance on what flexibility would be permitted or what liabilities might ensue for airports had been slow in coming.

Finally, at Dulles the western mobile lounge route had been extended almost to the runway to get around construction of the automated people mover station on the west side of the B Concourse. The pedestrian tunnel had provided the flexibility to deal with longer trips on other routes by taking so many passengers off the mobile lounges..

Mr. Speck said that THE WALL STREET JOURNAL had reported on the 30 worst airport security lines from October 12 to November 9. The Authority had led the list with seven instances. He asked why these TSA problems seem to impact only Dulles and Reagan National, while other airports were busier. He also said he did not like to be surprised, and said he would like to have advance notice of such news reports. People often asked him about airport news. He noted that Fort Lauderdale was the airport with the next worst record.

Mr. Bennett said that any airport with 60 percent growth in a short period and less than full TSA staffing resulted in a long line. He said he believed the issue had been resolved at Dulles. At Reagan National, TSA had recently lost staff. Chris Browne, Vice President and Reagan National Airport Manager, said that the federal security director had been given direct hiring authority and within the last three weeks had rebuilt staff there. Mr. Speck again asked why the shortages were here and not elsewhere. Ms. Reiley said she believed the staff had not been aware of the article in advance. She recommended, however, that an e-mail with talking points be sent out in the morning such an article appeared. She suggested that the Authority send a letter

with a copy of the article to Admiral Stone, Administrator of the TSA, asking him to explain the situation.

Mr. Bennett said he would develop a process for advising Directors of news stories. He said it would be helpful if the Directors could advise what level of story should be covered. Mr. Brown noted that clips were distributed weekly to Directors, and it should not be difficult to send out prompt notices. Mr. Bennett said the clips were actually assembled daily, and could be provided daily to Directors. Mr. Brown said he was only interested in reports on articles others were likely to ask him about, plus a few talking points. With air travel so visible, and articles likely to appear every week, some sort of notification would seem helpful. Mr. Crawford observed that the Authority really had little or no control over the TSA, but that the public believed the Authority was responsible. Mr. Bennett said that this was the reason to explore other methods of screening.

b. Executive Vice President's Report

Ms. McKeough began by noting that both Airports had handled the Thanksgiving holiday traffic very well. The traffic had been more spread out than in prior years, which had reduced some of the traditional problems. Screening wait times had been short. TSA headquarters had paid considerable attention at Dulles. The agency's Chief Operating Officer, as well as other headquarters staff, had been at Dulles several times during the holiday rush. The parking supply at Dulles had also been adequate; spaces had always been available, despite a 50 percent increase over Thanksgiving 2003. At Reagan National, the economy lot had been closed for three days, but the demand had been met with available spaces in the garages. The biggest surprise had been the 100 percent increase in demand for the Washington Flyer shuttle bus service to the West Falls Church Metrorail station over Thanksgiving 2003. The Airport staff had responded promptly, increasing the number of buses on the route.

For the month of October, both Airports had continued with strong performance, outpacing the national growth figure of 6.2 percent. At Reagan National, the growth had been 9.4 percent over the prior October. The passenger level for October had been the highest since October 2000. Year-to-date, the increase had been 12.8 percent over the same period in 2003.

At Dulles, traffic had set a new record, with a fourth consecutive month over 2 million passengers, reaching 2.4 million, an increase of 62.4 percent over October 2003. For

the year-to-date, the increase had been 30.2 percent in domestic traffic. Once again, Dulles had the highest traffic level in the region, exceeding BWI by 750,000 passengers. With respect to international traffic, the growth had been a 10.6 increase, slightly under the 11.6 benchmark. Cargo activity was also up.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS AND ADJOURNMENT

The Chairman said he was ready to turn the gavel over to Ms. Reiley, who had been elected Chairman at the annual meeting in November. He said it had been a privilege and a pleasure to work with all Members of the Board, as well as the staff. He thanked them all.

The meeting was thereupon adjourned at 10:11 a.m.

Respectfully submitted:



Gregory Wolfe
Vice President and Secretary

approved January 5, 2005
