



## BOARD OF DIRECTORS MEETING

Minutes of December 6, 2006

The regular monthly meeting was held in the Board Conference Room at 1 Aviation Circle and was called to order by the Vice Chairman at 9:00 a.m. Eight Directors were present during the meeting:

Mame Reiley, Chairman  
H.R. Crawford, Vice Chairman  
Robert Clarke Brown  
William W. Cobey Jr.  
Anne Crossman  
David T. Ralston, Jr.  
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

In the temporary absence of a quorum, the Vice Chairman called the meeting to order at 9:00 a.m. and began with the Information Reports.

### I. INFORMATION REPORTS

#### a. President's Report

Mr. Bennett reported that work continued on the Toll Road and Metrorail projects. Intense negotiations were underway with the Commonwealth to produce agreements on the transfer of the Toll Road that could be executed by the end of the month. With respect to rail, discussions with Dulles Transit Partners were developing information

that would lead to pricing for the rail project. The milestone was to complete pricing negotiations by February.

The Federal Transit Administration (“FTA”) had recently certified the Authority as a grant recipient. This action would assure that the Authority could assume formal responsibility for the rail project. The staff had already issued a Request for Proposals (“RFP”) for a construction program management firm to assist in oversight of the rail project; the RFP would close on December 13. In addition, permanent full-time Authority employees were being sought for the rail project. They would initially work for Frank Holly, Vice President for Engineering, in his office, later in the rail program project office.

Mr. Bennett noted that Nate Landow, a prominent local developer, had the previous Friday held a gala in his new corporate hangar facility at Dulles. His firm, Dulles Jet Center, was a subcontractor to Signature Flight Support. Mr. Bennett said it was arguably the best corporate hangar and office facility at any airport in the United States. It had already proved quite popular, and had been over 75 percent leased, with 100 percent expected by the end of the month.

Mr. Speck, who had attended the gala, said the facility had been built from the perspective of a private jet owner, and that it was particularly orderly and clean. Mr. Bennett explained that the facility had been built on property already leased to Signature for future development; Signature had chosen to sublease to Mr. Landow. Mr. Snelling asked if Authority permission had been required. Mr. Bennett said that it had, and that the Authority had provided building inspection services.

Mr. Bennett said that the China route case was continuing, and the Department of Transportation was still reviewing the applications to make a decision before the end of the year. American Airlines had still not agreed to the terms its pilots were demanding to fly the route. The Authority’s efforts with its Capital to Capital Coalition had generated over 120,000 letters in support of Dulles - Beijing service. Mr. Bennett thanked the Directors for their assistance in building support.

The night before, the Authority had held the first of a series of focus groups to discuss customer reactions to the Airports. Mr. Brown, Mr. Cobey and Mr. Speck had attended. Mr. Bennett noted that the participants were not shy about sharing their opinions. Staff had also attended the focus groups, and compared what they heard there with the data derived from regular passenger polling.

Former Secretary of Transportation and former Board Member Norman Y. Mineta would be awarded the annual Wright Memorial Trophy at the Aero Club's Wright Memorial Dinner on December 15.

The airlines would be at the Authority offices the following week for their biennial meeting with staff. They would be briefed on construction programs, the Dulles Toll Road and Metrorail projects, and the 2007 Budget. There would also be a Passenger Facility Charge consultation on the expansion of the International Arrivals Building.

The Authority's school partners would be providing musical entertainment in the terminal buildings at both Airports during the holiday season. The performances were always popular with the passengers. All four schools would be participating: Sandburg Middle School (Fairfax County), Potomac High School (Prince George's County), Woodrow Wilson Senior High School (District of Columbia) and Stone Bridge High School (Loudoun County).

The United Way campaign had just concluded, with record contributions of about \$65,000, up from \$57,000 last year. Valerie Holt, Vice President for Audit, had chaired the 2006 effort. Contributions had been up considerably at Dulles.

Mr. Crawford asked how many employees would be added to the Office of Engineering. Mr. Bennett said about 4 or 5 senior positions were being advertised at the time; about a dozen employees would be added later.

b. Executive Vice President's Report

Ms. McKeough reported that the Thanksgiving holiday traffic had moved successfully and quickly, as both Airports had planned carefully. Airlines and the Transportation Security Administration ("TSA") had contributed. The busiest day at Dulles had been the Friday before the holiday, while at Reagan National it had been the traditional day before. Average screening time had been very reasonable. The Authority's student ambassadors had been available to assist. It appeared that the traveling public had been educated about the new requirements for carrying liquids and gels on board, which also had contributed to the relative efficiency. Passengers had arrived prepared, and had arrived early.

Parking inventory had met the holiday demand at both Airports, though the business travelers had overlapped the leisure travelers the week before Thanksgiving, filling

the Reagan National parking lots completely on several days. All through the holiday week parking had been available, except for the economy lot at Reagan National. The overflow there had been accommodated in the garages.

In October, Reagan National had seen more than 1.6 million passengers, up about 6 percent from October 2005. This compared to a national growth rate of 2.4 percent. U.S. Airways, the largest carrier at Reagan National, had grown 14.5 percent, while United had grown 10.5 percent. The year-to-date rate at Reagan National continued at about 4.5 percent, compared to the industry decline of over 1 percent.

More than 2 million passengers had gone through Dulles in October, changing the decline trend line somewhat to 9 percent from the 18 to 20 percent monthly range since Independence air had ceased operations. That had occurred on October 5, 2005, and United had not begun to operate previously announced new services until October 28, 2006. International traffic for the month had been up 8 percent. Year-to-date traffic at Dulles had nevertheless declined at the rate of 17.5 percent. In October, cargo had increased nearly 20 percent, driven by a 35 percent increase in international cargo.

Mr. Cobey observed that at most Authority meetings he had attended, he had heard reports on problems with the TSA screening. It appeared that the TSA had performed quite well over the holidays, and he suggested that the agency should be commended. As a former government employee, he noted that most agencies always received criticism but seldom received praise. The Chairman agreed, and asked that a letter be sent thanking the TSA.

## II. MINUTES OF THE NOVEMBER 1, 2006 ANNUAL MEETING

The Chairman then took the chair and called for action on the Minutes of the November 1, 2006 Annual Meeting, which the Board approved unanimously.

## III. COMMITTEE REPORTS

### a. Planning Committee

Mr. Cobey reported that the Planning Committee had met at 8:30 that morning. The first agenda item, the October Capital Construction report, had not included any surprises.

The Committee had then heard a report on the conclusion of longstanding differences between the Authority and the Fairfax County Park Authority about access to the Sully Plantation parking area from Route 28 and to an Authority-owned landlocked 36-acre parcel just south of it. The parties had finally agreed, and were prepared to exchange easements. Mr. Cobey said he would offer a resolution later in the meeting to approve the exchange.

Finally, as all other Committees had, the Committee had reviewed the report on “contract actions affecting the traveling public” that would not come before the Board or its Committees in the ordinary course of business unless a Committee requested that they do so. The Planning Committee did not consider it necessary to review any of them.

b. Business Administration Committee

Mr. Crawford reported that the Business Administration Committee had last met November 15. He said that the Committee had authorized the issuance of two proposed regulatory amendments, one to allow charges for ambulance and medical transfers, the other to allow the police to bar unruly individuals from the Airports. If the outcome of the notice and comment process was to be final regulations, the Board would have to approve them.

The Committee was also reporting two resolutions, one to endorse the certification of the Police Department by the Virginia Law Enforcement Professional Standards Commission, the second to select a firm to provide hardware maintenance services for the Dulles parking revenue control system. The prevailing firm for the maintenance contract was ARINC Managed Services; the contract was for a base period of two years, followed by three one-year extensions, at a total cost of \$3.9 million.

c. Finance Committee

Mr. Snelling said that the Finance Committee had last met on November 14. The first agenda item had been the proposed 2007 Budget, which had previously been discussed at a workshop in September and at the Committee meeting in October.

As recommended, the new budget showed operating revenues of \$546.5 million, up just over 4.2 percent 2006. Expenses as set out in the Operation and Maintenance Program would reach \$267.6 million, a 6.5 percent increase over 2006. The budget included 29 new positions, including 16 in Public Safety and 9 for Maintenance and Engineering functions at Dulles. It also proposed \$1.45 million for contract escalations, including guard, custodial and snow removal services. Debt service was projected at nearly \$198 million.

The Capital Operating and Maintenance Investment Program was proposed at \$29.3 million and would provide for major repair work, including airfield and roadway rehabilitation, utility systems repairs and rehabilitation of buildings.

The proposed budget would add \$297 million in projects to the Capital Construction Program, including \$23.7 million for previously-authorized projects that had been deferred. For Dulles, the budget would also fund the Dulles Metrorail station, the design of projects on the Tier 2 Concourse, and a consolidated rental car facility.

The Financial Advisors had addressed the successful pricing of the Series 2006B and 2006C Bonds. Before the sale, the rating agencies had given the Authority its highest underlying bond ratings: Aa3 with positive outlook from Moody's and AA- with stable outlook from Standard and Poor's. Fitch had kept the rating at AA- with stable outlook.

As to the sale, the aggregate true interest cost of the two series of Bonds was 4.61 percent, the lowest interest cost of any bonds the Authority had issued. The Series 2006B Bonds would provide funds for the Capital Construction Program. The Series 2006C Bonds had refunded prior more expensive debt and in doing so had produced present value savings of \$741,000, 4.43 percent, in refunding the Series 1998A Bonds and \$1,130,000, 5.05 percent, in refunding the Series 2002B Bonds.

The Investment Committee quarterly report had indicated that investment activity had been meeting its benchmarks and targets. As to liquidity, the Authority had 338 days of cash on-hand. The staff had been asked to provide additional comparative information on the item.

The October financial reports had showed operating revenues for the month at \$41 million and year-to-date revenues at \$386.9 million. This had been \$11 million less

than the first three quarters of 2005; the decrease was continuing principally in cost-based airline revenues.

Expenses for October had been \$36.5 million and year -to-date had been \$343 million, up \$8.5 million from 2005. Of that total, materials and supplies had increased \$5 million, salaries and related benefits \$1.8 million, and depreciation \$2 million over the 2005 levels.

Year-to-date operating income had been \$44 million, \$19.3 million less than in 2005. Net income at \$97 million had exceeded the 2005 total of \$86.6 million. After ten months of the year, revenues had reached 75.3 percent of their budgeted level and expenses had reached 73.8 percent.

Construction activity for September reached \$59.3 million and year-to-date construction had totaled \$550.3 million.

d. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had last met on November 14, in executive session. During the regular air service development report there had been more discussion about the China route case, which he said had been fully briefed and submitted to the Secretary of Transportation. He asked if the decision was to be made on a specific date; Mr. Faggen said it was not, but that the decision was expected in Dedcember.

There had not been any report of significant new services, but the Committee had discussed at length United's changing emphasis to international services, a strategy that would benefit Dulles. The Committee had also spent a good deal of time discussing continuing passenger and baggage screening problems and the alternatives available to the Authority to deal with them. He noted that several Directors had attended the first of several focus group meetings the night before, and had heard repeatedly of the screening problems.

The Committee had also had the opportunity to review some of the materials the staff prepared for industry briefings. Mr. Brown said they were consistently thorough, comprehensive and persuasive. The Committee had noted a particularly telling chart: of the top 25 largest domestic markets without nonstop service to Washington, the first was Honolulu, the second Santa Ana and the third Oklahoma City. He noted that

if those were the largest unserved markets, the service patterns at the two Airports were excellent.

Finally the staff had distributed a draft of the 2007 Comprehensive and Annual Air Service Plan, a document not actually approved by the Board that guided the air service development efforts. He urged all Directors to review it carefully when the final version was produced.

e. Audit Committee

Mr. Speck said that the Audit Committee met on November 15. With Valerie Holt, the Vice President for Audit, the Committee had discussed audits of leading revenue activities and improvements in the controls related to them.

IV. NEW BUSINESS

a. Grant of an Easement to the Fairfax County Park Authority

Mr. Cobey moved the following Resolution, which was unanimously adopted as Resolution No. 06-29:

WHEREAS, The recent construction of the Barnsfield Road interchange on Route 28 has severed access to Authority property at the southeast corner of the Dulles Reservation, and for southbound traffic on Route 28 to the Sully Plantation property maintained and operated by the Fairfax County Park Authority on airport property under an easement administered by the Authority;

WHEREAS, The Authority and the Fairfax County Park Authority have for some time been considering granting each other easements to provide the necessary access;

WHEREAS, Agreement has been reached on an Authority easement along a utility corridor to the Sully Plantation parking lot and a Park Authority easement along the eastern boundary to the 65-acre parcel of Authority property south of the Plantation; and



WHEREAS, The Fairfax County Park Authority has approved the exchange of easements; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to grant to the Fairfax County Park Authority a sufficient easement to provide access to the Sully Plantation, as set forth in documentation provided to the Planning Committee on December 6, 2006.

b. Supporting the Accreditation of the Police Department

Mr. Crawford moved the following Resolution, which was unanimously adopted as Resolution No. 06-30:

WHEREAS, The Metropolitan Washington Airports Police Department wishes to pursue accreditation with the Virginia Law Enforcement Professional Standards Commission; and

WHEREAS, Such accreditation will evidence the Department's compliance with professional law enforcement standards and enhance its effectiveness and efficiency, as well as its standing among law enforcement agencies; now, therefore, be it

RESOLVED, That the Board of Directors approves and endorses the Police Department's effort to obtain accreditation.

c. Selection of a Firm to Provide Hardware Maintenance Services for the Dulles Parking Revenue Control System

Mr. Crawford moved the following Resolution, which was adopted unanimously as Resolution No. 06-31:

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive evaluation of firms to provide hardware maintenance services for the Dulles Parking Revenue Control System, consistent with terms of the Request for Proposals discussed at its March 15, 2006 meeting and as presented at its November 15, 2006 meeting; now, therefore, be it

RESOLVED, That ARINC Managed Services, LLC, is selected to provide these services, including the provision of all labor, equipment, tools and supervision; and

RESOLVED, That the President and Chief Executive Officer is authorized to negotiate and enter into a contract with ARINC Managed Services, consistent with the terms presented to the Business Administration Committee November 15, 2006.

d. 2007 Budget

Mr. Snelling moved the adoption of the annual budget as set forth below, which was unanimously adopted by all eight Directors in attendance as Resolution No. 06-32:

RESOLVED, That the 2007 Budget as presented to the Finance Committee on November 15, 2006 is hereby adopted effective January 1, 2007;

2. That there is hereby made available for expenditure in 2007 for the care, operation, maintenance, construction, improvement, and protection of Ronald Reagan Washington National and Washington Dulles International Airports a total of \$1,226,997,300, consisting of:

- (i.) \$465,329,300 for the Operation and Maintenance Program, including \$197,730,000 for debt service;
- (ii.) \$42,265,000 for the Capital, Operating and Maintenance Investment Program;
- (iii.) \$719,403,000 for the Capital Construction Program;

3. That projects identified in the Budget in the amount of \$29,344,500 for the Capital, Operating and Maintenance Investment Program and \$328,600,000 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 2007 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.

## V. UNFINISHED BUSINESS

At 9:45, the Chairman adjourned the meeting pending consideration of a contract matter in the Committee of the Whole.

a. Sole-Source Contract to Assist in the Acquisition of the Dulles Toll Road and Financing of the Metrorail Extension Project

The Committee of the Whole suspended and the Chairman called the meeting to order again at 10:10. Mr. Snelling moved the following Resolution, which was unanimously adopted by all eight Members present as Resolution No. 06-33:

WHEREAS, Resolution No. 05-33 authorized the presentation of a proposal to the Commonwealth of Virginia that the Authority acquire the Dulles Toll Road and directed the President and Chief Executive Officer to “reach an agreement with the Commonwealth and other public agencies, exercising the appropriate due diligence, with respect to the Dulles Toll Road, accelerated construction of the Dulles Corridor Metrorail Extension and related matters”;

WHEREAS, First Albany Capital Inc. (“First Albany”) has been providing financial advisory services since the inception of the Dulles Toll Road and Metrorail Extension project;

WHEREAS, Prosecution of the project has taken longer and has become more involved than anticipated, and a previous contract with First Albany will exceed its limits before the year is out; and

WHEREAS, First Albany has long served as Co-Financial Advisor for the Authority, and its close involvement in the Authority's financial practices have proved essential to the various negotiations now underway on the Dulles Corridor project, now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized to enter into a contract with the First Albany Capital Inc. without competition, in an amount not to exceed \$400,000, to assist in negotiations with the Commonwealth and the possible assumption of responsibility for the toll road operations and rail construction in the Dulles Corridor.

VI. OTHER BUSINESS AND ADJOURNMENT

The meeting was thereupon adjourned at 10:15 a.m.

Respectfully submitted:



Gregory Wolfe

Vice President and Secretary

approved February 7, 2007  
GW