BOARD OF DIRECTORS MEETING

Minutes of December 1, 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
Michael L. O'Reilly, Vice Chairman
Robert Clarke Brown
William W. Cobey Jr.
Frank M. Conner III
H.R. Crawford
Leonard Manning
Dennis L. Martire
Mame Reiley

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 NOVEMBER 3, 2010 BOARD OF DIRECTORS MEETINGS

The Chairman called for approval of the Minutes of the November 3, 2010 Board of Directors Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Audit Committee

Mr. O'Reilly reported that the Audit Committee had last met November 3, after the Board Meeting. Kelly Thornton, PricewaterhouseCoopers Partner-in-Charge for the Airports Authority's FY 2010 financial statement audit, had discussed the audit plan and made all required communications. Julie Schweda, the PwC Senior Manager, and Norman Graves of Bert Smith & Company had also participated. Mr. Graves had focused on the expanded scope of A-133 Audit, a result of the Full Funding Grant Agreement for the Metrorail extension.

In addition, Valerie Holt, Vice President for Audit, had presented several reports, including the Parking Revenue Control System at Dulles International and the Metrorail Funding and Cash Flow Projections. There were also reports on two concession contracts, certain business expenses and internal controls over certain Toll Road revenues.

b. Business Administration Committee

Mr. Manning reported that the Business Administration Committee had last met November 17. As anticipated, the Committee had spent a large part of the meeting in executive session, hearing an extensive report on the Airports Authority's diversity efforts from Weldon Latham, a former Member of the Board. While on the Board, Mr. Latham had kept after the staff on diversity issues, and now was with Jackson Lewis LLP Corporate Diversity Counseling, a nationally recognized firm familiar to many corporate boards.

Mr. Manning reported that the review had been relatively favorable, but that Mr. Latham had strongly advised the Airports Authority to make better use of the Diversity Committee. He noted that staff would report back to the Committee on its plans in light of the Latham report.

The Committee had briefly considered the 2011 List of Contracts Affecting the Traveling Public, and had chosen not to follow up with more detailed reports on the three contracts: the Reagan National Taxi Dispatch, Door to Door Shared Ride Services at both Airports, and Public Pay Telephones at both Airports.

Mr. Manning indicated that the Committee had spent a little more time in its review of the list of contracts coming up for Option Year Contract Extensions. The Committee had identified some difficulties in the lead time for Board review of contract extensions, particularly when the initial contract term was for one year. To improve this situation, the Committee would switch from semi-annual to quarterly reporting.

Mr. Manning reported that the Committee had decided, however, that it would like to see a fuller report on the Dulles International taxicab concession and taxicab dispatch contracts. There would also be a more detailed report on the Information Systems Operational Support contract.

The Committee had also heard the report of a selection panel for unarmed guard services at Dulles International and the Toll Road Administration Building. The Committee had been satisfied with the report, which recommended the selection of Master Security of Hunt Valley, Maryland. Mr. Manning said that he would offer a resolution to approve the award of the contract later in the day's meeting.

Arl Williams, Vice President for Human Resources, had presented a proposal for post-employment benefits that would base the full extent of those benefits in part on the number of years of an employee's service. Though such a change in the Airports Authority's rules would apply only to new employees, both management and the Committee were taking great care in considering the matter. Mr. Manning stated that the issue would be presented to the Committee again before any action would be taken.

Finally, Mr. Manning reported that the Committee had considered a pre-solicitation report recommending the usual terms for the Rental Car Concession Contracts at Reagan National. The firms would bid a guaranteed annual minimum payment, but then pay that minimum or 10 percent of gross receipts, whichever was larger. The Committee had concurred in this traditional approach.

c. <u>Dulles Corridor Committee</u>

Ms. Reiley reported that the Dulles Corridor Committee had last met on November 17. The Committee had begun with the Dulles Corridor Metrorail Phase 2 Update, now a joint production of the CTLGroup and Airports Authority engineering staff. Staff had reported at some length on the presentation on Dulles station alternatives to the Virginia Department of Historic Resources, held November 9.

As some of the Members had anticipated, the Department had had concerns about the two elevated options, one at the North Garage, the other on the arrivals ramp in front of the station. Concerns had been less with the two tunnel options, one in the parking bowl, the other at the front of the Terminal. But no matter which alternative was chosen, staff would be negotiating with the historic officers in Richmond for some time to come.

Ms. Reiley reported that the Committee had then heard the Corridor Metrorail Monthly Cost Summary and Project Update. Expenses had continued on track at about $46 million per month. Design changes and increased payments to utility companies had required further use of the contingency, bringing total use to $100 million. Ms. Reiley noted that $212 million still remained.

Frank Holly, Vice President for Engineering, then had presented a thorough update on the Dulles Toll Road Noise Policy. Staff had been paying a lot of attention to public comments, which, when added to some major changes in federal regulations for highway noise abatement projects, had caused some delay. Mr. Holly had noted that the Committee should receive a full briefing in December so that a Board decision could be reached soon thereafter.

Ms. Reiley reported that the Committee had heard the October 2010 Financial Report for the Dulles Corridor Enterprise. Revenues year-to-date had been on target, increasing about 35 percent. Expenses had remained slightly ahead of budget because of the February snowstorms.

d. Finance Committee

Mr. Conner reported that the Finance Committee had last met on November 17. Lynn Hampton had presented an overview of the Recommended 2011 Budget and related assumptions. The three Budgets for the Aviation Enterprise Fund were: Operations and Maintenance (O&M); Capital, Operating and Maintenance Investment Program (COMIP); and Capital Construction Program (CCP). The three Budgets for the Dulles Corridor Enterprise Fund were: Operations and Maintenance (O&M); Renewal and Replacement (R&R), and Capital Improvement Program (CIP). The Committee voted to recommend that the 2011 Budget, as presented, be approved by the Board.

Management had decided not to proceed with the AMT current refunding and non-AMT advance refunding because interest rates had increased. Manangement had decided to proceed with the Open Market Purchase (OMP) as a stand-alone financing, replacing AMT Bonds with less expensive Non-AMT Bonds. On November 9, Barclays, as dealer manager for the OMP, had identified $62 million of outstanding AMT bonds to purchase at favorable prices. The current refunding of these bonds provided $1.1 million of net present value savings, net of all transaction costs, 1.7 percent of the refunded par amount. The transaction had closed on November 17.

Financial Advisors and staff planned to meet in December to discuss the 2011 Plan of Finance. Items to be discussed included new money borrowings, and the $125 million forward starting interest rate swap agreement, which had an October 1, 2011 effective date.

Staff reported a favorable ruling from the Supreme Court of Virginia on the Fairfax County Tax Districts that had been established to fund the Fairfax contribution to the Metrorail extension.

Staff had previously reported that the Airports Authority's $39 million Tiger II application had been declined. Of the $600 million that had been available for award, a $20 million grant had been provided to the Los Angeles County Metropolitan Transportation Authority to support a $546 million TIFIA loan for the proposed Crenshaw/LAX Light Rail Line.

Financial Advisors and staff were working to identify a Potential Dulles Toll Road project that could qualify for the TIFIA program. This program had been established in 1991 to encourage efforts to manage congestion on highways through tolling and other pricing mechanisms.

During the third quarter of 2010, budget reprogramming in the Aviation Operation and Maintenance Program had totaled $1.5 million to cover winter snow removal costs, and to provide for various non-capital project needs. In the Aviation Capital, Operating, and Maintenance Investment (COMIP) Program, reprogramming had totaled $255 thousand to provide for Central Office Building renovation, replacement copiers, and graphics for the Dulles AeroTrain station. Net changes to the budgets were zero.

The total investment portfolio as of September 30, 2010 was approximately $2.2 billion. The Aviation portfolio balance was $1.2 billion. The Construction Account had increased as a result of new money borrowings associated with Series 2010A and 2010D Bonds. The Debt Service Interest and Principal Accounts were $107.2 million and $107.9 million, respectively, in anticipation of the October 1, 2010 Debt Service payment. The Dulles Corridor portfolio balance was approximately $989 million. The Debt Service Interest account was $31 million in anticipation of payment on October 1, 2010.

On a year-to-date basis as of October 2010, or 83.3 percent into the year, the Aviation Enterprise Fund had earned 79.4 percent of budgeted revenues and had incurred 73.1 percent of budgeted expenses. Of particular note, Advertising Revenues were up 44 percent (or $2.8 million) when compared to the prior year-to-date. Debt service coverage was at 1.39 times, down slightly from 1.49 times at the same time in 2009. The days of unrestricted cash on hand were 405 as of October 30, which was down slightly from the previous month of 411 days.

The Committee accepted the report of the list of non-construction contracts that are expected to cost or produce revenue annually under $3 million, and that have a direct and significant effect on the traveling public. No action was taken.

At the conclusion of Mr. Conner's report, the Chairman announced that, on the recommendation of the Chief Exective Officer and action of the Executive Committee, Andy Rountree had been named Vice President and Chief Financial Officer.

e. Legal and Governance Committee

In Mr. Garson's absence, Mr. Snelling reported that the Legal and Governance Committee had met on November 3 and November 17 to discuss a list of potential candidates for President and Chief Executive Officer.

The Committee had also talked about how and when it could begin interviewing candidates. The Board Office Staff was polling Directors to confirm dates for these interviews. Mr. Snelling stated that he hoped that as many Directors as possible would be able to participate.

f. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had met on November 17. Margaret Bishop, Community Affairs Manager, introduced a lengthy discussion of the 2009 Economic Impact Report, the first issued since 2005, and therefore the first since the Airports Authority began operating the Toll Road and started building the Metrorail extension.

The results, broken up into impacts by jurisdiction, showed that the Airports Authority has been, as always, a major economic generator for the region. There were 25,000 direct aviation jobs in the region; that expanded through the model to 310,000 jobs, roughly ten percent of the jobs in the region. The payroll for these employees was $14 billion. The taxes from all this activity totaled $1.3 billion a year to the local and state governments.

Since the impacts these studies demonstrated seem to be very good even in difficult financial times, several members of the Committee thought the studies should be done more often. Full studies every year would be overdoing it, but the Committee did ask the staff to explore updating certain sections of the report annually.

The report went to the press the same day, and Mr. Brown said he understood the Airports Authority had received some positive coverage.

The rest of the meeting was in executive session, where the Committee covered the regular air service development report and the draft 2011 Comprehensive and Annual Air Service Plan, and also heard an inconclusive update on the Federal Aviation Administration Reauthorization bill.

The Committee had also held its second Airline Use and Premises Lease Workshop on November 30, where the Members had discussed planning for the next agreement and all available options.

III. INFORMATION ITEMS

a. <u>President's Report</u>

Ms. Hampton began by reporting on the public response to the economic impact study Mr. Brown had just discussed. She said there had been favorable reports in the *Washington Post* and the *Arlington Sun-Gazette* for making the Airports' impact clear to the community. The study would be circulated in the community for the next several years.

The Supreme Court of Virginia had recently upheld the statute establishing the special tax district to support construction of the Metrorail Dulles Corridor extension. The decision was final, so Fairfax County could now proceed to issue revenue bonds supported by tax revenues from the special tax district to fund the County's share of Phase 1 of the rail project.

The Chairman and Ms. Hampton had both received a letter from John Mica (R. Fla.), soon to be Chairman of the House Aviation Subcommittee, requesting that the Airports Authority exercise its option to use private sector security screeners instead of the Transportation Security Administration (TSA) employees at its checkpoints. About 100 other airports had received the same request. She had asked the two airport managers to review their earlier analysis of "opting out". She noted that the public appeared to believe that opting-out would mean relief from some of the measures employed by the TSA. In fact, private screening contractors would be hired by and controlled by the TSA, and their employees would follow the same rules as the TSA.

The Daily Beast had rated 64 airports for overall travel experience: Reagan National had been rated number 10; Dulles International had been rated 13; and Thurgood Marshall Baltimore/Washington International had been rated 15. The Daily Beast was an American news reporting and opinion website founded by Tina Brown in 2008. Ms. Hampton said the site was reputable, and its study was quite objective.

Ms. Hampton then reported that the second tunnel under Tysons Corner had broken through. It had been completed two months early and safely as well.

The Washington Airports Task Force had met the day before to recognize Gary Kelly of Southwest Airlines for the company's efforts to advance NextGen systems. NextGen technology had been installed in all Southwest aircraft, and was already saving the carrier fuel and money. Mr. Snelling said the airline had spent $177 million on the project, in full cooperation with the Federal Aviation Administration, and would be operating all flights with the new technology in January 2011.

It appeared that all disputes between the Washington Jet Center and Signature had been resolved. The Jet Center had already hired a contractor to begin construction on a new hangar.

Mr. Manning asked if staff would be involved in reviewing the plans for the new hangars. Ms. Hampton confirmed that the Dulles staff would be responsible for doing so.

b. Executive Vice President's Report

Ms. McKeough reported first on what she termed a successful holiday/Thanksgiving season. As at most other airports, the traffic had been the busiest of the year, lasting a full week. There had been concerns about the new TSA procedures. TSA performance had, however, been excellent at both Airports, and there had not been any protest about opt-out or body scanners. All lanes had been staffed; wait times were better than normal days. At Reagan National, the longest waits had been 15 minutes at Terminal A, and they had not lasted long; at Dulles International, waits had been in the 15-20 minute range. The busiest day had been Monday.

The Chairman announced that he planned to invite TSA employees in to convey the Airports Authority's appreciation for their efforts. Ms. McKeough noted that John S. Pistole, Administrator of the TSA, had spent considerable time at Reagan National over the holiday weekend, granting interviews to the media.

Ms. McKeough noted that the AeroTrain had operated through its first Thanksgiving, and had performed well. There had not been any operational issues.

Parking had also worked well; the economy lot at Reagan National had been filled, but there had been plenty of spaces in the garages. Parking use at Dulles International had been 60 percent. Passenger levels appeared to be close to the 2009 levels.

The December holiday season was next. School partners were providing decorated holiday trees at both Airports. In addition, various musicians would be performing in the terminals.

Ms. McKeough then turned to the October traffic statistics. At both Airports, traffic had been up over 6 percent. At Reagan National, October 2010 had been the busiest October ever recorded. At Dulles International, domestic traffic had been up 7 percent, and international 5.6 percent, the busiest October since 2005. Cargo had been up 4 percent; domestic had dropped about 5 percent, chiefly from FedEx.

IV. NEW BUSINESS

a. Recommendation for Unarmed Guard Services at Dulles International and the Dulles Toll Road Administration Building

Mr. Manning moved the adoption of the following resolution, noting that the contract would be for one year, with four one-year extensions options, and would commence January 1, 2011. He said the value of the entire contract was $23,706,629.89. The resolution was adopted unanimously.

WHEREAS, the contract for unarmed guard services at Washington Dulles International Airport and the Dulles Toll Road Administration Building is scheduled to expire December 31, 2010;

WHEREAS, the Business Administration Committee concurred in the issuance of a Request for Proposals for these services at its April 21, 2010 meeting;

WHEREAS, a Technical Evaluation Committee reviewed the competing proposals and recommended the selection of Master Security Company, Inc., of Hunt Valley, Maryland; and

WHEREAS, the Business Administration Committee is satisfied with results of the competitive procurement process, as presented at its November 17, 2010 meeting;

NOW, THEREFORE, BE IT RESOLVED

1. That the President and Chief Executive Officer is authorized and directed to enter into a one-year contract with 4 one-year extension options with Master Security Company, Inc., for the provision of unarmed guard services at Dulles, to include the Airport and the Toll Road Administration Building, consistent with the terms presented to the Business Administration Committee at its November 17, 2010 meeting; and

2. That this resolution shall be effective upon its adoption.

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

b. Recommendation to Adopt 2011 Budget

Mr. Conner moved the adoption of the following resolution, which was unanimously approved with all nine Directors present voting:

WHEREAS, at an August 31, 2010 work session on the upcoming budget for 2011 at which the President and Chief Executive Officer presented the major challenges that the budget would need to address, the Board of Directors raised a number of concerns and expectations;

WHEREAS, on October 20, 2010, the Finance Committee received and discussed an initial draft version of a proposed 2011 Budget;

WHEREAS, on November 17, 2010 the Finance Committee received and discussed a revised draft version of the proposed 2011 Budget and recommended its approval to the Board;

WHEREAS, on December 1, 2010 the Board received the final proposed 2011 Budget, as well as the recommendation of the Finance Committee;

WHEREAS, Resolution No. 10-22, Approving an Amendment to the 2010 Budget Relating to the Purchase of Railcars for Phase 2 of the Dulles Corridor Metrorail Project, added $200,240,723 for the authorization to purchase rail cars for Phase 2;

WHEREAS, to reduce the level of debt service included in the 2011 airline rates and charges at Washington Dulles, the 2011 Aviation Enterprise Fund Budget incorporates the restructuring of the Passenger Facility Charges ("PFCs") program to pay $60.0 million of debt service attributable to the AeroTrain;

WHEREAS, the Board of Directors intends that this financial relief to the airlines in the 2011 Budget is limited, and the Board will determine on an annual basis the need, if any, for continued such relief; and

WHEREAS, the Board is satisfied that the 2011 Budget presents a reasonable level of expenditures, to be made or accrued in 2011, (a) from the Aviation Enterprise Fund, to operate Ronald Reagan Washington National and Washington Dulles International Airports, to repair and maintain the facilities at these Airports, and to undertake needed capital improvements at the Airports, and (b) from the Dulles Corridor Enterprise Fund, to operate the Dulles Toll Road, to repair and maintain Toll Road facilities, to undertake capital improvements for the betterment of the Toll Road and otherwise within the Dulles Corridor, and to continue construction of the Metrorail Project, and that there will be sufficient revenues in 2011 and other funds to cover these expenditures;

NOW, THEREFORE, BE IT RESOLVED

1. That the 2011 Budget, as presented to the Board of Directors at this meeting is hereby approved and adopted;

2. That the following sums, totaling $950,310,105, are hereby authorized to be expended from the Aviation Enterprise Fund in 2011 for the operation, maintenance, care, improvement and protection of Ronald Reagan Washington National and Washington Dulles International Airports:

(a) $616,741,000 for the Aviation Operation and Maintenance Program, including $291,035,000 of this total for debt service;

(b) $61,340,105 for the Aviation Capital, Operating and Maintenance Investment Program ("COMIP"); and

(c) $272,229,000 for the Aviation Capital Construction Program ("CCP");

3. That the following sums, totaling $1,028,641,000, are hereby authorized to be expended from the Dulles Corridor Enterprise Fund in 2011 for the operation, maintenance, care, improvement and protection of the Dulles Toll Road and for the planning, design and construction of the Dulles Rail Project:

(a) $78,985,000 for the Dulles Corridor Operation and Maintenance Program, including $51,142,000 of this total for debt service;

(b) $5,923,000 for the Dulles Corridor Renewal and Replacement Program ("R&R");

(c) $925,317,000 for the Dulles Corridor Capital Improvement Program (CCIP), consisting of $57,372,000 for Corridor Improvements and $867,945,000 for the Dulles Rail Project; and

(d) $18,416,000 to be transferred to reserve accounts within the Dulles Corridor Enterprise Fund, as identified in the 2011 Budget;

and, further, that any revenue received or accrued by the Dulles Corridor Enterprise in 2011 which, at the conclusion of 2011, has not been expended, obligated or transferred to a reserve account pursuant to subparagraph (d) of this paragraph, or to a reserve fund or account pursuant to the Master Indenture of Trust Securing Dulles Toll Road Revenue Bonds, dated as of August 1, 2009, shall be transferred to the Dulles Corridor Enterprise Reserve and Toll Rate Stabilization Fund;

4. That the President and Chief Executive Officer is hereby authorized to modify or adjust expenditures within each of the six programs identified in clause 2 and clause 3, so long as the total expenditures within any such program in 2011 do not exceed the level authorized for the program in clause 2 or clause 3; that any reprogramming exceeding $10 million in a calendar year for any project in the COMIP, CCP, R&R, or CIP shall be submitted to the Finance Committee for recommendation to the Board of Directors for approval before it takes effect. All other material budget reprogramming shall be reported to the Finance Committee on a quarterly basis, two months after the end of each quarter at the May, August, November and February Committee meetings and shall include year-to-date cumulative material budget reprogramming equal or greater than the following:

(a) Aviation Operation and Maintenance ($250,000);
(b) Aviation Capital, Operating and Maintenance Investment Program ($500,000 or any new project, regardless of dollar amount);
(c) Aviation Capital Construction Program ($500,000 or any new project, regardless of dollar amount);
(d) Dulles Corridor Operation and Maintenance Program ($250,000);
(e) Dulles Corridor Renewal and Replacement Program ($500,000 or any new project, regardless of dollar amount); and
(f) Dulles Corridor Capital Improvement Program ($500,000 or any new project, regardless of dollar amount).

5. That the new and expanded projects identified in the 2011 Budget, and to this Resolution, in the amount of (i) $32,269,000 within the Aviation Capital Operating and Maintenance Investment Program, (ii) $206,515,000 within the Aviation Capital Construction Program, (iii) $4,100,000 within the Dulles Corridor Renewal and Replacement Program, and (iv) $3,631,040,000 within the Dulles Corridor Capital Improvement Program, consisting of $50,565,000 for the Dulles Toll Road and $3,580,475,000 for

the Metrorail Project, are hereby approved, and hereafter shall be considered a part of their respective approved programs; and

6. That this Resolution shall be effective upon its adoption.

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

V. UNFINISHED BUSINESS

There was no unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Chairman asked Frank Holly to report on new data on certain location alternatives for the Dulles Metrorail station. Mr. Holly said that, as a result of the workshops conducted in November, staff had identified a number of issues about all four alternatives. The arrivals ramp alternative in particular needed additional analysis to assure the structural integrity of existing highway ramps to support the heavy rail Metro trains. Staff had not yet done any design or final engineering, but as a result of calculations the consultant had provided, had been able to identify several problems.

First, about sixty new columns would be necessary to support the station and alignment. The ramp itself would have to be removed to install the columns. Second, the ramp would have to be restored, rebuilt and waterproofed, to protect the areas below. Third, in addition, the columns would take up a lot of space in the ground transportation area, limiting its capacity. Fourth, the departure and entrance roadways would require a "huge" modification. On the east end, the roadway would have to be raised 25 – 30 feet so the rail guideway could pass beneath it. On the west end, the guideway would have to rise to clear the commercial roadway and hourly parking lot entrance. The arrivals roadway itself would have to be shifted into the parking bowl.

The Chairman asked that a more detailed report be made to the Dulles Corridor Committee on December 15. Ms. Reiley asked if the CTLGroup had seen the latest information. Ms. Hampton said the consultants would be at the workshop on December 13 and 14. The Chairman said he would like to see a joint report of the Engineering Department, its consultants and the CTLGroup at the December 15 Committee meeting. Mr. Holly said he would go over the assessment with the CTL Group in detail. Ms. Reiley asked again if CTL would have the opportunity to review the report in detail before the workshop. Mr. Holly said the workshop was the opportunity to coordinate all the information.

There being no further business, the meeting was adjourned at 9:45 a.m.

Respectfully submitted:

Quince T. Brinkley, Jr.
Vice President and Secretary

Approved 1/5/11