



BOARD OF DIRECTORS MEETING

Minutes of February 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
Jack A. Garson

Leonard Manning
Dennis L. Martire
Mame Reiley
David G. Speck

The Secretary and Executive Management were present:

James E. Bennett, President and Chief Executive Officer
Margaret E. McKeough, Executive Vice President and Chief Operating Officer

I. MINUTES OF THE JANUARY 6, 2010 BOARD MEETING

Chairman Snelling called for approval of the minutes of the January 6, 2010 Board Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Audit Committee

In Mr. O'Reilly's absence, Mr. Speck reported that the Audit Committee had last met January 6, 2010. As always, the entire meeting had been in executive session.

Mr. Speck reported that the Committee had discussed a compliance review of change orders for a completed major Dulles International Airport project, and a review of overhead rates on one of the firms providing services for the rail project.

b. Business Administration Committee

Mr. Manning reported that in his absence, Mr. Crawford had chaired the January 20, 2010 Business Administration Committee meeting. Most of the meeting had consisted of contracting statistics presented by Steve Baker, Vice President for Business Administration. Mr. Manning reported that in 2009 the Airports Authority had issued contracts for a total of \$336.2 million. Of that total, \$271 million had been awarded for contracts without federal assistance. Twenty-nine percent, or \$78.3 million of the "non federally aided" contracts went to Local Disadvantaged Business Enterprise firms; 24 percent went to Minority Business Enterprise firms; and 6.8 percent went to Women-owned Business Enterprise firms. Of the \$65 million in federal-aid contracts, 18.9 percent, \$12.2 million, went to Disadvantaged Business Enterprise (DBE) firms.

Mr. Manning reported that the Committee had also received a report on DBE achievements for the Metrorail project. Thus far for federal fiscal year 2009, the Airports Authority had achieved a DBE participation rate of 45.2 percent against a goal of 13.24 percent. Mr. Manning noted that the contract period had not yet concluded and that staff remained confident that the goal for Phase 1 of the project would be met.

Mr. Manning reported that the Committee had also received a report on concession contracting, another program with federal DBE goals. He noted that participation in the concession contracts was measured by gross receipts. For federal fiscal year 2009, DBEs at Reagan National had earned \$31 million, 33.5 percent of the total, against a goal of 29 percent; participation in rental car company procurement had been excluded from these goals. At Dulles International, DBEs had earned \$64.8 million, 35.4 percent of the total, against a goal of 19 percent. Mr. Manning noted that figures for landside concessions, such as parking taxicabs and buses, and the separate figures for rental car company procurement could be found in the summary Committee minutes provided for the day's meeting.

Mr. Manning said that the Committee had received a third report on the DBE participation in federally-assisted design and construction contracts in calendar year 2009. He noted that the Airports Authority's goal had been 25 percent, and that it had been achieved at Reagan National. The goal had not been achieved at Dulles International because of the low level of DBE participation in the South Baggage Basement Explosive Detection System project. Mr. Manning reported

that the combined figure for both Airports had been 18.3 percent, \$11.1 million out of a total of \$61 million.

The Airport Managers had made a presentation on the availability of escalators, moving sidewalks and elevators. At both Airports, the national standard of 96 percent availability had been exceeded. Escalators and elevators had been better than 99 percent; moving walkways had been more troublesome, giving Dulles International an overall record of 95 percent.

The last item on the January 20 agenda, amendments to the Contracting Procedures, had been postponed.

c. Dulles Corridor Committee

Ms. Reiley reported that the Dulles Corridor Committee had also met on January 20.

Frank Holly, Vice President for Engineering, had presented the regular report on the Corridor Metrorail project, including the monthly cost report. Mr. Holly had reported that cost forecasts had not changed from December 2009. Preliminary Engineering costs for Phase 1 were under review and should be included in the February report. Phase 2 had not yet been budgeted, nor were there budgets to support activities by the Washington Metropolitan Area Transit Authority, the Virginia Department of Transportation and others. Monthly Phase 2 cost reports would begin when those budgets had been completed.

The Committee then went into executive session to discuss the Corridor Enterprise Finance Plan.

d. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had met January 20 as well. The Committee had several sensitive matters to discuss, and the entire meeting had been held in executive session. The Committee had considered the new Dulles Domestic Air Service Incentive Program, which had been discussed during the 2010 Budget process and for which funding had been included in the 2010 Budget. The Committee had also discussed Dulles Corridor real estate issues and staff's proposed legislative strategy for the upcoming Federal Aviation Administration reauthorization initiative.

Because these matters had required extensive discussion, Mr. Brown said, the Committee had not concluded its discussion on all issues. He noted that the Committee had deferred its monthly air service development report and the governmental relations consultant services contract until the next regular meeting on February 17.

Mr. Brown reported that the Committee would meet later that day in executive session to discuss further some issues from January 20.

e. Finance Committee

Mr. Conner reported that the Finance Committee had last met on January 20, 2010. The agenda had not included any action items, and the principal event had been a presentation of decision matrices by the Financial Advisors for both the Aviation and Dulles Corridor Enterprises setting out issues to be addressed in 2010. Mr Conner said the report had been very beneficial.

Mr. Conner reported that staff had prepared a thorough report on public officials' liability insurance and fiduciary liability coverage, and that Directors could be assured that the existing terms provided sufficient coverage. Given the immunity provided by the Commonwealth of Virginia and the District of Columbia, the lack of any incidents involving Directors at U.S. airports, and the amount of the Airports Authority's insurance compared to other authorities, sufficient coverage was provided. Mr. Conner reported that the Finance Committee had requested that the Legal Committee review the policy to ensure that the indemnification limit represented the maximum amount of coverage allowed.

Mr. Conner said that a cost allocation plan between the Aviation and Dulles Corridor Enterprises had been presented to the Committee. He noted that a few common overhead expenses existed and that it was important to allocate the appropriate portions to the respective enterprises to ensure financial statements are accurate. Directors had been impressed with the report and its results. Mr. Conner reported that Directors had discussed the frequency that the allocation plan should be completed and whether it could be prepared in-house.

All Committee reports were unanimously approved.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett thanked the Chairman and other Directors who had attended the January 26, 2010 Automated Peoplemover (APM) opening event at Dulles International. The Airports Authority had enjoyed substantial positive media coverage from the event, which Mr. Bennett noted had been one of the largest events at Dulles International in recent years. Mr. Bennett reported that questions had been raised about the distance between the C rail station and the C Concourse. Management explained that the station had been built on the location of the future Concourse C. Once the stations were built, they could not be moved. The current Concourse C would ultimately be removed. With regards to questions about the commuter gates in the A Concourse, Mr. Bennett reported that the building would ultimately be replaced by a full-level concourse, which will allow more direct access from the people mover.

Mr. Bennett reported on two incidents during the prior week that had impacted the people mover system. The first had occurred when a trained and authorized firefighter had improperly entered the tunnel system through a door that should only be used in case of emergencies. In the event of any unauthorized entrance from the public, the safety protocol mandates that the system be de-energized until the incident has been resolved to ensure that no one is injured by the electricity conducted through the hot rail in the tunnel. Mr. Bennett recounted that the APM system had been shut down until the incident had been resolved. The Airport Operations staff had to view the video recording of the incident and conduct required security checks before restoring power to the APM system.

The second incident had occurred when a frozen pipe leaked water onto the platform in the A station. The Airport Operations staff had decided to close the station until the water had been cleaned up so that no one was injured. Mr. Bennett noted that the train had continued to operate to the B and C stations and a backup mobile lounge service to reach the A Gates had been put into operation. He reported that Chris Browne and staff were doing an excellent job in monitoring the APM system and making any necessary adjustments.

Ms. Reiley commended staff for their excellent work at the people mover opening. She inquired whether the same shutdown would occur on the APM system if an individual realized that he had incorrectly opened the door and then immediately closed it. Mr. Bennett responded that once the door had been opened from the

public area, the security protocol mandates that the APM system be shut down. Ms. Reiley asked whether all doors in the public area were marked as emergency doors. Mr. Bennett responded that they were not emergency doors and explained that individuals could not open doors from the public area into the tunnel unless they had been trained and carried the appropriate badge. He explained that the doors in question were egress doors, only to be used by the public in an event of an emergency on the train. Ms. Reiley asked if the firefighter had opened the door from the wrong side. Mr. Bennett responded affirmatively, noting that appropriate, color-coded warnings were marked on the doors. Ms. Reiley inquired whether recordings alerted those who opened the emergency egress doors. Mr. Bennett said there weren't any. Chairman Snelling reported that Mr. Bennett had shown him photographs of the door that had been opened and that he believed adequate warning provisions and conditions were in place; the door was properly coded and marked. Mr. Conner inquired about the amount of time to deploy mobile lounges once the APM system that served the A gate had been disabled. Mr. Bennett responded that the mobile lounge service had begun within six minutes. Chairman Snelling concluded that the incident had not been railroad related. Mr. Bennett noted that the safety protocol had worked properly.

Mr. Bennett then reported that the Airports Authority would conduct a public scoping hearing on February 17, 2010 in Historic Terminal A at Reagan National to discuss proposed options to implement the extended runway safety areas on Runways 4-22 and 15-33 at Reagan National. As reported in previous discussions with the Planning and Construction Committee, all runway solutions available for Reagan National require construction out into the Potomac River to accommodate enough space to develop a compliant safety runway area.

Mr. Bennett reported that President Obama had submitted the federal 2011 budget to Congress. He said that overall the budget provided good news for the Airports Authority and the airports industry in a difficult budget environment. The 2011 budget included \$96 million for the federal contribution for the Dulles Corridor Metrorail project, under the \$900 million Full Funding Grant Agreement executed in March 2009. A total of \$3.5 billion was included to support funding for the Airport Improvement Program, which benefited both Airports. Mr. Bennett reported that substantial allowances had also been included for security, citing \$734 million to support deployment of an additional 1,000 full-body imaging machines at airport security checkpoints nationwide and \$625 million for the purchase and installation of in-line explosive detective systems nationwide. A new element that might prove promising for the Airports Authority was the

creation of the National Infrastructure Innovation and Finance Fund, whereby the President had recommended \$4 billion nationwide to provide grants for national or regional significance. Mr. Bennett reported that the new Fund might contribute to defray the cost for Phase 2 of the Dulles Corridor Metrorail project. He said that staff would closely monitor the Fund and that it might be necessary to aggressively lobby Congress to ensure that the Fund would be approved.

Mr. Bennett reported that the Airports Authority had been conducting free H1N1 vaccination clinics for its employees. The free clinics had begun January 25 and would conclude February 5. He invited all Directors to participate.

Mr. Bennett reported that the Airports Authority had been converting a gate on Concourse B at Dulles International to accommodate A-380 aircraft. Initially, Air France had planned to begin its A-380 service to Paris in the spring of 2010. As a result of aircraft delivery problems, Air France had delayed its start date to 2011.

Mr. Bennett also reported that he would appear before District of Columbia City Council for the Airports Authority's annual oversight hearing on February 18; testimony for the hearing was being developed.

Mr. Bennett finally noted that the pandas from Washington and Atlanta zoos would depart Dulles International on a first-class, chartered 777 Federal Express flight to Chengdu, China on February 4. The event would attract substantial media attention.

b. Executive Vice President's Report

Margaret McKeough reported that the U.S. aviation industry had experienced a decline of 2.8 percent in passenger activity in December 2009. For the same period, Reagan National had served approximately 1.3 million passengers, an 8 percent decline from December 2008. She noted that two weather events had caused cancellations, coupled with the December 26 water standpipe break, which had forced the cancellation of many US Airways flights.

Ms. McKeough also reported that Dulles International had served approximately 1.8 million passengers in December 2009, a 2.4 percent decline. Domestic service had declined by 3.5 percent in December and international service had increased approximately 1 percent. Two new international carriers, Air India and Mexicana Airlines, had begun operations that month. Ms. McKeough reported

that cargo activity had increased 30 percent in December 2009 over December 2008. She noted that the increase had marked the strongest cargo month for 2009 and that the tonnage for December had also been strong. Year to date, Reagan National had served 17.6 million passengers, a decline of 2.5 percent; Dulles International had served 23.2 million domestic passengers year-to-date, a decline of 2.8 percent. Ms. McKeough noted that the 2009 year-to-date statistics had marked the sixth consecutive year of positive growth in international passenger traffic. She noted that both Airports had outperformed the U.S. aviation industry in 2009 in both domestic and international activity. Ms. McKeough stated that year-to-date cargo activity had declined 12 percent, which marked the lowest year of performance for the past three years. Mr. Garson inquired whether the December increase in cargo activity had resulted from seasonal activity. Ms. McKeough responded that the December increase in cargo activity had been driven by the international carriers' activity, which raised the possibility of an economic recovery, influenced by the holiday season.

IV. UNFINISHED BUSINESS

There was not any unfinished business.

V. NEW BUSINESS

Chairman Snelling introduced a new business item. He proposed to authorize the Legal and Governance Committee to review and issue a final decision on the public parking concession protest. Consideration of this proposal required common consent because it had not been noticed on the agenda for the day's meeting. As there did not appear to be any objections, Chairman Snelling declared the discussion could proceed. He explained that all who protested contract awards were required to first, file a protest with the Manager, Procurement and Contracts Department; second, ask the President and CEO to review the matter if not satisfied with the Manager's response; and third, request that the Board of Directors review the protest.

Chairman Snelling said that under the existing procedures the Board could either assign the protest to a Committee for a final decision or assign it to the Committee for review, followed by the Committee's recommendation to the Board. He noted that he had consulted with staff attorneys, who confirmed that both ways were appropriate. He had a draft resolution prepared that would give the Legal and Governance Committee final jurisdiction and said that the approach had been chosen because of time constraints. Mr. Speck moved that the 48-hour

notice provision be waived with respect to the parking protest, and the Board unanimously agreed. Mr. Speck then moved the adoption of the following resolution:

WHEREAS, the Airports Authority's Contracting Manual ("Manual") provides a procedure allowing unsuccessful offerors for Airports Authority contracts to protest the Airports Authority's award of a contract to another;

WHEREAS, the final phase of the Manual's protest procedure ("Board Phase") provides for 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 December 2, 2009, the Board approved the selection of a firm to be awarded contracts for the management and operation of the public parking concession at Washington Dulles International Airport and Ronald Reagan Washington National Airport;

WHEREAS, subsequent to December 2, 2009, a protest of that selection was filed with the Airports Authority ("Public Parking Concession Protest"), and the protest has now progressed to the Board Phase of the protest procedure; and

WHEREAS, the Board wishes its Legal and Governance Committee to review the Public Parking Concession 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 Public Parking Concession Protest 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.

Ms. Reiley said she believed that the decision for the Committee to have final jurisdiction for the protest award pertained only to the protest to which the resolution referred and that the decision had been made because of time constraints, and asked for clarification. Chairman Snelling confirmed Ms. Reiley's

understanding and noted that past protests had been handled both ways – with a Committee having final jurisdiction and a Committee recommending a decision to the Board; both were appropriate. Mr. Brown supported the proposed resolution only because of the time constraint, but stated that he believed that the designated Committee should normally make its recommendation to the Board. Chairman Snelling agreed.

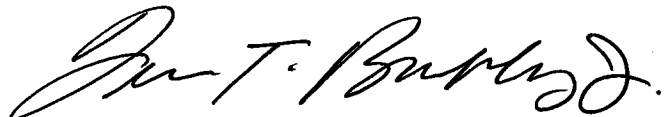
The final resolution filed in the Board of Directors Office includes a copy of the staff recommendation paper.

Chairman Snelling then invited Directors and staff designated by the President to join him on March 3, 2010 at 1 p.m. to visit Rapiscan, located in Crystal City. He noted that Rapiscan had reflective radar scanning devices, which he advocated.

VI. OTHER BUSINESS & ADJOURNMENT

There being no further business, the meeting adjourned at 9:38 a.m.

Respectfully submitted,



Quince T. Brinkley, Jr.
Vice President and Secretary

Approved
3/3/10