



BOARD OF DIRECTORS MEETING

Minutes of February 4, 2009

The regular monthly meeting was held in Conference Room A at Washington Dulles International Airport and was called to order by the Chairman at 9:00 a.m. The following nine Directors were present during the meeting:

H.R. Crawford, Chairman
Robert Clarke Brown
William W. Cobey Jr.
Michael David Epstein
Jack A. Garson

Leonard Manning
Michael L. O'Reilly
Mame Reiley
Charles D. Snelling

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

I. MINUTES OF THE JANUARY 7, 2009 BOARD MEETING

The Chairman called for approval of the minutes of the January 7, 2009 meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Audit Committee

Mr. Snelling chaired the Audit Committee meeting on January 7, 2009. He reported that the Vice President for Audit presented the Risk Assessment and Audit Plan for 2009. The Office of Audit uses risk assessment processes to identify, measure, and prioritize risks and to allocate internal audit resources. The Audit Plan details the specific airport activities and functions that will be audited in Calendar Year 2009. The plan appropriately considers the financial challenges facing the aviation industry in 2009 and beyond. Mr. Snelling was informed by the Office of Audit that sufficient industry benchmark data for the risk assessment process was available and used by that Office.

The Committee also discussed the results of indirect cost reviews for an engineering firm and noted that significant savings had occurred as a result of those cost reviews.

b. Business Administration Committee

Mr. Manning chaired the Business Administration Committee meeting on January 22, 2009 and reported that in Steve Baker's absence, Richard Gordon would present the monthly contracting report for December 2008, as well as, the year-to-date report. Mr. Manning and Mr. Crawford requested that future contracting reports be produced by region. Mr. Gordon reported that the reports will be modified and the requested information would be included.

DBE Concession Achievements for Federal Fiscal Year 2008. Mr. Gordon reported on the DBE participation in 2008 for concessions at Reagan National and Dulles Airports. Mr. Gordon explained that the report is submitted annually to the Department of Transportation (DOT) and that DOT requires airport sponsors to report on their DBE accomplishments and establish annual DBE concession goals. Mr. Gordon requested that this report be presented by region.

DBE 2008 Achievement for Federally Assisted Design and Construction Contracts. Mr. Gordon stated that this report is required annually by the Federal Aviation Administration (FAA). The Airports Authority reports on DBE goals established and accomplished for federally assisted design and construction contracts. Mr. Gordon reported that a new federally assisted contract was awarded at Reagan National to design runways 15-33 overlays and taxiway rehabilitation for a total of \$944,081. Three DBE firms participated in the contract for a total of \$427,033 or 45.2 percent of the contract award. A motion to accept the report was made and passed with Mr. Crawford expressing deep concern that businesses in the District of Columbia are not participating in awarded contracts and requested that this be verified.

Proposed 2009 DBE Goal for Federally Assisted Design and Construction Contracts. Mr. Gordon stated that the proposal would establish a 25 percent DBE participation goal for 2009 on Design and Construction projects. He stated that under this process, the Airports Authority would review DBEs in the market area, compare them to all firms, and establish future goals. The Airports Authority is required to advertise the proposed goals for 45 days to receive public comments, and will use major circulation and community newspapers in the region for that purpose. Letters will also be sent to the DBE firms in the Airports Authority database with a proposed goal of 25 percent for three projects totaling

\$38.7 million. A motion on the proposal was made and accepted.

Proposed Recommendation to Confirm Nine Members of the Employee Relations Council. Arl Williams explained that the Airports Authority is not covered by the National Labor Relations Act, and that the Airports Authority's lease required it to establish a labor code. Under the labor code, an Employee Relations Council (ERC) was created to work with the Airports Authority in the resolution of labor issues. The Committee requested reappointment of the nine panel members for a two-year term, expiring January 31, 2011.

Proposed Amendment to the Metropolitan Washington Airports Regulations on Taxicab Dispatch Fee at Reagan National. Paul Malandrino reported on the proposed regulatory change to increase the taxicab dispatch fee at Reagan National from \$1.75 to \$2.50. He stated that the last increase occurred July 1, 1999, and that the new fee would match the per trip fee charged by Washington Flyer taxicabs at Dulles. The increased fee would be consistent with charges at other airports around the country. The increase per trip fee of \$2.50 would increase estimated gross receipts earned by the Airports Authority to \$4,175,000, a \$1,096,561 gain over 2008 collections. The President and Chief Executive Officer will publish the notice in major newspapers and schedule a hearing for public comment. The public hearing will be held at least 10 days after the newspaper ad is published. A summary of the public comments received at the hearing will be compiled and a final staff recommendation will be prepared for Committee and Board approval. A motion was made and accepted.

Proposed Adoption of a Metropolitan Washington Airports Regulation to Impose Fees on Commercial Vehicles. Chris Browne reported on staff's proposal to issue an access fee of \$2.50 on hotel shuttle vehicles that use the commercial vehicle curbs at both Dulles and Reagan National. In recent years, both Airports have implemented the Automatic Vehicle Identification (AVI) system which allows tracking for vehicles that are part of the system, as they enter and exit the Airports. The proposed regulation would be issued for public comment to determine its level of acceptance, and recommendations will be presented to the Committee and the Board for implementation. A motion was made and accepted.

c. Strategic Development Committee

The Strategic Development Committee last met on January 22, 2009.

In executive session,

Mark Treadaway presented the November and December 2008 monthly air service development report as follows:

1. DOT awarded two within-perimeter slot exemptions that were returned by AirTran to US Airways last year. As a result, US Airways began operating on January 25 a daily non-stop flight between Reagan National and Akron/Canton.
2. Air France officially announced on January 13 that it will fly the Airbus A380 to Dulles beginning in the summer, 2010.
3. Various air service development activities are in place.

In regular session,

Organization Structure Study

With respect to the Airports Authority Organizational Study, Mr. Cobey raised a question as to the appropriateness of the time to spend money to conduct the study. Mr. Bennett prepared the pros and cons of deferring this business plan item, or moving it forward with respect to how the operating model of the Dulles Toll Road will impact the organizational structure of the Airports Authority. After considerable discussion about costs, budget, and timing, the Committee agreed to table the issue. Future updates regarding this topic will be made by the Strategic Development Committee, and a final decision to conduct the study will be made at a later time. The Committee determined that the process should be Board driven and should receive input from incoming Board Members.

Other

Mr. Treadaway discussed the 2008 Airports Council International (ACI) Air Service Quality Study. The Committee discussed the goals and ranking factors of the study.

Andy Rountree presented the results from the 2008 Performance Measurement Cockpit Report, noting the areas where the Airports Authority either achieved or did not achieve its goals.

In relation to a recent attack in an Airport restroom, Mr. Bennett stated that staff will include in future customer surveys, a request for feedback on airport users' perspective of airport safety. Mr. Banks indicated that the Public Safety Committee would meet to discuss the existing regulations regarding security at the Airports and report back to the Board.

d. Ad Hoc Committee

The Chairman reported that the Ad Hoc Committee met on January 22 and February 3, 2009.

In executive session on February 3, 2009, Phil Sunderland reported that a Request for Proposals was issued on January 2, 2009 inviting law firms to submit proposals to provide bond counsel services to the Airports Authority in connection with the issuance of Dulles Corridor Enterprise Bonds.

Prior to today's meeting, the Committee reviewed 15 proposals submitted by interested firms and short listed five to be interviewed. The interviews were held and a resolution was proposed, recommending the selections of Orrick, Herrington and Sutcliffe LLP as the Bond and Disclosure Counsel for the Airports Authority in connection with the issuance of the Dulles Corridor Enterprise Bonds. A motion was made and approved recommending the Committee's decision to the Board.

Mr. O'Reilly (with the agreement of Mr. Snelling) stated that he was impressed with all of the firms' presentations. The Chairman will offer a resolution on this matter later in today's meeting.

e. Finance Committee

The Finance Committee met on January 22 and February 3, 2009.

Aviation Enterprise

Financial Advisors' Report:

- The Aviation financial advisors provided an update on the financial markets, informing the Committee that there had been little change in the market for long-term airport revenue bonds.
- The three swaps set to mature on January 15 were successfully extended to July 15 at an increase of 8 to 16 basis points. Wachovia and the Bank of Montreal both require that the swaps be cash settled on or before the July 15 date.
- The financial advisors reported that LBBW notified staff of a 60-day expiration date to the end of March on their offer of a liquidity facility for the Series 2009A Bonds. The Finance Committee concluded that there is a need to move expeditiously on the Series 2009A Bonds.

- Representatives of JPMorgan Chase have asked the Airports Authority to assign the Bear Stearns swap to JPMorgan. An action item on this assignment will be on the February 2009 Finance Committee agenda.

Dulles Corridor Enterprise

Financial Advisors' Report:

- The Airports Authority met with Moody's, Fitch, and Standards and Poors rating agencies in preparation for obtaining a bond rating on the Dulles Toll Road.
- Proposals for underwriters for the Dulles Corridor Enterprise were received and interviews were held on February 3, 2009. The Finance Committee recommended the selection of Citigroup Global Markets, Inc. and Morgan Stanley as Book-Running Co-Senior Managing Underwriters for the inaugural issue or issues for the Dulles rail financing program. A motion was made and approved to recommend the Committee's decision to the full Board. Mr. Brown will offer a resolution later in today's meeting.

III. INFORMATION ITEMS

a. President's Report

Mr. Bennett highlighted provisions in the stimulus bill that the Airports Authority is monitoring for aviation and transportation purposes. He noted that on the aviation side, the House and Senate are considering bills with a two-year provision that would address the AMT penalty issue commented on by Mr. Brown earlier today. The bills being considered may add relief for entities issuing bonds impacted by the AMT penalty. For new issues, in 2009–2010, airport bonds would be deemed non-private activity and therefore, not be subjected to the AMT penalty. Mr. Bennett noted that the bills however, do not allow refunding of interim financing or other bonds eligible to be refunded as currently written. He stated that industry groups are working to get this provision added. Several airports, including Reagan National and Dulles have used short term paper to keep their construction programs going, since being frozen out of the market place. The Airport Authority has been working to take out its interim financing with fixed rate non-AMT debt. The House bill has approximately \$3 billion of new airport improvement grant programs available over a 2 year period, in addition to the regular airport grant programs. He noted that the House bill had \$500 million of funding available for in-line baggage training systems and new security check point technology, while the Senate bill had approximately \$1.1 billion in airport grants and \$1.2 billion for in-line baggage training systems and security check point technology. Mr. Bennett stated that entities receiving the stimulus money

may have to provide matching funds. The ideal goal would be to have the stimulus funding 100 percent federally shared, and not requiring the standard local match model of 75 federal and 25 local. He noted that this approach would require significant upfront more money from the local provider, in order to accept the federal funding, which many entities do not have the resources to provide.

Mr. Bennett noted that on the surface side, there are some provisions in the stimulus package of interest to the Airports Authority. In the House bill, there is approximately \$1 billion for new mass transit programs. The Senate bill has no specific money for new starts, but has approximately \$5 billion for a new surface transportation program that includes mass transit, highways, and bridges. It is still unclear if the surface transportation funds will be used to increase federal share of transit projects, or to advance money to get a full funding grant. The Airports Authority has projects on the aviation side that are ready to go should the federal funding become available: the construction of runways 1C and 19C at Dulles and the in-line baggage system at Reagan National has been designed and are ready for construction.

In addition to the stimulus work, Capitol Hill has begun the FAA re-authorization process, and a hearing is scheduled in the House on February 11, 2009 to hear from airports as they continue to press for an increase in the passenger facility charge from \$4.50 to \$7.50. The airport industry is also working on the re-authorization process to mitigate impacts of the proposed changes to the aircraft rescue, and firefighting standards.

Of interest to the Airports Authority is the slot and perimeter rule at Reagan National that some public officials would like to eliminate. Mr. Bennett stated that Senator McCain has filed a bill to eliminate the perimeter rule, and that there are strong discussions taking place regarding changing the slot rule to allow additional service at Reagan National. These efforts will be monitored.

Mr. Bennett thanked the Directors and staff that attended the annual briefing for the General Assembly Legislative Breakfast in Richmond. He stated that he updated officials on the status of the aviation industry which was well received by those in attendance.

Mr. Bennett reminded the Board of the "Black History Month Celebration" taking place on February 19th. Reverend Walter Fauntroy is the guest speaker, and will share his experience traveling with Dr. Martin Luther King. Mr. Bennett stated that last year the Airports Authority put together a display that featured the

Tuskegee Airmen. It is currently on loan to the Martin Luther King, Jr. Branch of the District of Columbia Public Library for Dr. King's birthday celebration.

b. Executive Vice President's Report

Margaret McKeough presented reports on the airports' performance during the inaugural period and the statistics for the month of December and year end 2008.

Ms. McKeough thanked the tenants and staff for their successful planning and organizing during the inaugural activities. She stated that airside activity, unlike in other years, did not have a strong demand for overnight aircraft parking at either airport. Reagan National had 17 aircrafts arriving and departing, with only 1 or 2 remaining overnight. She noted that Dulles experienced a significant increase in aircraft parking; however, the peak was 200 aircraft on the ground and 2,000 drop and go flights. The increased activity of 2,000 general aviation flights over a few day period compared to 4,000 during an average month. At Dulles, the weekend before the inauguration, the Airports Authority accommodated 150 to 200 charter buses in remote parking lots around the airport. There were no public parking issues. She noted that staff faced the most challenges during the two day period after the inauguration. The Airports Authority was confronted with mass crowds (and their baggage) departing the airports during condensed time periods. Ms. McKeough stated that Airports Authority staff, airlines and TSA officials worked together to move passengers through the airports, as quickly as possible. She stated that many of the concessionaires extended their hours of operation, specifically food and beverage and souvenir vendors. During this time period, concession vendors achieved sales that were 3 to 4 times their average daily sales.

For the month of December, the aviation industry experienced a 6 percent decline. Reagan National serviced approximately 1.4 million passengers in December which was a 5 percent increase over the numbers in 2007. Reagan National serviced 18 million passengers for the year which was a decline of 3.5 percent from 2007. Dulles serviced 9 million passengers in December declining 2 percent from 2007. The declined resulted from fewer domestic passengers traveling at Dulles. In 2008, Dulles serviced 23.9 million passengers which was a 3.5 percent decrease from 2007. Cargo activity for December was down 18 per cent and 7 per cent for the year.

IV. NEW BUSINESS

a. 2009 Business Plan

Mr. Manning moved a motion to adopt the 2009 Business Plan, **which was unanimous.**

- b. Recommendation to Confirm Nine Members of the Employee Relations Council

Mr. Manning moved a motion to reappoint nine members to the Employee Relations Council, **which was unanimous.**

- c. Appointment of Bond Counsel for Dulles Corridor Enterprise Fund

Mr. Crawford moved the adoption of the following resolution:

WHEREAS, the Metropolitan Washington Airports Authority (Airports Authority) has decided to prepare for the issuance of Dulles Corridor Enterprise Dulles Toll Road Revenue Bonds which is anticipated to occur in the spring of 2009; and

WHEREAS, a Request for Proposals (RFP) was issued on January 2, 2009, inviting law firms to submit proposals to provide bond counsel services to the Airports Authority in connection with the issuance of these and other Dulles Corridor Enterprise bonds; and

WHEREAS, an Ad Hoc Committee of the Airports Authority's Board of Directors has reviewed the submitted proposals, has conducted interviews of a number of the law firms submitting proposals, has determined that Orrick, Herrington & Sutcliffe LLP best meets the evaluation criteria set out in the RFP, and has recommended the appointment of this firm to the Board of Directors;

NOW, THEREFORE, BE IT RESOLVED

1. That the law firm of Orrick, Herrington & Sutcliffe LLP is appointed to serve as Bond and Disclosure Counsel for the Airports Authority in connection with the issuance of Dulles Corridor Enterprise Bonds secured by revenue of the Dulles Toll Road, subject to the firm's timely withdrawal as counsel for underwriters in connection with the issuance of Airports Authority general aviation

bonds; and

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

d. Appointment of Book-Running Senior Manager for the Dulles Corridor Enterprise

Mr. Brown moved the adoption of the following Resolution:

WHEREAS, the Metropolitan Washington Airports Authority (Airports Authority) is preparing the financing program for the Dulles rail program; and

WHEREAS, the Airports Authority desires to appoint book-running senior managing underwriters to assist in the preparation and subsequent underwriting of the inaugural issue or issues of that financing program, currently anticipated to occur in the spring of 2009; and

WHEREAS, a Request for Proposals (RFP) to serve as book-running senior managing underwriter was issued to select firms on January 2, 2009; and

WHEREAS, the Airports Authority will conduct further solicitations for additional managing underwriters in connection with the Dulles rail financing program at a later time; and

WHEREAS, the Finance Committee of the Airports Authority's Board of Directors has conducted interviews of a number of the firms submitting proposals in response to the RFP, has determined that Citigroup Global Markets Inc. and Morgan Stanley best meet the evaluation criteria set out in the RFP, and has recommended the appointment of these firms to the Board of Directors;

NOW, THEREFORE, BE IT RESOLVED

1. That Citigroup Global Markets Inc. and Morgan Stanley are appointed to serve as book-running co-senior managing underwriters of the inaugural issue or issues for the Dulles rail financing program;

and

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

Mr. Brown stated that the Dulles toll road financing will be the first financing for a major new program at the Airports Authority. He also noted that this program will eventually be a multi-billion dollar financing, and must be done correctly as it is the basis for subsequent financial structures in the future. He stated that the indenture must be well drafted. Once the indenture is written and bonds are issued, the documents are expensive and difficult to change. Mr. Brown acknowledged that Citigroup Global Markets and Morgan Stanley are a good team for this purpose. A motion to adopt the resolution was made and accepted.

e. 2009-2011 Disadvantaged Business Enterprise Goals for the Airports Concessions Program

Mr. Manning stated that these goals are at least 10 per cent of the gross receipts for Reagan National and Dulles airports for car rental concessions. The goals for non-car rental concessions covering federal fiscal years 2009-2011 are 29 per cent for Reagan National and 20 per cent for Dulles. Mr. Manning moved the adoption of the following resolution, which was unanimously adopted.

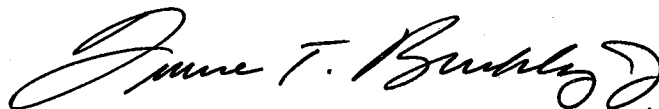
V. UNFINISHED BUSINESS

The Chairman reminded Directors that the 2009 financial disclosures are due.

VI. OTHER BUSINESS & ADJOURNMENT

There being no further business, the meeting adjourned at 9:45 a.m., and Directors went into Executive session.

Respectfully submitted,



Quince T. Brinkley, Jr.
Vice President and Secretary

Approved 3.4.09