BOARD OF DIRECTORS MEETING

Minutes of August 4, 2010

The regular meeting of the Board of Directors was held in Conference Rooms A and B at Washington Dulles International Airport and was called to order by the Chairman at 9:02 a.m. The following nine Directors were present during the meeting:

Charles D. Snelling, Chairman
Michael L. O'Reilly, Vice Chairman
Robert Clarke Brown
Frank M. Conner III
H.R. Crawford
Michael D. Epstein
Jack A. Garson
Dennis L. Martire
Mame Reiley

Mr. Speck participated in the meeting via telephone, but did not vote on any matter.

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

The Chairman requested a motion to go into executive session to discuss legislative matters related to the Federal Aviation Administration reauthorization; the motion was made, and the Board unanimously adopted it.

At the conclusion of the executive session, the public session reconvened at 9:20 a.m.

I. MINUTES OF THE July 7, 2010 BOARD MEETING

The Chairman called for approval of the minutes of the July 7, 2010 Board Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Audit Committee

Mr. O'Reilly reported that the Audit Committee had last met on July 7. Valerie Holt, the Vice President for Audit, had presented the results of several audits and, including information security, custodial services, and two concession programs. Mr. O'Reilly noted that Ms. Holt had also presented a status report on the audit of indirect costs for construction subcontractors.

b. Business Administration Committee

In Mr. Manning's absence, Mr. Crawford reported that the Business Administration Committee had last met on July 21. In executive session, Ms. Holt and a consultant had reported on the role of the Board of Directors in Information Technology Governance. Mr. Crawford said that the report would be considered further during the course of the organizational study.

Mr. Crawford reported that in public session, Steve Baker, Vice President for Business Administration, had presented the statistics from the June Contracting Report. Mr. Baker had reported that June contracts had totaled $12.9 million. Non-federally assisted new contract awards totaling $175.2 million had been awarded in 2010. Local Disadvantaged Business Enterprise (LDBE) contract awards had totaled $87.7 million, or 49.8 percent of the total. Of the $3.8 million in federal-aid contract awards, Disadvantaged Business Enterprises had received $645,700, or 17.1 percent of the total.

Mr. Crawford reported that Mike Stewart, Dulles Airport Administration and Finance Manager, had briefed the Committee on the outcome of a two-step procurement process for natural gas, which the Committee had agreed to in April. He said that the first step of the process had been the selection of several qualified firms that had responded to the initial Request for Proposals (RFP). The firms had been invited to make a price offer, with the lowest bid price prevailing. Mr. Crawford reported that an addendum to the written report, which included the bids that had been received, had been distributed at the day's meeting. He noted that the bids would expire that afternoon at 2 p.m., and that he would request Board approval of the final price later during the day's meeting.

The Committee had received a detailed report from Margaret McKeough and George Ellis, Vice President for Information and Telecommunications Systems, on the status and progress of the Enterprise Resource Planning (ERP) project, which would change the future way the Airports Authority conducted its business processes. Mr. Crawford said that while the presentation would have been difficult to summarize, the conclusions had been satisfactory. Mr. Crawford reported that the project was on track for completion in October, and that it would be brought in at or near its original budget.

Mr. Crawford next reported that the Committee had reviewed a detailed report on the exercise of extension options on contracts already approved by the Board. He stated that the Committee had considered alternate reporting requirements and cleared the way for several time-sensitive extensions, including elevator maintenance, security access control, engineering planning services and telephone systems, to be exercised immediately. Mr. Crawford added that was his opinion that the Board had agreed to extend the taxicab concessions contract for one year. Ms. McKeough responded that management was presently seeking clarification on that point. Mr. Crawford confirmed that the contract should be extended one year.

Mr. Crawford reported that the Committee had discussed hiring former Director Anne Crossman to provide an independent look at IT concerns, related to the implementation of ERP. The Committee had concurred in the terms of Ms. Crossman's scope of work to be provided at the day's meeting.

Finally, Mr. Crawford thanked Ms. Hampton, Ms. McKeough and Deborah Lockhart, Manager, Staffing & Records, for bringing a successful Jobs Fair to the southeast section of Washington, DC.

c. Dulles Corridor Committee

Ms. Reiley reported that the Dulles Corridor Committee had last met July 21. The Committee had received the Dulles Corridor Metrorail Monthly Cost Summary and Project Update. Pat Nowakowski, Executive Director of the Metrorail Project, had reported on the acquisition of new rail cars, advising the Committee that Washington Metropolitan Washington Area Transit Authority (WMATA) had not yet issued a Notice to Proceed to the rail car manufacturer. Ms. Reiley noted that, at the time of the July 21 meeting, WMATA had been discussing Buy America requirements with the Federal Transit Administration. She said that she understood the issue had since been resolved, and that the rail car order had moved forward at the original price. Mr. Snelling noted that the contract had been executed and returned to the Airports Authority.

Ms. Reiley gave an account of Committee discussions on reasons for the 90-day delay in the Metrorail Project, noting that the principal cause of the slippage had been delays in utility relocation by the power and telephone companies. All indications had been that the project could be accelerated enough to catch up.

Ms. Reiley reported that Mr. Nowakowski had advised the Committee that a decision on the rail alignment at Dulles was critical to the progress of Preliminary

Engineering for Phase 2. He hoped that the Board would reach a decision by its October meeting. Ms. Reiley noted that the day's meeting was being held at Dulles International so that the Board could evaluate alternatives on site.

Ms. Reiley reported that for the first time, forecasts had shown that the use of contingency funding had exceeded the budget for a specific period: $82 million of the $312 million contingency had been used thus far. Ms. Reiley noted that the contingency numbers in the Committee minutes had misstated that the full $312 million had been used, and said that they would be corrected to reflect the accurate amount used.

Ms. Reiley reported that the Committee had received a briefing on the adjustments made to Metrorail stations since the original design, including where the requests originated and their status. She noted that a meeting was planned with Airports Authority management regarding the possible changes in Tyson's Corner.

George Morschauser, the Project Executive Director, had provided the Committee with details of the utility relocation problems and why they were so important to the rest of the project. He had presented a positive report on project safety.

Ms. Reiley reported that Steve Smith's briefing on air rights development along the Dulles Corridor had concluded with the observation that air rights development would be legally complicated because the Airports Authority held the corridor property under lease from the United States for airport purposes until 2067. She added that there would be questions about zoning, taxes, and relationships with the Commonwealth of Virginia and its local governments.

Ms. Reiley reported that Andy Rountree, Acting Chief Financial Officer, had presented the monthly financial report for the Dulles Corridor Enterprise Fund. Mr. Rountree had reported that halfway through the year, revenues had reached 49.7 percent of budget, and that expenses were running $808,000 ahead of budget, still reflecting the impact of the severe snowstorms.

d. Finance Committee

Mr. Conner reported that the Finance Committee had last met July 21, 2010. He noted that the Vice Chairman had chaired the meeting, and that he had participated by telephone.

Mr. Conner reported that the Committee had received the financial advisors' report, including the results of the Airports Authority's recent Aviation Enterprise offering of both Series 2010A and B Bonds for a total of $577.4 million. He reported that there had been a new money component of $215 million and that the rest of that balance had refunded a portion of the Series 1998B and 1999A Bonds, as well as an open market purchase element of $133.4 million. Mr. Conner added that it had been a very successful offering because of both significant retail interest and the current low interest rate environment, noting that the total interest cost for the sale had been 4.37 percent, the lowest interest cost of any prior Airports Authority aviation bond issuance of similar maturities.

Mr. Conner reported that the Finance Committee would recommend action on the remaining variable rate piece of the offering later in the month. He said that the forward starting swap was scheduled to go live on October 1, 2010, and that the current plan was to match it with a variable rate instrument.

Mr. Conner reported that the Financial Advisors' Report on the Dulles Corridor Enterprise had indicated that the Build America Bond (BAB) market had become more expensive and that the cost to issue BABs under current market conditions would be 5.36 percent. He said that Congress was considering extending the BABs, as well as extending tax-exempt features for the rest of the year, given how well tax exempt financings were doing and the interest rate environment.

Mr. Conner noted that the debt service coverage continues to improve from earlier in the year.

Mr. Conner said that later in the day's meeting he would offer a recommendation that the Airports Authority amend the 2010 Budget to authorize reimbursement of JetBlue for approximately $6 million in construction costs incurred for work done in Terminal A. He noted that the funding for the reimbursement would be included in the 2011 Budget.

The Chairman commented that everyone on the finance team and Finance Committee had done an excellent job with the issuance.

e. Legal and Governance Committee

Mr. Garson reported that the Legal and Governance Committee had last met July 21 to resolve the Alliance Corporation's protest of the airport advertising concession procurement. He said that Rick Webber of Arent Fox had presented the Committee with an excellent summary of the record. The Committee had been unanimous in its decision to deny the protest.

f. Steering Committee

Mr. Crawford reported that the Steering Committee had met in executive session before the day's Board meeting to discuss the scope of work for L&L Consulting, LLC (L&L), the firm chosen to assist with the selection of a consultant to study the Airports Authority's organization. He said that the Steering Committee had agreed with L&L's proposal and its aggressive schedule, so that the Board should be able to select the organizational consultant by its October meeting.

g. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had last met July 21 to consider the upcoming RFP for Aviation Consultant Services.

Mr. Brown said that the Aviation Consultant supported the Air Service Development Program. Among other things, the consultant provided research, risk analysis, regulatory filing support and continuing strategic counseling for potential targets to pursue for air service development.

Mr. Brown contrasted the responsibilities of the Aviation Consultant with those of the Airport Feasibility Consultant, noting that the Airport Feasibility Consultant provided a conservative forecast of traffic and revenue, known as a 'Feasibility Study", to support Official Statements on bond sales. He added that the feasibility consultant would therefore come under the jurisdiction of the Finance Committee.

Mr. Brown reported that the Committee had convened into executive session to receive the regular Air Service Development report and discuss strategy for the aviation reauthorization legislation pending in the Congress.

III. INFORMATION ITEMS

a. President's Report

Ms. Hampton reported that the Airports continued to make great changes in 2010, including the AeroTrain opening, and the first half of the International Arrivals Building (IAB) at Dulles International, both of which had opened earlier in the year. She noted that the second half of the IAB was scheduled to open later in the year. Renovations had occurred on half of the bathrooms at Dulles International.

With the opening of the IAB, Ms. Hampton reported that the Airports Authority was making a significant statement about the importance of art, similar to that at Reagan National. Ms. Hampton said that negotiations with the National Air and Space Administration had recently been completed, which would result in a second display of art in the temporary walkway from the AeroTrain to Concourse C. She noted that the Torpedo Factory had supplied the art displayed in the gallery area of Terminal A at Reagan National, which would be rotated with new art. Five artists' proposals were being reviewed for this purpose.

Ms. Hampton reported that the Dulles Jet Center work was progressing quickly and that negotiations between the two parties were proceeding very well. The damaged aircraft could now be removed from the buildings.

Ms. Hampton reported that the utility companies' deadlines to remedy existing problems had been accelerated. With the utilities moved, work could begin on paving and road shifts for Route 7, which would accommodate construction activity and building of the train stations and guideways in the median area. Management was working with Dulles Transit Partners to develop a plan to make up the 90 days of delay.

Ms. Hampton reported that Congress had not passed a new Federal Aviation Administration Reauthorization Bill; the existing legislation had been extended to September 30. She noted that the extension included provisions for safety and pilot regulations. No changes to the slot and perimeter rules had been included in the extension.

Ms. Hampton reported that Arl Williams, Vice President of Human Resources, had returned to work after a long illness.

Mr. Brown applauded management on its design and concept of the President's Report to the Board, stating that it served the Board well in providing information from all over the Airports Authority. The Chairman expressed his gratitude at the forthright nature and openness of management and the frequent meetings to keep the entire Board informed.

Mr. Crawford agreed with the Chairman and Mr. Brown. He then expressed concern about the rail project's workforce, noting that only 16 of 500 employees were African Americans. Since he believed that the Board could change the apparent injustice, Mr. Crawford suggested a visit to the worksite to identify the 16 employees and evaluate their performance.

The Chairman requested that Mr. Crawford and Mr. Martire meet and prepare a status report for the next Board Meeting.

b. <u>Executive Vice President's Report</u>

Margaret McKeough reported on the July 15 electrical fire at Reagan National that had caused disruption to the electrical system, noting that the damage had affected the administrative functions of the Airports Authority the most, including the information and technology system, at the Authority Office Building. She said that management was preparing a summary report of the incident, including actions that had been taken. The report would be provided by the end of the month.

The Chairman observed that the facilities impacted had been old, and said that a general survey on their conditions would be conducted to ensure the protection and progress of the systems. Since it had been discovered that the IT systems were not backed up more frequently, specific plans would be developed to improve the existing procedures.

Ms. McKeough reported that Delta Air Lines (Delta) had announced a significant increase in services at Reagan National. She said that the pending transaction between Delta and US Airways to swap slots between Reagan National and LaGuardia had not been approved by the Department of Transportation (DOT). Both airlines had filed suit against the DOT decision. Ms. McKeough reported Delta had announced that it would begin to use some of the Reagan National slots it had expected to swap with US Airways on new services, primarily to Florida and Boston, on October 31. She noted that the litigation and the Delta announcement had enabled the Airports Authority to complete the gate realignment and facility space assignments under the lease agreement.

Ms. McKeough reported that JetBlue's efforts to begin services at Reagan National were progressing well. As Mr. Conner had reported, a resolution would be offered later in the day's meeting to reimburse the carrier for construction costs.

Ms. McKeough reported that Qdoba, a Mexican restaurant, and Vino Volo, a wine bar and eatery, would open at Reagan National and Dulles International, respectively; both concessions should provide fabulous amenities and a nice visual to customers.

Since the day's Board Meeting was being held at Dulles International, Ms. McKeough suggested that Directors view the television screens at the baggage claim area. She said that one of the customer service initiatives was to replace the units with upgraded technology and flat screens to provide both an aesthetic and functional environment for customers waiting in the baggage claim area,

Ms. McKeough reported that June 2010 passenger activity level growth at both Reagan National and Dulles International had been consistent with national benchmarks of approximately 2.5 percent. At Reagan National, 1.6 million passengers had been served, 2.1 percent over June 2009. Approximately 2.2 million passengers had been served at Dulles International, representing both domestic and international growth, up 2.5 percent.

Ms. McKeough reported that June 2010 had been a strong month for cargo activity, as total tonnage had increased 24 percent. International cargo growth had posted the strongest increase, 32.6 percent.

Mr. Brown commented that he had found the signage to the AeroTrain confusing at his arrival at Dulles International. The Chairman confirmed that there had been many complaints about Dulles signage, and that Chris Browne, Vice President and Dulles Airport Manager, had formed a committee to address the issues.

Mr. Browne reported that a standing signage committee, comprised of individuals from the airport community, including carriers, meets regularly. In advance of the AeroTrain opening, the Committee had installed approximately 2,000 signs. Since the opening, more than 500 signs had been retrofitted or changed. Ms. McKeough clarified that many of Concourse B gates had been relabeled, which had led to some confusion. Mr. Browne noted that signage had continued to be a challenge.

Ms. Reiley asked if there was a separate line for the disabled, pregnant women, and families with young children proceeded through Customs and Border Protection (CBP) at the International Arrivals Building. Mr. Browne responded that presently no separate accommodations existed, noting that the Airports Authority had requested that the CBP differentiate passengers within the queue. He said that passengers with wheel chairs were placed ahead of the line, but that others were not separated. Mr. Browne advised that CBP controlled the queue, but that staff would continue its dialogue. Ms. Reiley said that the Airports Authority should ensure that separate lines were provided for the disabled, pregnant women, and families with small children. She indicated that airports around the world provided these accommodations and that Dulles International should offer them as well.

Mr. Browne said that the matter would be discussed with CBP.

Ms. Hampton reiterated that Mr. Browne had begun a steady and continuing dialogue with CBP to improve the new facilities and lanes, and to eliminate other problems that may arise.

The Chairman commented that information on benchmarking had been sent to the Directors to review. He said that Ms. Hampton had been working diligently on customer service issues. He believed that it was important to compare Reagan National and Dulles International to other airports around the world and to set goals for improving the way that the public views them.

IV. NEW BUSINESS

a. Recommendation to Fund Facility Improvements in Terminal A to Accommodate JetBlue Airways at Reagan National

Mr. Conner offered a resolution authorizing the management to enter into an arrangement with JetBlue to finance and construct certain facility improvements to Terminal A including gates and ticket counters to accommodate that airline at Reagan National. He said reimbursement of these improvements would be included in 2011 Budget, and that the Airports Authority would retain ownership of all improvements. The following resolution was unanimously approved:

WHEREAS, JetBlue Airways (JetBlue) has recently obtained the necessary air traffic reservations ("slots") to begin service at Reagan National;

WHEREAS, while gate space for the new services is available at Terminal A, adequate counter and baggage handling facilities are not sufficient to meet the new demand;

WHEREAS, JetBlue intends to begin operations at Reagan National on November 1, 2010;

WHEREAS, the facility improvements necessary to accommodate the JetBlue services were not anticipated at the time the 2010 Budget was adopted;

WHEREAS, JetBlue is prepared to undertake these necessary improvements to the Terminal A facilities at its own expense, at a cost of approximately $6 million, to be reimbursed by the Airports Authority from its 2011 Budget;

WHEREAS, Airports Authority staff is prepared to enter into a business arrangement with JetBlue under which the airline would finance and construct improvements, consistent with Airports Authority design and construction standards, with title to the improvements passing to the Airports Authority upon substantial completion;

WHEREAS, in the absence of current budgetary authority, approval of the business arrangement by the Board of Directors is necessary; and

WHEREAS, the Finance Committee has unanimously recommended that the Board of Directors approve the business arrangement, with the full expectation that it will be funded in the 2011 Budget;

NOW, THEREFORE, BE IT RESOLVED

1. That the President and Chief Executive Officer is authorized to enter into a business arrangement with JetBlue Airways for the funding and construction of facility improvements at Reagan National, consistent with the terms presented to Board of Directors at today's meeting;

2. That the President and Chief Executive Officer will present the full terms of the business arrangement to the Business Administration Committee before it is executed; and

3. 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 for a Natural Gas Commodity and Supply Services Contract at Dulles International

Mr. Crawford moved the adoption of a resolution to select Columbia Gas of Virginia to supply natural gas to Dulles International for a two-year base term beginning October 1, 2010 with two two-year option terms.

Mr. Brown asked if the bid price reflected represented prices per therm and inquired whether it was calculated per unit of gas or per therm. The Chairman and Mr. Brown agreed that the gas was being purchased by energy content, and not by volume. While Columbia Gas of Virginia would measure the amount of gas the Airports Authority consumed and bill it as a result of the usage, the Airports Authority could not confirm the fixed amount it would use. The contract award was, therefore, only an estimate as the Airports Authority had estimated its usage based on previous numbers to determine the cost. Mr. Browne stated that the contract would be for a fixed price per therm, estimated at expected usage.

The following resolution was unanimously approved:

WHEREAS, the Business Administration Committee concurred in a two-step solicitation process for a natural gas commodity and supply services contract at its April 21 meeting;

WHEREAS, consistent with this process, the staff has evaluated the responses to a Request for Proposals, identified three firms with the strongest technical proposals, and sought price proposals from them;

WHEREAS, these three firms have submitted price proposals that are valid until 2 p.m., August 4, 2010;

WHEREAS, the Business Administration Committee has agreed to the selection of the final supplier in the second step of the approved process on the basis of price alone; and

WHEREAS, Columbia Gas of Virginia has submitted the lowest price proposal of the three bids received;

NOW, THEREFORE, BE IT RESOLVED

1. That the President and Chief Executive Officer is authorized to enter into a natural gas commodity and supply services contract with Columbia Gas of Virginia; and

2. That this resolution shall take effect 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

There being no further business, the meeting was adjourned at 10:02 a.m.

Respectfully submitted:

Quince T. Brinkley, Jr.
Vice President and Secretary

approve. 9/1/10