



BOARD OF DIRECTORS MEETING

Minutes of January 5, 2011

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 9:30 a.m. The following Directors were present during the meeting:

| | |
|--------------------------------|---------------------|
| Charles D. Snelling, Chairman | H.R. Crawford |
| Leonard Manning, Vice Chairman | Dennis L. Martire |
| Robert Clarke Brown | Michael L. O'Reilly |
| William W. Cobey Jr. | Mame Reiley |
| Frank M. Conner III | |

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 began by introducing John Pistole, Administrator of the Transportation Security Administration (TSA), who had been invited to attend the Board Meeting. The Chairman said it was an honor to have the Administrator and TSA staff present. He said the TSA had an important job to do and not a lot of time to do it. Keeping the Nation's airports, airplanes and travelers safe was a very tough job, a mission the TSA worked very hard at. Because it was also a thankless job, the Administrator had been invited so the Airports Authority, Board and staff, could thank him and his staff.

The Chairman added that the Board was aware that TSA staff was constantly working to make travel ever more safe and user-friendly, and wished the Administrator well, with continued success.

Mr. Pistole thanked all the Members of the Board for the reception, and said that all men and women of TSA were "very focused" on keeping traffic safe. He introduced the managers responsible for the Washington Airports: Bob Allison, the Federal Security Director at Reagan National, Susan Tashiro at Dulles International and Lee Kair of headquarters, who oversaw operations at all 453

airports. Mr. Pistole said that he had received unsolicited e-mail messages from travelers that thanked the officers for their calm professionalism in helping them to travel safely. He also expressed appreciation for the partnership with airports staff.

I. MINUTES OF THE DECEMBER 1, 2010 BOARD OF DIRECTORS MEETINGS

The Chairman called for approval of the Minutes of the December 1, 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 December 1, 2010, immediately after the Board Meeting. The Committee had reviewed and discussed the 2011 Risk Assessment and Audit Plan, which shows how audit resources would be deployed in the coming year. He said the report was an excellent device for matching audit efforts with the riskiest areas.

The Committee had also considered audit reports on several business activities and the management's response to the auditors' recommendations.

b. Business Administration Committee

Mr. Manning reported that the Business Administration Committee had last met December 15, 2010. Steve Baker, Vice President for Business Administration, had reported that in October and November of 2010, contract awards had totaled \$6.3 million. Through November, LDBEs had received \$99.9 million, or 48 percent of the non-federal contracts. DBE firms had won \$9.5 million, or 37.9 percent of the federal-aid contracts for the same period.

The Committee had then considered pre-solicitation terms for insurance broker services. Because of the Dulles Corridor Enterprise, the services required in the proposed Request for Proposals would call for three separate brokers: one for property, one for casualty and one for the information system. A single firm could, however, win two or three of the contracts. The Committee had concurred in the procurement proposal.

Margaret McKeough had reported on the success of the 2010 Business Plan. All but 22 items had been completed, and those 22 were necessarily taking more than one year to implement.

Lynn Hampton had presented the proposed 2011 Business Plan, focusing on the more interesting new items, including changing the WIFI system from pay to free; developing a succession plan for all mission-critical positions; continuing review of the Use and Lease Agreement options; and developing a long-term capital plan for the historic Terminal A. The Committee had concurred in the Plan as presented.

Mr. Manning reported that he would also offer a resolution to approve the Disadvantaged Business Enterprise Goal for Federally-Assisted Design and Construction Contracts. The Committee had approved the goal in September 2010, and staff had since taken it to public hearings, where the public comment had been favorable. The goal was therefore ready for Board approval at the day's meeting.

c. Dulles Corridor Committee

Ms. Reiley reported that the Dulles Corridor Committee had met on December 15, 2010 and again earlier that morning, before the Board Meeting.

The principal subject of both meetings had been to decide if the review of the alternative locations for the Metrorail station serving Dulles International could be accelerated by eliminating one of the alternatives.

The Committee had been awaiting more detailed analysis of four alternative locations and designs: two built on structure, one on the Main Terminal Arrivals Ramp, the other in front of the North Parking Garage; and two underground, on the preferred alternative under the parking bowl, the other at the front of the Terminal.

The arrivals ramp alternative had been fleshed out, because of a major question whether the Arrivals Ramp itself could support a Metrorail station and trains.

The staff report had been that, as proposed, the alternative would have required expensive sinking of the roadway system so the trains could clear the automobile traffic. Required clearance was 16 feet.

Staff therefore had decided the alternative was unworkable as proposed and did its best to redesign it. The result was a heavy structure, requiring reinforcement of the ramp, raising of certain roadways, and relocation of the station to the east side of the Terminal.

In addition to increasing costs substantially, the revised alternative presented very serious problems with the view of the Terminal, and would consequently complicate negotiations with the Virginia Historic Preservation officials.

The Committee did not take action at its December meeting because documents on the arrivals ramp alternative had not been presented, as requested, in advance of that meeting. With three weeks to think about it, the Committee had returned earlier that morning to vote on whether to continue review of the arrivals ramp alternative. Ms. Reiley said she would have a resolution on the matter for action later in the day's meeting.

The design team had assured the Committee that, with elimination of the most complicated alternative, it would be possible to proceed with preliminary engineering on the other alternatives, with cost estimates available some time in February.

The Committee then heard the Corridor Metrorail Monthly Cost Summary and Project Update. Expenses had increased to about \$68 million per month, from \$46 million, as payments for the new railcars had become due. Use of the contingency had increased \$14.7 million, chiefly because of a redesigned bridge segment over the Beltway and a building in the West Falls Church rail yard.

Steve Smith, Deputy Vice President for Engineering, had presented a detailed explanation of changes to the Dulles Toll Road Noise Policy. Under very complicated criteria, it appeared the Airports Authority would be in the business of reviewing noise impacts on neighboring properties, and mitigating the projected noise levels, in some cases with noise walls.

Some Directors were concerned that the Policy might seem to provide an open-ended commitment to noise abatement, but the Committee was ultimately satisfied that the entire program would be subject to budgetary controls.

Finally, Andy Rountree, Vice President and Chief Financial Officer, presented an abbreviated form of the November 2010 Financial Report for the Dulles Corridor Enterprise. Revenues year-to-date had remained on target, but it appeared that expenses would exceed budgeted levels before the year was out.

d. Finance Committee

Mr. Conner reported the Finance Committee had last met December 15, 2010, to hear a series of reports, all related to "ministerial matters", all generally positive. The monthly report on the Aviation Enterprise showed the performance of the Airports had continued to improve. Debt service coverage stood at 1.44 and there were 406 days of cash on hand, which meant that liquidity had also continued to improve.

e. Legal and Governance Committee

In Mr. Garson's absence, Mr. O'Reilly, the new Legal Committee Chair, reported that the Legal and Governance Committee had met on December 1, 2010. After discussing the matter with Rick Webber, outside counsel, the Committee had returned to open session and by motion had unanimously approved a document containing the operational recommendations of counsel.

Mr. O'Reilly said there had been further discussions with management since the December 1 meeting, and that the Committee when it next meets might consider amending the December 1 action.

The Committee had met again December 15 to discuss the next step as it relates to the President and Chief Executive Officer search and the decision process that will follow.

Mr. O'Reilly reported that the selection process would in 2011 be handled by the new Executive and Governance Committee, which Mr. Snelling would chair. Former Members of the Legal and Governance Committee who have been involved in the selection process would continue to participate until the process was completed.

f. Strategic Development Committee

Mr. Brown reported that the Strategic Development Committee had last met on December 15, 2010. Most of the meeting had been held in executive session, during which the Committee discussed the Monthly Air Service Development Program, the 2011 Air Service Development Plan and the 2011 Legislative/Regulatory Plan.

In open session, the Committee had reviewed pre-solicitation terms for a corporate branding program. The Committee was encouraged by the plans for corporate branding, and unanimously concurred in the staff approach.

g. Planning and Construction Committee

Mr. Martire reported that the Planning and Construction Committee had last met on December 15, 2010. The Committee had heard Frank Holly's, Vice President for Engineering, monthly capital construction cost report. At Reagan National, the forecast had remained at \$8 million under budget, and was expected to stay there. At Dulles International, costs had been reduced \$1.8 million through the closeout of the Concourse D and west Automated People Mover station projects. More reductions are expected in the future.

The safety record remained outstanding: over 1 million labor hours without any lost-time injuries.

Finally, Mr. Holly had advised the Committee that the staff was beginning to keep track of responsible contractor performance. For example, the International Arrivals Building Phase 2 had recently been turned over with very few problems, reflecting well on the contractor.

III. INFORMATION ITEMS

a. President's Report

Lynn Hampton noted that there would be a public hearing later that evening to address the environmental impact statement on the crosswind runways at Reagan National. She also reminded the Directors that the annual legislative dinners in Richmond would be coming up in late January or early February. Finally, she reported that the Federal Aviation Administration reauthorization legislation had been extended, for the 17th time, this time through the end of March.

b. Executive Vice President's Report

Margaret McKeough said the Airports had enjoyed another successful holiday season, despite bad weather on December 26, particularly further up the east coast; many cancellations had resulted at Reagan National. In addition, there had been 14 to 16 unexpected international arrivals at Dulles International, from Philadelphia and New York. Getting the passengers off the planes and through Customs and Border Protection had been a major joint effort with the federal agencies. Mr. Brown asked if all the diverted passengers had to clear customs at Dulles International. Ms. McKeough said it depended on the flight. Some could take off again after a wait. Other flights, operated by carriers with a presence at Dulles International, could be handled by airline staff. In a few isolated incidents where airlines did not have staff at Dulles, Airports Authority staff had to work matters out directly with airlines' headquarters. Some passengers were sent to New York by bus.

November had been a growth month for the entire Nation, with passenger totals up 6 percent. At Reagan National, the passenger count had been 1.6 million, up 10 percent over November 2009, setting a November record for the Airport. Dulles International had served nearly 1.9 million passengers, up 5 percent over November 2009. Counted separately, the growth had been 6 percent in domestic passengers, but just 1 percent international. As 75 percent of business at Dulles International was domestic, the result was quite positive. The Airports would end

the year with positive growth for the first time since 2007, with 2 to 3 percent at Reagan National and 2 percent at Dulles International.

Ms. Reiley complemented Lynn Hampton and the Airports team on their treatment of stranded travelers. She noted there had been considerable television coverage of their efforts.

IV. NEW BUSINESS

a. Recommendation to Adopt the 2011 Business Plan

Mr. Brown moved the adoption of the 2011 Business Plan, which was unanimously adopted.

b. Recommendation to Approve a Disadvantaged Business Enterprise Participation Goal for Federally-Assisted Design and Construction Contracts for 2011-2013

Mr. Manning moved the adoption of the following resolution, which was unanimously adopted:

WHEREAS, The Federal Aviation Administration, under the Airport and Airway Improvement Act, requires airport proprietors to develop and submit annual goals for the participation of Disadvantaged Business Enterprises (DBEs) in federally-assisted contracts;

WHEREAS, The Business Administration Staff in September through November 2010 sought public comment on a proposed goal of at least 25 percent participation; and

WHEREAS, Public comment was supportive of the 25 percent goal;

NOW, THEREFORE, BE IT RESOLVED

1. That the 2011-2013 goal for DBE participation in federally-assisted contracts shall be at least 25 percent of the total contracting dollars for each contract; 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.

c. Recommendation to Discontinue Further Consideration of Arrivals Level Aerial Alternative at Dulles International

Ms. Reiley moved the adoption of the following resolution:

WHEREAS, at the direction of the Dulles Corridor Committee of the Board of Directors, the staff and engineering consultants have been developing and analyzing in full detail four alternative locations for a Metrorail station at Washington Dulles International Airport, two above ground and two below;

WHEREAS, the alternatives analysis at the current stage has shown severe disadvantages with one of the four, the elevated structure with a station on the "arrivals ramp" roadway on the north face of the Saarinen Terminal;

WHEREAS, this "arrivals ramp" alternative was known to present potential historic preservation concerns, with elevated rail structures approaching the front of the terminal and a station canopy visible on the front;

WHEREAS, the staff engineering analysis has established that the arrivals ramp station will require major and costly construction for the ramp to provide sufficient support for a heavy rail transit station; and

WHEREAS, the combination of substantial costs and historic preservation concerns have undercut the viability of the arrivals ramp alternative;

NOW, THEREFORE, BE IT RESOLVED

1. That the President and Chief Executive Officer is authorized and directed to discontinue further consideration of the arrivals ramp alternative for the Metrorail station at Dulles Airport;
2. That the President and Chief Executive Officer is directed to complete to the satisfaction of the Committee preliminary engineering on the three remaining station alternatives: the original preferred alternative, an underground station located beneath the parking bowl; the underground station alternative located beneath the Main Terminal transportation center; and the elevated station alternative located in front of the North Garage; and
3. That this Resolution shall be effective upon its adoption.

Mr. Brown noted that there were still three alternatives being pursued, all of which had some difficulties. He said the engineering staff and consultants had performed a staggering feat on major construction projects at Dulles International over the past few years, and urged that they approach the analysis and advancement of the preliminary engineering on the three remaining alternatives with the same "can-do" attitude. Ms. Reiley agreed. The resolution was thereupon unanimously adopted.

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

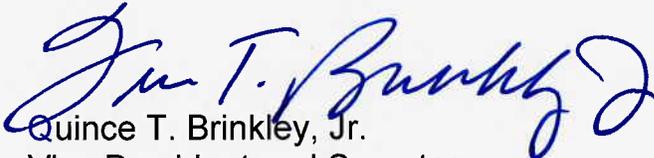
V. UNFINISHED BUSINESS

There was no unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

There being no further business, the meeting was adjourned at 9:58 a.m.

Respectfully submitted:


Quince T. Brinkley, Jr.
Vice President and Secretary

Approved 2/2/11