BOARD OF DIRECTORS MEETING

Minutes of April 18, 2012

The regular meeting of the Board of Directors was held in the first floor Conference Rooms 1A, 1B and 1C at 1 Aviation Circle. The Chairman called the meeting to order at 9:00 a.m. Ten Directors were present during the meeting:

Michael A. Curto, Chairman	Frank M. Conner III
Thomas M. Davis III, Vice-Chairman	Shirley Robinson Hall
Robert Clarke Brown	Michael L. O'Reilly
Richard S. Carter	Warner H. Session
William W. Cobey Jr.	Todd A. Stottlemyer

The Secretary and Executive Management were present:

John E. Potter, President and Chief Executive Officer
Margaret E. McKeough, Executive Vice President and Chief Operating Officer

The Meeting began with a moment of silence for Charles D. Snelling, whose death had occurred March 29.

I. MINUTES OF THE MARCH 21, 2012 BOARD OF DIRECTORS MEETING

The Chairman called for approval of the Minutes of the March 21 Meeting, which were unanimously adopted.

II. COMMITTEE REPORTS

a. Business Administration Committee – Warner H. Session, Chairman

Mr. Session reported that the Business Administration Committee had last met March 21. It had first heard a pre-solicitation report on terms for Concession Management Services to lease, market and manage food services and retail concessions at both Airports. He said the contract was a critical one, as nearly every customer used the concession services.

The new manager would be responsible for identifying passenger desires and recommending the optimum use of available space. It would also monitor customer satisfaction and recommend improvements to customer experience.

Mr. Session said the Committee had spent some time discussing the requirements of the proposed Request for Proposals (RFP). There had been considerable interest in the experience requirements; the RFP would not require airport experience, but would require five consecutive years of operating two separate facilities. Airport Concession Disadvantaged Business Enterprise (ACDBE) goals were set at 35 percent for food and 25 percent for retail.

Mr. Session noted that the staff had done an excellent job of explaining how airports differed from shopping malls and would require different skills. The Committee had been satisfied with the proposal, and voted unanimously to concur in its issuance.

Staff then proposed the award of two contracts for liquid runway deicer, a separate contract for each Airport. They would go to Cryotech Deicing Technology of Fort Madison, Iowa, effective in August. Cryotech, a manufacturer of Federal Aviation Administration-approved liquid petroleum acetate, or E-36, would provide the deicer for a year, with four one-year extension options. The five-year cost was estimated at $5.6 million; the Authority would however only pay for the E-36 it used. The Committee had unanimously agreed to recommend Board approval of the contracts.

The Committee had then heard a second pre-solicitation report, for two RFPs related to Dulles International taxicab services. The first was for dispatch services, the second for taxicabs operating under the Authority's "Washington Flyer" brand. The Flyer contracts would be with up to four taxicab companies.

The number of Flyer cabs would be increased from 720 to about 820. Fees would be collected for arrivals in addition to the current dispatch fee, and a new per-driver fee would be added. The taxicab registration fee, currently $1000 to $1500 per year, would be an amount bid by the taxicab companies. Income to the Authority from the taxicab program had been $3.2 million in 2010; it would increase significantly under the new contract. The Committee had concurred in the proposal.

The Committee had also been reminded that D.C. cabs cannot enter the Dulles dispatch queue to pick up arriving passengers, nor can the Washington Flyer cabs respond to call on the streets of Washington. The situation was the result of regional regulation, beyond the Authority's control.

The staff had then reported on its plans for the Signature Flight Support Fixed Base Operator Contract at Dulles International. Signature had requested an additional five years on its contract, through October 2017. In return, Signature would establish a maintenance, repair and overhaul facility on its premises. Aircraft now stored there would be moved to the Landow facility. In addition, the concession fee on fuel sales would be increased from 14 to 17 percent, and the fuel flowage fee increased from 3¢ to 17¢ per gallon. These increased charges would match the fees at Landmark Aviation, the other Dulles fixed base operator. The Committee members had asked many questions, but had been satisfied with the staff approach.

ACDBE Program Goals had been next on the agenda. Staff had completed the complicated process for developing goals for federal fiscal years 2012-2014, and was prepared to submit them to the U.S. Department of Transportation. The proposed goals were 29 percent for Reagan National and 22 percent for Dulles International.

The difficult issue remained how to apply goals to rental car companies. DBE rental car companies were hard to find, and the large size of the rental car revenues had skewed the figures for overall concession goals. Concession goals were now set separately for non-rental car concessions, with a different goal for rental cars. The current proposal was to set the rental car goal at 10 percent of annual gross receipts.

The Committee had noted that ACDBE performance regularly exceeded goals, and had learned that goals were statistically based and could often be exceeded. This was encouraged by the program managers, and reflected good performance by the Authority's concession manager. The Committee had then agreed to recommend the proposed goals to the Board for action.

Finally, the Committee had reviewed two contracting reports. The first had been the annual report on "Contracting Actions Affecting the Traveling Public", which covered contracts that did not require Board approval but were of interest to the Board because of their impact on customers and programs. The Committee had discussed the opportunities for competition on the Airport Consultant contract, where in recent years two firms had dominated the business nationwide. The RFP would be structured to assure competition with any new firms that may appear.

The second report, on "Option Year Contracts Requiring Committee Review", was made semi-annually. Nine contracts were scheduled for extension later in the year; after a review of all of them, the Committee did not have any concerns.

b. Dulles Corridor Committee – Thomas M. Davis III, Chairman

Mr. Davis reported the Dulles Corridor Committee had also last met on March 21. It had first discussed a pre-solicitation report on an architectural/engineering/planning consultant for task planning services on the Dulles Toll Road. The contract would be for one year, with two one-year extension options; expenditures would be limited to $2 million per year. The Brooks Act, which bars price as a determining factor, applied to the contract. Firms would be ranked by a selection panel, and negotiations undertaken with the first-ranked firm; after agreement was reached, the selection would be brought back to the Board for approval. The Committee had concurred in the approach.

The Committee had then heard the January Dulles Corridor Metrorail Project Cost Summary. Expenditures for that month had been $66.2 million, bringing the total expenditures to date to $1.771 billion, against the budget of $2.775 billion. The estimated completion cost remained at $2.905 billion.

Contingency costs for the month had been $1.6 million, leaving $42.4 million for further contingencies. The completion date remained at August 2013.

In the February financial report for the Dulles Corridor Enterprise, staff had reported that $16.2 million in February revenues had been up 12.3 percent from February 2011. Transactions year-to-date had reached 16 million, up 2.1 percent. Completion of the Hot Lanes construction on the Beltway had doubtless contributed to the traffic and revenue growth.

At two months, or through 16.2 percent of the year, income had reached 15.1 percent of projections, and expenses had reached 14.8 percent. Staff suggested that the revenue had not reached projected levels because of changing traffic patterns, with more ramp activity than mainline traffic. Expenses, though low, would have been lower but there had been a timing issue with their posting.

Mr. Davis noted that the Commonwealth had not yet adopted a budget, and that Loudoun had asked for a 30-day extension to its decision on its participation in the Phase 2 project. That meant the RFQI for the Phase 2 project remained on hold.

c. Finance Committee – Frank M. Conner III, Chairman

Mr. Conner reported that the Finance Committee had last met March 21. It had begun in executive session to discuss the composition of two proposed syndicates of underwriters, one for the Aviation Enterprise, the other for the Dulles Corridor Enterprise. In open session, the Committee had heard a quarterly investment committee report and the financial advisors' reports for both Enterprises.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter thanked the operations team at Dulles International for its management of the arrival event for the Shuttle Discovery arrival the day before. Air service had not been interrupted.

In the week of May 7, Boeing would be bringing its new 787 to Reagan National as part of a promotional tour. It would be parked outside the Terminal A lobby for several days, and Boeing would be offering tours to the media and others. Boeing would be honored with the National Aeronautics Association Collier Award for innovation at an event scheduled in the Signature general aviation facility at Reagan National.

The planned United Maintenance Hangar at Dulles International was in the design stage; it was being designed to accommodate 787 aircraft, several of which the carrier had purchased. Lufthansa had announced that it would begin its first 747-800 service in the Dulles-Frankfurt market. A date had not yet been set. Soon all advanced technology commercial aircraft, the Airbus 380, the Boeing 787 and the Boeing 747-800, would be operating at Dulles International.

On April 23, Canadian carrier Porter Airlines would begin service with three daily round-trips between Dulles International and Toronto City Airport. Porter had already announced a fourth trip to be added in mid-May.

The Federal Transit Administration (FTA) regional office had announced the closeout of its procurement review of the Authority. It had also approved the amendments to the Authority's Contracting Manual to incorporate FTA procurement rules. These actions concluded a full year of review. Next month the formal changes to the Contracting Manual would be ready for Board approval.

The RFP for the concession manager had been issued, with responses due in June.

The FAA had issued findings of no significant impact for the projects to improve runways 14-22 and 15-33. The runway 1-19 safety area project was nearly complete.

Construction was under way on enhancing the hold room area for gate 35A at Reagan National, which served commuter flights. Expansion would allow increased US Airways services in July.

Next month the Authority would begin repaving the Toll Road westbound, from the Beltway to Spring Hill Road.

Eastbound, both the Toll Road and the Access Highway would have occasional closures near Route 7 through the end of May, as the last sections of the aerial structures were completed there.

b. Executive Vice President's Report

Ms. McKeough reported that the aviation industry nationwide had enjoyed 5 percent growth in February. Reagan National had achieved another record month, with 1.3 million passengers, 4.6 percent over February 2011. At Dulles International, the increase had been about 1 percent; for a change, the domestic growth had been greater, at about 3 percent. International passengers had declined about 4.7 percent. The domestic carriers had finished a process begun in 2008 to "right-size" their services to meet demand; the international carriers were just beginning to do the same. There had recently been some actual reductions in trans-Atlantic services. Year-to-date traffic at Reagan National was up 3 percent, while Dulles International was holding steady. As to cargo, there had been a 14.5 percent decline, driven by the decline in international business. FedEx and UPS were still strong.

IV. NEW BUSINESS

a. Award of Two Contracts for Liquid Runway Deicer at Both Airports

Mr. Session moved the following resolution, which was unanimously adopted:

> WHEREAS, The Airports Authority is responsible for airfield snow removal at both Airports;
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> WHEREAS, Federal Aviation Administration-approved liquid potassium acetate, E-36, is known as liquid deicer and is used to prevent and remove ice in aircraft movement areas and gate positions;

WHEREAS, The Business Administration Committee in July 2011 concurred in the pre-solicitation report for the procurement of this material;

WHEREAS, An Evaluation Committee has reviewed the competing proposals and has recommended the award to Cryotech Deicing Technology, of Fort Madison, Iowa; and

WHEREAS, The Business Administration Committee is satisfied with the results of the competitive procurement process, as presented at its March 21 meeting; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to enter into two one-year contracts, with four one-year extension options, one for each Airport, with Cryotech Deicing Technology, consistent with the terms presented to the Business Administration Committee at its March 21, 2012 Meeting.

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

b. Establishment of Airport Concession Disadvantaged Business Enterprise Goals for Federal Fiscal Years 2012-2014

Mr. Session moved the following resolution, which was unanimously adopted:

WHEREAS, The Federal Aviation Administration, under the Airport and Airway Improvement Act, requires airports to develop and submit goals for the participation of Airport Concessions Disadvantaged Business Enterprises ("ACDBEs") in airport concession contracts;

WHEREAS, Three-year goals are set separately for car-rental and other concessions;

WHEREAS, The management anticipates that the Authority will solicit for sixteen concession offerings during Federal Fiscal Years 2012-2014 that will provide opportunities for ACDBE participation, and has proposed specific goals for those years; now, therefore, be it

RESOLVED, That the goals for ACDBE participation by the car-rental concessions for Federal Fiscal Years 2012-2014 are at least 10 percent of the annual gross receipts at both Reagan National and Dulles Airports; and

RESOLVED, That the goals for ACDBE participation for concessions other than car-rental for Federal Fiscal Years 2012-2014 are at least 29 percent at Reagan National and 22 percent at Dulles.

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

c. Selection of Syndicates for Investment Banking Services

Mr. Conner moved the following resolution, which was unanimously adopted:

WHEREAS, From time to time the Airports Authority selects panels of underwriters to provide investment banking services for its capital programs;

WHEREAS, The staff has conducted a competitive selection process for investment banking services in February 2012 and recommends the firms set out below; and

WHEREAS, The Finance Committee is satisfied with the results of the selection process and recommends that the Board select the recommended firms; now, therefore, be it

RESOLVED, That the following firms are selected to provide investment banking services for the Airport System Revenue Bonds and Dulles Toll Road Revenue Bonds for a term of three years, with extension option for one or more years at the discretion of the Airports Authority:

Aviation Enterprise Underwriting Syndicate:

Bank of America Merrill Lynch
Barclays Capital Inc.
Citigroup Global Markets Inc.
Davenport & Company LLC
Loop Capital Markets LLC
Morgan Keegan & Company, Inc.
Siebert Brandford Shank & Co., LLC
U.S. Bancorp Municipal Securities Group
Wells Fargo Securities

Dulles Corridor Enterprise Underwriting Syndicate:

Bank of America Merrill Lynch
BB&T Capital Markets
Fidelity Capital Markets
Goldman Sachs & Co.
Janney Montgomery Scoutt LLC
J.P. Morgan Securities LLC
Morgan Stanley & Co. LLC
Loop Capital Markets LLC
Piper Jaffray & Co.
RBC Capital Markets, LLC
Siebert Brandford Shank & Co., LLC

and

RESOLVED, That the Finance Committee is authorized to reassign firms between syndicates and responsibilities among these firms in future financings and is authorized to limit involvement on any given bond sale to a sub-set of firms within a syndicate.

d. <u>First Amendment to the Agreement to Fund the Capital Cost of Construction of Metrorail in the Dulles Corridor</u>

Mr. Davis moved the following resolution, which he described as allowing Loudoun County an additional thirty days to review the project. He observed that Fairfax County had already approved the amendment.

Mr. Brown noted that Mr. Davis had reported that the RFQI for the Dulles Metrorail Phase 2 project had been delayed because of the Loudoun Extension and the pending budget bill in Richmond. He asked the President what the original schedule had been for issuing the RFQI. Mr. Potter said since he had arrived, the plan had been to issue the RFQI in March. Mr. Brown said the original plan had been to issue the RFQI at the same time the preliminary engineering had been provided to Loudoun and Fairfax. That had been changed. Mr. Potter said the plan had been to issue a notice of the RFQI when the preliminary engineering was distributed. Mr. Brown said the idea that the plan was to distribute a notice rather than the RFQI itself was news to many on the Board.

Mr. Carter said that so long as there were delays, there would be an impact on costs. There was a cost risk for any extension. The Chairman said Loudoun would not be required to use all thirty days, and that he hoped the County wouldn't. Mr. Brown said he did not have any problem with the 30 days, and in fact had seconded the resolution. Loudoun had a lot of new members, and they needed the time to look at it. The original plan had been to get the RFQI out, and continue with it if the Counties stayed in. Mr. Davis said originally the Authority had hoped Loudoun would buy in before the last election.

The resolution was then unanimously adopted:

> WHEREAS, In July 2007, Loudoun and Fairfax Counties and the Airports Authority executed a Funding Agreement entitled "Agreement to Fund the Capital Cost of Construction of Metrorail in the Dulles Corridor", which describes, among other things, the commitment of each party to contribute to the cost of constructing the Dulles Corridor Metrorail Project;
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> WHEREAS, The Funding Agreement provides that Loudoun and Fairfax Counties shall notify the Airports Authority whether they approved of proceeding with their financing participation for Phase 2 of the Dulles Corridor Metrorail Project

within 90 days of receipt from the Airports Authority of preliminary engineering and cost information for Phase 2;

WHEREAS, The Airports Authority delivered these Phase 2 preliminary engineering materials to Fairfax and Loudoun Counties on March 6, 2012;

WHEREAS, The Loudoun County Board of Supervisors has requested an additional 30 days to complete its review, and Fairfax County has agreed to this extension; and

WHEREAS, The proposed First Amendment to the Agreement to Fund the Capital Cost of Construction of Metrorail in the Dulles Corridor, which is attached to this resolution, amends the Funding Agreement to provide the 30-day extension requested by Loudoun County, now, therefore, be it

RESOLVED, That the First Amendment to the Agreement to Fund the Capital Cost of Construction of Metrorail in the Dulles Corridor is approved;

2. That the President and Chief Executive Officer is authorized and directed to execute the First Amendment to the Agreement to Fund the Capital Cost of Construction of Metrorail in the Dulles Corridor; and

3. That the Loudoun County decision will now be due by July 4, 2012.

V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Chairman said the President had asked that the Board approve a reorganization plan he had developed. The matter had not been properly noticed, so a motion to waive the notice requirement would have to be taken first. Mr. Brown so moved; the waiver was granted unanimously.

Mr. Potter then explained his proposed changes: he would move the human resources and business administration reporting requirements from the operations group to direct reports to himself. The idea was to have the operations offices report to the Chief Operating Officer and the staff and support offices report to the CEO. Mr. Curto said the change would be approved currently; a revised statement of functions would have to be approved later. Mr. Carter asked if the change would take effect immediately; Mr. Potter said it would, but that the changes would not be permanent until the next step. The Board then unanimously approved the reorganization.

The Meeting was thereupon adjourned at 9:30 a.m.

Respectfully submitted:

Quince T. Brinkley, Jr.
Vice President and Secretary

approved 5/16/12