



BOARD OF DIRECTORS MEETING

Minutes of June 20, 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 12:15 p.m. Nine Directors were present during the meeting:

Michael A. Curto, Chairman
Thomas M. Davis III, Vice Chairman
Robert Clarke Brown
Richard S. Carter
Frank M. Conner III

Shirley Robinson Hall
Michael L. O'Reilly
Warner H. Session
Todd A. Stottlemyer

Dennis L. Martire, subject to a removal order by Governor McDonnell, and Caren D. Merrick, appointed to replace Mr. Martire by Governor McDonnell, were both present in the staff section of the conference rooms.

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 Chairman began the meeting with a statement on the dispute over the two claimants to a single Virginia seat on the Board. As the Directors were all well aware, Governor McDonnell had notified both Mr. Martire and the Authority that he was ending Mr. Martire's tenure and replacing him with Caren Merrick. As this was a new situation, it was important to address the matter thoughtfully, respectfully and with careful adherence to the law. On June 18, the Authority had filed an action in Fairfax Circuit Court. The reason for doing so was to reach a quick and definitive resolution of the issue. The Members all agreed that the Authority on a matter as important and complex as this should be guided by a timely, legally sound decision of a court. They did not want to debate the issue in the media, and they did not want a question to linger about

which Member was entitled to the seat. The Chairman said that he could promise the Governor, Mr. Martire, Ms. Merrick, and everyone interested in the Authority that as soon as the court ruled, the Authority would promptly and fully comply with the decision.

The Chairman then acknowledged the retirement of Tara Hamilton, Manager of Public Affairs since March 1991. She had been the primary source of Authority information for the news media since then, and had delivered both the good news and the bad news with steady professionalism and confidence. He thanked her for 21 years of service. The Board and the audience applauded.

I. MINUTES OF THE MAY 16, 2012 BOARD OF DIRECTORS MEETING

The Chairman then called for approval of the Minutes of the May 16 Meeting, which were unanimously adopted.

Ms. Hall called attention to the Minutes of the June 6 Special Meeting, She then called for the Minutes' approval, and they were also unanimously adopted.

II. COMMITTEE REPORTS

a. Audit - Legal Committee – Shirley Robinson Hall, Audit Chairman

Ms. Hall reported that the Audit-Legal Committee had last met earlier that morning. Most of the meeting had been held in executive session, where PricewaterhouseCoopers had presented its Report to Management. Two internal audits and a past procurement issue had also been discussed. In open session, the Committee had considered pre-solicitation terms for a request for proposals (RFP) on financial statement audit services. The RFP would include a 30 percent Disadvantaged Business Enterprise requirement.

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

Mr. Session reported the Business Administration Committee had last met on May 16. The Committee had first addressed a set of proposed amendments to the Contracting Manual and the Airport Purchasing Policies, which had dealt with several concerns. For the Metrorail project, provisions had to be added to comply with Federal Transit Administration (FTA) grant requirements. The language of those particular amendments had already been cleared with the FTA. Similar amendments had been required for the Airport Purchasing Policies and Procedures, which applied to purchases of less than \$50,000.

In another section of the Manual, amendments would codify the special procurement procedure for the Phase 2 contract, which the Board had approved in February. Other amendments dealt with the Enterprise Resource Planning program and harmonized the Manual with the Freedom of Information Policy.

Mr. Session said some Directors had been concerned that more changes to the Manual would have to be considered as a result of the Department of Transportation Inspector General audit, but that they had been advised that other changes could be made later. The current changes were important for the Phase 2 project.

The Committee had therefore unanimously voted to begin the public comment period on the changes. If all went well, the final amendments would be presented to the Board for approval at its July 18 Meeting.

The Committee had also heard a pre-solicitation report on the Specialized Electronic Systems Operations and Maintenance contract at Dulles International. The contract provided for 24-hour service of electronic devices, most notably the video message screens. It would run for three years with two one-year extension options; the five-year cost would be \$5 million. The Committee concurred in the proposed procurement. The Committee had then gone into executive session to consider personnel and organizational issues. No action had been taken in executive session.

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

Mr. Davis reported that the Dulles Corridor Committee had last met May 16. It had first heard the Dulles Corridor Metrorail Project Phase 1 March Cost Summary. March expenditures had been \$46 million, bringing the total to date to \$1.861 billion. The budget at the time had still been \$2.755 billion; later in the meeting that would be moved up \$150 million to match the forecast completion cost of \$2.905 billion. The soon to be depleted contingency fund, which had been driving the forecasts, had actually increased \$500,000 in March, for a balance of \$11.9 million.

The Committee had had a brief lesson on the ownership of the Toll Road that bore repeating. The Toll Road had been built by the Commonwealth on the Dulles Corridor right-of-way, a part of the Dulles Reservation, under a 100-year easement from the federal government. The Authority took over the right-of-way when it took over Dulles in 1987. In 2008, the Toll Road was in effect leased under a 50-year permit to the Authority.

When the permit expires in 2058, the Toll Road would revert to the Commonwealth. When the Commonwealth's 100-year easement ends, in about 2084, the Toll Road would revert again – to the Authority, if its own Lease of the Airports was extended beyond 2067; to a successor agency, if there was one; or to the United States, which still owned the property. If the underlying Lease, easement or permit changed, the results could be entirely different.

The Committee had next heard the Dulles Metrorail Project Quarterly Update. Consistent with expenditure patterns, design on Phase 1 was 99 percent complete and utility relocations nearly done. Construction was 70 percent complete, and the total project was 79 percent complete.

The Committee had then discussed the status of decision making on the Phase 2 project. More specifically, the concern had been what might happen if Loudoun County dropped out of the project. It appeared that the rail line could not simply be terminated at the Airport station; the entire project would have to be adjusted to deal with major shifts in the

passenger load. Finding space for Loudoun Metrorail commuters to park at the Airport would be an immense problem.

Fortunately, there had been some indication that Loudoun may stay in the project, allowing the Authority to focus on the problems it was expecting, not the string of new ones that truncating the project would bring.

The Committee next heard the Dulles Corridor Metrorail Phase 1 Construction Report from Dulles Transit Partners. It had begun with the project's continuing stellar safety record: a lost time rate of 0.8, compared to 2.1 nationally; and a 1.49 recordable incident rate, compared to 4.0 nationally. These figures had held up through 9.8 million man-hours on the job.

There had followed a long discussion on the residences of the construction workers currently on the job. It appeared relatively few of them lived in the District of Columbia, but there were some possible explanations for the phenomenon. An obvious one was that some D.C. workers moved temporarily to Virginia while working on the project. Another was that D.C. workers preferred projects closer to home. Whatever the reasons may be, Mr. Davis observed, the issue could use some more attention. Diversity data on the project indicated that Hispanics and African-Americans made up 64 percent of the workforce.

The Committee had then heard the monthly financial report on the April results for the Dulles Corridor Enterprise. Traffic on the Toll Road had been keeping up with forecasts. With a third of the year gone, or 33.3 percent, revenues year-to-date had reached 31 percent of budget, while expenditures were at 27.9 percent of budget.

The Committee then discussed how the Authority could let the world know that it was managing the Metrorail project consistent with Virginia law. The Committee decided against any action at that meeting.

After the Dulles Corridor Committee meeting, there had been a brief Joint Finance and Dulles Corridor Committee Meeting to endorse a \$150 million amendment to the 2012 budget for Phase 1 of the Metrorail project. By that point, the need to take this action was well understood; it

would cover the additional contingency items. The joint committee had voted unanimously to recommend the amendment to the full Board; it would be voted on later in the day's meeting.

d. Executive and Governance Committee – Michael A. Curto,
Chairman

Mr. Curto reported the Executive and Governance Committee had met on May 16 and again that morning. On May 16, the Committee had considered a single item: revisions to the Authority Freedom of Information Policy. At the time, the OIG audit report had just been received, so the Committee had asked the staff to see if there were any implications in it for the Freedom of Information Policy. There were not, at least not in the preliminary report, so the Committee was prepared to revisit the Policy at its June 20 Meeting.

The Committee's executive session earlier in the day had addressed how to deal with the litigation over the removal of a Director from the Board. In addition, there had been some discussion of pending federal legislation that would affect the Authority and related strategic issues.

During an open extended session just before the Board meeting, the Committee had heard a brief refresher on Freedom of Information and a report from the President on amendments to the Statement of Functions to incorporate some reassignments in reporting relationships he had made recently. There would be a vote on the amendments later in the Meeting.

Mr. Curto added that if Mr. Martire and Ms. Merrick wished to make written statements, they would be included in the minutes of the Meeting.

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

Mr. Conner reported that the Finance Committee had met on May 16 to consider three items. The first had been a brief report on the success of the Aviation Enterprise refunding bonds. The net present savings had been about \$40.6 million. There would be a further report at the Finance Committee meeting later that afternoon.

The Committee had spent much of its time on near-term tolling policy options and the process for adjusting toll rates, beginning January 1, 2013. Several issues had been raised, and further information and analysis would be brought to a future Committee Meeting. No decision had been made; that would come later.

Finally, the Committee had heard the April financial report.

f. Strategic Planning and Development Committee - H.R. Crawford, Chairman

In the absence of Mr. Crawford, Mr. O'Reilly reported that the Strategic Planning and Development Committee had held its second quarterly meeting on June 6. All members had been present.

The Committee had first heard the Parsons Management Consultants (PMC) quarterly aviation capital construction report. Bern Seals had shown runway paving and new nav aids at Reagan National. At Dulles International, the new high-speed baggage belts were complete, and the complete refurbishment of rest rooms in the C-D Terminal was underway.

The Committee had also heard a response to recent noise complaints from both Southeast Washington and Arlington-Alexandria caused by flight diversions during the runway paving. For a time, the main runway at Reagan National had been closed at 11 p.m. More recently, the closure had been changed to 1 a.m., leaving only one or two flights per night along an unusual approach route that had given rise to the noise complaints. At the end of the PMC briefing, Frank Holly had advised the Committee that all the aviation projects that had just been shown were on time and under budget.

The Committee had also heard a brief air service development report, now in a form that did not require an executive session. Mark Treadaway, Vice President for Air Service Planning and Development, had reported that service was still growing at both Airports, though there was an ongoing shift of some domestic traffic from Dulles International to Reagan National. This would continue as four new round-trips beyond the 1250-mile perimeter were being added at Reagan National.

Nevertheless, there were still many domestic opportunities for Dulles, as well as continued growth in international services. There would be a further report at the September meeting.

III. INFORMATION ITEMS

a. President's Report

Mr. Potter said both Airports were prepared for the summer travel season. Reagan National was adjusting to the service changes from the Delta-US Airways slot swap and the four additional round trips added under the recent Federal Aviation Administration (FAA) reauthorization legislation. Screening lines and parking utilization were increasing. Additional changes would be made throughout July and August. On July 11, US Airways would add additional flights, with increased activity, especially on the US Airways commuter area. The Gate 35 hold area has been expanded to handle the traffic.

United would be relocating to the connector on the south pier on July 10 in order to consolidate in the current Continental space. In August, Jet-Blue, Virgin America and Southwest were scheduled to begin operating their new beyond-perimeter flights. There were plans for new support facilities to be constructed in Terminal A. An expanded Transportation Security Administration checkpoint and new baggage facility would not be completed, however, until May 2013. The effort will be to make the transition as seamless as possible for the passengers.

As a result of discussions on slots and capacity at Reagan National in the Congress during consideration of the FAA reauthorization, the Government Accountability Office had initiated a review of the impact of the new beyond-perimeter flights. A draft report was expected in the next few weeks.

The main runway at Reagan National had been undergoing improvements over the last few years, including a repaving and extension of the runway safety area. The FAA had formally approved the new configuration on May 31.

The Authority will be holding the first of two annual meetings with corporate representatives of the airlines. They will be briefed on the Authority's business operations and activity levels, as well as physical improvements and the Metrorail project.

The Authority and the Washington Metropolitan Area Transit Authority (WMATA) had conducted the required public hearing on the revisions to the Phase 2 environmental assessment to reflect design refinements on the project made during the preliminary engineering stage. The more significant refinements included the Herndon-Monroe parking facilities, relocation of the Route 28 station, relocation of the Airport station, changes to the entrance on the Route 772 parking layout, and changes to the rail yard layout. There had been five speakers, none opposed to the changes. Written comments would be accepted until June 25. The WMATA Board would review the responses in September, and that would be the conclusion of the additional environmental review.

The Virginia Department of Transportation will be opening new east-bound ramp to the Capital Beltway in August, replacing a sometimes dangerous connection, improving traffic flow and safety.

In closing, Mr. Potter thanked Tara Hamilton for a fabulous job over 21 years. He said she would be taking a lot of institutional knowledge with her.

Mr. Brown asked about the upcoming vote in Loudoun County. Would the Board of Supervisors have to vote to opt into the project, or would inaction leave them in? Mr. Sunderland advised that the Supervisors would have to vote to stay in; if they did nothing, the result would be the same as a no vote. Mr. Potter said he had been assured that there would be a vote by July 3.

b. Executive Vice President's Report

Ms. McKeough reported on April passenger activity. Overall, the U.S. industry had seen an average growth rate of over one percent. At Reagan National, 1.7 million passengers had used the facility to set an April record. The growth exceeded 2011 by 3 percent. At Dulles, there had been

over 1.9 million passengers, 1 percent more than in 2011, most of it on the domestic side. International traffic was the same as in 2011.

For the first four months of the year, Reagan National was up 2.5 percent and Dulles International up .5 percent. Cargo continued to decline, consistent with the decline nationwide. The drop at Dulles International had been 16 percent, almost entirely international. Much of the outbound Dulles cargo was destined for Europe, where demand was falling.

IV. NEW BUSINESS

a. Amending the 2012 Budget for the Dulles Corridor Metro-rail Project

Mr. Conner moved the following resolution:

WHEREAS, On December 7, 2011, the Board in Resolution No. 11-36 approved the 2012 Budget, which included, under the Dulles Corridor Enterprise Fund, a budget for the Dulles Corridor Metrorail Project Phase 1 (Phase 1);

WHEREAS, With 17 months remaining in the design-build contract for Phase 1, which is approximately 74 percent complete, current forecasts reflect a \$150 million increase over the original budget authorization of \$2.756 billion for the Local Funding Agreement costs, including concurrent roadway improvements; and

WHEREAS, This additional \$150 million will be shared in accordance with the 2007 Local Funding Agreement between the Airports Authority, Fairfax County and Loudoun County; now, therefore, be it

RESOLVED, That the Budget Authorization for the Dulles Corridor Metrorail Project Phase 1, including concurrent roadway improvements, is hereby amended to be \$2,905,695,064.

Ms. Hall asked for a summary of the contingency items that had required the \$150 million amendment. Mr. Conner said the utility relocation of utilities on Route 7 had been expensive, and that changes to WMATA safety standards had been made after the budget was established. A variety of smaller items had added up the total. Ms. McKeough pointed to the documents included with the proposed resolution, which contained the full list. Ms. Hall said she wanted to make clear that it was not the Authority's fault that the additional \$150 million was necessary. It had been caused by structural requests. Mr. Carter noted that the Authority's contribution would be 4.1 percent of the total.

The Board thereupon voted unanimously, with all 9 Members present voting, to adopt the resolution.

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

b. Amending the Statement of Functions

The Chairman said the next item was two amendments to the Statement of Functions, which the Executive and Governance Committee had approved earlier that day. The first would move the procurement and contracts function from the Office of Business Administration to the Office of Finance; the second was to move the equal employment opportunity function from the Office of Business Administration to the Office of Human Resources. On a motion to adopt the changes, the Board unanimously agreed to do so.

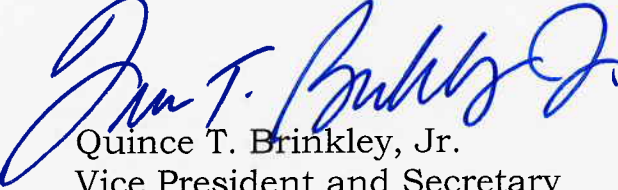
V. UNFINISHED BUSINESS

There was not any unfinished business.

VI. OTHER BUSINESS & ADJOURNMENT

The Meeting was thereupon adjourned at 12:45 p.m.

Respectfully submitted:



Quince T. Brinkley, Jr.
Vice President and Secretary

Attachments (2)

Approved 7/18/12

STATEMENT FROM DENNIS L. MARTIRE

June 20, 2012

As you know, the Governor sent me a letter on Thursday, June 14, advising me that he was removing me from the Board. I believe that the Governor's attempt to remove me is improper and that I currently retain full legal rights to my seat on the Board. I have filed a lawsuit to affirm my right to serve as a Board Member. That lawsuit is pending.

I understand that the Board has had discussions since June 14 concerning my status as a Board Member in light of these events. Yesterday, the Board filed its own lawsuit in Fairfax Circuit Court in which it alleges that the Governor did not take the necessary steps to remove me as a Board Member.

I believe that the Governor's actions are contrary to law, for reasons described in the pending lawsuits, and that I am entitled to participate fully at today's Board and Committee Meetings. Be assured that I also do not wish to pose an impediment to important MWAA business that will be addressed at those meetings. However, if the Board chooses to limit my participation in any way, I believe that decision would be wrong, and I want to note my objection.

STATEMENT OF THE COMMONWEALTH OF VIRGINIA CONCERNING VOTING AND PARTICIPATION RIGHTS OF MS. CAREN MERRICK, A VIRGINIA APPOINTEE TO THE BOARD OF THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

June 20, 2012

On 14 June 2012 Governor McDonnell, acting pursuant to the laws of the United States and of the Commonwealth of Virginia, removed, for cause, Mr. Dennis Martire as a Virginia appointee to the Board of the Metropolitan Washington Airports Authority ("MWAA" or the "Authority"). Ms. Caren Merrick has been appointed to succeed Mr. Martire and to serve for the remainder of the term of the seat formerly occupied by Mr. Martire. Chairman Curto has been informed in writing by the Secretary of the Commonwealth of these actions. Mr. Martire has no continuing authority to act as a Virginia-appointed board member following his removal. The only Virginia-appointed members with present authority are Messrs. Davis, Conner, O'Reilly, Stottlemeyer, and Ms. Merrick.

The Commonwealth does not regard MWAA as possessing any authority or competence to evaluate or review the validity of the Governor's actions in removing for cause Virginia-appointed members of the Authority. These issues are controlled primarily by Virginia state law. Absent a contrary final decision from a court of appropriate jurisdiction and venue, the Commonwealth assumes that MWAA will extend to its Governor's actions a presumption of regularity, as it would similar actions by the President of the United States, the Governor of Maryland, or the Mayor of the District of Columbia.

Any action by the MWAA Board that reduces Virginia's representation or curtails the voting or participation rights of any of its members is regarded by the Commonwealth as being beyond the authority of MWAA. Any action taken by the MWAA Board during a period in which any of Virginia's lawful representatives are limited or curtailed in their participation or voting rights will be examined by the Commonwealth for legal sufficiency and, if necessary, challenged.

Submitted by:

C. Jonathan Benner
Special Counsel to the Commonwealth of Virginia

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