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Date: September 4, 2019 Nashville, Tennessee

Time: 9:00 a.m.

Committee Members Present: A. Dexter Samuels, Board Chair; Trey Harwell, Board Vice Chair; Amanda Farnsworth, Board Secretary; Bill Freeman; and John Doerge

Committee Members Absent: None

Others Present: Mayor's Representative Jamari Brown; Christy Smith, Douglas E. Kreulen; Cindy Barnett; Lisa Lankford; and Angela Edwards

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I. Call to Order

Chair Samuels called the meeting of the Metropolitan Nashville Airport Authority Management Committee to order at 9:00 a.m. pursuant to Public Notice dated August 30, 2019.

II. Approval of Minutes

Chair Samuels called for a motion for approval of the August 14, 2019 Management Committee meeting minutes. A motion was made by Commissioner Farnsworth and seconded by Vice Chair Harwell. The motion carried by vote of 5 to 0.

III. Chair's Report

Chair Samuels had no Chair's Report.

IV. Items for Approval

None

V. Information Items

A. CEO Evaluation

President Kreulen briefed the Committee on this item. Each Committee member was given a binder of information for review in order to assist each member in their evaluation of his performance. President

Kreulen gave a review of the seven scored categories from FY18 and recommended scoring the Governmental Relations category due to priorities. This evaluation is for FY19 performance which is July 1, 2018 through June 30, 2019.

President Kreulen discussed his accomplishments to enhance his relationship with the Board of Commissioners. He felt the Board Retreat was a great success and he enjoyed the ACI/AAAE Board of Commissioners Conference. He completed executive coaching which was a big help and continues to meet with the Commissioners one-on-one on a quarterly basis.

As to Strategic Planning and Goals, President Kreulen published goals and objectives for FY19 and FY20. He provided monthly BNA Vision program budget and schedule updates and initiated the P3 hotel development.

President Kreulen spoke to his leadership accomplishments. Employee satisfaction increased from 3.8 to 3.9. Employee engagement increased from 73% to 81%. He has realigned the organization to optimize performance and achievement of strategic goals. Development in the organization has produced four internal promotions and six new hires. These were key positions with rankings of Directors and above.

Final FY19 financial numbers will not be available until the close of the annual audit. Revenue is projected to be above budget, at \$166.8M versus a budget of \$158.1M. Concessions sales, rental car sales and parking revenue were all above budget and increasing over FY18. Expenses are projected to be under budget, at \$92.7M versus a budget of \$100.3M. The NAE fund is projected to grow to \$77M. Investment earnings were \$5.7M compared to \$2M the previous year. The Retirement Plan and OPEB funding continues to increase.

President Kreulen reported on his accomplishments with Business Development. He developed a 5-year strategic plan for air service. Three new airlines have been added. British Airways increased its air service to a daily flight schedule during peak periods and upgraded to a larger aircraft. In the Concessions area, MNAA signed a ten year lease and concession agreement with Fraport. A centralized receiving and distribution center was launched. All deliverables that come to the airport for concessions are all scanned and delivered on a case by case basis. TSA really likes this service and it is done by most large hub airports. In terms of land development, a strategic land development plan is now in place. Notices of Availability for a number of parcels have been issued or planned. Leasing these parcels will increase non-aviation revenue.

As to Community and Public Image, MWBE participation is at \$33M versus \$19M last year. MNAA added 97 new certified SMWBE firms which gets the total number to approximately 528. BNA received a 93% approval rating for passenger satisfaction. Scores satisfaction averaged 4.4 on a 5 point scale. JWN was a little lower, mostly due to the FBO, with a 75% approval rating for passenger satisfaction. JWN scores averaged 4.1 on a 5 point scale.

A compensation study was conducted in connection with staff development. 128 jobs were re-positioned, 36 job titles were updated and staff satisfaction with pay increased from 2.8 to 3.9. 58 new employees were hired in FY19, and 44% of those individuals are diverse either by ethnicity and/or gender. There were 18 internal promotions.

MNAA engaged Adams and Reese LLP for assistance with Governmental Relations at the state and federal level. That has proven to be hugely successful. President Kreulen met with Senators Alexander and Blackburn and Congressmen Cooper, DesJarlais, Rose and Green in Washington, DC in May 2019. In March, April and May 2019, he hosted tours of the airport to the Tennessee House Transportation Committee, Tennessee House Legislators and Tennessee Department of Transportation Commissioner Bright. These legislators have a direct impact on the ability of the airport to perform. BNA is much more favorably received at the state government. The Economic Impact Study has proven to be very valuable as well.

President Kreulen stated he participated in seven aviation conferences (two of those were local). He participated on multiple A.A.E. interview panels. He also serves on Auburn University's Aviation Advisory Board.

In terms of Regulatory Compliance, BNA now conducts quarterly emergency drills. FAA gave BNA the best rating since President Kreulen's time at BNA and public safety was reaccredited by CALEA. A new tower is coming to JWN and MNAA has applied for admission into the FAA Federal Contract Tower Program. There were five red flag reports that were investigated and closed with no misappropriation of assets or violations of policies or procedures. PCI has markedly improved since last year.

#### B. CEO Employment Agreement

President Kreulen briefed the Committee on this item. He highlighted the key points of his employment agreement in regard to duration and steps the Board may take as it deems appropriate. President Kreulen stated he hopes the Board votes to extend his employment agreement. He likes his job and hopes to stay on as CEO for years to come.

### C. CEO Compensation Study

President Kreulen reminded the Management Committee of the discussions regarding a CEO compensation study at the last Management Committee meeting. Based on those discussions, he contacted Korn Ferry to develop a proposal. After discussions with Korn Ferry, Chair Samuels and members of the MNAA staff, President Kreulen provided a list of BNA's peer airports. Benchmark airports were selected based on enplanements (5 up/5 down) and airports experiencing similar growth.

Commissioner Farnsworth inquired as to the cost of the study and timeframe. President Kreulen stated the timeframe would be fairly quick. Cost is somewhere between \$15K to \$75K. Commissioner Farnsworth inquired as to when the last time a study was conducted. President Kreulen stated to his knowledge, there had never been a CEO Compensation study done for MNAA. President Kreulen stated he has two Korn Ferry studies; one from Dallas Fort Worth and the other from Greenville-Spartanburg airport. BNA is mentioned in the Greenville-Spartanburg study. BNA is third in size and fourteenth in compensation. President Kreulen stated the Greenville-Spartanburg airport study was given to the members of the Management Committee. Commissioner Farnsworth asked how long it would take to get a quote and how long it would take to get it done.

Vice Chair Harwell stated he thinks BNA may be getting close to becoming a large hub airport and asked what the qualifications were to be considered large or medium hub. President Kreulen stated large hub airports are the top thirty airports in the country. BNA is number thirty-one. Honolulu is number thirty and they are a million and a half ahead of BNA. Mayor's Representative Jamari Brown asked how quickly BNA was growing per year. President Kreulen stated for six years straight, BNA has grown greater than 10% each year. Honolulu only grew by approximately 2% last year so if BNA continues to grow as expected, it could surpass Honolulu in two years. University of Tennessee Forecast for Economics, NCVC, the Chamber, the Hospitality industry, and the aviation industry all think Nashville is going to continue to grow for the next six to ten years.

After further questions and discussions of the members of the Management Committee regarding benchmark cities and airports, Commissioner Farnsworth stated she would like to see more midwestern airports included. Commissioner Doerge also commented that salaries in some of the benchmark cities are higher than in Nashville.

Chair Samuels stated other things to consider in addition enplanements are the number of employees and size of the budget each airport is managing. Memphis may not have as many enplanements, but

their air cargo business is huge. Chair Samuels asked if that sort of data could be included in the study. President Kreulen stated he could certainly request that information be included.

Vice Chair Harwell stated he believed it is very important to have the compensation study to back up the decision of the Board regarding the CEO's compensation.

Chair Samuels excused President Kreulen, Angela Edwards, and Lisa Lankford from the meeting at 9:50 a.m. Chair Samuels asked the Management Committee to provide feedback regarding the CEO evaluation and the engagement of a consultant to perform a CEO compensation survey. After further discussion, Chair Samuels asked Commissioner Doerge to be the Management Committee representative for purposes of the engagement of a consultant and Commissioner Doerge agreed. Chair Samuels requested the Management Committee members provide their individual feedback on the CEO evaluation directly to Board Counsel Cindy Barnett, who would compile the responses for discussion at the next Management Committee meeting. President Kreulen, Angela Edwards, and Lisa Lankford rejoined the meeting at 10:05 a.m.

VI. Adjourn

There being no further business brought before the Management Committee, Chair Samuels thanked the Commissioners for their participation and adjourned the meeting at 10:10 a.m.



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Amanda Farnsworth, Board Secretary