

✈ METROPOLITAN NASHVILLE AIRPORT AUTHORITY ✈

April 18, 2018– Minutes of the Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors



Date: April 18, 2018

Place: Nashville International Airport
Nashville, Tennessee

Time: 1 p.m.

Board Members Present:

Bobby Joslin, Chair; A. Dexter Samuels, Vice Chair;
Trey Harwell, Secretary; John Doerge, Amanda
Farnsworth, Bill Freeman, Kabir Sandhu, Christy
Smith and Mayor's Representative, Matt Wiltshire

Board Members Absent:

Dierks Bentley

Others Present:

Doug Kreulen and Cindy Barnett

I. Call to Order

Chair Joslin called the MNAA Board of Commissioners and MPC Board of Directors meetings to order at 1:04 p.m., pursuant to the Public Notice dated April 13, 2018.

II. Approval of Minutes

Upon motion made by Mayor's Representative Wiltshire and seconded by Commissioner Harwell, the Board voted to approve the minutes of the March 21, 2018, joint meeting of the MNAA Board of Commissioners and MPC Board of Directors. The motion carried by a vote of 9 to 0.

III. Chair's Report

Chair Joslin welcomed Commissioners, staff, and guests. Chair Joslin reported that Committees met the previous week and expressed his appreciation for the Committee members' work and in-depth discussions.

IV. President's Report

President Kreulen reported that BNA was named to Cheapism.com's list of "The 16 Most Passenger-Friendly Airports in the WORLD." BNA is one of only four U.S. airports on the list which included Tampa, Portland and San Francisco. BNA was named for its live music, art, local restaurants and craft beer to-go.

President Kreulen reported that Allegiant Airlines recently announced the addition of two new destinations including year-round service to St. Pete, Florida and seasonal service to Syracuse, New York. Service begins June 14 and will operate twice weekly.

President Kreulen reported that the Interim International Arrivals Building Ribbon-cutting ceremony was held on March 21, 2018 and marked the first project completed under BNA Vision.

President Kreulen stated that the full-scale Emergency Preparedness Drill was held on March 24, 2018. More than 30 organizations and 125 volunteers participated in the drill.

President Kreulen reported that Yazoo Brewing recently celebrated the opening of its new, larger kiosk located at the end of Concourse C, near Gate C-23. Opening in 2013 at BNA, Yazoo Brewing Company was the first local craft beer kiosk at BNA. Fat Bottom Brewery will take over Yazoo's old location at the Concourse C Food Court. This will be the third local craft beer kiosk.

President Kreulen invited the Board to join MNAA Staff immediately following the meeting for the unveiling of BNA's first mural with artist Jorge Yances.

President Kreulen also invited the Board to join MNAA on May 4, 2018, to celebrate the British Airways' inaugural flight from BNA to London's Heathrow Airport beginning at 6 p.m. at Gate B-11. Guest Speakers include Doug Kreulen, Chair Bobby Joslin, British Airways Representatives, Mayor Briley, Governor Haslam, Butch Spyridon. Other festivities include the Fisk Jubilee Singers®, cake and appetizers, Nashville-themed goodie bags for arriving passengers, Nashville-themed gift basket for flight crew, London-themed goodie bags for departing passengers, Madame Tussauds™ Beatles Wax Sculpture, balloon sculptures of Big Ben, AT&T Building, and Royal Guards.

Economic Report

President Kreulen reported that this was the busiest March in the history of the airport with 1,307,540 total passengers. BNA's total passengers for March were up 11.4% and up 8.9% for FY2018. Passenger numbers have increased in 90 of the last 92 months.

President Kreulen reported that News and Gift gross sales for February 2018 were \$1,788,027, up 16.5% over February 2017, FY18 YTD gross sales were \$16,473,931, up 15.48% over FY17 YTD. Revenue was

approximately 10 to 12% with February accruals of \$223,587, and March accruals of \$118,548. FY18 YTD accruals were \$2,178,758.

Food & Beverage gross sales for February 2018 was \$3,653,976, up 16.4% over February 2017, FY18 YTD gross sales were \$32,186,393, up 8.35% over FY17 YTD. Revenue was approximately 10 to 12% and February accruals were \$448,617, and March accruals were \$482,441. FY18 YTD accruals were \$4,689,771.

President Kreulen reported that Rental Car gross sales for February 2018 were \$9,197,931, 10.4% above last February and up 6.9% for FY18YTD. February revenue was up 10.0%. February revenue was at \$919,793; and YTD \$9,375,049 (February 2018 revenue accrual was \$894,196. March 2018 accrued revenue was \$1,179,545 up 27.0%). February RAC days were up 9.7%, and up 6% year to date.

President Kreulen reported on the Concessions Request for Proposal (RFP) schedule. He stated that the draft RFP was distributed April 5, 2018 and gave the industry a chance to comment. The final RFP was issued April 16, 2018. A pre-proposal conference and site visit will be held April 23, 2018. Proposals are due May 29, 2018 and short-list will be issued on June 6, 2018. Interviews will be held June 13, 2018 and selection will be made June 20, 2018. Staff will present its recommendation for Board approval on July 18, 2018. President Kreulen also reported that extensive outreach had been done to inform the community. The executive team hosted various companies that had requested one on one meetings. President Kreulen reported that the final RFP clarified that in order to submit a proposal for this project the proposer must eliminate any exclusive agreements they may have, or if they desire to keep that agreement, they must provide an affidavit from the firm that they have the exclusive agreement thereby providing the opportunity for companies under exclusive agreement fair options.

Chair Joslin stated that this was the second most important project the Board may ever consider other than the BNA Vision in terms of cost, term, and the community's best interest. He stated that he was pleased with all of the information provided to everyone thus far, as transparency is key. MNAA is moving in the right direction and he commended staff for their work.

Commissioner Harwell reminded the Board that the RFQ was issued on April 16, 2018, and the Board was provided the list of businesses who received the RFP. Commissioner Harwell stated that Board members are not to contact those businesses and if any of those businesses contact any member they are not allowed to discuss the RFP. Doug Sloan, CLO added that if any Board member is contacted they should refer the call to him or Davita Taylor, AVP of Procurement.

President Kreulen provided an overview to the Diversity Committee Meeting on April 11, 2018. He stated that he would rely on the next AVP of Human Resources to assist with any issues related to equal opportunity,

affirmative action, recruiting and compensation. Staff committed to provide a quarterly spend analysis to the Diversity Committee.

President Kreulen stated that Hensel Phelps reported on its SMWBE outreach efforts for BNA Vision Project 1 and will provide quarterly updates on continued efforts.

President Kreulen reported that the Diversity Committee will meet quarterly going forward.

President Kreulen provided an overview of the Management Committee Meeting highlighting the items discussed including President and CEO Duties; CEO Performance: Scorecard and Best Practices; Upcoming CEO Policy Changes including MNAA Ethics and Conflict of Interest, Board Code of Conduct and Ethics Policy, Use of Revenue for Airport / Air Travel Sponsorship and Promotion, Vehicle and YMCA Allowance, and Policy Control.

President Kreulen reported that the Employee Survey would be sent out April 23, 2018 and an executive summary of the results would be provided to the Board and staff once complete. The information obtained could possibly be used for benchmarking going forward.

Chair Joslin added that this was very important for this Management Committee and future Management Committees to have a benchmark set for CEO evaluations.

President Kreulen stated that an Executive team retreat had been scheduled for May 30, 2018, to set goals for 2019 and beyond and come back to the Board with those recommendations at a later date.

Staff Reports

Operations Report:

Mr. Robert Ramsey, COO, reported on Gross Parking Revenue. Unadjusted Gross Parking Revenue from all 5 lots for March was up 15.1% and up 13.8% for FY18YTD. Revenue transactions for March were 107,027, down 17.4%. FY18YTD revenue transactions were 999,118, down 2.7%. Express Park revenue for March was \$120,000 and \$858,000 for FY18YTD.

For the month of March, air cargo was up 4.8%, with 4,103 total tons of cargo, an increase of 189 tons, and up 8.1% for FY2018.

BNA March fuel sales for Atlantic Aviation, Signature Flight, and private self-fueling hangars were down 9.6%, or 68,824 gallons less. Mr. Bibb reported that although February numbers were down for GA fuel, they were still higher than the 2016 March numbers. For FY18 YTD fuel sales increased 7.2% equating to 407,213 gallons more. JWN March fuel sales for Contour Flight Support were up 25.1% or 27,690 gallons more and for FY18 an increase of 17.3% equates to 172,285 gallons more.

Financial Report:

Ms. Marge Basrai, Chief Financial Officer, presented the March financial results and noted that as of March 31, 2018, BNA's YTD Operating Revenues were about \$110.7M, which was \$5.4M above budget projections and \$14.5M more than this time last year. There were no additional drivers of that increase other than discussed the previous month.

Signatory Airline revenue increased \$9.5 million over prior year, driven by a migration of a non-signatory airline (Frontier – 6/2017) to a signatory airline, and reduction in revenue sharing credit (per the airline agreement) with Concessions down from 60% to 50% and Rental Car Revenue share from 20% to 0. Parking Revenue saw an increase year over year of \$4.5 million, driven by the rate increases on 9/1/17 and overall traffic growth. Concessions Revenue had an increase of \$1.8 million over last year, which was driven by the passenger growth at BNA.

BNA Operating Expenses YTD were \$59.1 million, which was \$9.8 million below budget projections, but \$3.8 million over the prior year actual amounts. The primary areas below budget were Salaries & Benefits and Contractual Services.

\$5.4 million of the budget variance was in Salaries & Benefits: \$3.1 million of that was due to lower than projected benefit costs, we had not made the entire OPEB and Retirement contributions yet, and \$2.3 million in DPS due to 15 open officer positions which were currently being filled.

Another \$2.4 million of the difference was in Contractual services: 1) \$1.8 million unspent in projected contract services so far (spread throughout all departments) – most of this was timing, and we do expect to spend; 2) Engineering was below by about \$815,000 - staff augmentation for BNA Vision was all being charged to the project. A portion approximately (35%) needs to be allocated back to O&M and will be done within the next month or two.

Even though we were below budget, FY18 Operating expenses were \$3.8 million more than the prior year due to additional spending of \$4 million in Contractual Services. This includes \$2 million in Operations related to the opening/running of Express Park (manning booths and increased shuttle drivers); Maintenance expenses of \$533,000 due to repairs in FY18 related to two sinkholes (one near Runway 2 Center and one near Hanger lane); and \$438,000 in legal fees.

JWN YTD Operating Revenues were \$652,000, which was \$22,000 above budget projections and \$25,000 more than the last year. There were no changes from what we discussed last month: Increase in Fuel Flowage fees (\$11K – 6 cents a gallon) due to increased business at JWN (since the installation of the EMAS), and reimbursable services (\$6K) related to auto fuel sales for the FBO's support trucks; and space rental (\$3k) is related to increased hangar rent.

JWN YTD Operating Expenses were \$532,000, which was on target with budget projection of \$528,000 and \$61,000 below last year. The additional expense in FY17 was due to repairs needed to two HVAC systems (Terminal & Hangar 1) and airfield lighting & signs due to two lightning strikes; and contract services for habitat remediation (cutting down of trees).

MPC YTD Operating Revenues were \$2.3 million, which was only \$13,000 above budget projections and \$105,000 more than the last year. \$40,000 of the increase over prior year was due to the timing of a new lease that started in September 2016 (2 additional months of rent for that space included in FY18 numbers than in FY17). The remainder of the increase was due to the normal rental rate escalations in FY18 (97% occupancy).

MPC YTD Operating Expenses were \$1.1 million, which was \$534,000 below budget projections and \$152,000 less than the last year. Variances were due to budgeted "break/fix" repairs that had not been necessary so far this year.

Business Diversity Development Report:

Ms. Donzaleigh Powell, Director of Business Diversity Development, briefed the Board on MNAA's SMWBE program for March 2018. Ms. Powell stated that Professional Services included all contract services, legal expenses, external printing and marketing. Goods & Services included all office supplies and office equipment and other goods. Construction Non-Federal CIP included all non-federal construction and professional projects. Construction Federal CIP included all federal construction and professional projects.

	Aspirational Participation %	Percentage	MWBE Expenditures	Total Expenditures	YTD Percentage	YTD MWBE Expenditures	YTD Total Expenditures
Professional Services (Includes all contract services, legal expenses external printing, and marketing)	12.44%	10.99%	\$ 441,840	\$ 4,020,792	12.03%	\$ 3,027,481	\$ 25,175,839
Goods & Services (Includes all office supplies and office equipment and other goods)	6.49%	1.74%	\$ 6,081	\$ 349,197	1.87%	\$ 40,530	\$ 2,172,261
Construction Non-Federal CIP (All non-federal Construction and professional projects)	10.49%	18.10%	\$ 1,311,500	\$ 7,248,053	13.51%	\$ 11,183,904	\$ 82,754,965
Construction Federal CIP (All Federal Construction and professional projects)	9.28%	0.00%	\$ -	\$ 1,157	0.52%	\$ 600	\$ 114,975

V. Items for Approval:

A. Donelson Pike Relocation Design Contract (1801)

Ms. Traci Holton, Chief Engineer, briefed the Board on this item. Staff recommended that the Board accept the statement of qualification by Atkins North America, Inc. (Atkins) to provide engineering consulting services for the initial design of the Donelson Pike Relocation for Terminal Access Roadway Improvements (TARI) project at Nashville International Airport (BNA); and authorize the Chair and President & CEO to execute the proposed professional services contract for the amount contained herein.

Background:

Based on projected operational deficiencies, and to accommodate the future growth of BNA, Davidson County, and the surrounding region, the Tennessee Department of Transportation (TDOT) will be relocating Donelson Pike and modifying the I-40 interchange in the vicinity of BNA. Based on similar projected operational deficiencies and in coordination with TDOT modifications, the Metropolitan Nashville Airport Authority (MNAA) will be reconfiguring the terminal access roadways and surface parking lots.

This project consists of the design of Terminal Access Roadway Improvements at BNA. The project will consist of the realignment of existing roadways and the construction of new roadways to provide permanent access to I-40 and Donelson Pike as part of the proposed Donelson Pike Relocation to be completed by TDOT. Included in this project is the design of approximately 12 lane-miles of new roadway, bridges and retaining walls; expansion and modifications to existing parking facilities and revenue systems; wayfinding signage; and all associated drainage, lighting, and utility work. The design shall be in coordination with all other elements of the airport's VISION redevelopment program.

The development of the design and plans associated with this procurement will be limited to preliminary plans (35%) and will include bridging documents to allow for the remainder of the project to be completed by a design-build delivery method.

On January 24, 2018, MNAA published a Request for Qualifications (RFQ) for the Terminal Access Roadway Improvements - Design project at BNA. On February 23, 2018, two Statements of Qualifications were received: Atkins and Design Consultants, Inc. (DCI).

On March 7, 2018, the selection committee evaluated the Statements of Qualifications based on capability to perform the project, key personnel's qualifications, qualifications of the subconsultants, project's potential challenges, ability to meet project schedules, and Small, Minority and Woman-Owned Business Enterprise (SMWBE) factors. The scores from their Statement of Qualifications are listed below:

Firm	Score	Committed SMWBE Participation Goal
Atkins	308	13.80%
DCI	107	Certified MBE

Atkins demonstrated qualifications and capability to complete the project, as well as a clear understanding of the project's challenges.

The SMWBE participation level set by MNAA for this project was 4.58% MBE and/or WBE. Atkins was able to obtain 13.80%. Atkin's SWMBE partners include Booker Engineering (BEI), Connico, Hawkins Partners (HPI), and KS Ware.

MNAA has evaluated the proposals and determined the proposal from Atkins to be responsive and responsible and recommends award of the professional services contract to Atkins North America, Inc.

Impact/Findings:

MNAA SMWBE Participation Level:	4.58% MBE and/or WBE
Atkins' SMWBE Participation Level:	13.80% MBE and WBE
Anticipated Contract Start Date:	April 18, 2018
Duration of Contract:	245 days
Contract Completion Date:	December 2018
Contract Amount:	\$2,379,950.00
Funding Source:	25% Bond, 75% STCF

Strategic Goals & Objectives/Critical Success Factors:

- Maintaining continuous safe and secure MNAA operations
- Coordination with TDOT during the design and construction phases
- Economically Sustained Services and Facilities

Options/Alternatives:

Do Nothing: The existing terminal access roadways at Nashville International Airport operate at full capacity during peak hours on a regular basis. Without constructing these roadway improvements in conjunction with TDOT, future projections indicate the roadway system will experience severe congestion and cause unreasonable delays to airport users.

Committee Review:

This item was presented to the General Aviation/Operations/Planning & Engineering Committee on April 11, 2018. The GAOPE Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Sandhu and seconded by Commissioner Samuels to accept the statement of qualification by Atkins to provide engineering consulting services for the initial design of the Donelson Pike Relocation for TARI project at BNA; and authorize the Chair and President & CEO to execute the proposed professional services contract for the amount contained herein. The motion carried by vote of 9 to 0.

B. D Concourse Design Build CGMP #2 (1803)

Ms. Holton briefed the Board on this item. Staff recommended that the Board authorize the Chair and President & CEO to execute the proposed Amendment 1 to Concourse D Design Build Component Guaranteed Maximum Price (CGMP) #2 for design-assist services and general requirements related to the Concourse D & Terminal Wings project at Nashville International Airport Progressive Design-Build contract.

Background:

As Project 1 of the BNA Vision, this project consists of a 6-gate expansion of Concourse D, as well as expansion of existing ticketing and baggage claim areas of the Terminal. This project is being prioritized to accommodate movement of the existing Transportation Security Administration (TSA) checkpoint and central airline ticket counters to the new expanded ticketing areas (wings), so that an expanded central terminal area can be constructed in the future. Additionally, the added gates in Concourse D will provide for an 'empty chair' for future construction of the International Arrivals Facility.

The Progressive Design-Build contract establishes a Guaranteed Maximum Price (GMP) based on the 60% design drawings. For scheduling purposes, and to fast-track the project, "component" GMPs, (CGMP's) are utilized to provide for early start of critical path items. To manage the final GMP, a specified Design-to-Budget requirement is utilized to ensure the total budget remains on target through the progression of ongoing design and construction work. The Design-to-Budget committed to by Hensel Phelps for this project is \$203,000,000. Therefore, the project will be managed to achieve this Design-to-Budget amount whereby the projected cost of the aggregate CGMP's are not allowed to exceed the Design-to-Budget amount at any time. Currently it is expected this project will require up to 4 CGMP's prior to reaching the final GMP. Hensel Phelps anticipates the following CGMP schedule: CGMP1-Design & General Conditions (executed); CGMP2 - design assist and general requirements; CGMP3 – central utility plant structure & envelope, civil work, tenant moves and terminal wings structure; CGMP4 - terminal wings envelope; Final GMP- finish out construction.

On January 17, 2018, the Board approved the selection of Hensel Phelps and CGMP #1 for the design & general conditions. At this time, airport staff is asking the Board to approve CGMP #2 for design assist services & general requirements in the amount of \$2,608,282.00. CGMP # 2 consists of bringing on subcontractors for the core and specialty trades of passenger boarding bridges, aircraft hydrant fueling,

electrical, low voltage, mechanical, plumbing, and baggage handling systems. CGMP # 2 also includes costs for general requirements such as fencing, maintenance of traffic, signage, utility location/subsurface utility exploration, and permitting. The Board is requested to authorize Hensel Phelps, via an amendment to their contract, to begin entering into subcontract agreements to deliver design assist services. In doing so, Hensel Phelps will negotiate final scopes of work and final bid prices for each individual package of work and bring that information to MNAA staff for review and approval. The MNAA maintains final approval on all subcontracts for this project.

The Small, Minority, Woman-Owned Business Enterprise (SMWBE) participation level set by MNAA for this project is 6.29% MBE and 9.13% WBE and 4% SBE. Hensel Phelps has committed to meeting the goal.

Impact/Findings:

MNAA SMWBE Participation Level:	6.29% MBE and 9.13% WBE and 4% SBE
Hensel Phelps SMWBE Participation Level:	6.29% MBE and 9.13% WBE and 4% SBE
Contract Start Date:	January 22, 2018
Duration of Contract:	900 Calendar Days Completion
Contract Completion Date:	July 10, 2020
Component Guaranteed Maximum Price 1	\$31,348,670.00
Component Guaranteed Maximum Price 2	\$ 2,608,282.00
Component Guaranteed Maximum Price 3	TBD
Component Guaranteed Maximum Price 4	TBD
Component Guaranteed Maximum Price 5	<u>TBD</u>
Total Guaranteed Maximum Price	\$203,000,000.00 NTE
Funding Source:	100% MNAA

Strategic Objectives:

- Maintaining the *Nashville Airports Experience* by meeting customer demands through new and expanded infrastructure
- Economically Sustained Services and Facilities

Options/Alternatives:

Do Nothing: The "Do Nothing" option will result in the inability to complete the BNA Vision or meet passenger growth projections.

Committee Review:

This item was presented to the GAOPE Committee on April 11, 2018. The GAOPE Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Sandhu and seconded by Commissioner Farnsworth to authorize the Chair and President & CEO to execute the proposed Amendment 1 to Concourse D Design Build CGMP #2 for design-assist services and general requirements related to the Concourse D & Terminal Wings project at Nashville International Airport Progressive Design-Build contract. The motion carried by vote of 9 to 0.

C. Consolidated Services Facility Roof Replacement Ph 2 (1822B)

Ms. Holton briefed the Board on this item. Staff recommended that the Board accept the proposal by Maxwell Roofing & Sheet Metal, Inc. (Maxwell) for the construction contract for the Consolidated Services Facility (CSF) Roof Replacement – Phase 2 project at BNA and authorize the Chair and President & CEO to execute the construction contract.

Background:

This capital improvement project is to replace the existing roofing of the CSF building, which houses Maintenance, Purchasing and storage, as well as airport mission critical functions such as the Airport Communications Center (ACC) and the Emergency Operations Center (EOC). The roofing was installed as part of the original building construction in 1987. Due to the age of the roofing, water leaks are occurring. In addition, several abandoned roof-top mechanical units will be removed, and the roof openings will be patched with metal deck and new roofing membrane.

Phase 1 of this project was procured and awarded as an emergency repair near the data center area in February 2018 at a contract amount of \$137,502.00.

A Request for Proposals (RFP) was advertised on February 5, 2018 and February 8, 2018 and included a base proposal and an add alternate proposal as follows:

- a. Base Proposal: Roof replacement with 60 mil ethylene propylene diene monomer (EPDM) roofing material
- b. Add Alternate: Increase the EPDM roofing material to 90 mil.

On March 13, 2018, five (5) responses were received. However, two (2) responses were deemed non-responsive because they failed to meet the Small, Minority, Woman-Owned Business Enterprise (SMWBE)

participation levels or provide acceptable good faith efforts. Three (3) responsive proposals were received, from Collier Roofing Co., Inc. (Collier), Maxwell and Medford Roofing, Inc. (Medford).

The proposals were evaluated based on the following criteria:

- a. Mandatory Requirements
- b. Experience and Qualifications
- c. Project Approach
- d. Price
- e. SMWBE Participation

On March 20, 2018, the selection committee evaluated the three proposals. Below is a tabulation of the proposal prices, SMWBE participation, and evaluation scores.

Proposer	RFP Score	Base Proposal	Add Alternate 1	Total Proposal Amount	Proposed SMWBE participation
Collier	290	\$ 1,321,952.00	\$109,460.00	\$1,431,412.00	Certified WBE
Maxwell	314	\$ 1,314,840.00	\$86,000.00	\$1,400,840.00	3.96% MBE
Medford	217	\$ 1,320,000.00	\$80,000.00	\$1,400,000.00	Certified WBE

The selection committee determined Maxwell to be the best qualified firm for the project, based on the following:

- 1. Extensive experience on roofing projects of equivalent size and complexity.
- 2. Thoughtful understanding and approach to the project.
- 3. Good safety record and program.
- 4. Effective SMWBE participation.

Maxwell's total proposal (base + add alternate) of \$1,400,840.00 was 6.6% lower than the Consultant's, Rinks & Associates, opinion of probable cost of \$1,499,391.00; and their price includes all aspects of the scope of work.

The SMWBE participation level set by the MNAA for this project was 3.76% MBE and/or WBE. Maxwell was able to obtain 3.96% MBE by utilizing Utopia Building Group.

MNAA has evaluated the proposals and determined the proposal from Maxwell to be responsive and responsible and recommend award to Maxwell Roofing & Sheet Metal, Inc.

Impact/Findings:

MNAA SMWBE Participation Level:	3.76% MBE and/or WBE
Maxwell's SMWBE Participation Level:	3.96% MBE
Anticipated Contract Start Date:	April 2018
Duration of Contract:	150 Calendar Days

Contract Completion Date:	September 2018
Contract Cost:	\$1,400,840.00
Funding Source:	90% State and 10% MNAA

Strategic Goals and Objectives/Critical Success Factors:

- Safe and Secure MNAA Operations
- Economically Sustained Services and Facilities

Options/Alternatives:

Do Nothing: The "Do Nothing" option requires MNAA to continue to maintain and repair the existing roofing. Existing building and equipment in ACC and EOC are at risk of being damaged by water leaks.

Committee Review:

This item was presented to the GAOPE Committee on April 11, 2018. The GAOPE Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Sandhu and seconded by Commissioner Smith to accept the proposal by Maxwell Roofing & Sheet Metal, Inc. (Maxwell) for the construction contract for the Consolidated Services Facility (CSF) Roof Replacement – Phase 2 project at BNA and authorize the Chair and President & CEO to execute the construction contract. The motion carried by vote of 9 to 0.

D. Baggage Handling System and Baggage Make-Up Room Improvements Design Build (1845)

Ms. Holton briefed the Board on this item. Staff recommended that the Board accept the proposal by J.E. Dunn Construction Company (JE Dunn) for the Design-Build Contract for the Baggage Handling System (BHS) and Baggage Make-Up Room Improvements project at BNA and authorize the Chair and President & CEO to execute the design-build contract for the amount contained herein.

Background:

The BHS at Nashville International Airport needs upgrading to increase throughput capacity. The new system will provide increased processing speed and allow for sortation by baggage source message (BSM). Additionally, the project includes expansion of the baggage make-up rooms, and relocation of Transportation Security Administration (TSA) on screen resolution (OSR) area and BHS control room. The current location of the OSR and BHS Control Room will be demolished as part of the Concourse D and Terminal Wings project.

A Request for Proposals (RFP) was advertised on December 18, 2017 and December 22, 2017. On February 16, 2018, proposals were received from John Bean Technologies, Inc (JBT) and JE Dunn.

The proposals were evaluated based on the following criteria:

1. Mandatory Requirements
2. Qualifications & Experience
3. Technical Approach
4. Price
5. Small Minority & Woman-Owned Business Enterprise (SMWBE) Participation

On February 22, 2018, the selection committee evaluated the two (2) proposals. Below is a tabulation of the proposal prices, SMWBE participation, and evaluation scores.

Proposer	Evaluation Score	SMWBE Participation	Proposed Guaranteed Maximum Price*
JBT	378	5.01% MBE	\$11,757,969.00
JE Dunn	464	4.53% MBE & 0.31% WBE	\$11,472,484.00

**Include a \$500,000 Owner's Contingency.*

The selection committee determined JE Dunn to be the most qualified and acceptable firm for the project, based on the following:

1. Experience with similar scope projects at other Airports.
2. Thorough understanding and approach to design and build the project.
3. SMWBE Participation.
4. Price.

The project was originally estimated at approximately \$8M. The baggage make-up component made up \$6M and the BHS/OSR component consisted of the remainder of the total amount. Below is a list of items explaining the major difference between the costs:

1. Original estimate was developed from concept drawing.
2. The complexity of the project from an architectural perspective was underestimated by 55%.
3. Owner included a \$500,000 owner's contingency for unforeseen conditions.
4. Proposer included \$1M in construction contingency to address utility conflicts due to right of way needs to baggage handling system and undefined TSA testing requirements.

A 2.5% difference between the two proposals indicates that the original estimate was underestimated and the market cost for this work is approximately \$11.5M. This being a design-build contract, the MNAA will only pay for the actual cost of work.

The SMWBE participation level set by MNAA for this project was 4.83% MBE and/or WBE. JE Dunn committed to 4.84% MBE and/or WBE. JE Dunn's SMWBE contractors are Archangel Protective Services, Inc., Utopia Building Group, LLC, Southeastern Constructors, LLC, John Curry Electric, Logan Patri Engineering Co., PowerCom Solutions and SRS, Inc.

MNAA has evaluated the proposals and determined the proposal from JE Dunn to be responsive and responsible and recommends award of the design-build contract to J.E. Dunn Construction Company.

Impact/Findings:

MNAA SMWBE Participation Level:	4.83% MBE and/or WBE
JE Dunn Construction SMWBE Participation Level:	4.84% MBE and/or WBE
Anticipated Contract Start Date:	April 2018
Duration of Contract:	365 Calendar Days
Contract Completion Date:	April 2019
Contract Cost:	\$11,472,484.00
Funding Source:	25% NAE Fund, 12.5% FY 18 Rates & Charges, 21% STCF, 41.5% Authority Investment Fund

Strategic Goals and Objectives/Critical Success Factors:

- Maintaining the *Nashville Airports Experience* by meeting customers demand for reliable and efficient baggage handling.
- Economically Sustained Services and Facilities.

Options/Alternatives:

Do Nothing: The 'Do Nothing' option will result in the inability to demolish D concourse for the BNA Vision or provide sufficient baggage make-up areas for airlines to operate.

Committee Review:

This item was presented to the GAOPE Committee on April 11, 2018. The GAOPE Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Sandhu and seconded by Mayor's Representative Wiltshire to accept the proposal by J.E. Dunn for the Design-Build Contract for the BHS and Baggage Make-Up Room Improvements project at BNA and authorize the Chair and President & CEO to execute the design-build contract for the amount contained herein. The motion carried by vote of 9 to 0.

E. CONRAC Refinancing Recommendation

Ms. Basrai, Chief Financial Officer, briefed the Board on this item. Staff recommended that the Board approve the selection of a Direct Placement with SunTrust for refinancing of the CONRAC Series 2010 Bonds. In addition, if agreement of terms and conditions cannot be negotiated with SunTrust, staff recommended approval to negotiate with the next best option for the Authority.

Background:

In February 2010, the Authority issued taxable Special Facility Revenue Bonds (CONRAC Series 2010 Bonds) in the principal amount of \$66.3M. The bonds, together with customer facility charge collections on hand and collected during the construction period, were used for the development and construction of a new consolidated rental car ("CONRAC") facility and related improvements. The current amount outstanding on these bonds is approximately \$54.2M. Given the interest rate environment and the improved credit quality of the CONRAC Series 2010 Bonds, the debt can be refinanced for savings.

On February 26, 2018, PFM released a Request for Proposal (on behalf of the Authority) to refinance the CONRAC Series 2010 bonds outstanding. The RFP allowed for various types of proposals: direct lending (Direct Placement) or a public issuance of bonds (Underwriting). This RFP was distributed to over 200 bank contacts. On March 19, 2018, the proposals were received: 10 Direct Purchase Proposals and 15 Underwriting of Bond Proposals.

The following analysis was conducted on the proposals:

1. PFM provided the Authority with an estimate of what the Present Value ("PV") Savings would be if we did a public offering (Underwriting). The spreads from the Underwriting proposals were used. It also assumed that we have an option to pre-pay the bonds after 2024. The estimate calculated by PFM is shown below:

	Underwriting (public offering)
Rate Assumed	3.82%
PV Savings (\$)	\$4.5M
Other Considerations	No rate hold; Longer transaction (approximately +6 weeks)

2. The Direct Placement Proposals were evaluated based on their interest rate, flexible pre-payment options and willingness to hold interest rates for up to 60 days. The following three banks were short-listed based on the results of the evaluation:
 - Bank of America Merrill Lynch (BAML)
 - Regions Bank
 - SunTrust Bank
3. The Direct Placement proposals of three short-listed banks were then compared. The RFP allowed for various pre-payment options to be proposed:
 - Option A: Pre-payable at any time without penalty
 - Option B: Pre-payable without penalty on or after 7/1/2026
 - Option C: Pre-payable with some type of premium

Based on these options, the following proposal comparisons were made:

Option A: Pre-payable without Penalty at any time:

	BAML	Regions	SunTrust
Rate per RFP	4.59%	4.11%	4.23%
PV Savings (\$)	\$2.0M	\$3.63M	\$3.22M
Other Considerations	No rate hold	60-day rate hold	60-day rate hold

Option B/C: Pre-payable in 2026 or with premium:

	BAML	Regions	SunTrust
Rate per RFP	3.83%	4.02%	3.43%
PV Savings (\$)	\$4.61M	\$3.94M	\$6.0M
Pre-Payment Option	2026 and after	2026 and after or step premium YR 1 – 5% YR 2 – 4% YR 3 – 3% YR 4 – 2% YR 5 and after – 1%	Step premium YR 1/2 - 5% YR 3/4 – 4% YR 5/6 – 3% YR 7/8 – 2% YR 9/10 – 1% Final YR – 0%
Other Considerations	No rate hold	60-day rate hold	60-day rate hold

Impact/Findings

Based on the cost of capital, time to close and cost of issuance, PFM and the CFO determined a Direct Placement was most advantageous to pursue. After evaluating the three options of the Direct Placement, it does not appear that a pre-payable at any time option is necessary and worth the additional cost. Based on the savings and the ability to lock the interest rate, Staff recommends that SunTrust Bank pre-payable with premium Option C is the best financial option. The PV Savings estimate of this option is \$6.0M, as compared to the public offering PV Savings estimate of \$4.5M. In addition, MNAA intends to evaluate the excess Customer Facility Charges associated with the CONRAC debt to determine if any of those excess dollars should be applied to the refinancing.

Options/Alternatives

1. Do nothing and make no recommendation and not move on refinancing of the CONRAC bonds.
2. Direct the Staff to pursue the refinancing through a public offering.
3. Select the Direct Placement Option A with either BAML, Regions, or SunTrust.
4. Select the Direct Placement Option B/C with either BAML or Regions.

Strategic Goals/Objectives – Critical Success Factors

Focus on the Future

Build capacity and services – BNA Vision
Ensure Business Continuity and sustainability

Pursue Excellence

Deliver world-class customer service

Committee Review:

This item was presented to the Finance, Administration and Properties (FAP) Committee on April 11, 2018. The FAP Committee voted 5 to 0 to recommend approval to the Board.

A motion was made by Commissioner Samuels and seconded by Mayor's Representative Wiltshire to approve the selection of a Direct Placement with SunTrust for refinancing of the CONRAC Series 2010 Bonds. In addition, if agreement of terms and conditions cannot be negotiated with SunTrust, approval to negotiate with the next best option for the Authority. The motion carried by vote of 9 to 0.

F. Pension Allocation Change and Discount Rate Adjustment

Ms. Basrai briefed the Board on this item. Staff recommended to the Board of Commissioners that it approve the revision of the MNAA Investment Policy for the Retirement Plan and Other Post-Employment Benefits (OPEB), Policy 3-903 (updated to Policy 41-011), and MNAA Resolution 2018-06 authorizing amendment of the MNAA Investment Policy of the Retirement Plan and OPEB.

Background:

On February 9, 2018, the Authority's Retirement Committee met with MNAA's Investment Advisor, Wells Fargo, and the Actuary, BPS&M, to discuss risk reduction, asset allocation, and the discount rate used on the retirement plan. The following changes were approved by the Retirement Committee for the Retirement Plan:

1. Change the Retirement Plan's portfolio asset allocation from 65/35 (65% Equities/35% Fixed Income) to a 60/40 asset allocation (60% Equities/40% Fixed Income).
 - The Retirement Plan was over 100% funded on an actuarial basis as of July 1, 2017. As a well-funded plan with a closed group of employees, it was prudent for the Retirement Committee to consider a more conservative asset allocation. The Retirement Plan has been closed to new employees since June 27, 2003. The number of remaining actives and the accrual of new benefits has been steadily declining for a number of years. Openly accruing plans and plans that are not well funded are able to use investment gains from an aggressive asset allocation to help improve funded status and reduce the need for future contributions. While MNAA still has participants earning benefits, the need for future contributions may be decreased if the plan is

able to maintain a well-funded status. The downside of volatile returns in poor markets can outweigh the upside of aggressive investment gains in good markets. This change in asset allocation reduces the risk of volatility of the asset return and reduces the likelihood of a large decrease in funded status in years of poor market returns.

2. Reduce the Retirement Plan's current discount rate from 7.5% to 7.0%.

- The discount rate is the interest rate used to value the liabilities of the plan. Because MNAA follows an established funding policy, the governmental accounting standards allow the plan to use the long term expected rate of return on the asset portfolio as the discount rate. The current low interest rates and investment environment have led to a lower expected rate of return on the asset portfolio. The Retirement Committee has approved a change to reduce the discount rate from 7.5% to 7.0%. A reduction in the discount rate increases liabilities. With a 7.0% discount rate, the Retirement Plan is projected to have a \$1.5 million shortfall at 6/30/2018. The actual shortfall will depend on market performance, but this is the best estimate of the shortfall at this time. MNAA plans on funding the shortfall by fiscal year-end.

The following are the proposed changes to the Policy based on the approvals listed above. There are also a few insignificant changes suggested during the review of the policy:

- On page 5, Part VII, Section D, Investment Objectives, viii, is revised to change the name of the benchmark index to BBg Barclays US Aggregate Bond Index from Barclays Capital Aggregate Bond Index due to a name change of the index.
- Page 6, Part VII, Section E, Asset Allocation, is revised to update the Asset Allocation category and subcategory ranges and Composite Benchmark for the Retirement Plan. Two charts are shown (instead of the one previously) since the asset allocation is now different between the Retirement Plan and OPEB. The OPEB asset allocation was not changed. The two new tables added are as follows for the Retirement Plan and the OPEB Plan, respectively:

Asset Category and Subcategory	Minimum %	Neutral Target %	Maximum %	Composite Benchmark
Stock	0.00%	60.00%	70.00%	
Large Cap Value	0.00%	8.57%	11.10%	8.57% Russell 1000 Value Index
S&P 500 Funds	0.00%	11.25%	18.30%	11.25% S&P 500 Index
Large Cap Growth	0.00%	8.58%	11.10%	8.58% Russell 1000 Growth Index
Mid Cap	0.00%	7.50%	9.70%	7.50% S&P 400 Mid Cap Index
Small Cap	0.00%	4.30%	5.60%	4.30% Russell 2000 Index
International Equities	0.00%	19.80%	25.60%	19.8% MSCI ACWI ex-US Index
Fixed Income	0.00%	37.00%	47.00%	
Total Return Bonds	0.00%	37.00%	47.00%	37.00% BBgBarclays US Aggregate Bond Index
Cash Equivalents	0.00%	3.00%	100%	
Money Market	0.00%	3.00%	100%	3.00% 3-Month T-Bill

Asset Category and Subcategory	Minimum %	Neutral Target %	Maximum %	Composite Benchmark
Stock	0.00%	65.00%	75.00%	
Large Cap Value	0.00%	9.30%	12.00%	9.30% Russell 1000 Value Index
S&P 500 Funds	0.00%	12.20%	19.30%	12.20% S&P 500 Index

Large Cap Growth	0.00%	9.30%	12.00%	9.30%	Russell 1000 Growth Index
Mid Cap	0.00%	8.10%	10.50%	8.10%	S&P 400 Mid Cap Index
Small Cap	0.00%	4.65%	6.00%	4.65%	Russell 2000 Index
International Equities	0.00%	21.45%	27.70%	21.45%	MSCI ACWI ex-US Index
Fixed Income	0.00%	32.00%	42.00%		
Total Return Bonds	0.00%	32.00%	42.00%	32.00%	BBgBarclays US Aggregate Bond Index
Cash Equivalents	0.00%	3.00%	100%		
Money Market	0.00%	3.00%	100%	3.00%	3-Month T-Bill

Additional item to note: in March, MNAA’s Investment Advisor suggested that a change should be made to the allocation allowed for International Equities. Given that the overall asset allocation did not change from the approved 60/40 split by the Retirement Committee, the Chief Financial Officer and the President and CEO determined that the change in allocation for International Equities was considered an immaterial change and was not taken back to the Retirement Committee.

- Page 6, Part VII, Section E, Asset Allocation, first paragraph, is revised to show that the rebalancing of the funds between each Subcategory is conducted mid-month instead of the end of each monthly period. This change was made to be consistent with current procedures.

Impact/Findings

Staff recommended approval of MNAA Resolution 2018-06 which provided for amending Policy 3-903 (updated to Policy 41-011), Investment Policy for the Retirement Plan and OPEB Trust, to reflect proposed changes to the Policy.

Strategic Objectives

This proposal addressed several MNAA strategic objectives, including the following:

- Economically Sustained Services and Facilities

Options/Alternatives

The "Do Nothing" option increases the risk of volatility of the asset return. The Board can make revisions to the Policy as it deems appropriate.

Committee Review

This item was presented to the FAP Committee on April 11, 2018. The FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Mayor’s Representative Wiltshire to approve the revision of the MNAA Investment Policy for the Retirement Plan and OPEB, Policy 3-903 (updated to Policy 41-011), and MNAA Resolution 2018-06 authorizing amendment of the MNAA Investment Policy of the Retirement Plan and OPEB. The motion carried by vote of 9 to 0.

G. FY2019 BNA Operating Budget

Ms. Basrai briefed the Board on this item. Staff recommended to the Board of Commissioners that it approve the proposed operating budget for BNA for fiscal year 2019 (FY2019) and authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-02.

Background:

Staff annually presents the Operating Budget for the forthcoming fiscal year.

Impact/Findings:

MNAA's management and staff developed the following operating budget for BNA. The Operating Budget for BNA was developed and structured to support MNAA's strategic priorities and operational requirements.

BNA Summary (\$000)	BUDGET 2018	BUDGET 2019
Non-Airline Revenue	\$95,727	\$102,241
Signatory Airline Revenue	<u>46,732</u>	<u>53,609</u>
Total Operating Revenue	142,459	155,850
Operating Expense	93,378	99,634
Net Non-Operating Expense (Income)	(17,227)	(26,016)
Income before Depreciation & Grants	\$66,308	\$82,232

Options/Alternatives:

Revise the operating budget by adding or omitting items from the proposed preliminary operating budget. Per the 3rd Amended and Restated Bylaws of the Board of Commissioners, Section 4.3.2, Operating Budget, if such budget shall not have been acted upon by the Board by July 1, the first day of the fiscal year, the proposed budget shall become effective, subject to subsequent action by the Board.

Strategic Goals/Objectives – Critical Success Factors

Focus on the Future

- Build capacity and services – BNA Vision
- Ensure Business Continuity and sustainability

Pursue Excellence

- Deliver world-class customer service

Committee Review:

This item was presented to the FAP Committee on April 11, 2018. The FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Commissioner Freeman to approve the proposed operating budget for BNA for fiscal year 2019 (FY2019) and authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-02. The motion carried by vote of 9 to 0.

H. FY2019 BNA Capital Improvement Budget and FY2019-2023 Capital Improvement Plan

Ms. Basrai briefed the Board on this item. Staff recommended to the Board of Commissioners that it approve the proposed Capital Improvement Budget and Plan for BNA for fiscal year 2019 (FY2019) (July 1, 2018, through June 30, 2019); authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-03; and authorize and resolve that MNAA accept the grant(s) from the Federal Aviation Administration (FAA) for Federally funded projects. The Capital Improvement Plan for BNA for fiscal years 2020–2023 is presented for informational purposes only.

Background:

Staff annually presents a five-year Capital Improvement Plan (FY2019-2023) and the forthcoming year Capital Improvement Budget (FY2019).

Impact/Findings:

The Capital Improvement Budget for FY2019 is \$715,104,328. Major projects for FY2019 include Terminal Lobby & IAF, Terminal Garage & Airport Administration Building, and Terminal Garage B. The preliminary Capital Improvement Plan is summarized below:

BNA Summary:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>TOTAL</u>
Terminal & Landside	\$696,369,328	\$90,017,000	\$7,258,000	\$7,374,000	\$4,180,000	\$805,198,328
Vehicles & Equipment	1,785,000	1,947,000	1,675,000	1,314,000	1,665,000	\$8,386,000
Airside Improvements	16,950,000	46,550,000	19,400,000	56,413,000	26,950,000	166,263,000
Total	\$715,104,328	\$138,514,000	\$28,333,000	\$65,101,000	\$32,795,000	\$979,847,328

Funding Allocation:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>TOTAL</u>
MNAA Authority Fund	\$13,962,333	\$4,327,000	\$10,183,000	\$12,007,000	\$7,095,000	\$47,574,333
MNAA Airline Fund	7,200,000	17,937,000	9,375,000	22,794,000	12,837,500	70,143,500
Federal (Entitlement)	3,000,000	3,250,000	3,500,000	3,500,000	3,750,000	17,000,000
Federal (Discretionary)	7,087,500	26,000,000	5,275,000	26,800,000	9,112,500	74,275,000
PFC	0	0	0	0	0	0
State (Equity Funds)	3,883,150	0	0	0	0	3,883,150
Bond Funded	672,971,345	87,000,000	0	0	0	759,971,345
Other	7,000,000	0	0	0	0	7,000,000
TOTAL	\$715,104,328	\$138,514,000	\$28,333,000	\$65,101,000	\$32,795,000	\$979,847,328

All projects are contingent upon the approval and availability of the various funding sources. The projects programmed for FY2019 and their anticipated funding sources are shown in the attached capital improvement plan.

Options/Alternatives:

Revise the capital budget by adding or omitting projects from the preliminary capital budget.

Strategic Goals/Objectives – Critical Success Factors

Focus on the Future

- Build capacity and services – BNA Vision
- Ensure Business Continuity and sustainability

Pursue Excellence

- Deliver world-class customer service

Committee Review

This item was presented to the FAP Committee on April 11, 2018. The FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Mayor's Representative Wiltshire to approve the proposed Capital Improvement Budget and Plan for BNA for fiscal year 2019 (FY2019) (July 1, 2018, through June 30, 2019); authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-03; and authorize and resolve that MNAA accept the grant(s) from the Federal Aviation Administration (FAA) for Federally funded projects. The motion carried by vote of 9 to 0.

I. FY2019 JWN Operating Budget

Ms. Basrai briefed the Board on this item. Staff recommended to the Board of Commissioners that it approve the proposed operating budget for John C. Tune Airport (JWN) for fiscal year 2019 (FY2019) and authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-04.

Background:

Staff annually presents the Operating Budget for the forthcoming fiscal year.

Impact/Findings:

MNAA's management and staff developed the following operating budget for JWN. The Operating Budget for JWN was developed and structured to support MNAA's strategic priorities and operational requirements.

JWN Summary	BUDGET 2018	BUDGET 2019
Operating Revenue	\$840,000	\$845,000
Operating Expense	721,000	670,000
Interest Income	400	400
Interest Expense	0	0
Income before Depreciation, Grants, and Transfers from MNAA	\$119,400	\$175,400

Options/Alternatives:

Revise the operating budget by adding or omitting items from the proposed preliminary operating budget.

Per the 3rd Amended and Restated Bylaws of the Board of Commissioners, Section 4.3.2, Operating Budget, if such budget shall not have been acted upon by the Board by July 1, the first day of the fiscal year, the proposed budget shall become effective, subject to subsequent action by the Board.

Strategic Goals/Objectives – Critical Success Factors

Focus on the Future

- Build capacity and services – BNA Vision
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Pursue Excellence

- Deliver world-class customer service

Committee Review

This item was presented to the FAP Committee on April 11, 2018. The FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Commissioner Samuels to approve the proposed operating budget for John C. Tune Airport (JWN) for fiscal year 2019 (FY2019) and authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-04. The motion carried by vote of 9 to 0.

J. FY2019 JWN Capital Improvement Budget and FY2019-2023 Capital Improvement Plan

Ms. Basrai briefed the Board on this item. Staff recommended to the Board of Commissioners that it approve the proposed Capital Improvement Budget and Plan for JWN for fiscal year 2019 (FY2019) (July 1, 2018, through June 30, 2019); authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-05 and authorize and resolve that MNAA accept the grant(s) from the Federal Aviation Administration (FAA) for Federally funded projects. The Capital Improvement Plan for JWN for fiscal years 2020 – 2023 is presented for informational purposes only.

Background:

Staff annually presents a five-year Capital Improvement Plan (fiscal years 2019-2023) and the forthcoming fiscal year's Capital Improvement Budget (FY 2019).

The MNAA funding line represents funding for JWN provided under the current airline agreement in total, however, the amounts are allocated by year as the funding is expected to be utilized.

Impact/Findings:

The Capital Improvement Budget for FY2019 is \$825,000. The proposed Capital Improvement Plan is summarized below:

JWN Summary:	2019	2020	2021	2022	2023	TOTAL
Terminal & Landside	\$0	\$0	\$1,508,500	\$1,000,000	\$0	\$2,508,500
Land Acquisition	0	0	0	0	0	0
Vehicles & Equipment	125,000	0	0	0	0	125,000
Airside Improvements	700,000	3,667,000	0	0	5,400,000	9,767,000
Total	\$825,000	\$3,667,000	\$1,508,500	\$1,000,000	\$5,400,000	\$12,400,500

Funding Allocation:	2019	2020	2021	2022	2023	TOTAL
JWN Funding	\$4,000	\$50,000	\$292,000	\$100,000	\$756,000	\$1,202,000
MNAA Funding	431,000	433,500	461,500	0	944,000	2,270,000
Federal (Discretionary)	330,000	2,850,000	150,000	900,000	2,000,000	6,230,000
State (GA & Equity Funds)	60,000	333,500	605,000	0	1,700,000	2,698,500
TOTAL	\$825,000	\$3,667,000	\$1,508,500	\$1,000,000	\$5,400,000	\$12,400,500

All projects are contingent upon the approval and availability of the various funding sources. The projects programmed for FY2019 and their anticipated funding sources are shown in the attached capital improvement plan.

Options/Alternatives:

Revise the capital budget by adding or omitting projects from the proposed capital budget.

Strategic Goals/Objectives – Critical Success Factors

Focus on the Future

- Build capacity and services – BNA Vision
- Ensure Business Continuity and sustainability

Pursue Excellence

- Deliver world-class customer service

Committee Review

This item was presented to the FAP Committee on April 11, 2018. The FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Commissioner Doerge to approve the proposed Capital Improvement Budget and Plan for JWN for fiscal year 2019 (FY2019) (July 1, 2018, through June 30, 2019); authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-05 and authorize and resolve that MNAA accept the grant(s) from the Federal Aviation Administration (FAA) for Federally funded projects. The motion carried by vote of 9 to 0.

K. FY2019 MPC Operating Budget

Ms. Basrai briefed the Board on this item. Staff recommended to the MPC Board of Directors that it approve the proposed operating budget for MNAA Properties Corporation (MPC) for fiscal year 2019 (FY2019); and authorize the Chair and President and CEO to execute MPC Resolution No. 2018-01.

Background:

Staff annually presents the Operating Budget for the forthcoming fiscal year.

Impact/Findings:

Management and staff have developed the following proposed operating budget for MPC. The Operating Budget for MPC was developed and structured to support MNAA's strategic priorities and operational requirements.

MPC Summary	BUDGET 2018	BUDGET 2019
Operating Revenue	\$3,070,000	\$3,115,000
Operating Expense	1,986,000	1,671,000
Non-Operating Income	2,000	2,000
Non-Operating Expense	167,000	167,000
Income before Depreciation	\$919,000	\$1,279,000

MPC Budget by Subsidiary/Parent	International Plaza	Multi- Purpose Building	Global Tire	MPC Parent	TOTAL MPC BUDGET 2019
Operating Revenue	\$2,632,000	\$439,000	\$44,000	\$0	\$3,115,000
Operating Expense	1,167,000	374,000	10,000	120,000	1,671,000
Non-Operating Income	1,000	0	0	1,000	2,000
Non-Operating Expense	140,000	27,000	0	0	167,000
Income before Depreciation	\$1,326,000	\$38,000	\$34,000	(\$119,000)	\$1,279,000

Transfer – MPC Subsidiaries to Parent: Also, as an informational item, MPC Holdings, LLC will transfer funds to MPC (The Parent) to cover projected operating expenses for the upcoming fiscal year. MPC Holdings, LLC relies on its subsidiaries for revenue generating activities. Accordingly, it must rely on periodic transfers of funds from its subsidiaries with revenues to enable it to pay operating expenses. The necessary amounts will be transferred by MPC Holdings, LLC based on the budgeted revenues of each of its revenue-generating facilities using a pro rata share formula monthly. This amount is estimated to be approximately \$119,000 for FY2019.

Options/Alternatives:

Revise the operating budget by adding or omitting items from the proposed preliminary operating budget. Per the Amended and Restated Bylaws of the Board of Directors, Section 4.3.2, Operating Budget, if such budget

shall not have been acted upon by the Board by July 1, the first day of the fiscal year, the proposed budget shall become effective, subject to subsequent action by the Board.

Strategic Goals/Objectives – Critical Success Factors

Focus on the Future

- Build capacity and services – BNA Vision
- Ensure Business Continuity and sustainability

Pursue Excellence

- Deliver world-class customer service

Committee Review

This item was presented to the MPC FAP Committee on April 11, 2018. The MPC FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Commissioner Farnsworth to approve the proposed operating budget for MNAA Properties Corporation (MPC) for fiscal year 2019 (FY2019); and authorize the Chair and President and CEO to execute MPC Resolution No. 2018-01. The motion carried by vote of 9 to 0.

L. FY2019 MPC Capital Improvement Budget and FY2019-2023 MPC Capital Improvement Plan

Ms. Basrai briefed the Board on this item. Staff recommended to the MPC Board of Directors that it approve the proposed Capital Improvement Budget and Plan for MNAA Properties Corporation (MPC) for the fiscal year 2019 (FY2019) (July 1, 2018 through June 30, 2019); and authorize the Chair and President and CEO to execute MPC Resolution No. 2018-02. The Capital Improvement Plan for fiscal years 2020-2023 is being presented for informational purposes only.

Background:

Staff annually presents a five-year Capital Improvement Plan (FY2019-2023) and the forthcoming year Capital Improvement Budget (FY2019).

Impact/Findings:

The Capital Improvement Budget for FY2019 is \$1,045,000. The proposed Capital Improvement Plan is summarized below:

MPC Summary:	2019	2020	2021	2022	2023	TOTAL
Total	\$1,045,000	\$2,185,000	\$3,025,000	\$2,295,000	\$300,000	\$8,850,000

All projects are contingent upon the approval and availability of the various funding sources. The projects programmed for FY2019 and their anticipated funding sources are shown in the attached capital improvement plan.

Options/Alternatives:

Revise the capital budget by adding or omitting projects from the proposed capital budget.

Strategic Goals/Objectives – Critical Success Factors

Focus on the Future

Build capacity and services – BNA Vision
Ensure Business Continuity and sustainability

Pursue Excellence

Deliver world-class customer service

Committee Review:

This item was presented to the MPC FAP Committee on April 11, 2018. The MPC FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Commissioner Freeman to approve the proposed Capital Improvement Budget and Plan for MNAA Properties Corporation (MPC) for the fiscal year 2019 (FY2019) (July 1, 2018 through June 30, 2019); and authorize the Chair and President and CEO to execute MPC Resolution No. 2018-02. The motion carried by vote of 9 to 0.

M. MNAA Insurance Premiums

Mr. Ted Morrissey, AVP, Legal Affairs, briefed the Board on this item. Staff recommended to the Board that it ratify the payment of the Authority's annual insurance premiums by the President & CEO pursuant to the Third Amended and Restated Bylaws Section 4.4.1.8, and approve the Service Agreement between MNAA and Willis Towers Watson for insurance brokerage services from March 1, 2018 through February 28, 2019.

Background:

On March 15, 2018 the President & CEO received a purchase requisition from the Finance Department for approval of payment of the annual insurance premiums for MNAA in the amount of \$1,126,218.74. The purchase requisition was sent to the President & CEO because the amount of the requisition exceeded the signatory threshold of the Chief Financial Officer (CFO). The President & CEO rejected payment of the

requisition and sent an email to Finance and Legal requesting review of the requisition because it exceeded his spending authority under Section 4.4.1.1 of the Third Amended and Restated Bylaws (Bylaws).

On March 24, 2018, the President & CEO consulted with Legal. Legal, after review of the requisition and research on the history of the requisition, recommended that the President & CEO approve payment of the annual insurance premiums on an emergency basis, after consulting with the Chair, as authorized under Section 4.4.1.8 of the Bylaws.

On March 26, 2018, the President & CEO consulted with the Board Chair and both concurred with the plan to make the emergency premium payments. Additionally, the President & CEO and Chair agreed that MNAA/CFO will issue an RFQ for insurance brokerage services within the next 10 months and will conduct a review of types and amounts of insurance coverage necessary before the premiums expire on February 28, 2019.

On April 9, 2018, Finance updated the invoices with two additional invoices for monthly installment payments for Workers Compensation coverage and for Business Auto coverage. These additional invoices are \$24,875.00 and \$5,974.00, respectively. These bring the total amount of the requisition to \$1,157,067.74.

Additional Background Information on the Annual Insurance Premiums:

- On September 7, 2012, MNAA issued an RFQ for Insurance Broker Services. As a result of the RFQ, Willis Towers Watson (Willis) was engaged to provide broker services for insurance policies as required in the RFQ, but without ever executing a contract for these services.
- Willis has provided insurance broker services continuously since March 1, 2012.
- In March 2017, then-Chief Operating Officer Doug Kreulen requested that then-CFO Stan Van Ostran execute a contract with Willis for insurance brokerage services. Willis and the CFO negotiated a contract, but before the contract could be executed the CFO left MNAA to take another job; the contract was never executed.

Impact and Findings:

On March 2, 2018 and March 28, 2018 MNAA was invoiced for 2018-2019 renewal of various policies of insurance as set forth below:

Invoice No.	Policy	Amount
2018268	Commercial Property	\$ 657,798.00
2018150	Workers Comp./Down Payment	\$ 66,588.00
2018183	Workers Comp. April Installment	\$ 24,875.00
2018184	Workers Comp. May Installment	\$ 24,875.00
2018270	Foreign Workers Compensation	\$ 1,510.00
2027387	Excess Airport Operators Liability	\$ 80,250.00
2018272	Executive Package	\$ 102,753.00

2027418	Airport Liability #1	\$ 120,164.00
2018293	Business Auto /Down Payment	\$ 12,862.00
2018294	Business Auto April Installment	\$ 5,974.00
2018295	Business Auto May Installment	\$ 5,974.00
2018271	Fine Arts	\$ 2,237.00
2018274	Excess D & O	\$ 27,760.00
2018275	Cyber Security Liability	\$ 23,447.74
Total		\$1,157,067.74

The amount of Invoice 2018268 is in excess of the President and CEO's signatory authority, as is the total of all invoices.

Last year, individual invoices for 2017-2018 renewal of these policies were under the signatory authority threshold, but the total was \$1,162,407.32. Then-President & CEO Wigington approved payment of the purchase requisition for these invoices.

Strategic Goals & Objectives/Critical Success Factors:

Focus on The Future

Ensure business continuity and sustainability

Alternative/Options:

Not approving payment of these invoices will leave MNAA without insurance coverage.

Committee Review

This item was presented to the FAP Committee on April 11, 2018. The FAP Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Harwell and seconded by Commissioner Freeman to ratify the payment of the MNAA's annual insurance premiums by the President & CEO pursuant to the Third Amended and Restated Bylaws Section 4.4.1.8, and approve the Service Agreement between MNAA and Willis Towers Watson for insurance brokerage services from March 1, 2018 through February 28, 2019.

N. Indemnification of Commissioners

Mr. Morrissey briefed the Board on this item. President and CEO recommended that the Board of Commissioners adopt MNAA Resolution 2018-07 directing the Metropolitan Nashville Airport Authority to indemnify its individual members for fees, costs, and any damages awarded related to any lawsuits filed against the individuals in their capacities as Commissioners, including the current lawsuit filed by Robert R. Wigington, in accordance with Tennessee Code Annotated Section 48-58-502, as amended, and authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-07.

Committee Review:

This item was presented to the Management Committee on April 11, 2018.

A motion was made by Commissioner Harwell and seconded by Commissioner Farnsworth to adopt MNAA Resolution 2018-07 directing the Metropolitan Nashville Airport Authority to indemnify its individual members for fees, costs, and any damages awarded related to any lawsuits filed against the individuals in their capacities as Commissioners, including the current lawsuit filed by Robert R. Wigington, in accordance with Tennessee Code Annotated Section 48-58-502, as amended, and authorize the Chair and President and CEO to execute MNAA Resolution No. 2018-07. The motion carried by vote of 9 to 0.

Commissioner Samuels made a request of the Chair to go into executive session for the purpose of privileged communications with legal counsel Zan Blue and Cindy Barnett.

Chair Joslin acknowledged the request and closed the Board meeting for executive session at 1:55 p.m.

Chair Joslin reopened the Board meeting at 2:18 p.m. and stated there were no other items for discussion.

VIII. Adjourn

There being no further business before the Board, Chair Joslin adjourned the meeting at 2:19 p.m.


Aubrey B. Harwell, III
Board Secretary