

✈ METROPOLITAN NASHVILLE AIRPORT AUTHORITY ✈

January 16, 2019 – Minutes of the Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors



Date: January 16, 2019

Place: Nashville International Airport
Nashville, Tennessee

Time: 1 p.m.

Board Members Present:

A Dexter Samuels, Chair; Amanda Farnsworth, Secretary; John Doerge, Bill Freeman, Bobby Joslin Christy Smith, Nancy Sullivan, Jimmy Granbery and Mayor's Representative, Matt Wiltshire

Board Members Absent:

Trey Harwell, Vice Chair

Others Present:

Doug Kreulen and Cindy Barnett

I. Call to Order

Chair Samuels called the MNAA Board of Commissioners and MPC Board of Directors meetings to order at 1:00 p.m., pursuant to the Public Notice dated January 11, 2019.

II. Approval of Minutes

Upon motion made by Commissioner Joslin and seconded by Commissioner Farnsworth, the Board voted to approve the Minutes of the December 19, 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 Samuels welcomed Board members and guests. He recognized the hard work and accomplishments of the Authority in 2018 and thanked the Staff and Board of Commissioners for all they have done. Chair Samuels introduced Mr. Stephen Wood, TSA Federal Security Director, who expressed his appreciation to the Authority for support to the Transportation Security Officers that have not been receiving paychecks due to the government shutdown. Mr. Wood discussed mitigation plans.

IV. President's Report

President Kreulen thanked the Commissioners for participating in the Terminal Garage event and presented a video to commemorate its opening. The Terminal Garage opened to the public on December 20, 2018.

President Kreulen reported that on January 8, 2019, Sun Country Airlines announced three new destinations of Los Angeles, CA, Portland, OR, and Providence, RI. On January 15, 2019, Allegiant Airlines announced Grand Rapids, MI will be added to their service offerings with seasonal service twice per week beginning June 6, 2019.

President Kreulen reported that TDOT announced FY19 grant awards on January 11, 2019. The Authority was awarded \$4.25 million for construction of the Air Traffic Control Tower at John C. Tune. Last month, the Board of Commissioners approved funds necessary to begin the design for the new tower.

President Kreulen informed the Commissioners that the Authority now owns the BNA trademark and we are working to defend it.

President Kreulen congratulated Chief David Griswold for his efforts in continuing to bring in new law enforcement officers. He acknowledged three Tennessee Law Enforcement Academy Graduates, Julio Ramos, Daniel DePinto, and Jamory Stills. He thanked Karisse Spray, AVP, Human Resources, for implementing the compensation study results, and reported there is increased interest in employment with MNAA and the Department of Public Safety as a result of correcting that overdue deficiency.

15-year Contract Negotiations Update

President Kreulen thanked the Commissioners for their support for the new concessions contract and thanked Margaret Martin and her team for working on this project. He provided an update on the 15-year concessions contract negotiations.

- On November 21, 2018 Fraport submitted their initial proposal for a 5-year extension
 - Proposed 62.5% split of concession revenue vs. current 60% split
 - Proposed additional \$10.6 million in capital expenditures (current \$17.4 million)
 - Requested permission to implement a \$0.25 transaction fee to reduce CRDC costs to tenants
- On January 2, 2019, after analyzing this proposal, staff sent Fraport a non-concur and requested that Fraport
 - Comply with existing contract terms (7 yrs. retail, 10 yrs. F&B)
 - Clarify support for loan program to ACDBE businesses
 - Clarify financial assumptions behind the new proposal

- Support expenditure of capital funds by December 2023
- Justify need for proposed \$0.25 transaction fee
- On January 8, 2019 Fraport submitted an updated proposal for a 5-year extension. After staff completes analysis of the updated proposal, it will go back to the FAP Committee.

Fraport Transition Update

President Kreulen provided an update of the Fraport Transition Plan.

- Fraport preliminary concept development plan received January 4, 2019
 - 265 food & beverage bids from 50 individual companies
 - 160 retail bids from 37 individual companies
 - 80% of food & beverage and 75% of retail companies represent they are ACDBE certified or in process of certification
 - Host, Hudson and Delaware North retain a presence
- Fraport began negotiations with selected bidders the week of January 7, 2019
 - Letters of Intent (LOI)
 - Subleases
 - Local and ACDBE participation levels
 - Bidders/concepts not initially selected may still be selected depending on LOI and sublease negotiation
- All current concession agreements will be assigned to Fraport effective February 1, 2019 to allow for smooth transition of locations from March 2019 – December 2023.
- The BNA & Fraport Concessions Unveiling will be held February 1, 2019, 10:00 am, at Clementine Hall.

Passenger Activity

President Kreulen reported passenger activity increased from 901,949 in December FY15 to 1.3M in December FY19. FY19 year-to-date totals increased from 5.6M in FY15 to 8.5M. Passenger growth is at 14% for the fiscal year. BNA broke a new record for calendar year 2018, just short of 16 million passengers, a 1.86M increase over last year.

V. Staff Reports

Operations Report

Mr. Robert Ramsey, Chief Operating Officer, reported December FY19 gross parking revenue was \$3,806,401, down 0.2%, primarily due to the loss of capacity. Growth is continuing in the remote lots. FY19 year-to-date parking revenue was \$26,143,054, with 6.3% growth. Transactions were down 5.5% for the month and down 5.6% FY19 year-to-date. Mr. Ramsey reported that 3,000 additional spaces would be available in February 2020. President Kreulen reported that staff will be doing further analysis on parking rates.

Mr. Ramsey reported that air cargo numbers were not available, and would be reported next month.

Mr. Ramsey reported BNA fuel sales for December were 616,885 gallons, up 2.2%. FY19 year-to-date was 3,962,566 gallons, down 6.4%. John C. Tune December fuel sales were 137,769 gallons, up 13.0%. FY19 year-to-date was 961,703, up 17.9%.

Mr. Ramsey provided an update on the Airport Master Plan. He presented two long-range development concepts for a future second terminal - East/West option and North/South option. The next Technical Advisory Committee (TAC) and Community Advisory Committee (CAC) meetings are scheduled for February 14. The next public outreach meeting is scheduled for March 5.

President Kreulen stated that he and Mr. Ramsey had a very good meeting with the TN Air National Guard (TANG) which would be affected by the North/West concept for the second terminal and the property that they lease from MNA. Staff will continue to work with TANG going forward.

The Master Plan projects passenger activity will be at 20 million annual passengers (MAP) in 2027 and 22 MAP in 2032. The 2017 Vision forecast had projected BNA would not reach 22 MAP until 2041. The Master Plan forecast corresponds to the following gate requirements:

2022: 48-56 gates (18 MAP)

2027: 51-58 gates (20 MAP)

2032: 53-60 gates (22 MAP)

2037: 54-61 gates (24 MAP)

Mr. Ramsey presented terminal processor capacity levels. After activity levels reach 22 MAP, the key processors will gradually reach capacity and need to be addressed. Additional analysis is underway, and will be reported in March 2019 GAOPE Master Plan Update.

Mr. Ramsey provided results of the AECOM GA Tower Growth Analysis requested by Commissioner Farnsworth. The Air Traffic Control Tower (ATCT) will enhance flight safety and control of air traffic, however five recent ATCT's at other GA airports did not show a significant increase in based aircraft. Key decision factors for GA tenants include airport location, fees charged, facilities and services offered by the FBO's and

instrument approach. Commissioner Farnsworth requested AECOM do additional analysis of GA airports in larger cities.

Mr. Ramsey provided Commissioners with the December 2018 BNA Vision Monthly Program Report for reference.

Financial Report

Ms. Marge Basrai, Chief Financial Officer, reported revenue and expenses for BNA, JWN and MPC.

BNA operating revenue was \$42.5M FY19 year-to-date, which was \$5.2M above budget and \$9.9M over the prior year.

- Signatory airline revenue was \$520K above budget, but \$3.6M over prior year.
- Landing fees increased over prior year due to 15.3% increase in YTD landed weights. (3% projected growth rate from prior year)
- Terminal rents were \$2.5M higher than prior year due to the \$5M baggage handling system project approved in the budget.
- Parking revenue was \$2.9M above budget, and \$1.5M over the prior year. FY19 budgets were conservative due to construction impacts and space availability. The 5.6% decrease in overall parking transactions was offset by the average revenue per transaction increasing to \$38.43 compared to \$34.13 in the prior year.
- Space rent was \$1.8M over the prior year, with an increase in non-signatory terminal rents due to additional carriers and increased rental rate.
- Concessions revenue was above budget by \$2.3M, and \$2.6M over last year, mainly driven by ground transportation and car rental company concessions which is driven by passenger growth.

BNA operating expenses were \$42.5M FY19 year-to-date, which was \$6.7M below budget projections, but \$4.2M over the prior year actual amounts.

- \$2.6M in Salaries & Benefits due vacant new budgeted position still open and for the increase budgeted for the compensation study result that began to be implemented in January 2019. Benefits as it relates to salaries is trending 10% lower than budget.
- \$3.1M in Contractual Services: \$2.8M due to timing of various contract services such as legal, maintenance, janitorial and other contingencies. These amounts are offset by parking lot operations \$307K over budget and shuttle bus service \$428k over budget, due to increased services including new employee parking.

- Even though FY19 operating expenses are below budget, they are \$4.1M more than the prior year.
 - \$2.2M in contractual services from parking lot operations (\$931K), shuttle bus services (\$498k) and security services (\$695k)
 - \$1M in "Other Expenses" for airline incentives for British Airways (\$474K) that only started at the end of FY18, additional spend in other advertising for parking (\$100K) and special events (\$342K) hosting the ACI conference this year.

JWN YTD operating revenues were \$446.8K, which was \$26K above budget projections and \$2K more than the prior year.

- \$17K due to fuel flowage fees with a larger than expected increase - 144,334 more gallons sold in FY19 compared to FY18.
- \$6K due to a lease on a previously empty hangar that is renting for \$1K more per month than budgeted (Nitetrain Aviation LLC Hangar 173).

JWN YTD operating expenses were \$273K, which was \$55K below budget and \$78k below last year.

- \$48K Contract Services related to various projects that were delayed and planned to be completed in the 3rd and 4th quarters (fencing project and camera re-location)
- \$3K Materials and Supplies related to agricultural and maintenance supplies, now planned to be spent in the 3rd and 4th quarters
- Expenses required prior year and not required this year
 - \$8K supplies
 - \$55K ramp/door/sign repairs
 - \$6K booth fees and travel for the National Business Aircraft Association (NBAA) conference

MPC YTD operating revenues were \$1.5M, which is \$77K below budget projections and \$83K less than the last year.

- \$111K due to a tenant (Castle Law) defaulting on their lease in March. A new tenant has been found for this space, and it is anticipated the difference will not materially change in future months.
- \$36k of additional rent offsets the loss on Castle Law due to the normal rental rate escalations in FY19. (\$6,065 increase per month due to rent escalations)

MPC YTD operating expenses are \$627K, which was \$326K below budget projections and \$36K less than the last year.

- \$61K for IPB repairs that have not been necessary so far this year but are expected in the next couple of months.
- \$123K for planned improvements that will now be covered by Fraport in their lease. \$60k of this budget savings will be used for additional roof repairs later in the fiscal year.
- \$26K in janitorial services related to vacant spaces not requiring cleaning. The spaces will be occupied in January.
- \$22K in commissions & tenant improvements. New leases have been structured with the tenant responsible for improvements.
- \$21K for materials and supplies for various maintenance supplies that have not be necessary for break/fix so far this year, but will likely be spent in the 3rd or 4th quarter.
- \$8K in utilities

The Board was provided a copy of the MNAA financial statements.

Ms. Basrai gave an update on Airline Use and Lease Agreement Amendment negotiations.

- 12/6: Meeting held with Landrum & Brown to provide initial proposal
- 12/20: Call with Airlines to gather comments on the initial proposal
- 1/7: Based on feedback from Airlines, Landrum & Brown made slight changes to the proposal
- 1/10: Meeting held with Airlines, Landrum & Brown and MNAA to gather feedback on revised proposal and present the draft Airline Use and Lease Agreement (AULA) Amendment
- February 2019: Review with FAP Chair Smith; Finalize AULA Amendment
- March 2019: Submit to Board for approval

Ms. Basrai provided an update on the Short Term Credit Facility filings. The Short Term Credit Facility transaction closed January 7, 2019 with Bank of America Merrill Lynch and paid off the old loan at SunTrust. The two reports (taxable, tax-exempt) on Debt Obligation executed on January 7, 2019 will be filed with State of TN on January 17, 2019, and a copy of each was provided to the Board.

Chair Samuels confirmed with FAP Chair Smith that the FAP Committee was satisfied with the timeline.

President Kreulen stated that we are now waiting on the airlines to come back to us, and that Landrum & Brown has been tasked to come back to meet with the FAP Chair Smith to make sure she is comfortable with where we are and the path forward.

Business Diversity Development Report

Ms. Donzaleigh Powell, Director, Business Diversity Development, briefed the Board on MNAA's MWBE participation for December 2018. Ms. Powell presented the following data:

	Professional Services	Goods & Services	Construction Non-Federal CIP	Construction Federal CIP	Total
Aspirational %	12.4%	6.5%	10.5%	9.3%	
Dec. Total Expenditures	\$3,179,869	\$193,022	\$27,650,698	\$2,982,636	\$34,006,225
Dec. MWBE Expenditures	\$208,856	\$3,741	\$2,989,153	\$70,649	\$3,272,400
Dec. MWBE %	6.6%	1.9%	10.8%	2.4%	9.6%
YTD Total Expenditures	\$18,556,839	\$1,799,441	\$119,501,616	\$8,904,242	\$148,762,139
YTD MWBE Expenditures	\$1,390,925	\$20,326	\$14,727,019	\$926,513	\$17,064,783
YTD MWBE %	7.5%	1.1%	12.3%	10.4%	11.5%

Ms. Powell reminded the Board to save the date for the annual Business Taking Off event to be held at the Airport Marriott on March 22, 2019 from 7:30 to 11:30 a.m. This event is a great opportunity to receive detailed information about the work that is going on at BNA; it also connects internal departments, large and small businesses, and community partners. Last year there were approximately 360 attendees.

The Board was provided copies of the December 2018 MWBE report and the December 2019 Certification Report.

IV. Items for Approval:

A. Exterior Landscaping Services Contract

Staff provided a written analysis of this matter in the Board packet and staff requested that the Board approve award of the Exterior Landscaping Services Contract to Bradshaw Landscaping and authorize the Chairman and the President and CEO to execute the contract.

MNAA outsources the landscaping for approximately 30 acres located within the MNAA campus and select outlying areas. These off-campus areas include the Elm Hill Pike area and the Monell's property on Murfreesboro Road. On September 24, 2018, MNAA advertised for exterior landscaping services consisting of landscape maintenance, turf maintenance, irrigation and chemical application services. On November 1, 2018, two proposals were received and deemed responsive. The two proposals were from Bradshaw's Landscaping and Russell Landscaping.

- On November 13, 2018, the airport selection committee reviewed and scored the proposals based on the following criteria:

1. Ability to meet the requirements outlined in the RFPs scope of services
2. Qualifications of the key personnel who will be involved in the potential performance of the project
3. Level of experience the firm has in providing services similar in scope
4. Cost of proposed services
5. SMWBE/Diversity Plan
6. References

The selection committee's scores were:

Firm	Score	Committed M/WBE Participation
Bradshaw Landscaping	300	10.20% M/WBE
Russell Landscaping	268	9.85% M/WBE

Bradshaw's proposal received a score of 300 due to the following factors:

1. Met work schedule
2. Identified appropriate personnel including project manager as required
3. Proposal price was approximately 10% lower than Russell

Bradshaw Landscaping will use Darci's Dreamscapes, a WBE.

MNAA SMWBE Goal:	9.85% SMWBE
Bradshaw's Committee SMWBE Participation:	10.20% WBE
Anticipated Contract Start Date:	February 1, 2019
Duration of Contract:	36 months, with two 12-month renewal options
Contract Completion Date:	January 31, 2022
With Two one-year extensions	January 31, 2024
Estimated Base Bid:	Year 1: \$649,995.00
	Year 2: \$669,494.85
	Year 3: \$689,579.70
	Option Year 1: \$710,267.10
	Option Year 2: <u>\$731,575.12</u>
Total Contract Value with Option Years:	\$3,450,911.77
Funding Source:	BNA O&M

Options/Alternatives: Provide landscape services through MNAA employees. This option would require hiring and training of additional staff at higher payroll costs to MNAA than can be provided through outsourcing.

Committee Review

This item was presented to the General Aviation, Operations, Planning and Engineering (GAOPE) Committee on January 9, 2019. The GAOPE Committee voted 3 to 0 to recommend approval to the Board of Commissioners.

A motion was made by Commissioner Freeman and seconded by Commissioner Farnsworth to authorize the Chair and President & CEO to award of the Exterior Landscaping Services Contract to Bradshaw Landscaping and authorize the Chairman and the President and CEO to execute the contract. The motion carried by vote of 9 to 0.

VII. Adjourn

There being no further business before the Board, Chair Samuels adjourned the meeting at 1:44 p.m.



Amanda C. Farnsworth
Board Secretary