# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## July 11, 2018 – Minutes of the Joint Meeting of the MNAA Finance, Administration, and Properties Committee and MPC Finance/Administration/Properties Committee

**Date:** **July 11, 2018**

**Time:** **9:00 a.m.**

**Place:** **Nashville International Airport Nashville, Tennessee**

**Committee Members Present:** **Trey Harwell, Chair; Bill Freeman, Vice Chair; Amanda Farnsworth, Bobby Joslin, Christy Smith and Mayor's Representative, Matt Wiltshire**

**Committee Member Absent:** **None**

**Others Present:** **Doug Kreulen and Cindy Barnett, A. Dexter Samuels, Ph.D.; John Doerge**

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I. Call to Order

Chair Harwell called the Metropolitan Nashville Airport Authority (MNAA) and MNAA Properties Corporation (MPC) Finance, Administration, and Properties (FAP) Committee meeting to order at 9:05 a.m., pursuant to Public Notice dated July 6, 2018.

II. Approval of Minutes

Chair Harwell called for a motion to approve of the minutes of the May 9, 2018, FAP Committee meeting. A motion was made by Commissioner Freeman and seconded by Commissioner Smith. The motion carried by vote of 6 to 0.

Chair Harwell called for a motion to approve of the minutes of the June 13, 2018, FAP Committee meeting. A motion was made by Mayor's Representative Wiltshire and seconded by Commissioner Freeman. The motion carried by vote of 6 to 0.

III. Items for Approval

A. Concession Contract Approval

Chair Harwell commented that before discussing the substance of this item, he wanted to thank President Kreulen and the management team for their time and efforts on this matter which is very important for BNA and the City of Nashville. He also thanked the FAP Committee members and Board for their time. Any decision made should be based on the common goal and shared interest of what is in the best interest of the Airport and the city. We want our visitors to experience the taste and feel of Nashville.

Chair Harwell stated it was important to have discussion and deal with the issues objectively and with the best interest of the airport and the city in mind. Chair Harwell thanked Vice Chair Freeman for chairing the previous meeting and he understood that there was considerable discussion at that meeting and wanted to continue that discussion. We may not be able to please everyone but again repeated that the goal is to do what is best for the Airport and the city. Competition is a good thing. Chair Harwell stated that information had been received the day before that is still being processed and was unsure if the Board had had the opportunity to review the materials provided. Chair Harwell suggested that in a couple weeks, schedule another FAP Committee meeting and invite all Board members to address any questions in follow up to this meeting. There is a limited amount of time and understands that there is a sense of urgency on this matter, but it is also important to be sure that the Committee has taken the time it needs to address questions and has full understanding of the facts. This is a significant part of the BNA Vision and we want to be sure that everyone is comfortable with this and understands how it works. Chair Harwell opened the matter for discussion and stated that he would first like to have additional time to study the issues. Mayor's Representative Wiltshire stated that it might be a good idea, but there had not been any discussion yet, so it may be premature to talk about next meetings and suggested hearing the presentation and then if there were unanswered questions at the end, the FAP Committee could then proceed to schedule a follow-up meeting. Chair Harwell thanked Mayor's Representative Wiltshire and asked President Kreulen to provide an overview of the matter before the FAP Committee.

President Kreulen provided and overview of this item.

Background:

In January 2018, after determining that the current concession program had some opportunities for improvement, the MNAA Board of Commissioners provided direction to MNAA staff to evaluate the best way to deliver an airport concessions program to the community by 1/31/2019. MNAA staff identified the following goals:

- Improve customer service through competition

- Increase local participation
- Increase ACDBE participation
- Grow airport concessions revenue
  - Implement street pricing
  - Increase hours of operation
- Invest capital for MNAA development
- Develop a marketing program

After significant analysis and the assistance of an industry expert, as well as an industry comment period, MNAA issued a request for proposals (RFP) for a contractor to lease, develop, and manage the food service, retail, and services concession program on April 16, 2018. On May 29, 2018, MNAA received two proposals in response to the RFP: Fraport USA, Inc., and Marketplace Nashville, LLC.

The selection committee evaluated the proposals based on the criteria below:

1. Financial responsibility;
2. Experience and qualifications;
3. Concept development and merchandising plan;
4. Customer service, marketing, and promotions plan;
5. Management and operations plan;
6. ACDBE plan.

The selection committee determined that it was in the best interest of MNAA to interview both proposers, and proposers were interviewed on June 13, 2018. Following the interviews, the selection committee determined that Fraport USA offered the best proposal to MNAA based upon the following:

1. Capital expenditure financial proposal included an additional 4.4 million for concession upgrades.A total capital expenditure of 17.4 million over the 10 year agreement term.
2. A minimum Annual Guarantee (MAG) will be the higher of $11 million or 60% of the total rent revenue generated by the concession program.
3. Relevant experience by the proposed team members.
4. "Lessons learned" from previous similar work.
5. Proposed transition plan.
6. Commitment and experience with implementing and marketing street pricing.
7. Commitment to utilize local and ACDBE operators, as well as the mentoring and training programs.

Both proposers were well qualified, but the team from Fraport demonstrated the best understanding of the vision of MNAA regarding the concessions program as well as experience with similar programs and similar challenges. The final scores from the selection committee are below:

| Firm | Score | Committed ACDBE Participation | Capital Expenditure | Revenue to MNAA |
|---|---|---|---|---|
| Fraport | 526 | 40.5% average over term | $17,400,000 | $110,000,000* |
| Marketplace | 399 | 22.6% | $13,000,000 | NA** |

* This represents the guaranteed revenue to MNAA over the term of the agreement assuming an $11 million minimum annual guarantee with no annual increase. This would only be less if enplanements fall below 90% of the BNA Vision-projected enplanements, which has not happened historically.

** Marketplace submitted an alternate financial proposal instead of the $11 million minimum annual guarantee proposing to pay MNAA the greater of: 70% of rental revenues or $1.25 per enplanement for 2019-2023, and $1.45 per enplanement for 2024-end of agreement term. Based upon the pro forma that Marketplace submitted in their proposal, MNAA would not achieve annual revenue of $11 million until 2023.

CAPEX:

In the RFP, MNAA required that proposers commit to a minimum $13 million initial capital expenditure (initial investment in fixed improvements) to bring concourses A, B, and C to the same level of fit and finish as the newly constructed concourse D, as well as establish a consolidated receiving and distribution center in the Multi-Purpose Building. Fraport committed $13 million for this initial investment and will be required to complete these fixed improvements by July 31, 2023, with proof of expenditures submitted by November 1, 2023. Fraport also committed an additional $4.4 million in capital investment over the ten year term of the agreement for the grand hall, the food hall in concourse C, and art and updates in common areas throughout the terminal. Fraport was able to invest additional capital expenditure dollars due to the financial strength of its company, and will repay itself based upon increased sales volume.

FINANCIAL PROPOSAL:

Fraport's financial projections based upon their proposed concession program will provide a total payment to MNAA of $113.7 million over the ten year term of the agreement. Contractually, Fraport is obligated to pay MNAA the greater of $11 million or 60% of the total rent revenue generated by the concession program. This would only be less if enplanements fall below 90% of the BNA Vision-projected enplanements, which has not happened historically. During the transition and construction period from 2019-2023 it is anticipated that MNAA will receive the $11 million minimal annual guarantee. By 2024, the construction will be complete, and the concession program will be in full operation, and at that time it is anticipated that MNAA will begin receiving the 60% of rent, over and above the $11 million. Fraport credits their business model with being able to deliver this type of financial return because the increased competition among independently operated businesses which drives higher customer service and better products, and in turn increases sales. Rather than lowering costs to earn money, Fraport depends upon higher sales. Additionally, Fraport is committed to ensuring that operators are open 365 days a year, and for the extended hours of operation that MNAA specified in the RFP, generally 1.5 hours prior to the first scheduled departure of the day to the time of the last actual (not scheduled) departure of the day.

LOCAL AND ACDBE OPERATORS:

Fraport's proposal contemplates that 90% of the operators in the concession program will be local, which is defined as a food service or retail company headquartered in Tennessee. This commitment was supported by 45 executed letters of interest from local operators submitted with Fraport's proposal. The ACDBE participation level set by MNAA for this agreement was 22.6%. Fraport has committed to meeting or exceeding the 22.6% goal and based upon their financial projections, they anticipate achieving an annual average of 40% over the agreement term, and have made that commitment in their proposal. The projected local and ACDBE participation levels were the heart of Fraport's concession's concept plan, which is focused on delivering a concession program that is "Made of Nashville". The local and ACDBE tenants (both already certified and in the process of becoming certified) that Fraport has already approached, and is continuing to recruit, will deliver a unique concession program to BNA that will help deliver the Nashville Airport Experience. Fraport operates several programs geared towards the ultimate success of their tenants. PACT (Professional Assistance for Core Tenants) is a mentoring program for new and existing tenants and includes merchandising and layout design support, recovery management, training on "revenue-ready" operations, and workforce development and recruiting. Priority1 is a Fraport program to train, deliver, monitor and report on exceptional customer experiences through the Fraport tenant partners. This program is comprised of a call-in number, social media engagement, PACT, WINGS (Welcome Initiative for Nurturing Great Service, a complete training program on customer service), and quality monitoring via mystery shopping and regular operations reviews.

CONCEPT:

Fraport's proposal focused on creating a "Made of Nashville" feel to the concessions spaces with a balancing of southern charm and contemporary flair. Fraport is focused on delivering a true Nashville culinary and retail experience by bringing local brands from Nashville's neighborhoods into the airport. They want to build upon our strong Arts at the Airport program by adding another entertainment space that incorporates communal seating. They envision the various nodes within the terminal at C/D concourse, the C triangle, and the T gates as being able to create a sense of place with varieties of seating and restaurant options, from picking up a cup of coffee to sitting down to enjoy a meal from a local restaurant. D concourse may host a radio station and instrument demo area, while the A/B intersection contains large front porch-style "swings" as additional seating options.

MARKETING/STREET PRICING:

Fraport has significant experience in monitoring street pricing requirements in their other markets and utilizes technology to ensure that menus with pricing for the airport align with pricing at other locations, and will also use this as a marketing tool for customers. Fraport's experience with street pricing, results in increased sales because people don't restrain their purchasing like they do when prices are inflated. For this reason, street pricing serves as an underpinning of Fraport's marketing efforts. Fraport uses a comprehensive, multi-tiered marketing program that includes street pricing information on tri-fold directories (shop & dine), in-airport advertising, space-by-space placard signage, food hall table-top advertising, and in-market media advertising including radio spots.

Impact/Findings:

| | |
|---|---|
| MNAA ACDBE Goal: | 22.6% |
| Fraport's ACDBE Goal: | 40% |
| Anticipated Agreement Start Date: | August 1, 2018 |
| Lease Term: | Lease term begins on February 1, 2019 and continues for 10 years with two-five year extension periods if agreed upon by both parties. |
| Capital Investment by Fraport: | $17.4 Million |
| Anticipated Income to MNAA over | $110,000,000 if only minimum annual guarantee met agreement term: |

Strategic Priorities:

- Invest in MNAA
- Plan for the Future

Options/Alternatives:

Decline to award the agreement, or delay awarding the agreement. Declining or delaying awarding the contract to Fraport at this time (even a 30 day delay) would result in a need to extend or re-negotiate the current agreements in place with the master and other concessionaires and would have significant impacts to the BNA Vision schedule:

- The most significant concern is that a delay in the build-out of the CRDC would impact the construction schedule of D Concourse, which would in turn impact the schedule for BNA Vision. Current concessionaires utilize storage space under D concourse for food, supplies, and alcohol storage. This space will be removed for construction to begin on D Concourse, which is timed to align with the completion of the CRDC.
- There would be increased pressure to negotiate longer-term extensions with any concession tenants currently in month-to-month agreements, as well as negotiate extensions with master concessionaires and other concession tenants with agreements scheduled to expire on January 31, 2019, or soon thereafter. Even a delay of one month could significantly impact the transition to a

new program because that would provide insufficient time to physically prepare space for the transition concessions program.

- Lastly, Fraport's proposal is based upon a transition period from August 2018 to February 2019 and losing one month would impact their proposal assumptions and could require re-negotiation of various provisions.

Chair Harwell thanked President Kreulen for his report and opened the floor for discussion.

Mayor's Representative Wiltshire stated that felt maybe the Committee should first have the conversation about should we have taken the RFP in a different direction. That's a challenging thing to bring up at this stage of the process. But asked President Kreulen to tell the Committee if it were to not proceed what would the implications be of not making a decision one way or the other on the party that had been selected and with whom we had negotiated.

President Kreulen stated that we tried to choose a model that we thought best achieved what we heard from the Commissioners, so we arrived at the developer model to best achieve those new or improved goals. We believed that the developer model would give greater access to local businesses. to actually own, operate and run their facility as well as the same for minority businesses if.

Mayor's Representative stated that he presumed they could all agree that is demonstratively true. By definition, if you have three national companies running the revenue and operating the business, that is by definition not local.

President Kreulen stated he believed if the goal is to increase local participation, this model gives us a better opportunity to do that. We started the RFP process with zero participation from the national side, then we worked our way to 15%. We have already received a letter from Delaware North saying that they want to participate in the new program and he is sure that the others will want to do so as well. Local businesses, if have the option to run the whole thing, sign their license over or they could enter a joint venture with a national firm. We believe we have more flexibility in this model. The developer model is based more on competition than controlling O & M costs because they are all competing for that business, and that is where we believe we will see the higher revenue. When you look at the strategic requirements between developer and prime/master concessionaire, you don't have the likelihood that the prime/master would want to invest as much capital into the airport. If we went to the third model, the direct, where we try to run this whole thing ourselves, Ricondo provided a letter that says we would have to increase staff from two or three to nine to eleven to be able to provide that same service that we think the developer is going to give us, and we don't have the $17.4 million laying around to build out Concourse A, B and C. We were looking for a partner that would come in and help us make the airport better while also controlling the risk to the Authority by borrowing less money.

Mayor's Representative Wiltshire asked the other Commissioners if any one of them wanted to have a discussion regarding the direct leasing model to narrow down the discussion topics.

Commissioner Joslin commented that it had been stated that business owners could license their businesses if they want to and asked what the difference was between that and what we have today?

President Kreulen stated that the bigger difference is the percentage. Today the master/primes, who are good partners and have done a great job during their time here, have the ability to run a larger percentage of the businesses at the airport on our behalf, versus the developer model where we have limited their operation to 15%, trying to give more emphasis to the local businesses to operate here.

Mayor's Representative Wiltshire again asked anyone wanted to talk about the direct leasing model.

Board Chair Samuels stated he did have questions about the direct leasing model. I just wanted to see if we had looked at other airports with high local participation, a sense of place and high ACDBE, within other models aside from the developer model. It is my understanding that there are only five airports that have the developer model currently.

President Kreulen stated that he thought there were five with Fraport, an equal number with Marketplace and with Westfield. We don't have the internal talent to run a direct program. San Francisco has probably evolved to that over time. The benefit of the developer model is they help us with leasing, billing, contract management, and invoicing which really takes a lot off our workload from the airport staff side and makes it easier for us to operate. I don't know that the direct leasing model is doable. To follow up with Commissioner Wiltshire's second question, how is this timeline integrated or what is the impact of delays? There are probably ways to work around the impact of further discussions and answering questions, if we are delaying by two to four weeks. All of the phases of BNA Vision fit together. We will not be able to build Concourse D, all of ticketing and the North Wing if we don't build the Consolidated Receiving and Distribution Center first. The delivery trucks will not be allowed to come underneath the airport and drop off anymore. They will have to go to the Consolidated Receiving and Distribution Center. We would have to extend all of the existing contracts on a month to month basis or some other time period and manage that for whatever the extent of that delay is, which will cause operational delays on BNA Vision. The bigger fear is, in working with the CFO, how do we prepare by the end of this year or first of next year to go to the bond market, because we will need the additional capital to keep the BNA Vision going. If there is not a firm funding stream that I can commit to and can defend, it makes it tough defending the bond and our ratings, but it also makes it tough for the airlines to be willing to enter into negotiations to extend their leases beyond the current 2022. The airlines are willing to talk with us and support BNA Vision and support everything we are doing up to this point as long as we are able to keep their rates and charges reasonable. A delay of that magnitude creates questions both on the market side and the airline side.

Commissioner Smith stated that she did read the Ricondo report and cross-referenced it to several other pieces of information. Because of the ramp up during this 10 year time frame, there is actually a net negative to the us if we were to go to an in house model.

President Kreulen introduced Mr. Rawley Vaughn of Ricondo, who stated that in the memo, Scenario 2 was the direct leasing or in house model which reflects a net revenue of $13.26 million. Scenario 2 is the Optimal direct leasing in 2024. The scenarios only considered net revenues but there are other issues that the President suggested, such as the injection of capital from the third party and the guarantee of MAG during what could be very disruptive years when we start to realize the Vision beginning. Commissioner Smith stated that the report mentioned the down side risk in using the developer model is really the reduction in enplanements and also recession. Mr. Vaughan stated that the same down side risk would exist in any model. There are almost two programs, first the ramp up period, which will be a lot of disruption and expansion which will ultimately lead to the expansion of the Great Hall, Concourse D and the improvement of A, B and C concourses. There is going to be a rough period in the next few years. The developer model provides a predictable revenue stream via MAG for that disruptive ramp up period, whereas the other models may get you to the end goal the same way, but less predictable in the ramp up period.

Commissioner Farnsworth asked if staff had looked at our Bond rating and the potential differences in our Bond rating which could be really significant if we went with one model versus another model. Ms. Basrai, CFO, stated that looking at the rate model and working with PFM in terms of where we think our debt service coverage would be if we were issuing bonds and including our revenue streams, we are at risk of a down grade if debt service coverage goes down. This could be another $500,000 per year added to our debt service in terms of interest, and is why we need the $11 million in terms of the MAG. The first few years of the Vision are where we are more at risk in terms of where debt service coverage is, which is why having the $11 million coming in is nice because it's a set number that we know we are going to get to pull us through five years of construction. There are just a few years in there near the end of the airline lease agreement so the $11 million would carry us through. Going with a different model, we would get less revenue in those years because of the disruption, which would then have a more significant effect on where we are with our debt service coverage.

President Kreulen stated if we went out and chose a different model, financially we would still come back and recommend to the Board that we need a large MAG and a a new airline agreement to protect our bond rating.

Commissioner Farnsworth asked about the capitalization of Fraport stating they are guaranteeing a lot of money to us. How are they capitalized? How is the capital guarantee structured?

President Kreulen asked Mr. Ben Zandi, CEO of Fraport, to comment. Mr. Zandi stated that today Fraport USA is completely debt free with $40 million dollars cash in its bank account. Its parent company, Fraport Germany, has a $1 billion per year cash income, and Fraport USA is a subsidiary of that organization. Fraport USA is financially strong and has guaranteed the MAG in three ways: $11 million per year, or 60% of gross sales, whichever is greater, or 85% of our payment to you from previous years, whichever is greater. Commissioner Farnsworth asked if Fraport USA was a completely owned subsidiary and if anyone had looked into the structure to ensure that when Moody's or S&P look at this, that these dollars are actually going to flow if something happens to Fraport. Mr. Zandi stated that Fraport USA is 100% owned by Fraport AG.

Mr. Zandi stated that they have their own cash that will be sent directly to the airport, and they are cash flow positive. Commissioner Farnsworth asked Ms. Basrai to insure those terms were provided for in the contract.

Chair Harwell stated that we have been innovative and acknowledged having to increase staff numbers to 9 to 11 to operate direct, but with the developer model there will be point people required and asked how many staff would be required by MNAA. He knew the Authority had ultimate control and veto power and will be looking at the contracts entered into with these businesses. Commissioners pointed out that local and minority participation is significantly increased. President Kreulen stated that we developed a contract that went out with the RFP for consideration. Fraport had reviewed that contract and had accepted the contract as written. Then we had outside consultants come in and look at the contract who said there were probably some other controls that could be added to make it even stronger to better protect the airport. We revised a few things and we now have the controls that we are looking for to achieve all of the different goals. Fraport is willing to sign the contract. President Kreulen commented on the many models and new or improved goals, and called attention to customer service, addressing Commissioners questions on staffing and customer service. When he spoke about this earlier he was talking about our customer service levels when we make our quarterly reports. Fraport, per our contract, will be here to cover operations around the clock. Mr. Kreulen stated that was his biggest complaint to staff, since we are not a nine to five airport anymore. You can't come out here at 4:00 a.m. or midnight and not see people getting bags and taking off. Now per this contract we will have a firm that will be here to ensure that the restaurants are open before customers arrive, and will be here when that last plane departs. They will be conducting secret shopping to ensure that the pricing and the service is right, and we minimize the amount of lines. We are trying to go to the next level of customer service, and we are looking for a partner that can represent the Authority in terms of trained local and minority businesses and assist them with badging, mentoring and empowering them to succeed.

Commissioner Smith stated that she noted in the SI Partners masterplan, which is a third party consultant, developer or hybrid developer model was recommended and was not sure how that was addressed in the RFP. She also wanted to understand the percentage of ACDBE participation in the current concessions program, and wanted to know what participation Fraport had at other airports. What are the recommended monitoring tactics with the program Priority One that currently in place? What kind of program is being used by the current primes in terms of understanding our service model to the end client and our pricing model, which is reasonable pricing, or street plus 10%? Commissioner Smith stated she could send her questions to be answered later.

President Kreulen stated that with regard to SI Partners, it is common for all airports to contract with someone to develop a concessions masterplan. They came back and evaluated models and based on our goals provided their conclusion which stated we could go to a developer or hybrid model. When you get to the hybrid type, it didn't meet our strategic goals. Finance wise, we didn't feel we were going to get the commitment for the additional capital or guarantee the MAG at the high level we requested. SI Partners gives you a framework but it's not the plan, it's something to consider. With regard to ACDBE participation, we are in the 15% range here today. Fraport believed from their analysis of the market and with their training programs they can reach goals as high as 40%. At the suggestion of the Management Committee and with the help of Kaplan, Kirsch & Rockwell, we have included those control measures into the contract, so we monitor and track to achieve those goals. President Kreulen stated that that we currently have street pricing plus 10%, and advocates going to street pricing so that we can increase the sales with the goal to have more people shop and purchase food here.

Mr. Zandi commented that with regard to ACDBE participation, in Cleveland they had 47% ACDBE participation, in Baltimore they have 37%, and in Pittsburgh they have 32% participation. He stated that he had 45 letters of interest from ACDBE and local operators that are here today that want to operate in the airport.

Commissioner Joslin stated we keep referring to the $11 million dollars. How do we know if we split this up two or three different ways, we wouldn't be bringing in $13.9 million or $15 million? He had heard complaints from people in concessions, and that's our fault that we have let it get to where these people complain. We can do our own mystery shopping and we can put our own people in staff which doesn't require a whole lot. Let's get to the bottom of the whole thing, because we lock in on $11 million when we brought in $11,109,000 this past year. How do we know it won't be $13.9 this next year under a new plan? Commissioner Joslin stated he liked the Tampa plan where it is divided up in a three tier process. It gives you competition and three models to compare notes. He likes competition and we only had two companies responded to do the

RFP. Marketplace neglected to be able to fulfill the $13 million, and President Kreulen stated they would not guarantee the MAG. Commissioner Joslin stated, so there was one proposer is what it boils down to.

President Kreulen stated that Marketplaces' proposal was deemed responsive and responsible. They had some concerns with the contract that was evaluated in the proposal. Fraport did not have the same concerns and they achieved higher scores during the evaluation, both in the proposal evaluation and in the final interview. Referencing the $11 million, the staff met between April 2, 2018, and April 4, 2018 with all interested parties, holding one on one meetings with the executives, Presidents and Vice Presidents of their leadership teams. He went to all of those meetings except one, discussing where we were headed. Those companies that were not using the developer model were hesitant to invest the capital that we wanted. We need approximately $20 million to renovate A, B and C concourses, and they were reluctant to sign up or respond favorably to a MAG as high as what we achieved in 2017, which was $11.5 million. They correctly argued that when we execute this program in the 2019, we enter a four year construction window that will affect our revenue generation. Fraport was willing to guarantee our 2017 income at $11 million for the four years. The other companies weren't willing to take that risk on Nashville. We put out the RFP and if we would have received no proposals we would have had to start all over, but we received competitive proposals. Based on what we are trying to do in terms of the long run, finance the Vision and keep the airlines' costs low, we felt that this is the best deal that we could negotiate. If we chose any of the other models we would still need to lock in these same financial requirements to protect the Airport Authority.

Commissioner Wiltshire stated that Staff received direction from the Board that it wanted local participation, and we agreed at the outset the developer model is definitively the model that gets us closest to the most local by definition. Do we have any indication if we could have gotten a MAG under a scenario where you don't have the high bar set for local and ACDBE?

President Kreulen stated that we didn't get any indication that companies wanted to invest and try to meet our MAG requirements. They wanted a MAG of $3 or $4 million and no way more than $5 million. We heard you on local participation and minority participation and improving customer service. We made decisions to try to help protect ourselves strategically and that's how we arrived at the model we are recommending to the Commissioners.

Commissioner Samuels stated as a quick follow-up to Commissioner Wiltshire's comment on the RFP, that based on meetings with other perspective partners, it was his understanding that the RFP was written for a developer model, that he had heard that statement in the Management Committee Meeting several times, and he didn't understand why we didn't just open up the RFP to let individuals bid and based on their submission decide if they would meet the MAG and the goals set forth, versus limiting the RFP to just three bidders in essence nationwide?

President Kreulen stated that we attempted to get all the potential proposers interested in the program, but we balanced the goals that we wanted to achieve with what we put into the RFP. We initially started out with a straight developer model. We came back and said we want the national firms to be able to come in but don't want them to crowd out local, so we raised the percentage to 15% versus 40% or 50%. We went back a second time after receiving more questions and upped it again because the first time we went out we said flat 15% for food & beverage and retail. We then said it can be 15% for each category, 15% for food & beverage and 15% for retail. Knowing that there are 3 to 4 big firms the reason we decided on 15% was that if those firms all come in and take 15% each, we are at 45% to 50% and then I don't have the new breakthrough opportunity for local businesses. That's how we arrived at 15%, trying to protect the airport to significantly expand local and minority participation.

Commissioner Samuels stated that what President Kreulen was stating must not have been articulated well, and that the RFP was written for a developer versus opening it up to allow people to submit based on the stated goals of the Authority, and then let the Authority decide based on what was the best program.

President Kreulen stated he understood and the intent was to write the RFP to achieve the Airport's goals. We were not trying to exclude anybody, and we tried to make it as open as we could. We wrote it to encourage participation.

Commissioner Joslin stated that he thought a couple of months ago he recalled President Kreulen stating that the RFP was written for a major developer and asked if he recalled saying that.

President Kreulen stated that he did not recall his specific words, but stated that the RFP was written to achieve the goals, and of the three models discussed, direct, master/prime or developer, it favored the developer model based on the goals.

Commissioner Joslin stated that he pulled the ACI 10 best concessions programs in the United States and asked if the consultants knew who they were? Commissioner Joslin stated that Fraport was at No. 10 on that list in a terminal at LAX. Mr. Zandi stated Fraport did not have LAX and every location they operated was strictly developer. Commissioner Joslin said they were at number 10 somewhere and the point was that we want to be number 1.

Commissioner Joslin stated that Mr. Zandi had also stated that Fraport would lose \$1.5 million the first year and \$1.7million the second year. Mr. Zandi stated that he has budgeted for it and money has been set aside for that because he believes in the program and the City.

Board Chair Samuels stated that he had approximately 12 additional questions.

Chair Harwell stated that there were other Committee meetings scheduled and would like to continue discussion and set a time within the next two weeks to continue the discussion and address additional questions that the Committee has. Once that is done, put the item back on the agenda.

Mayor's Representation Wiltshire wanted to be clear that this was a Committee Meeting for the July Board which is in one week. So, by definition, this means this item would be deferred at the July Board meeting and would be taken up at the August Board meeting. So, this is a minimum of one month delay in the approval.

Chair Harwell stated that was correct and in the interim he wanted to continue the present meeting and discuss a time certain prior to the August Committee and Board meetings, which would provide the opportunity to review and ask additional questions.

Mayor's Representative Wiltshire stated that Chair Samuels had 12 questions, and other members have additional questions, so it is clear there is a desire for additional input and discussion. He asked what a one month delay would imply.

Commissioner Smith stated she would like to see the Committee commit to a decision in one month. We should have a small time period in which if we submit questions, and those questions, are then discussed at the follow-up meeting and a decision can be made in less than 30 days. Delaying is not good for anyone.

President Kreulen recommended that two weeks from today, we will hold a special meeting of the FAP Committee and invite all of the Commissioners to participate. He stated that if there is a follow up meeting in two weeks, there will be two weeks until the next regular FAP Committee meeting which is August 8, 2018. The FAP Committee would vote on August 8, 2018, and the Board on August 15, 2018. If July 25th is not good he needed a date and a deadline for questions to be submitted to allow ample opportunity to research and prepare.

Commissioner Joslin asked that the consultants provide the ACI top 10 airports concessions, who are they, and what models they are using.

Board Chair Samuels stated that in information the Board originally received there was an October approval timeline, so we are accelerating the timeline from what was originally received. On the executive concessions review from February 22, 2018, it was presented to the Board that the Concession contract timeline had an October of 2018 Board approval timeline.

Commissioner Farnsworth stated to submit any questions early, so they can be given to staff for response.

President Kreulen asked that questions be sent to him and he would distribute to appropriate staff for research.

Chair Harwell called for a motion to continue discussions on this item at a special FAP meeting and Commissioners would submit questions to President Kreulen for research and response at that meeting. A motion was made by Commissioner Farnsworth and seconded by Commissioner Joslin. The motion carried by vote of 6 to 0.

B. Sub-Lease Agreement for Consolidated Receiving and Distribution Center

This item was tabled to be presented at a later date as it directly relates to the Concession Contract item.

C. FAA Air Traffic Control Tower Land Lease Renewal

Ms. Margaret Martin, AVP of Business Development briefed the FAP Committee on this item. Staff requested the FAP Committee recommend to the Board of Commissioners that it accept a renewed Memorandum of Agreement for the land lease between MNAA and the Federal Aviation Administration (FAA) for the FAA Air Traffic Control Tower (ATCT) site; and approve and authorize the Chairman and President & CEO to execute the proposed Agreement.

Background:

The current MOA between MNAA and the FAA (Lease No. DTFA06-99-L-00480) for the land site for the ATCT, as described on Exhibit "1" of the MOA upon which FAA constructed the ATCT expires on September 30, 2018. The original lease was for a term of one year commencing October 1, 1998, through September 30, 1999, subject to annual renewals at the sole discretion of the FAA. FAA shall pay MNAA no monetary rent as it is mutually agreed that the rights extended to the FAA are in consideration of the obligations assumed by FAA in its establishment, operation and maintenance of navigational aid facilities located on the premises.

The new MOA (Lease No. 69435Z-18-L-00020) is for a term of twenty (20) years commencing October 1, 2018 and continuing through September 30, 2038. The FAA can terminate the MOA, in whole or in part, by the giving of at least sixty (60) day's written notice.

Impact/Findings:

| | |
|---|---|
| Term: | October 1, 2018 – September 30, 2038 (20 years) |
| Premises: | See attached Exhibit "1" |
| Financial terms: | $0.00 Rent |

Strategic Priorities

- Invest in MNAA
- Plan for the Future

- Prepare for the Unexpected

Options/Alternatives:

Reject the MOA and attempt to renegotiate the agreement which could delay the execution of a new agreement and damage the relationship between MNAA and the FAA

A motion was made by Commissioner Freeman and seconded Mayor's Representative Wiltshire to recommend to the Board that it accept a renewed MOA for the land lease between MNAA and the FAA for the FAA ATCT site; and approve and authorize the Chairman and President & CEO to execute the proposed Agreement. The motion carried by vote of 6 to 0.

IV. Adjourn

There being no further business brought before the FAP Committee, Chair Harwell adjourned the meeting at 10:25 a.m.

Amanda C. Farnsworth, Board Secretary

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## July 11, 2018 – Minutes of the General Aviation/Operations/Planning & Engineering Committee Meeting

**Date:** July 11, 2018

**Time:** 9:00 a.m.

**Place:** Nashville International Airport
Nashville, Tennessee

**Committee Members Present:** Bill Freeman, Chair; Kabir Sandhu, Vice Chair; John Doerge; and Amanda Farnsworth and Dexter Samuels

**Committee Member Absent:** None

**Others Present:** Doug Kreulen and Cindy Barnett

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I. Call to Order

Chair Freeman called the General Aviation/Operations/Planning & Engineering (GAOPE) Committee meeting to order at 10:35 a.m., pursuant to Public Notice dated July 6, 2018.

II. Approval of Minutes

Chair Freeman called for approval of the minutes of the May 9, 2018 GAOPE Committee meeting. A motion was made by Commissioner Doerge and seconded by Commissioner Sandhu. The motion carried by vote of 5 to 0.

Chair Freeman called for approval of the minutes of the June 13, 2018 GAOPE Committee meeting. A motion was made by Commissioner Doerge and seconded by Commissioner Sandhu. The motion carried by vote of 5 to 0.

III. Items for Approval

A. Stream Mitigation for Unnamed Tributary South of Runway 2C – 1804A (Construction)

Staff requested that the General Aviation/Operations/Planning & Engineering Committee recommend to the Board that it accept the Bid by Blakely Construction Services, LLC (Blakely) for the construction contract for the Stream Mitigation for Unnamed Tributary South of Runway 2C project at Nashville International Airport (BNA) and authorize the Chair and President & CEO to execute the construction contract.

Background:

As a result of the progression of the BNA Vision program and relocation of the International Arrivals Facility (IAF) to a more centralized location, it was determined that filling in the large land depression between the terminal aircraft apron and taxiway connector would be a necessary enabling project. The Terminal Apron and Taxiway Expansion project construction will eliminate approximately 660 feet of existing blue-line stream and 0.40 acres of wetland.

The wetland will be mitigated by paying into a wetland bank associated with the region of project construction. Because of limitations on available mitigation options for blue-line streams in the Mill Creek watershed, it has been agreed upon between the Tennessee Department of Conservation (TDEC), the United States Army Corps of Engineers (USACE), and MNAA that, among other requirements, approximately 2,500 feet of stream mitigation is required to offset the impacts to the existing stream by the Terminal Apron and Taxiway Expansion project.

The Stream Mitigation project is located along an unnamed tributary to Mill Creek, from McGavock Pike to the AOA fence south of runway 2C. Stream improvements consist of stabilization (re-grading) of the stream banks, installation of log weirs, replacement of an existing culvert, cultivation of selected vegetation species (plant and tree), removal of invasive plant species and erosion control measures.

An Invitation to Bid was advertised on May 3, 2018 and included a Base Bid with no alternatives.

On June 6, 2018, one (1) bid was received. Below is a tabulation of the bid. Minority and Woman-owned Business Enterprise (MBE / WBE) percentage listed is commitment made by the contractor:

| Contractor | Base Bid | MBE % | WBE % |
|---|---|---|---|
| Blakely | $766,000.00 | 0.92% | 5.09% |

The SMWBE goal established for the project was 5.85% MBE and/or WBE. Blakely was able to obtain a total of 6.01% MBE and WBE participation. Blakely's SWMBE partners include Civil Infrastructure Associates, Archangel Protective Services, Jen-Hill Construction Materials, and Jarvis Award, Sign, & Flag Company.

Blakely's bid was 2.7% lower than the Engineer of Record's, Garver, opinion of probable construction cost of $786,375.00.

The Metropolitan Nashville Airport Authority (MNAA) and Garver have evaluated the bids and determined the bid from Blakely to be responsive and responsible and recommend award to Blakely Construction Services, LLC.

Impact/Findings:

| | |
|---|---|
| MNAA SMWBE Participation Level: | 5.85% MBE and/or WBE |
| Blakely's SMWBE Participation Level: | 6.01% MBE and/or WBE |
| Anticipated Contract Start Date: | August 2018 |
| Duration of Contract: | 120 days |
| Contract Completion Date: | November 2018 |
| Contract Amount: | $766,000.00 |
| Funding Source: | MNAA |

Strategic Priorities:

- Invest in MNAA
- Plan for the Future

Options/Alternatives:

Do Nothing: The "Do Nothing" option will result in insufficient mitigation required by TDEC and USACE for the Terminal Apron and Taxilane Expansion project.

A motion was made by Commissioner Sandhu and seconded by Commissioner Farnsworth to recommend to the Board that it accept the Bid by Blakely for the Construction Contract for the Stream Mitigation for Unnamed Tributary South of Runway 2C project at BNA and authorize the Chair and President & CEO to execute the construction contract. The motion carried by vote of 5 to 0.

B. Terminal Garage and Airport Administration Building CGMP (1 of 3) – 1902A

Staff requested that the Committee recommend to the Board that it accept the proposal by Messer for the Progressive Design-Build Contract for the Terminal Garage and Airport Administration Building project at Nashville International Airport (BNA) and; authorize the Chair and President & CEO to execute the Component Guaranteed Maximum Price #1 (CGMP1).

Background:

The Terminal Area Parking will consist of three garage projects. Garage A is currently under construction. Garages B and C will be constructed in the footprint of the existing short-term garage to be demolished. Garage B (approximately 1,800 spaces) and a hotel will be constructed at a later date. Garage C (approximately 3,000 spaces) and the Airport Administration Building (approximately 64,000 SF) comprise this project which is Project 2A of the BNA Vision. Also, as a part of this project, MNAA reserves the option to construct Garage B as an extension of the contract, or use the design development drawings of Garage B to construct Garage B and the future hotel as a future separate solicitation.

The Progressive Design-Build contract establishes a Guaranteed Maximum Price (GMP) based on the 60% design drawings. For scheduling purposes, 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 that the total budget remains on target through the progression of ongoing design and construction work. The design-to-budget established for this project is $144,600,000. 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 3 CGMP's prior to reaching the final GMP. Messer anticipates the following CGMP schedule: CGMP1 – Design, General Conditions, Short Term Garage Demolition and Garage Concrete Frame; CGMP2 – Site Utilities, Drilled Piers, Precast Concrete, Elevators and trades Critical for Early Coordination and Lead Times; CGMP3 – Miscellaneous Metals and Railings, Metal Stud Framing, Sheathing and Drywall, and all remaining Trade Contracts.

A Request for Proposals was advertised on March 26, 2018 and March 29, 2018. On May 7, 2018, five proposals were received from Holder Hardaway, Messer, JE Dunn, Skanska and Turner Construction Company.

The proposals were evaluated on the following criteria:

A. Mandatory Requirements
B. Team/Individual Qualifications, Experience
C. Technical Approach
D. SMWBE Participation and Workforce Development Program
E. Pricing

The selection committee determined the following firms to be highest qualified: Holder Hardaway and Messer

On June 7, 2018 the selection committee conducted interviews of these top candidates asking additional questions on SMWBE, workforce development, team experience, project approach, labor market, design to budget and meeting schedule.

The total score from their Statement of Qualifications and interview scores are listed below:

| **Contractor** | **Proposal and Interview Score** | **CGMP1** | **MBE % 8.69%** | **WBE% 12.62%** | **SBE% 4%** |
|---|---|---|---|---|---|
| Holder Hardaway | 580 | $25,517,395 | 8.69% | 12.62% | 4% |
| Messer | 689 | $22,749,574 | 8.69% | 12.62% | 4% |

The breakdown of Messer subcontracting team as presented is as follows:

| Proposer | Subcontractor | Discipline/Responsibility | SBE | MWBE | Local Firm | BNA Experience |
|---|---|---|---|---|---|---|
| **Messer** | Moody Nolan | Architect/Design Project Management | | | Yes | Yes |
| | Aerial Innovations | Progress Photography | | WBE | Yes | Yes |
| | Arora Engineers | Special Systems Design | | MBE | Yes | Yes |
| | Barge Cauthen & Assoc. | Civil Engineering | SBE | | Yes | |
| | Charter Construction | Concrete Contractor | | | Yes | |
| | DF&H Services | MEP CA | | WBE | Yes | Yes |
| | Diversified Inc. | Job Office Cleaning | | MBE | Yes | Yes |
| | E3 | Concrete Construction | | MBE | Yes | Yes |
| | EMC Structural Engineers | Structural Engineering | SBE | | Yes | Yes |
| | Feltus Hawkins | Interior Design | | WBE | Yes | Yes |
| | Hawkins Partners, Inc. | Landscape Architecture | | WBE | Yes | Yes |
| | IC Thomasson | Mechanical, Electrical, Plumbing & Fire Protection | | | Yes | Yes |
| | Intertek PSI | Geotechnical Engineer | | | Yes | Yes |
| | Jarvis Award Sign and Flag Co. | Project Signs | | WBE | Yes | Yes |
| | Logan Patri Engineering Co. | Structural Engineering | | MBE | Yes | Yes |
| | Morgan & Morgan, Inc. | CM Staff, Inclusion Compliance | | MBE | Yes | Yes |
| | Pinnacle Construction Partners, Inc. | CM Staff | | MBE | Yes | Yes |
| | Relevant Resources Group, LLC | Workforce Development | | MBE | Yes | Yes |
| | THP Limited | Garage Designer | | | | |
| | TLC Engineering | Sustainability and LEED Coordination | | | Yes | |
| | Tolleson McCoy | Signage Design | | WBE | Yes | |
| | YAD Consulting, LLC | CM Staff | | WBE | Yes | |

The selection committee determined Messer to be the most qualified for the project, based on the following:

1. The company, Project Manager and Project Team have extensive and recent experience on structured parking and projects of equivalent size and complexity. This team has extensive experience in the Design-Build Delivery Method.
2. Superior understanding and approach to design and build the project.
3. Thoughtful understanding of phasing and understanding local labor market and resources for the most critical component (concrete structure).
4. Effective SMWBE and Workforce Development approach to the project.
5. Opening the Garage parking 45 Days Early

CGMP #1 includes Design, General Conditions and Short Term Garage Demolition equating to $22,749,574, early procurement of the construction of the concrete garage frame equaling $47,815,307 and bonds, insurance and contingency for the construction of the concrete garage frame totaling $5,163,747 for a total CGMP #1 price of $75,728,628.

The schedule for this project is very aggressive with concrete frame beginning on or about January 1, 2019. There are a number of large concrete frame projects under construction in Nashville and even more in planning stages for next year. Most of the concrete work on these projects are being procured early on a negotiated basis in order to lock in pricing and resources to meet their schedules.

In addition, market volatility is a significant cost risk for material purchases. Messer has advanced the structural design of the concrete frame to a level (approximately 40% design) where they were able to competitively price the reinforcing steel, concrete materials and construction for the concrete frame. Messer has teamed with Charter Construction to deliver the concrete frame for this project.

Charter Construction is a 40-year-old Nashville concrete subcontractor that has an excellent reputation for performance on the region's largest, fastest paced projects. They excel at delivering value early to project teams by working with the structural engineer to design a structure that is economical and high quality. They have proven processes for planning work and manning projects with the right resources to meet aggressive schedules. Charter currently has a workforce of over 375 men and women that live in Middle Tennessee. Furthermore, Messer has a trusted relationship with Charter Construction; they have performed many projects together and they have demonstrated a commitment to serving their clients well.

Pricing Verification

Charter's proposal for the concrete frame totals $47,815,307 and includes cost back up and scope qualifications. This proposal is based on Messer's structural engineer, EMC, 60'x 60' design. Messer and Charter have provided price comparison worksheets with historical information on other concrete frame projects. These comparisons verify that Charter's pricing is fair and reasonable. We believe the approach to the concrete frame provides the best value for this project.

MNAA has evaluated the proposals and determined the proposal from Messer to be responsive and responsible and recommend award of the Progressive Design-Build Contract to Messer.

Impact/Findings:

| | |
|---|---|
| MNAA SMWBE Participation Level: | 8.69% MBE and 12.62% WBE and 4% SMBE |
| Messer Participation Level: | 8.69% MBE and 12.62% WBE and 4% SMBE |
| Anticipated Contract Start Date: | July 18, 2018 |
| Duration of Contract: | 800 Calendar Days Completion |
| Contract Completion Date: | September 25, 2020 |
| Component Guaranteed Maximum Price 1 | $75,728,628 |

| | |
|---|---|
| Component Guaranteed Maximum Price 2 | TBD |
| Component Guaranteed Maximum Price 3 | TBD |
| Total Guaranteed Maximum Price | $144,600,000.00 NTE |
| Funding Source: | 100% MNAA |

Strategic Objectives:

- Invest in MNAA
- Plan for the future.

Options/Alternatives:

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

A motion was made by Commissioner Samuels and seconded by Commissioner Sandhu to recommend to the Board that it accept the proposal by Messer for the Progressive Design-Build Contract for the Terminal Garage and Airport Administration Building project at Nashville International Airport (BNA) and; authorize the Chair and President & CEO to execute the Component Guaranteed Maximum Price #1, (CGMP1). The motion carried by vote of 5 to 0.

C. Parking Revenue Controls System Service Agreement – 1405

Staff requests that the General Aviation/Operations/Planning & Engineering Committee recommend to the Board that it authorize the President & CEO to execute the Maintenance Services Agreement to Scheidt & Bachman for the Parking Revenue Control System at Nashville International Airport.

Background:

The Parking Revenue Control System (PARCS) is a management software and revenue control system that provides the Metropolitan Nashville Airport Authority (MNAA) the ability to effectively administer, manage and collect revenue for all public parking lots. The MNAA has been effectively using the PARCS system since October 2016. Delays in close out were due to system features and services that were not functioning, however all open items are now completed and closed out.

The Scope of the Service Agreement includes:

- 24/7 Phone Support
- 24/7 Emergency Support
- Preventative Maintenance Cycles (performed quarterly)
- Daily System Backups
- On-Site Technician located within (50) miles

- Operating System, Application, and Database Patches/Updates
- System Recovery within 24 hours

This is a five-year service agreement that will increase 2.5% per year. Please refer to the tabulation below for annual pricing breakdown.

| | Year One | Year Two | Year Three | Year Four | Year Five |
|---|---|---|---|---|---|
| Total | $180,000 | $206,706 | $281,830 | $288,876 | $296,097 |

Note: Because the annual cost of these services does not exceed $500,000, this contract does not require Board approval; however, in the pursuit of transparency, President Kreulen has requested staff to present this contract for Board approval because the total contract cost exceeds $500,000.

Impact/Findings:

| | |
|---|---|
| MNAA SMWBE Participation Level: | 0% Race and Gender Neutral |
| Contract Start Date: | July 20, 2018 |
| Duration of Contract: | 1825 Calendar Days |
| Contract Completion Date: | July 20, 2023 |
| Total Contract Cost | $1,253,509.00 (over 5 years) |
| Funding Source: | O&M |

Strategic Priorities:

- Invest in MNAA

Options/Alternatives:

Do Nothing: The "Do Nothing" option will result in potential loss of parking revenue, efficiency and administrative control of the PARCs System.

A motion was made by Commissioner Farnsworth and seconded by Commissioner Doerge to recommend to the Board that it authorize the President & CEO to execute the Maintenance Services Agreement to Scheidt & Bachman for the Parking Revenue Control System at BNA. The motion carried by vote of 5 to 0.

IV. Information Item

A. RFP Selection Analysis

Ms. Davita Taylor briefed the GAOPE Committee on this item. In the April GAOPE Committee meeting, the committee members discussed ensuring that the Authority is reviewing and evaluating solicitations in a consistent manner.

Staff reviewed solicitations for CY 2017 and CY2018. There are three types of solicitations that the Authority uses to procure goods, construction, and professional services: Invitation to Bid (ITB), Request for Proposals (RFP) and Request for Qualifications (RFQ). The difference between these types of solicitation methods are:

- ITB – awarded to the lowest responsible and responsive bidder who conforms in all material respects to the requirements
- RFP - awarded to the proposal determined to be the most advantageous (highest scored) to the Authority taking into consideration the evaluation criteria (qualifications and price)
- RFQ – awarded to the proposal determined to be the most advantageous (highest scored) to the Authority taking into consideration the evaluation criteria (qualifications only)

Staff reviewed a total of 30 ITB's, 13 RFP's, and 19 RFQ's.

Impact/Findings:

ITB data was reviewed and 100% of the contracts were awarded to the lowest responsible and responsive bidder meeting the requirements set forth in the ITB as required by Procurement Policy Section 3.2.3.8(B).

Below is a chart of the RFP solicitations for CY2017 which highlights if the low-cost proposal was chosen, if the item was presented to the Board, and if the proposer met participation goals.

**Procurement Solicitation Charts CY2017-YTD CY2018**

| RFP | Low | Board | SMWBE Participation Met |
|---|---|---|---|
| Interim IAB (Design) | N | Y | Y |
| Baggage Handling System Passenger (Maintenance Services) | N | Y | Y |
| Building Automation Systems Service Contract | Y | N | Y |
| Merchant Card Process | Y | Y | 0% Goal |
| FIDS & PA Visual Replacement | N | Y | Y |
| Luggage Carts | Y | Y | 0% Goal |
| International Passenger Assistance | Y | Y | Y |
| DPS Security Guard Services | N | Y | Y |
| JWN Construction Metal T-Hangar | Y | Y | Y |
| Concourse D & Terminal Wings | N | Y | Y |
| CSF Roof Replacement - Phase 2 | N | Y | Y |
| Cleaning of Holding Ponds, Lagoon & Other Treatment Structures | Y | Y | Y |
| Passenger Feedback Survey Administration & Analysis | Y | N | Y |
| | | | |
| Total - 13; Low - 7 Y, 6 N; Board - 11 Y, 2 N; Participation Met - 11 Y, 0 N, 2 No Goal | | | |

The RFP data shows that of the 13 projects solicited, 53.8% were awarded to the proposal with the lowest cost. The data also shows that of the 13 solicitations, 11 met participation and the other 2 were race and gender neutral. The data reflects that Staff has followed the MNAA's Procurement Policy and Procedures by awarding the contract to the proposal determined to be the most advantageous to the Authority taking into consideration the evaluation criteria set forth in the RFP as required by Procurement Policy Section 3.3.8.

Strategic Priorities:

- Invest in MNAA
- Plan for the Future

Options/Alternatives:

None

This item was presented for information purposes and no action was required.

V. Adjourn

There being no further business before the GAOPE Committee, Chair Freeman adjourned the meeting at 11:02 a.m.

Amanda C. Farnsworth
Board Secretary

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## July 11, 2018 - MNAA Audit Committee Minutes

**Date:** July 11, 2018

**Time:** 9:30 a.m.

**Place:** Nashville International Airport
Nashville, Tennessee

**Committee Members Present:** Amanda Farnsworth, Chair; Bill Freeman, Christy Smith and Mayor's Representative Matt Wiltshire

**Committee Member Absent:** Dierks Bentley

**Others Present:** Doug Kreulen and Cindy Barnett

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I. Call to Order

Chair Farnsworth called the meeting of the MNAA Audit Committee to order at 9:50 a.m. pursuant to Public Notice dated July 6, 2018.

II. Approval of Minutes

Chair Farnsworth called for a motion to approve the minutes of the February 14, 2018 Audit Committee Meeting. A motion was made by Commissioner Freeman and seconded by Mayor's Representative Wiltshire. The motion carried by vote of 4 to 0.

III. Item for Approval

Chair Farnsworth reported there were no items for approval.

IV. Information Item

A.1. PCI Compliance assessment (Compliance Point)

CompliancePoint was hired to perform an on-site assessment of Metropolitan Nashville Airport Authority's (MNAA) compliance with Payment Card Industry Data Security Standards (PCI DSS). All entities involved in credit card processing must comply with PCI DSS requirements.

Impact/Findings:

In FY 2018, CompliancePoint determined that MNAA had 166 items that were not PCI compliant and have provided a recommended corrective action plan for remediation. The overall percentage of compliance dropped in FY 2018 to 36% as compared to 49% in FY 2017. The primary increase was due to Information Technology's policies being deemed non-compliant because they were not reviewed this year and did not meet PCI requirements.

CompliancePoint has determined MNAA is not in compliance with PCI DSS and has made the following recommendations:

Governance/Policy:

- MNAA should examine its governance/policy layer and formally document in writing its policies on how MNAA meets PCI compliance. These policies should:
    - Meet the requirements of PCI DSS
    - Specifically state how MNAA meets these requirements
    - Be reviewed on an annual basis

Remediation Expertise/Staffing:

- MNAA should examine its staffing needs from a short-term and a long-term perspective. PCI is just one aspect of the overall information security of MNAA. In the short-term, MNAA should bring in additional resources that have PCI experience, technical expertise and policy knowledge to assist the Information Technology staff in remediation efforts to become PCI compliant. Additionally, MNAA should examine their long-term staffing needs to ensure appropriate resources are available to meet information security responsibilities as well as maintain PCI requirements.

Project Plan:

- MNAA should utilize PCI Security Council's prioritized approach to create a project plan to achieve PCI compliance.

Tone at the Top:

- MNAA executive and senior management should ensure information security is a priority and it is reflected in MNAA's policies, communications and directives.

Examine for Efficiencies:

- MNAA should examine software and other tools to become more efficient in the management of PCI and information security.

Information Security Program:

- MNAA should develop an information security program based on industry models such as National Institute for Standards and Technology (NIST) Cyber Security Framework and International Organization for Standardization (ISO) 27001/27002.

The CEO concurs with the recommendations and is committed to providing the resources necessary to achieve and maintain PCI compliance.

Strategic Priorities:

- Invest in MNAA
- Plan for the future
- Prepare for the unexpected

Options/Alternatives:

Do Nothing: The "Do Nothing" option will result in MNAA continuing to be non-compliant with PCI DSS.

Alternative: MNAA will determine the resources necessary to maintain compliance and whether those resources are insourced or outsourced.

This item was presented for informational purposes only and no action was required.

A.2. FY18 Internal Audit Plan Update

Background:

On July 31, 2017, Internal Audit presented the FY18 Internal Audit Plan (Plan) to the Audit Committee, and quarterly progress updates have been provided.

Impact/Findings:

The Plan included the following audits:

| Revenue | Expense | Operational | Other |
|---|---|---|---|
| ▪ Avis Budget Rental Car* | ▪ Quarry Geothermal* | ▪ ABM Payroll Billing | ▪ Treasury & Retirement Investment Reviews |
| ▪ Hudson Group* | ▪ Travel Expenses** | ▪ IT Equipment Controls | ▪ PCI Compliance |
| ▪ Delaware North* | ▪ G4S** | ▪ Maintenance Radio Controls | ▪ Network Vulnerability Assessment |
| ▪ HMSHost* | ▪ Travel Expenses** | | ▪ Customer Facility Charges (CFC) |
| | | | ▪ Coordination of External Audit |
| | | | ▪ Anti-Fraud Controls Review |

*FY17 carryover project

**Special Audit

The following is a status of the Plan:

| Audit | Status | Findings Open | Findings Closed |
|---|---|---|---|
| ▪ FY17 Quarry Geothermal | Completed | 4 | 4 |
| ▪ FY17 Avis Budget Rental Car | Completed | 0 | 4 |
| ▪ Coordination of External Audit | Completed | 1 | 0 |
| ▪ Anti-Fraud Controls Review | Completed | 8 | 3 |
| ▪ Treasury & Retirement Investment Reviews | Completed | 2 | 0 |
| ▪ Travel Expenses | Completed | 21 | 0 |
| ▪ ABM Payroll Billing | Completed | 0 | 6 |
| ▪ FY17 Hudson Group | Completed | 6 | 0 |
| ▪ Network Vulnerability Assessment | Completed | 2 | 4 |
| ▪ CFC Review | Completed | 2 | 0 |
| ▪ G4S | Completed | 6 | 0 |
| ▪ PCI Compliance Review | Completed | 172 | 0 |
| ▪ Travel Expenses | In Process* | 6 | 0 |
| ▪ Delaware North | In Process | | |
| ▪ IT Equipment Controls | In Process | | |

*Audit is pending management responses.

The Maintenance Radio Controls and HMSHost audits have been moved to FY19.

In addition, Annual Concession Reviews are performed on a continuous basis throughout the year. The following is a status of the FY18 Annual Concession Reviews:

| Concession Reviews | Status | Findings Open | Findings Closed |
|---|---|---|---|
| ▪ Concourse Communications | Completed | 0 | 0 |
| ▪ Thrifty | Completed | 0 | 0 |
| ▪ Dollar | Completed | 0 | 0 |
| ▪ Advantage | Completed | 0 | 0 |
| ▪ Green Beans (FY16 & FY17) | Completed | 0 | 0 |
| ▪ InMotion (FY16 & FY17) | Completed | 0 | 0 |
| ▪ Vino Volo | Completed | 0 | 0 |
| ▪ Massage Bar | Completed | 0 | 0 |
| ▪ Enterprise (FY16) | Completed | 0 | 0 |
| ▪ Swissport (FY16) | Completed | 0 | 0 |
| ▪ CNN Airport Network | Completed | 0 | 0 |
| ▪ Hertz | Completed | 0 | 0 |
| ▪ Hudson Group | Completed | 0 | 0 |
| ▪ Avis Budget Group | Completed | 0 | 0 |
| ▪ HMSHost | Completed | 4 | 0 |
| ▪ Concourse Communications | In Process* | | |
| ▪ Nashville Nails | In Process* | | |

*Review is pending management responses.

Additionally, the Plan required Internal Audit to perform semi-annual inventory cycle counts, quarterly review of internal and external network vulnerability scans and quarterly status updates of Internal Audit recommendations. All of these items were performed in FY18.

Furthermore, Internal Audit in conjunction with the Chief Legal Officer monitored and reported on the following alerts submitted through the fraud hotline.

| Red Flag Reporting | Status |
|---|---|
| ▪ Sharing confidential information | Under investigation; Awaiting Legal review |
| ▪ Removing surplus MNAA material/equipment | Finalizing close-out report; No fraud |

The Plan also included obtaining continuing professional education (CPE) throughout the year. All CPE requirements have been fulfilled, as noted below.

| Continuing Professional Education | Internal Audit Staff |
|---|---|
| **FY18** | |
| ▪ Attended Tennessee Society of Certified Public Accountants chapter meetings | Underwood & Zwicknagel |
| ▪ Attended Institute of Internal Auditors (IIA) chapter meetings | Underwood & Zwicknagel |
| ▪ Attended IIA and National Association of Construction Auditors Webinars: | Underwood & Zwicknagel |

Strategic Priorities:

- Invest in MNAA
- Plan for the future
- Prepare for the unexpected

Options/Alternatives:

N/A

A.3. FY19 Internal Audit Plan

Background:

Each year, Internal Audit presents the Internal Audit Plan (Plan) to the Audit Committee for the upcoming fiscal year. Internal Audit reviews risk factors, policies and procedures, frequency of audits and input from staff to establish the Plan.

Impact/Findings:

The Plan includes the following audits:

| Revenue | Expense | Operational | Other |
|---|---|---|---|
| ▪ HMSHost* | ▪ Bradshaw Landscaping | ▪ Maintenance Radio Controls* | ▪ Treasury & Retirement Investment Reviews |
| ▪ Clear Channel | ▪ ABM Shuttle Services | ▪ Procurement Procedures | ▪ PCI Compliance |
| | ▪ Interim IAB | | ▪ Network Vulnerability Assessment |
| | | | ▪ Customer Facility Charges (CFC) |
| | | | ▪ Coordination of External Audit |

*FY18 carryover project

In addition, the semi-annual inventory cycle counts, quarterly review of internal and external network vulnerability scans, quarterly status updates of Internal Audit recommendations and annual concession reviews will be performed throughout FY19. Internal Audit will perform special audits that arise throughout the year and make adjustments to the Plan as required. Also, the Internal Audit staff will fulfill continuing professional education requirements.

Furthermore, Internal Audit in conjunction with the Chief Legal Officer will continue to monitor and report on alerts submitted through the fraud hotline.

Strategic Priorities:

- Invest in MNAA
- Plan for the future
- Prepare for the unexpected

Options/Alternatives:

Alternative: Adjust the FY19 Internal Audit Plan.

B.1. Fraud Update

President Kreulen reported that there were no calls on the Red Flag reporting hotline.

V. Adjourn

There being no further business brought before the Audit Committee, Chair Farnsworth adjourned the meeting at 10:17 a.m.

Amanda C. Farnsworth
Board Secretary

# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## July 11, 2018 – Minutes of the Diversity Committee

**Date:** **July 11, 2018**

**Place:** **Nashville International Airport**
**Nashville, Tennessee**

**Time:** **11:15 a.m.**

**Committee Members Present:** **A. Dexter Samuels, Chair; Bobby Joslin, and Christy Smith**

**Committee Member Absent:** **Kabir Sandhu**

**Others Present:** **Doug Kreulen and Cindy Barnett**

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I. Call to Order

Chair Samuels called the meeting of the Diversity Committee to order on July 11, 2018, at 11:58 a.m., pursuant to Public Notice dated July 6, 2018.

II. Approval of Minutes:

Chair Samuels called for approval of the Minutes of the April 11, 2018, Diversity Committee Meeting. A motion was made by Commissioner Joslin and seconded by Commissioner Smith. The motion carried by vote of 3 to 0.

Chair Samuels welcomed Mayor's Representative Ashford Hughes, Chief Diversity Officer.

III. Information Items:

A. EEO Report

President Kreulen introduced Ms. Karisse Spray, the new AVP of Human Resources, who is a graduate of MTSU, was a collegiate volleyball player and has a master's degree from Trevecca University. Mr. Kreulen stated that Ms. Spray will do great things for the airport and looked forward to working with her in her leadership role.

Ms. Karisse Spray briefed the Committee on this item.

Background:

The Equal Employment Opportunity (EEO) report is reviewed quarterly against the American Community Survey (ACS) Labor Force for Nashville MSA. MNAA's racial diversity is reflective of the Nashville MSA. Gender diversity challenges have been present in the non-exempt classification.

Impact/Findings:

FY18 3rd Quarter EEO Summary

1. Based on MNAA's regular full-time and part-time workforce
   a. 308 as of March 31, 2018
2. Data compared to the 2016 American Community Survey (ACS) Census Labor Force – Nashville MSA Data
3. Nashville Davidson County MSA is comprised of fourteen (14) counties: Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson and Wilson
4. MNAA's workforce displayed by gender, race, Fair Standard Labor Act (FSLA) exemption and supervisory status

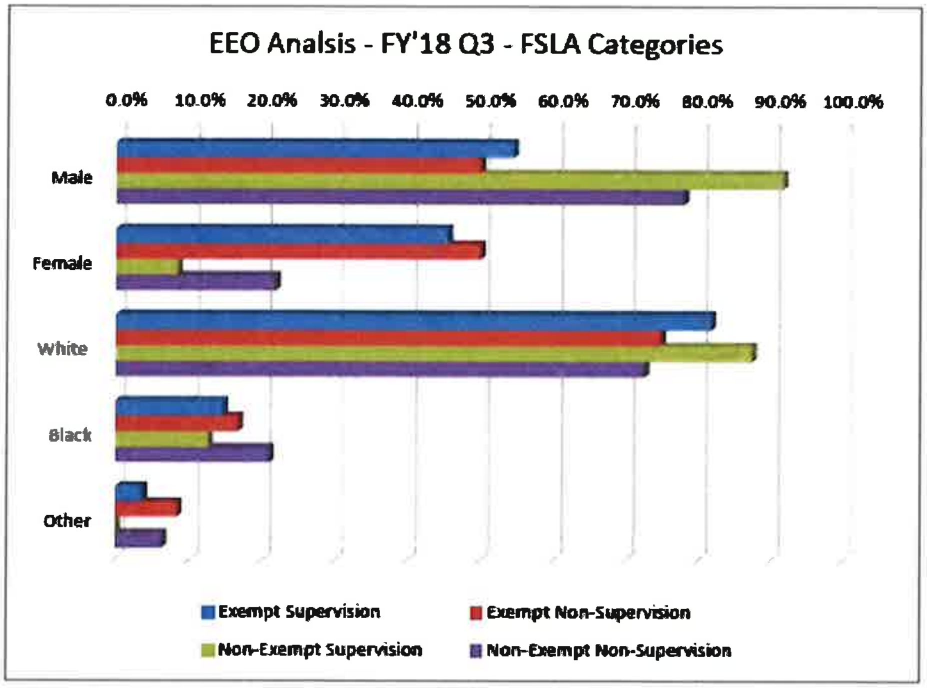
**Racial Diversity**

| Race | 2016 ACS Census | MNAA FY18-Q1 | MNAA FY18-Q2 | MNAA FY18-Q3 |
|---|---|---|---|---|
| White | 80% | 75.0% | 75.4% | 75.7% |
| Black | 15% | 20.0% | 19.3% | 18.8% |
| Other | 5% | 5.0% | 5.3% | 5.5% |

**Gender Diversity**

| Gender | 2016 ACS Census | MNAA FY18-Q1* | MNAA FY18-Q2* | MNAA FY18-Q3* |
|---|---|---|---|---|
| Male | 53% | 73.6% | 72.4% | 72.7% |
| Female | 47% | 26.4% | 27.6% | 27.3% |

**Difference is predominantly shown in the non-exempt classification*




Key Activities

1. Recruitment activities currently include job fairs, job placement agencies and participation in the Metro High School Summer Internship Program
   a. Further leadership development and training in this area
   b. Internal partnerships with various organizations
   c. Expand external partnerships with local high schools and universities are planned for FY19:
      - McGavock High School
      - Cane Ridge High School
      - Maplewood High School
      - Antioch High School
2. Establish apprenticeship programs with local High Schools
3. Restructure collegiate internship program

Strategic Priorities:

- Invest in MNAA
- Plan for the Future

Documents shared with the Diversity Committee:

1. FY18 3rd Quarter EEO Summary
2. FY18 3rd Quarter EEO Analysis
3. FY18 2018 Job Placement Agencies
4. Job Career Fairs Attended

Ms. Amanda Potts, Talent Acquisition Specialist, reported that recruitment efforts since the last meeting included attending four job fairs, the American Job Center Summer Career Fair, the Metropolitan Nashville Public Safety Career Fair, The Hiring Hero's Career Fair at Fort Campbell and the Job News USA Career Fair at Trevecca University. There are three upcoming job fairs: Fort Campbell in September for the Live Transition Assistance Program, where they are expecting 600 to 1000 job seekers; Tennessee State University in October; and at the Academies Career Exploration Fair for Metro Public Schools.

Ms. Spray stated that the focused recruitment effort is one tier of the approach. Other efforts include focusing on leadership development and training, and at present Human Resources is partnering with Ms. Davita Taylor and the Business Diversity Development team to deliver diversity training content to the leadership team. Additionally, Ms. Spray will be looking to increase training programs in the areas of recruitment, selection and soft skills, and enhancing the new hire onboarding program. She will also look at partnering with various internal departments within MNAA to increase community relationships with local schools, the Chamber of Commerce and the like, and relationships with local high schools and universities. Ms. Spray stated that Chandra Starks of Human Resources has been instrumental in networking with Metro Nashville Schools Academies Directors to leverage the Academies Program, including McGavock, Glencliff, Cambridge, Maplewood and Antioch High Schools. Staff also plans to continue the partnerships with Tennessee State University and Middle Tennessee State University, and desires to expand to include all local universities within the Nashville area as the Collegiate Internship Program is restructured.

B. 2017 Affirmative Action Plan (AAP) Executive Summary

Ms. Spray reported that the 2017 Affirmative Action Pan was completed in January 2018 and provided to the to Diversity Committee at the April 11, 2018 meeting. There was a goal identified in the craft workers job group on the basis of gender diversity. The multi-tiered approach for recruitment efforts relative to the EEO report should yield positive results on the 2018 Affirmative Action Plan. Regarding potential compensation disparities identified in the action plan, further investigation by staff identified that the vast majority were due to employee tenure with MNAA. One issue where tenure could not explain the disparity will be addressed in the job description and compensation study that is being conducted by Dr. Gale LaRoche of ADK Consulting.

Commissioner Smith asked how often the Affirmative Action Plan was updated and Ms. Spray confirmed annually. Commissioner Smith asked if Waller Law provided all the plan updates, and President Kreulen reported that we intend to get the reports from Waller on an annual basis. President Kreulen stated that this is a new emphasis item for MNAA and why we are excited to have Ms. Spray here. Staff has worked with outside consultant Mr. Zan Blue, and now that we have a bigger legal team in house we should be able to address some of the possibilities and how we go from there. Along with the work Ms. Starks has been doing with the high schools, and through the BNA Vision program, we are trying to encourage additional apprenticeships. We also hope to begin to work with Urban League, Empower and others. To help address some of the items in the Affirmative Action Plan in the long run, we are determining how to get people from four positions in the skilled trades into the apprenticeship program, followed by internships and then permanent employment positions. One of the challenges we will be looking at in the coming year is the high number of employees who could retire at any time based on their age.

Commissioner Smith asked with regard to the goals that were set, was the same comparison for the year over year used in the plans and timelines set with those, and President Kreulen confirmed.

Chair Samuels welcomed Ms. Spray to MNAA and stated that in the minutes it was referenced Waller found that there was no disparity in hiring, termination and promotion, but we found later on that indeed there is a gender disparity so there is a disconnect there. President Kreulen stated that staff has reviewed the report from Waller for 2018, and that previous leadership in human resources did not share that with outside counsel. We have gone back and shared 2015, 2016, 2017 and 2018 with outside counsel and thought outside counsel would challenge what Waller has advocated. Mr. Kreulen stated that one of the challenges for himself, Mr. Sloan and Ms. Spray is to determine how to address this going forward. We can definitely change that because we have concerns that that was taken directly from the Waller conclusion. Mr. Blue has reviewed and I'm now getting conflicting opinions on whether that is a true statement or not. Chair Samuels asked if the Salary Survey would address those disparity issues. President Kreulen stated that the salary survey is still on track to be completed so that job descriptions and salary survey will be rolled out in the October time period, and we hope that if any disparity is found, we will be able to address it whether it is race, gender or otherwise.

Chair Samuels asked about the category that staff was looking to hire individuals for. Ms. Spray stated it was skilled trades and officers. He asked about the salary level for skilled trades, because his concern was that it was a lower paid salary level than looking at directors or managers. Ms. LaRoche stated that was correct, and the market rate for those kinds of jobs would be lower than executive or managerial positions. In skilled trades, you're talking about electricians, plumbers, carpenters and the like. When we do the compensation study, we will make sure that we use appropriate market comparatives. She stated that the last compensation study performed was in 2014 so that data is very aged. Chair Samuels stated that his concern was that some categories were missing which would create disparities in the upper level positions if we are only going to focus on the lower paying positions. President Kreulen stated that was not the intent, as discussed with the Chair and Executive Staff. He stated that he was looking forward to the next quarters because the hiring of the Executive and Senior Staff team has been a targeted search to make sure that we are reaching out to minorities and females to match what is going on in Nashville. This has been a focus for ADK for the last AVP position for Strategic Planning. President Kreulen stated staff is not just looking at skilled trades positions and once the report is complete it would reveal a marked improvement over where we had been historically.

C. Quarterly Departmental Spend Report.

Ms. Donzaleigh Powell, Director of Business Diversity Development, briefed the Committee on the quarterly departmental spend. Ms. Powell reported that she had one-on-one meetings with department heads and had great conversation including identifying firms currently being used that could possibly become a certified SMWBE. There were nine firms already being used that had not gone through the certification process. Ms. Powell reached out to those firms and eight of the nine firms were willing to go through the certification process. She will be following up to provide assistance to those firms if needed. One department had a prime contractor that uses SMWBE's as subs, so she contacted that firm to see if there was a way to increase that participation if relevant for the position. Ms. Powell stated that based for each department she looked at things outside of the normal or non-traditional items, such as photography, catering and office supplies, trying to make sure we utilize the small, minority or women owned businesses. As an example, one department was purchasing an annual goods and service, however it was with a non-certified firm. She was able to find a certified firm that was able to match the quality and the price that they were currently getting, and the department is open to using that firm for their next annual purchase.

Ms. Powell discussed the Mentor Protégé Program, which is offered as a service through the Nashville Business Incubation Center. Participants go once a month to a class taught by industry professions to assist with ways to develop their businesses over a 10 month period. There are five firms that are chosen to have an office at the Nashville Incubation Center, and they receive one-on-one technical assistance. To showcase the firms who have already been through this process on our MNAA certification directory, we have added a gold star indicating the firm has completed the Mentor Protégé/Emerging Contractors Program. This has been helpful since the directory was published, based on received calls and emails received from new firms that did not know about the program and were interested. There were also a few larger firms who inquired about training provided in order for a firm to receive the gold star.

Ms. Powell also discussed the new partnership with the Cultural Shift Team who will assist with targeted outreach to the Latino American community. They will also be active in identification, qualification, assessment, and hands-on assistance and relationship development.

Commissioner Joslin asked about the ratio of drop outs to completions in the mentor protégé program. Ms. Taylor stated that the program has approximately 98% success rate, and there are not that many that drop out of the program. She estimated that 17 had completed the program and only 1 or 2 had dropped out, one of which returned to continue the program.

Ms. Powell stated that the current class is the largest with nine firms participating. She reported that she had attended some of the classes to see what type of information was being provided, and also to be able to talk with the firms to see how beneficial the program is. Ms. Powell stated that everyone she had talked to was thankful that the program was provided and see themselves moving from just being a business to becoming a CEO and running the business.

Ms. Taylor stated that the Cultural Shift Team is airport driven and local. Commissioner Smith asked about partnerships, and Ms. Powell confirmed that MNAA has established partnerships with Conexión Americas, the Latino Chamber and other organizations. President Kreulen stated that it is a goal to meet and speak to the Hispanic Chamber to learn more about them and how MNAA can help them. Ms. Powell stated that it has been a good partnership to this point, and that she would be going to Memphis to speak at the Latin Chamber. She is also working on scheduling to speak with the Chattanooga Latin Chamber.

Ms. Taylor stated that statistics could be provided since inception of the Mentor Protégé and Emerging Contractors program showing where they were when they started, and the progress made twenty months later which is tremendous.

Chair Samuels asked if information was available regarding bid activity for the firms that had graduated from the program, how active they are bidding on projects and how many have received prime contracts? Ms. Powell stated that she could provide a follow up at the next meeting.

Chair Samuels stated that BDD has done an outstanding job and had always been in his mind, the gold standard, when in comes to what they do. He hoped that that they would be able to present their activities at AMAC and he would be attending.

IV. <u>Adjourn</u>

There being no further business, Chair Samuels declared the meeting adjourned at 12:20 p.m.

Amanda C. Farnsworth
Board Secretary