

# ✈ METROPOLITAN NASHVILLE AIRPORT AUTHORITY ✈

## March 20, 2019 – Minutes of the Joint Meeting of the MNA Board of Commissioners and MPC Board of Directors

**Date:** March 20, 2019

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

**Time:** 1 p.m.

**Board Members Present:**

A Dexter Samuels, Chair; Trey Harwell, Vice 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:**

None

**Others Present:**

Doug Kreulen and Cindy Barnett

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I. Call to Order

Chair Samuels called the MNA Board of Commissioners and MPC Board of Directors meetings to order at 1:02 p.m., pursuant to the Public Notice dated March 15, 2019.

II. Approval of Minutes

Upon motion made by Mayor's Representative Wiltshire and seconded by Commissioner Joslin, the Board voted to approve the Minutes of the February 20, 2019 Joint Meeting of the MNA Board of Commissioners and MPC Board of Directors. The motion carried by a vote of 10 to 0.

III. Chair's Report

Chair Samuels had one item to present to the Board. Chair Samuels presented a plaque in memory of Mr. Sam Bartholomew to Cindy Barnett, Board Counsel and long time friend and law partner of Mr. Bartholomew. Mr. Bartholomew was a distinguished scholar and athlete. Chair Samuels commended Mr. Bartholomew's indelible commitment and service to the Authority and the Nashville Community.

#### IV. President's Report

President Kreulen stated there were a couple of items he would like to present to the Board before moving on to approvals.

President Kreulen stated that there would be a check presentation to Monroe Carell Jr. Children's Hospital for the Musicians on Call Program. President Kreulen introduced Pete Griffin, President & CEO, Katy Epley, Executive Vice President, Tarah Duarte, Executive Assistant, and Matt Walberg, Musicians On Call Volunteer Musician.

Mr. Pete Griffin, President and CEO of the program, gave a brief overview of the Musicians on Call program. Musicians on Call brings live music to the bed sides of patients in health care facilities here in Nashville and all across the country. Their musicians have played for over 720,000 people nationwide. Mr. Griffin stated that \$0.74 of each dollar donated goes directly toward the program and the program has earned a platinum rating by Goldstar. Mr. Griffin introduced a local volunteer musician who explained his role in the healing process of performing for the children and adults alike.

President Kreulen and Chair Samuels presented a check on behalf of MNAA in the amount of \$15,000 to the Monroe Carell Junior Children's Hospital at Vanderbilt for the Musicians on Call Program. This money was donated from proceeds of the 2018 Aviation Golf Classic.

The Board was treated to a brief song by the local musician. The Board gave a standing ovation.

President Kreulen then introduced Captain Christopher Shuff, Department of Public Safety, to brief the Board the actions of some of the MNAA police officers and communications staff recently. Captain Shuff explained that on February 24, 2019 officers were dispatched to the scene of a traffic accident in the parking garage where an individual was struck by a vehicle. The passenger was loading their luggage into the trunk of their vehicle when she was hit from behind. Upon arrival on the scene the officers assessed the patient, and their training immediately kicked in. Their actions more than likely saved the patient's lower extremities and possibly saved the patient's life due to the amount of blood loss. While the treatment of the patient was occurring, the driver of the other vehicle was being treated for a separate medical emergency. During the assessment, the officers noticed the patient exhibited symptoms of a possible stroke. Without the quick action of the officers and without the constant communication with the airport communications personnel, this incident could have turned out to be much worse. Captain Shuff stated he would like to award the DPS staff with a certificate of commendation. Captain Shuff recognized K9 Officer Aaron Battle who was unable to attend due to K9 evaluations. The following were recognized and received a certificate of commendation:

- Officer Julio Ramos
- Officer Zach Voigts

- Officer Daniel Winter
- Officer Chris Swisher
- Lt. Jeremy Riel
- ACC Tech Christian Iverson
- ACC Tech Katie Winczewski

After pictures and congratulations, President Kreulen thanked everyone again for their excellent work.

Next, President Kreulen reminded the Commissioners of the BNA 5K on the Runway being held on Saturday, April 6 at 8:00 a.m. President Kreulen thanked Ms. Shannon Sumrall, AVP, Communications, Marketing and Customer Experience, for all her hard work on this event and reported that this event had sold out with 2,000 participants with an additional 200 on the wait list. It's going to be a great community event. K9s for Warriors is the beneficiary of the money being raised.

President Kreulen stated that part of his job is to come up with new ways to promote the airport and its development and increase revenues. Ms. Sumrall advised the executive staff that MNAA's brand should capture the essence of Nashville International Airport as it grows. The existing logo does not currently reflect the airport. MNAA will always be MNAA but those letters do not sell the Nashville International Airport. On Ms. Sumrall's advice and counsel, BNA has taken on this initiative with DVL Seigenthaler and will present to the Board what has been done and where BNA is on this initiative. President Kreulen introduced Ryan Witherell, a partner of DVL Seigenthaler. Mr. Witherell gave a presentation on the marketing initiative.

Mr. Witherell stated it is the perfect time to do this with the growth and expansion of the airport. The logo will be represented throughout the terminal. The goal was to evolve the brand with what is happening at the airport and what is happening in Nashville. Other organizations that represent Nashville on a national and global level have recently rebranded such as the Titans, the Nashville Sounds, and Nashville SC to name a few. The airport's current brand has largely stayed the same for generations.

Mr. Witherell introduced Sean Williams, Associate Creative Director at DVL Seigenthaler. Mr. Williams stated that the airport is in the midst of a very exciting rebirth. \$1.2B of investments are guaranteeing that Nashville International Airport is a second to none, world class experience. This transformation is the result of this Board and airport leadership paying close attention to the evolution and growing needs of the city. While that kind of awareness can lead to state of the art facilities, it's also an indication of a very strong brand. Your brand is the essence of who you are through the eyes of the people you serve. The brand is this collection of thoughts, feelings and opinions that your audience already has about you.

The airport is in a revolutionary moment where the audience is telling us something about the brand. To them, MNAA and Nashville International Airport do not ring nearly as true as BNA. BNA is seen everywhere. People are wearing BNA hats, t-shirts, and putting this art on their wall. They are interacting with the letters BNA on

their boarding passes, the Southwest app, and even the carpet. Part of the process of listening to the audience and responding to build the brand, is making sure the visual identity lines up with who we are. A logo is never going to be an invention – it's a reflection. The best way to serve this city is for the airport to be as Nashville as it can be. This city and this airport share an entrepreneurial spirit and an energy. Nashville, Tennessee is a place where people come to connect with other people and so is BNA.

Mr. Minh Le of DVL Seigenthaler presented the new logo for the airport to the Board along with a short video. The video's theme was "Be Nashville...Be Inclusive...Be Authentic...Be Creative...Be Warm and Welcoming...BNA". Mr. Le reported on the concept behind the new BNA logo. The B overlapping symbolizes connection. It is also an infinity shape to symbolize that this city and this airport never stop moving. The connection to the city is also represented in the colors. The colors are vibrant just as this city and are also tied to the city's flag.

Mr. Williams stated that the next few weeks will consist of unveiling the logo on the blog on March 25. The blog will be on Nashville International Airport's website, [www.flynashville.com](http://www.flynashville.com). It will serve to give the history and journey as to where BNA has been and where BNA is headed. As the construction for BNA Vision continues, it makes sense to have updated signage now. Advertising will be done through billboards, online display ads, print ads and radio blurbs to help introduce the brand to Nashville. There will be luggage tags, lanyards and other gifts available to employees and travelers as well. Social media will be the main venue for communicating with travelers and the public.

President Kreulen thanked DVL Seigenthaler for their work and rollout of the new brand.

V. Items for Approval:

A. Approval of Reconstruction of Taxiway Alpha/Kilo Intersection

Staff provided the Board a staff analysis for the Reconstruction of Taxiway Alpha/Kilo Intersection prior to the meeting.

Staff requested that the Board of Commissioners accept the bid by Hi-Way Paving, Inc. (Hi-Way) for the Reconstruct Taxiway Alpha/Kilo Intersection project at Nashville International Airport (BNA) and authorize the Chair and President & CEO to execute the construction contract.

Ms. Traci Holton, AVP, Chief Engineer, briefed the Board on this item. This project will reconstruct 330,000 square feet of Taxiway Alpha/Kilo Intersection to improve pavement conditions and comply with FAA guidelines. Ms. Holton stated that bids were received in February. Of the three bids received, Hi-Way Paving was the lowest bid at \$10.7M, and meeting the DBE goal of 14.90%. Bids were evaluated by staff and Garver, engineer of record, and the bid was determined to be responsive and responsible. This contract is scheduled

to start in August of this year after receipt of federal funding and will be completed in June of next year. Hi-Way's subcontractors include Archangel Protective Services, Gibco Construction, Kimberly, Inc. and Rutherford Contracting.

Committee Review:

This item was presented to the General Aviation/Operations/Planning & Engineering Committee on March 13, 2019. The GAOPE Committee voted 4 to 0 to recommend approval to the Board of Commissioners.

A motion was made by Commissioner Joslin and seconded by Commissioner Farnsworth to authorize the Chair and President & CEO to accept the bid by Hi-Way Paving, Inc. (Hi-Way) for the Reconstruct Taxiway Alpha/Kilo Intersection project at Nashville International Airport (BNA) and authorize the Chair and President & CEO to execute the construction contract. The motion carried by vote of 10 to 0.

B. Approval of ABM Parking Management Services Contract Amendment

Staff provided the Board a staff analysis for ABM Parking Services Contract Amendment prior to the meeting. Staff requested that the Board of Commissioners approve the proposed contract amendment for parking management services for FY19 and authorize the Chair and President & CEO to execute the proposed contract amendment.

Mr. Tom Bibb, AVP, Operations & Maintenance, briefed the Board on this item. The first part of this amendment concerns additional R-4 shuttle costs for FY19, necessitated by BNA Vision which caused the loss of the R-1 Parking Lot. Construction forced BNA to relocate employee parking for administrative staff as well as airline and tenant key management. BNA expected to use existing fleet, however double digit growth and being much busier in the evenings and weekends has necessitated that BNA's existing fleet be used to support customers. Therefore BNA had to lease vehicles which increased the cost more than anticipated. Additional R-4 shuttle costs for FY19 is projected to cost approximately \$867,000.

The second part of this amendment is related to additional staff for MNAA's parking contractor, ABM. They have asked for the ability to increase wages by \$2.00 per hour and add 27 staff which would be 15 additional staff for valet and 12 additional staff for Terminal Lot A and Economy B & C, to meet demand and provide the desired level of service for the valet and public parking customers. Positions include runners, cashiers, license plate inventory staff and customer assistance staff. The original budget was just under \$7.5M but the additional costs for leased vehicles and staff have pushed the amended budget to approximately \$8.4M.

Mr. Bibb presented a summary of amendments and budget impact for FY19, FY20 and FY21.

<b>Amendments</b>	<b>FY19 Impact</b>	<b>FY20 Impact</b>	<b>FY21 Impact</b>
Additional R4 shuttle cost*	\$867,300	N/A	N/A
<b>Total Amendments</b>	<b>\$867,300</b>	<b>\$0</b>	<b>\$0</b>
<b>FY19 Agreement Budget</b>			
\$2 hourly wage increase	\$47,996	\$277,160	\$285,475
15 additional Valet staff	0	\$346,112	\$356,495
12 additional Parking staff	0	\$270,400	\$278,512
Estimated Overtime	0	(\$201,000)	(\$207,030)
<b>Total Budget Revisions</b>	<b>\$47,996</b>	<b>\$692,672</b>	<b>\$713,452</b>
Original Contract Amount	\$7,476,949	\$8,591,440	\$8,684,440**
<b>Revised Contract Amount</b>	<b>\$8,392,245</b>	<b>\$9,284,112</b>	<b>\$9,397,892**</b>

\*Additional R4 shuttle cost is August 2018 through May 2019, and was entered into through a Letter of Agreement (LOA) effective August 1, 2018 through November 30, 2018, as allowed by the contract.

\*\*FY21 budget is estimated. Budget is contractually required to be submitted by January 15, 2020.

Committee Review:

Commissioner Smith reported this item was presented to the Finance/Administration/Properties Committee on March 13, 2019. The FAP Committee voted 5 to 0 to recommend approval to the Board of Commissioners.

Commissioner Joslin inquired as to the expected timeframe to get these additional staff positions filled. Mr. Bibb responded that if the Board approved, the hiring process would begin as soon as possible.

Chairman Samuels took Commissioner Smith's statement as a motion and seconded by Mayor's Representative Wiltshire to authorize the proposed contract amendment for parking management services for FY19 and authorize the Chair and President & CEO to execute the proposed contract amendment. The motion carried by vote of 10 to 0.

C. Approval of Long Term Financing Underwriting Syndicate

Staff provided the Board a staff analysis for Long Term Financing Underwriting Syndicate prior to the meeting.

Staff requested that the Board of Commissioners approve the Long-Term Financing Underwriter Syndicate Pool for the Authority for 2019 – 2023 and authorize the Chief Financial Officer and the financing team (with concurrence from the President & CEO) to select the team of Underwriters from the Pool for each bond issuance.

Ms. Marge Basrai, Chief Financial Officer, briefed the Board on this item. MNAA plans to issue long-term debt to finance most of the projects under the BNA Vision. As part of this process, qualified underwriters will work with MNAA's financing team to:

- Market and sell the Bonds
- Coordinate the work of the entire underwriting team, including the co-managers
- Prepare a bond purchase agreement and other required documentation including a closing memorandum
- Close the bonds on time and prepare a post-pricing analysis

On December 21<sup>st</sup>, PFM issued on MNAA's behalf a direct solicitation RFQ for Bond Underwriting Services to thirty-eight investment banks. The RFQ process was intended to select a pool of underwriters that demonstrated strong airport experience along with local, regional and other diversified experience.

- On January 25<sup>th</sup>, 24 responses were received –
  - 14 National/Regional investment banks
  - 10 Minority or Disabled Veterans investment banks

All 24 Statements of Qualifications were reviewed and compared against each other. We compared criteria such as:

- Overall quality of response to all questions asked in the RFQ
- Strength (both in number of issues and dollar volume in airport financing and Tennessee financing)
- Team assigned to MNAA
- Debt structure and credit strengths and weaknesses

MNAA also reviewed their marketing experience toward MNAA over the last year and direct experience with each firm. Based on the entire evaluation process, 11 firms were considered the best qualified to serve MNAA.

These 11 firms were classified as qualified to serve as a senior managing underwriter and/or as a co-manager.

The criteria consisted of:

- Senior managing experience in Airport Financing
- Team assigned to MNAA and their related Airport Financing experience at their current firm

Based on the entire process, the following Underwriting Pool is recommended:

- 7 qualified Senior Managing Underwriters
  - 5 National Firms
  - 2 Minority Firms
- 4 Qualified Co-Managers

- 2 National/Regional Firms
- 2 Minority Firms

MNAA intends to use this pool in the following ways:

- For each bond financing transaction, a team of underwriters will be selected from the Pool and assigned their respective role
- Selection will be made through a competitive RFP conducted by PFM on MNAA's behalf, in which only the Underwriting Pool will participate.
- Members of the Financing Team will review the RFP responses and select (with concurrence from the President and CEO) the Underwriting Syndicate for each financing transaction.
- Syndicate for similar sized transactions typically consists of 1 Senior Managing Underwriter and 3-5 Co-Managers (depending on issuance size)
- Firms qualified as Senior Managing Underwriter may serve as a Co-Manager, however, firms qualified as a Co-Manager cannot serve as a Senior Manager
- Any changes to the Pool due to changes in the Firms, will be presented to the Board. For example, this allows movement of a co-manager to a senior manager if they gain more Airport Experience

Committee Review:

Commissioner Smith reported this item was presented to the Finance/Administration/Properties Committee on March 13, 2019. The FAP Committee voted 5 to 0 to recommend approval to the Board of Commissioners.

Chairman Samuels took Commissioner Smith's statement as a motion and seconded by Mayor's Representative Wiltshire that the Board approve the Long-Term Financing Underwriter Syndicate Pool for the Authority for 2019 – 2023 and authorize the Chief Financial Officer and the financing team (with concurrence from the President & CEO) to select the team of Underwriters from the Pool for each bond issuance. The motion carried by vote of 10 to 0.

D. Approval of Recommendation on Retiree COLA, MNAA Resolution No. 2019-02

Staff provided the Board a staff analysis for Recommendation on Retiree COLA, and a copy of MNAA Resolution No. 2019-02 prior to the meeting.

Staff requested that the Board of Commissioners:

- 1) Leave the Retirement Plan for the Employees of Metropolitan Nashville Airport Authority as it exists with no cost of living adjustment (COLA) at this time, and



- 2) authorize the Chair and President and CEO to execute MNAA Resolution No. 2019-02 revising the frequency of review of the feasibility of initiating a COLA to retirees and beneficiaries to every two years.

Ms. Marge Basrai, Chief Financial Officer, briefed the Board on this item. As background, Ms. Basrai stated that the current Retirement Plan is a closed Plan. There are currently 172 retirees and 97 active employees in the Plan. MNAA Resolution 2011-16 requires an annual review of the feasibility of a COLA and to give a recommendation to the Board.

MNAA's goals for the Retirement Plan are to protect the assets and stay around 95% funded. In previous years, MNAA has only given a COLA three times, in 2002, 2004 and the most recent was given in 2007 which was a 5% COLA which increased the liability by \$845k. MNAA requested its actuary, Findley, to analyze the impact of a 2% and 4% COLA if granted to all retirees at 6/30/19. Estimated shortfall is the estimated cash required to remain 100% funded at 6/30/19. If no action is taken, assuming a 6.5% discount, there would be a shortfall of \$6.9M which would leave the Plan 90% funded due to the market downturn this past quarter. If there is a 2% COLA, there would be a shortfall of \$7.7M short at 89% funded and a 4% COLA would leave a shortfall of \$8.4M and 88% funded.

Committee Review:

Commissioner Smith reported this item was presented to the Finance/Administration/Properties Committee on March 13, 2019. The FAP Committee voted 5 to 0 to bundle the request of both items and recommend approval of each to the Board of Commissioners.

Chairman Samuels took Commissioner Smith's statement as a motion and seconded by Commissioner Doerge that the Board approve the recommendation to Leave the Retirement Plan for the Employees of Metropolitan Nashville Airport Authority with no cost of living adjustment (COLA) at this time. This motion carried by vote of 10 to 0.

Commissioner Smith reported that the FAP unanimously voted to authorize the Chair and President and CEO to execute MNAA Resolution No. 2019-02 revising the frequency of review to every two years.

Chairman Samuels took Commissioner Smith's statement as a motion and seconded by Commissioner Farnsworth to authorize the Chair and President and CEO to execute MNAA Resolution No. 2019-02 revising the frequency of review of a COLA to every two years. The motion carried by vote of 10 to 0.

E. Approval of MNAA Insurance Premiums

Staff provided the Board a staff analysis for MNAA Insurance Premiums prior to the meeting.

Staff requested that the Board of Commissioners authorize the payment of the Authority's annual insurance premiums by the President & CEO.

Mr. Doug Sloan, VP and Chief Legal Officer, briefed the Board on this item. Mr. Sloan reported that MNAA's insurance premiums went from \$1.157M to \$1.223M this year. That is an increase of approximately \$66,000. That increase is due to an increase in coverage in Directors and Officers Liability (DOL) and Employment Practices Liability (EPL) coverages from \$20M to \$25M and an increase in cyber insurance coverage from \$3M to \$10M. Legal worked with the broker, Willis Towers Watson, to evaluate the Authority's loss history and to market the claims. Starr Aviation offered a quote which will save the Authority approximately \$66K plus offers potential dividends if claims and losses remain at the current levels.

Committee Review:

Commissioner Smith reported that this matter was discussed before the FAP Committee and the Committee understands that more staff will continue to evaluate this year by year to look at MNAA's coverages as well as different funding levels and evaluate the possibility of self-funding.

Commissioner Smith reported this item was presented to the Finance/Administration/Properties Committee on March 13, 2019. The FAP Committee voted 5 to 0 to approve the payment of the Authority's annual insurance premiums by the President & CEO.

Chairman Samuels took Commissioner Smith's statement as a motion and seconded by Vice Chair Harwell to authorize the payment of the Authority's annual insurance premiums by the President & CEO. The motion carried by vote of 10 to 0.

F. Approval of Arts at the Airport Foundation Board Nominations

Staff provided the Board a staff analysis for Appointments for the Arts at the Airport Foundation Board prior to the meeting.

Staff recommends that the Board of Commissioners appoint six members to the Arts at the Airport Foundation Board of Directors (Foundation Board). All appointments would be for a three year term and would take effect on January 1, 2019. Nominees for appointment include Charles Cook, Jr., Sandra Fulton, Donna Glassford, Kim Hawkins, Jr., Joseph (J) Kline, and Alex Macias.

Cathy Holland, Director, Community Affairs, briefed the Board on this item. She reported that there were six openings on the Board. Four of the nominees have previously served and were very active. Those nominees include Charles Cook, Jr., Sandra Fulton, Kim Hawkins, and Joseph (J) Kline. If the Board of Commissioners approve, there will be two new members that have agreed to join the Foundation Board and they are Donna Glassford and Alex Macias.

Donna Glassford serves as an art consultant but many may recognize her as the Executive Director that was responsible for the public art at Monroe Carell Jr. Children's Hospital at Vanderbilt. She is well respected in the field of public art and has great ties to organizations across the United States. She can bring her expertise to BNA as it goes through its public arts process through BNA Vision.

Alex Macias is art administrator and community builder in Nashville. He worked at Conexión Americas and he is leading the coalition for public art projects called Envision Nolensville Pike. Alex is a graduate of Sewanee and he is overseeing many public art projects in the Latin community.

This item did not go to Committee.

President Kreulen asked the names of the two Foundation Board members that will no longer serve. Ms. Holland stated those persons were Robert Patterson who is semi-retired and Christine Kreyling, who is also semi-retired.

A motion was made by Commissioner Smith and seconded by Commissioner Farnsworth to appoint six members to the Arts at the Airport Foundation Board of Directors (Foundation Board). All appointments would be for a three year term and would take effect on January 1, 2019. Nominees for appointment include Charles Cook, Jr., Sandra Fulton, Donna Glassford, Kim Hawkins, Jr., Joseph (J) Kline, and Alex Macias. The motion carried by vote of 10 to 0.

At this time, Chair Samuels left the meeting and Vice Chair Harwell transitioned to the gavel.

## VI. Staff Reports

### Operations Report

Mr. Bibb briefed the Board on this item. He reported that BNA was presented the 2019 Jay Hollingsworth Speas Airport Award. This award was for BNA's geothermal lake plate cooling system. It is presented every year during the Airport Consultants Council (ACC)/AAAE Airport Planning, Design and Construction Symposium. Mr. Robert Ramsey, COO, and Caitlin Dillon, a member of the engineering team, accepted this award on behalf of BNA. Nashville will host this conference in 2022.

Mr. Bibb reported that total passenger numbers were up for February 15.5% compared to the previous year and up just under 15% for FY19 YTD. This has been the busiest February in the history of BNA. The March numbers continue to show growth.

Parking revenue was up a little over 2% for the month of February and FY19 YTD was just under 6%, almost \$34M FY19 to date. Air cargo tonnage for February increased 5% compared to February of last year and is at 5.2% FY19 YTD. That is volume not new service or additional aircraft.

BNA fuel sales for February were up 4.6% from last year. FY19 YTD was down 2.9%. John C. Tune fuel sales were up 35.6% in February, and FY19 YTD was up 20%.

Mr. Bibb provided an update on the Temporary GA Tower Analysis. This information was shared with the GAOPE Committee last week. There are a couple of ways to establish a temporary tower. It can be done with a cab on a trailer or a temporary modular structure with a cab on top. Purchase price is approximately \$350,000. Costs vary depending on whether it's purchased or leased. Utility installation is estimated to be \$350K to \$750K depending on location and whether the structure is temporary or permanent. Estimated operating costs would range between \$300K to \$350K per year and that would include 12-16 hours of service for two shifts for 365 days a year. The timeline to put this in place would be around eleven months consisting of 7 months for solicitation and selection process and the remaining four months for fabrication and installation of utilities. If permanent utilities are installed the timeline could be longer. Challenges associated with this project would be the timeline, and financial and tower staff resources. The staffing cost at \$300K+ equates to a fuel flowage fee of approximately \$0.18 per gallon or a landing fee at just under \$4.00. For the temporary tower, it moves up to approximately \$0.38 per gallon in fuel flowage fee or about \$15 for a landing fee. The all in cost to make this happen would be approximately \$1M, equating to \$0.56 per gallon for fuel flowage fee or just under \$20 per landing fee in order to fund the project.

Next steps that have been identified are to apply for admission to the FAA Federal Contract Tower Program and that application process has been started. If JWN gains acceptance to the program, the FAA will cover the costs, basically leaving only utility costs for the airport. It would change the financial picture significantly.

Staff recommends that MNAA expedite the design and construction of a permanent solution. In doing so, there would be a separate early package for site work, utilities, and roadway. Staff would work with FAA on possible safety recommendations while going through the selection and vetting process of designing and building a permanent tower.

#### Public Safety Update

Mr. Bibb stated that Captain Chris Shuff, Department of Public Safety, presented 5-year trends to the Audit and Compliance, and provided a detailed data spreadsheet for arrests, calls of service and patrol activity to the Audit and Compliance Committee and to the Board.

#### BNA Vision

Mr. Bibb stated that Staff provided Commissioners with the February 2019 BNA Vision Monthly Program Report for reference.

Commissioner Granbery inquired as to the evaluation of cargo tonnage increasing and fuel sales decreasing at BNA. Mr. Bibb reported that as to the cargo, the airlines are charged a landing fee based on the size of the aircraft and it is stated in the airline use agreement. BNA fuel sales increased for the month of February, and there is nothing to point at for the FY19 YTD reduction of 2.9%.

#### Financial Report

Ms. Marge Basrai, Chief Financial Officer, gave an update on financials as of February 28, 2019.

BNA operating revenues were \$107.9M FY19 YTD; \$5.8M above budget and \$10M over the prior year. This stems from three main items:

- Signatory airline revenue was slightly above budget, \$4.5M over prior year
  - Landing fees increased about 13% based on our growth
  - Terminal rents went up this year \$5M related to a baggage handling project and this was included in the budget this year
- Parking revenue was \$3.9M above budget, and \$1.8M over the prior year
- Concessions Revenue was above budget by \$3.1M and \$3.2M over last year, which was mainly driven by ground transportation and car rental revenue

BNA operating expenses were \$56.5M FY19 YTD; \$9M below budget projections and \$4M over the prior year.

- \$3.5M of the budget variance was in Salaries & Benefits due to vacant new positions that are still open and the increase in the budget for the salary and compensation study. The salary survey results were implemented in January 2019. Benefits as it relates to salaries are trending 6.3% lower than budget.
- BNA was \$3.6M under budget in Contractual services, due to various contract services such as legal, maintenance and other contingencies.
- BNA was \$4.1M over the prior year in expenses, most of which were contractual services such as janitorial, parking lot operations, security services and personnel cost.

JWN operating revenues were \$592K FY19 YTD; \$31K above budget projections and \$7K more than the prior year. \$18K was fuel flowage fees due to a larger than expected increase and a hangar that is renting more per month than budgeted.

JWN operating expenses were \$366K FY19; \$61K below budget and \$101K below last year. This was primarily due to contract services related to various projects that were delayed and planned to be completed later this fiscal year. MNA has been spending less in repairs and travel expenses.

MPC operating revenues were \$2M FY19 YTD; \$37K below budget projections and \$57K less than the last year. This was primarily due to a tenant defaulting on their lease last year. A new tenant has been found for part of this space, and they moved in December 2018. That variance difference is getting smaller each month.

MPC operating expenses were \$826K FY19 YTD; \$369K below budget projections and \$81K less than the last year. Variance with budget is attributable to contract services. MNAA has approximately \$210K of repairs and improvements in the Multipurpose Building and International Plaza scheduled to be completed in the last quarter of this fiscal year. There are other various repairs that have not been required yet. There are also tenant improvement expenses budgeted however, the way some of the new leases have been structured, the tenant is responsible for some of those expenses.

#### MNAA Retirement Committee Appointments

Ms. Basrai reported that at FAP Committee, there were Retirement Committee Appointments made. In accordance with the Retirement Plan for the Airport Authority, MNAA Resolution No. 2007-19, and the Investment Policy for the Retirement Plan, the personnel are appointed by the President and CEO to the MNAA Retirement Committee.

There are only two changes to the list from last year under the Additional Contributors. Angela Edwards is replacing Terri Barnhart as Retirement Committee Staff Secretary and Sharon Sepik, Director of Treasury, to be an advisor to the Committee due to her investment expertise. Additional contributors may be asked to participate as determined by the MNAA Retirement Committee.

#### Revenue Development Report

Ms. Margaret Martin, Chief Development Officer, gave an update on this item. Ms. Martin explained that February numbers were not generated in time to get those to the Board so there is a slight delay. February numbers will be available in April. Concessions News and Gifts sales were up 17% in January and FY19 YTD, and Concessions Food service sales were up 15.5% in January and 12.7% FY19 YTD, due to passenger growth. Rental car sales continue to increase, at 10.2% in January and 9.6% FY19 YTD, also correlated to passenger growth.

#### BNA Land Development Update

Ms. Martin gave an update on BNA Land Development, which was presented to the GAOPE Committee. At this point, Commercial Development is collaborating with Strategic Planning to develop a strategic land development plan to stay on track with the Master Plan. Commercial Development is developing a new solicitation process, looking at the marketing plan and evaluation procedures for development, and currently conducting comprehensive review of all aviation and non-aviation leases for the airport. Some leases are very

old and complex. Some leases may need to be amended and restated or be re-written. Commercial Development is examining current market and industry data to ensure that MNAA is charging the correct lease rates and not exceeding the normal tenant improvement rates.

Ms. Martin then spoke about aviation projects in the pipeline. The first project is Hangar 14 which has 15+ acres of ramp around it. MNAA owns this hangar and has received a lot of inquiries from people that want to use this hangar. MNAA decided to put out two solicitations. One was for a month to month solicitation to lease it, as-is while a longer term development plan was established. That bid was awarded to Jet Linx who will be paying \$29,362 per month. The previous lease rate was only approximately \$3K per month. The second solicitation consisted of MNAA releasing a Notice of Availability for full re-development of the hangar and surrounding parcel. MNAA received three proposals which are now being evaluated and one will be brought back to the Board for approval in the next month or two.

The next aviation project is the Atlantic Aviation (AA) proposal. AA is one of two FBOs currently at the airport. Their current lease expires June 2037 and AA approached MNAA to extend that lease term for additional capital improvement. This is under evaluation now.

Next up were non-aviation projects in the pipeline. Ms. Martin reported there were five parcels that had been identified as suitable for non-aviation development before the new Master Plan, so these parcels are still being tested with Strategic Planning to make sure they are still going to work going forward. Once there is a plan and those parcels have been identified, MNAA will begin marketing those.

The next project discussed was the possible expansion of Runway 2L. If this project moves forward, MNAA will need to acquire parcels. Commercial Development is working with Design and Engineering and Strategic Planning on that.

#### Fraport Transition Plan Update

Ms. Martin gave a brief update on the Fraport Transition Plan, which was presented to the FAP Committee. Sublease negotiations are continuing. Eighteen locations are scheduled to be open for business by the end of 2019. Fraport has released an RFP for ATM/Financial Services and an RFP for Vending. Responses for those RFPs are in and being evaluated. Fraport held two concessions meetings to address development schedules, one with current tenants and one with new tenants. Commercial Development has also formed a Capital Committee to review proposed capital improvement expenditures. \$17.4M has been committed and this Committee will oversee where that money is spent.

#### 5-Year Concessions Contract Extension Negotiations Update

Ms. Martin gave a brief update on the 5-year concessions contract extension negotiation, which was presented to the FAP Committee. Fraport's initial proposal was rejected by Staff. Fraport has submitted a revised proposal and Staff is currently reviewing the revised proposal. Fraport's revised proposal did address some of the Staff's requirements including a proposed loan program for eligible ACDBE companies. If mutually beneficial business terms are reached, Staff will bring a recommendation back to the Board in May or June.

Commissioner Granbery inquired as to additional space for luggage inside the airport. Ms. Martin stated that discussions have not been had about designating space for passengers to store their luggage. There is a challenge with balancing concessions space for revenue and passengers. Ms. Martin stated this is something that her department can address in future design meetings. President Kreulen stated that there was an airport conference held in Las Vegas recently and reported there are a lot of concepts coming out with options for baggage handling for the passengers that do not check their bags. A lot of third party vendors would want to come in and do this which would also generate revenue for the airport to store their luggage. Mr. Ben Zandi of Fraport stated they are also looking into a valet service for luggage for passengers shopping inside the airport and possibly a V-shaped seating area in a common area where passengers could store their luggage without intruding passenger traffic.

Commissioner Granbery stated he has also heard complaints about there not being enough electrical outlets for people to charge phones and asked if this is something being looked into as well. Mr. Zandi answered yes. President Kreulen then stated that MNAA is looking at how to provide the wi-fi and power needed for BNA Vision from a concessions side as well as a design side for all areas of the airport.

Commissioner Granbery inquired as to the Atlantic Aviation lease proposal extension mentioned earlier and what kind of term MNAA would consider. Ms. Martin stated that the FAA does not like to see leases for longer than thirty years so that would be part of the analysis. President Kreulen stated that extensions can be granted if there is significant capital investment to the airport. President Kreulen complimented Ms. Martin and Ms. Basrai for their work on getting the most out of the business deals and contracts.

#### Business Diversity Development Report

Ms. Donzaleigh Powell, Director, of Business Diversity Development, presented a report on MWBE participation in February 2019. Professional Services aspirational goal was 12.44%, actual was 10.99%, Goods and Services aspirational goal was 6.49%, actual was 1.27%; Construction (non-federal) goal was 10.49%, actual was 18.46%; Construction Federal aspirational goal 9.28%, actual was 13.76%. The combined YTD MWBE total is 11.9%.

Ms. Powell stated on February 15 she attended the Small & Diverse Business Forum hosted by the Music City Center. It featured breakout sessions, panel discussion, luncheon and a vendor expo. Davita Taylor,



AVP, Procurement, spoke on the panel with procurement professionals. Robert Shurell of Imperial Cleaning Systems, an MNAA certified minority firm, served as Keynote Speaker.

Ms. Powell reported that she attended the Habitat for Humanity Women Build Luncheon on March 8, 2019. The Women Build is a program to assist women in need of permanent housing. The houses are built by women volunteers with assistance of on-site professionals. Ms. Powell stated she has been a part of Women Build for the last four years, and Kebbyn Connel, BDD Compliance Coordinator, has been a part of the organization for 25 years. She now serves on the Advisory Board.

Ms. Powell gave a reminder of the Business Taking Off event to be held on March 22, 2019 from 7:30 am to 11:30 am at the Airport Marriott. This free annual event is an opportunity to learn about doing business with the airport, as well as upcoming contracts and business opportunities.

VII. Information Items

A. Airport Master Plan Update

Mr. Jeff Roach, AVP, Strategic Planning, gave an update on the Airport Master Plan, which was provided to the GAOPE Committee. He reported that MNAA is half way through the Master Plan Update. The inventory forecast and facility requirements analysis have been significantly completed. For the last six weeks, there have been significant stakeholder events. The Technical and Community Advisory Committees met February 14, 2019. There was good participation at both meetings. The first Public Information Meeting was held March 5, 2019. There were 64 participants from the community. President Kreulen complimented Mr. Roach. Five years ago, there was only one person that attended the public meeting. Mr. Roach did a great job of getting the word out and getting the attendance up.

The next step is entering the alternatives development phase. During this phase, development, refining and evaluating alternatives for different components of the airport takes place. An example would be the terminal layout. Post Vision there will be 48 gates. However, to meet the forecast, MNAA will need about 60 gates. One alternative is extending Concourse A, possibly additional gates on Concourse D or additional gates on Concourse C. Through this alternative development and analysis phase, the alternatives will be rated/evaluated against a set of criteria developed for the Airport Master Plan.

Commissioner Granbery inquired as to the fill area. President Kreulen stated that no matter the alternative, that fill area does not go away. Thanks to Mr. Roach and Ms. Holton, this area has already been identified and engineering work is being started today.

Mr. Roach stated there is a need for additional runway length at the north/south orientation. The Master Plan recommends 12,000 feet for trans-Atlantic direct flights. After reviewing the runway extension options, Option 1: (Runway 02L – South Extension) for an additional 4,000 feet seems to be the best option.

President Kreulen stated there are approximately 19 parcels that would need to be acquired. MNAA is now looking at how we get the financing in place to purchase these properties. This option would consist of tunneling Murfreesboro Pike three times. These are the things to be addressed in the public meetings.

Mayor's Representative Wiltshire inquired as to when this might happen. President Kreulen stated that after speaking with FAA and if MNAA had the money to finance it, it could be done in 5 years. However, President Kreulen will come back to the BNA Vision Committee and the GAOPE Committee to discuss the timeline. The two main things to work toward is getting 60 gates and lengthening the runway. Each would cost approximately \$350M to \$400M so there has to be a financial plan in place.

Mayor's Representative Wiltshire inquired as to the impact of the city laying light rail before then. President Kreulen stated that the city cannot go through airport property without FAA approval and an environmental assessment. If light rail is on existing roadway there should be no problem.

Mr. Roach stated his department is coordinating with Metro planning to be sure the plans align. All of the alternatives will be evaluated against the long range development concept.

Commissioner Sullivan inquired as to the comments received at the public meeting. Mr. Roach stated he received approximately thirteen written comments and will be looking at those and providing feedback. Commissioner Sullivan asked if she could get a copy of those comments. Mr. Roach replied he would be happy to get those to her. Mr. Roach stated most of the comments were regarding sustainability such as waste management, storm water and power for energy use.

B. External Audit Update

Ms. Lisa Lankford, AVP, Special Assistant to the President, gave an update on the external audit. Ms. Lankford stated that the Audit & Compliance Committee met March 13, 2019. Mark Nicolas, Partner with DHG, MNAA's external auditor, provided an update on the corrective action progress at that meeting. Ms. Lankford reported there were five anti-fraud controls items completed, five items very near completion which includes implementation of the time clock, the revisions to the travel policy and cash advances policy. A fraud risk assessment is planned when our AVP of Risk Management joins the Staff. As to the external financial audit, there will be one policy that will be revised and capitalized interest will likely be corrected or eliminated through GASB.

C. Internal Audit Update

Ms. Lankford continued her presentation with an internal audit update. She reported there have been six internal audits completed this year. This is the second quarter in a row where MNAA has closed more audit findings than were opened. There are 227 open findings remaining and the majority of those will be closed through PCI Compliance. There have been zero reports on red flags this quarter.

D. PCI Compliance Update

Ms. Lankford gave an update on PCI Compliance. PCI is where the majority of the audit findings lie. At this time, compliance is at approximately 85% with the help of CompliancePoint since last fall. They have implemented many solutions, and updated all of MNAA's policies and procedures regarding cyber security. They have completely segmented the network so the PCI environment is isolated to make it a manageable process. Next steps in March and April will be to finish up the remaining 15% of the items, conduct the penetration testing and then audit will come back in and re-evaluate. Staff expects to have the Report on Compliance delivered in August 2019.

Commissioner Granbery asked if MNAA had completely been abandoned with the new BNA logo. President Kreulen stated that in terms of MNAA, Metropolitan Nashville Airport Authority exists. That is the overall legal organization. MNAA manages two organizations, BNA (Nashville International Airport) and JWN (John C. Tune Airport). Just like MNAA is trying to promote John C. Tune development, MNAA is trying to pick a logo that promotes Nashville International Airport and its growth. If you show someone the old logo (the swoosh) or you show someone MNAA, they do not know that you are referring to Nashville International Airport. There is a similar logo to BNA to promote JWN. MNAA is trying to promote both airports simultaneously.

Commissioner Granbery then asked if MNAA is coming out with a JWN logo. President Kreulen stated that there will be a JWN logo similar to the new BNA logo. JWN is part of our Be Nashville, Be John C. Tune theme and it is under the overall management of the Authority. MNAA is focusing on generating more revenue.

Commissioner Granbery inquired as to expedition of the tower at John C. Tune. President Kreulen stated MNAA is sending a letter to the FAA with safety concerns and MNAA wants the FAA to provide a plan of action. This letter will also let the FAA know that JWN wants in on the Contract Tower Program. Ms. Holton and her team are trying to accelerate the permanent construction of a tower. MNAA has the funding. As of the last GAOPE meeting, Staff was asked to look at the possibility of a remote tower. MNAA does not want to spend double the money looking at all the options. Commissioner Joslin agreed.

Commissioner Granbery inquired as to the timeline of completion of the tower and Ms. Holton stated the schedule she has forecasts completion at the end 2020 which is aggressive. Ms. Holton stated MNAA has

signed the contract and her team is already working on where the road will be placed and they are coordinating with the City on potential water and sewer even before the consultants meet with them. President Kreulen stated that Staff is already making certain that design and engineering wise, it matches with the Master Plan, such as where the road is coming in and where the tower is being located and Staff is moving on that quickly.

Commissioner Farnsworth then asked the John C. Tune pilots on the Board if they thought the Board needed to meet with the staff in the tower to talk about NIMC. President Kreulen stated that there would be an opportunity to do that. Tom Bibb, AVP, Operations and Maintenance and Robert Ramsey, COO have runway safety action team meetings with the tower at BNA and the tower controls the airspace above John C. Tune. MNAA is about to get a new tower manager so there is an opportunity to at least have a discussion.

Commissioner Farnsworth stated she thinks it is worth the time to do so and have that discussion. President Kreulen stated the purpose of writing the letter to the FAA was to express concerns while we are trying to expedite the building of the permanent tower.

Commissioner Joslin stated that if a tower could be completed by the end of 2020, it would be insane to spend a million dollars on a temporary tower. Commissioner Farnsworth agreed.

VIII. Adjourn

There being no further business before the Board, Vice Chair Harwell adjourned the meeting at 2:41 p.m.



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Amanda C. Farnsworth  
Board Secretary