

✈ METROPOLITAN NASHVILLE AIRPORT AUTHORITY ✈

October 17, 2018 – Minutes of the Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors



Date: October 17, 2018

Place: Nashville International Airport
Nashville, Tennessee

Time: 1 p.m.

Board Members Present:

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

Board Members Absent:

Trey Harwell, Vice Chair; Bobby Joslin and Dierks Bentley

Others Present:

Doug Kreulen and Cindy Barnett

I. Call to Order

Chair Samuels called the MNAA Board of Commissioners and MPC Board of Directors meetings to order at 1:00 p.m., pursuant to the Public Notice dated October 12, 2018.

II. Approval of Minutes

Upon motion made by Commissioner Freeman and seconded by Commissioner Doerge, the Board voted to approve the minutes of the September 19, 2018, joint meeting of the MNAA Board of Commissioners and MPC Board of Directors. The motion carried by a vote of 7 to 0.

III. Chair's Report

Chair Samuels welcomed Board members and guests. Chair Samuels stated that it is important to always do your best and we have a clear example of that recently. The ACI-NA Annual Conference was held in Nashville and he thanked those that attended and stated that it was a spectacular event. Attendance was the highest ever with over 2,200 attendees. Tampa will host the next ACI-NA Annual Conference and conceded that it will be very difficult to top this event. Chair Samuels acknowledged Franklin Carver, LaWanda Mason and

Karen Edgin for their work. Chair Samuels acknowledged Cathy Holland for her outstanding work, and Tom Jurkovich for overseeing the event, all of which was a clear example of "doing your best is good enough." Cathy Holland thanked Chair Samuels, President Kreulen and her team.

IV. President's Report

President Kreulen thanked Commissioners for their time and dedication to the airport.

President Kreulen reported that beginning March 31, 2019, British Airways will begin daily service to London's Heathrow Airport. British Airways currently flies five times per week. The new service will add Thursday and Sunday flights.

President Kreulen reported that the ACI-NA Annual Conference was held September 30 – October 2, 2018 in Nashville with record attendance of more than 2,200 attendees from around the globe.

President Kreulen reported that BNA ranked number four among the nation's large airports by J.D. Power's 2018 North America Airport Satisfaction Study. BNA received a five-Power Circle Rating, landing it in the "Among The Best" echelon, and placing it ahead of 21 other large airports coast-to-coast. The survey gauged passenger satisfaction with five factors: check-in; food, beverage and retail; accessibility; terminal facilities; and baggage claim.

President Kreulen reminded Board members to save the date for the new garage ribbon-cutting ceremony on Wednesday, Nov. 14, prior to the November Board lunch and meeting.

President Kreulen provided a Concessions update reporting that the second Fraport Industry Day was set for October 17, 2018, from 9 am to 12 pm at the Nashville Airport Marriott. The Consolidated Receiving and Distribution Center (CRDC) Plans were submitted to MNAA on September 24, 2018. LGA Partners was selected as the design team to work with MNAA design team to finalize layouts. Fraport selected Kenneth Beeler as Construction Manager and is actively interviewing final candidates for Fraport VP of Nashville Concessions.

Economic Report

President Kreulen reported that September 2018 was the busiest September and fifth busiest month in the history of BNA with 1,355,866 total passengers. The past five months (May, June, July, August and September) were the top five busiest months in the history of BNA. Total passengers were up 18.3% for September and up 14.6% for FY19. Passenger numbers have increased in 96 of the last 98 months.

President Kreulen reported that News and Gift gross sales for September 2018 were \$2,633,114, up 20.7% over September 2017; FY19YTD gross sales were \$7,839,975, up 19.3% over FY18YTD. Food & Beverage

gross sales for September were \$ 4,543,283, up 15.1% over September 2017; FY19YTD gross sales were \$14,039,957, up 13.4% over FY18YTD.

President Kreulen reported that Rental Car gross sales for September 2018 were \$13,764,756, 9.9% above last September and up 8.5% for FY19. September revenue was up 10.0% at \$1,376,476; FY19YTD was at \$4,287,699.

Staff Reports

Operations Report:

Mr. Ramsey reported on Gross Parking Revenue. Unadjusted Gross Parking Revenue from all 5 lots was \$4,309,275 for September, up 4.2%; FY19YTD revenue was at \$13,235,001, up 11.6%. Revenue transactions were 120,042 for September, down 2.7%; FY19YTD transactions were 400,828, down 2.7%.

For the month of September, air cargo was up 16.4%, with 4,650 total tons of cargo, an increase of 655 tons; FY19YTD was up 15.6% with 14,238 tons of cargo, an increase of 1,917 tons.

BNA September fuel sales for Atlantic Aviation, Signature Flight and private self-fueling hangars were down 20.4%, with 647,051 gallons, a decrease of 166,130 gallons; FY19 YTD sales were down 14.7% with 1,851,109 gallons, a decrease of 318,796 gallons. JWN September fuel sales were up 15.8% with 175,851 gallons, an increase of 23,977gallons; FY19 YTD fuel sales for Contour Flight Support were up 9.7%, with 455,477 gallons, an increase of 40,431 gallons.

Mr. Ramsey provided a summary of the Airport Master Plan Forecast and Runway Analysis that staff provided at the October GAOPE Committee Meeting. The Aviation Demand Forecasts are: For 2022, 8.2 million to 9.0 million enplanements and 232 to 257 operations are forecasted; For 2037, 11.5 million to 11.9 million enplanements and 303 to 311 operations are forecasted. Critical Aircraft Identification would upgrade from Group IV (B757 aircraft) to Group V (B787 aircraft). Runway Length Analysis included connecting Nashville to Europe, Japan, Korea, China and Middle East, and plans for 11,500 ~ 12,000 foot runway length, with three runway extension options: Runway 02L (South Extension); Runway 02R (South Extension); or Runway 02R-20L (North and South Extension).

BNA Vision Monthly Program Report:

Mr. Ramsey provided Commissioners with the October 2018 BNA Vision Monthly Program Report for reference. The Vision Program Report includes: a program narrative and dashboard; a program budget summary; and project narratives and dashboards for Parking and Ground Transportation Center, Concourse D and Terminal Wings, Garage C and Office, Terminal Access Roadway Improvements, Terminal Apron and Taxilane Expansion and Employee Lot Expansion. Mr. Ramsey also provided a brief summary of the Vision Program Budget as of September 30, 2018.

Financial Report:

Ms. Marge Basrai, Chief Financial Officer, reported on September 30, 2018 revenue and expenses. BNA YTD Operating Revenues are \$42.0M, which is above budget projections by \$1.9M, and over the prior year amount by \$5.0 million. Signatory airline revenue was approximately \$486,000 above budget and \$1.8 million over prior year. Landing fees increased by \$554,000 from budget and \$999,000 over prior year, due to a 14.9% increase in YTD landed weights from prior year versus a 3% projected growth from prior year.

Terminal rent is meeting budget projections and \$1.5 million higher than prior year primarily related to baggage fees. Baggage fees are paid by the airlines on a monthly basis and are calculated in the rate model based on anticipated expenses (the anticipated expenses increased \$5 million in FY19 due to a capital project).

Parking Revenue is \$793K above budget, and \$1.3 million over the prior year. While the overall number parking transactions has decreased from prior year by 2.7%, this was offset by the parking rate increase on 9/1/17.

Space rent is \$439,000 below budget, and \$732,000 over the prior year. The budget shortage is due to an expected lease not being executed, while the increase over prior year related to an increase in non-signatory terminal rent relating to additional non-signatory carriers and increased rental rate. Concessions revenue is above budget by \$838,000 and \$938,000 over last year, which is mainly driven by ground transportation and car rental company concessions which are driven by passenger growth.

BNA YTD Operating Expenses are \$19.7 million, which is \$5.3 million below budget projections, but \$917,000 over the prior year actual amounts. The main areas below budget were in salaries & benefits and contractual services. \$1.5 million of the budget variance is in Salaries & Benefits due to timing of hiring positions (and the related taxes & benefits) mainly at DPS, finance and revenue development. The contingencies of \$682,000 are a combination of new positions and the additional wages based on the salary survey. Benefits as they relate to salaries is trending 3.6% lower than budget. \$2.9 million of the difference is in contractual services: \$1.2 million is timing for various contract services such as legal and finance; \$784,000 in various repair/maintenance which the department feels will be made up in the 2nd and 3rd quarters of the fiscal year; \$0.7 million was in other operating expenses including utilities at \$122,000 and materials & supplies at \$506,000. Even though we are below budget, FY18 Operating expenses are \$917,000 more than the prior year mainly in salary/wages and contractual services. \$347,000 in salaries was expected based on the increase in salaries for COLA (3%). \$441,000 was in contractual services from parking lot operations (\$367,000) and janitorial services (\$64,000). The parking lot operations increased due to the average overnight stay at the express park increasing from 200 last year to 500-700 this year. The janitorial contract was amended in April 2018 to increase the service and hours needed.

JWN YTD Operating Revenues are \$218,000, which is \$8,000 above budget projections and \$236 less than the last year. \$2,416 was for fuel flowage fees based on increased fuel sales at \$0.06 cents a gallon with approximately 40,000 more gallons sold in FY19 compared to FY18. \$3,000 was due to a lease on a previously empty hangar that is actually renting for \$1,000 more per month than budgeted (Nitetrain Aviation LLC Hangar 173). The remainder of the increase is in reimbursable services which includes fuel reimbursement from Corporate Flight Management and fees charged to independent operators that perform maintenance on aircraft.

JWN YTD Operating Expenses are \$129,000, which is \$45,000 below budget and \$33,000 below last year. \$6,000 was related to the booth fees and travel for the NBAA (National Business Aircraft Association) conference, which was determined that participation is not necessary this year. \$32,000 was related to various projects that were delayed but plan on being completed later this year (i.e., fencing project and camera re-location). \$7,000 was related to agricultural and maintenance supplies. Per JWN, these amounts should be spent in the 2nd and 3rd quarter of the fiscal year.

MPC YTD Operating Revenues are \$738,000, which is only \$37,000 below budget projections and \$47,000 less than last year. \$56,000 of the decrease over prior year was due to a tenant, Castle Law, defaulting on their lease in March (\$18,527 per month for a total year-to-date of \$55,581). \$19,000 of additional rent offsets the loss on Castle Law, due to the normal rental rate escalations in FY19.

MPC YTD Operating Expenses are \$293,000, which is \$295,000 below budget projections and \$18,000 less than last year. Variance with budget was attributable to: \$260,000 in contract services, primarily due to \$49,000 for IPB repairs that have not been necessary so far this year and \$172,000 MPB for planned improvements that will now be covered by Fraport in their lease; \$32,000 for various maintenance supplies that were not necessary for break/fix so far this year; and \$8,000 for utilities, due to new thermostats and timers installed last year to help control energy costs.

Human Resources Report:

Ms. Karisse Spray, AVP, Human Resources, provided a summary regarding Diversity and Workforce Development. The Equal Employment Opportunity (EEO) Quarterly Report showed MNAA racial diversity was reflective of Nashville MSA and gender diversity challenges exist in the non-exempt classification. Ms. Spray reported recruitment activities include job fairs, job placement agencies and participation in the Metro High School Summer Internship Program. External partnerships have been established with six local high schools and three universities, and staff is establishing apprenticeship programs with local high schools. The collegiate internship program is being restructured. Ms. Spray reported that the 2018 Affirmative Action Plan (AAP) prepared by Waller identified no placement goals, and potential compensation disparities were under review in the compensation analysis.

Ms. Spray reported that annual Diversity & Title VI Training was presented by Derek Young, YMG Enterprises, LLC. Instructor Led Topics included Employee Assistance Program, Diversity, Title VI, Workplace Harassment & Bullying and Workplace Violence. Computer Based Topics included Customer Service, Drug-free Workplace, Information Security Awareness and Hazard Communications/GHS.

Business Diversity Development Report:

Ms. Donzaleigh Powell, Director of Business Diversity Development, briefed the Board on MNAA's MWBE, SMWBE program for September 2018. Ms. Powell presented the following data:

	Aspirational Participation %	Percentage	MWBE Expenditures	Total Expenditures	YTD Percentage	YTD MWBE Expenditures	YTD Total Expenditures
Professional Services (Includes all contract services, legal expenses external printing, and marketing)	12.44%	5.58%	\$ 159,957	\$ 2,967,866	9.63%	\$ 902,241	\$ 9,372,447
Goods & Services (Includes all office supplies and office equipment and other goods)	6.49%	0.32%	\$ 544	\$ 171,025	1.66%	\$ 7,886	\$ 742,248
Construction Non-Federal CIP (All non-federal Construction and professional projects)	10.49%	23.40%	\$ 2,494,757	\$ 10,661,695	12.22%	\$ 6,541,790	\$ 53,553,950
Construction Federal CIP (All Federal Construction and professional projects)	9.28%	35.79%	\$ 396,490	\$ 1,107,876	16.75%	\$ 700,160	\$ 4,180,798

Ms. Powell briefed the Board on a recommendation from 2014 Disparity Study. Section VII. A.5 stated:

"Many small firms, both M/WBEs and non-M/WBEs, recommended creating a target market program that would set aside some smaller contracts for bidding only by certified small business enterprises as a way to create opportunities to work directly with the Airport. An SBE target market could be applied to FAA-funded projects and to locally-funded contracts."

MNAA has used small business target markets for the following projects, for a total of \$2,670,605:

D&E Remote Office Complex Paving (2016)

Four Star Paving (SBE) - \$269,701.92

1739 Staff Augmentation (2016)

Chrysalis Consulting, LLC (WBE) - \$347,254

Sigma Engineering Solutions, Inc. (MBE) - \$2,323,351

Ms. Powell further reported that the recommendation from 2014 Disparity Study, Section VII. B.2 stated:

“We urge MNAA to bid some federally-funded contracts that it determines have significant opportunities for DBE participation without goals. These “control contracts” can illuminate whether certified firms are used or even solicited in the absence of goals, as suggested by the Study data and the results of no-goals on solicitations on locally-funded contracts.”

MNAA has not implemented this recommendation from the Disparity Study.

Ms. Powell provided an example of one of the SMWBE firms that became certified with MNAA in 2013. Leo Moreno of Utopia Building Group, LLC, has grown his business while working on airport projects and has maximized the services offered by BDD. Mr. Moreno is currently a participant and has excelled in the Mentor Protégé Program. He will be moving into the Emerging Contractor Program which will provide him more one on one consulting for his business needs to be able to expand his capacity. Utopia was featured in the September Issue of the MNAA Newsletter.

Ms. Powell stated that BDD recently hosted the Engineering Connection II event, a networking opportunity for certified engineering and architectural firms to have open dialogue with local prime construction companies and prime architectural firms. BDD also hosted a Bonding Workshop in September 2018. Speakers for the event were Karen Barbour and Chris Smith of the Barbour Group who provided information regarding bonding, how sureties work and ways for businesses to protect themselves. Firms were able to meet with Barbour Group one-on-one following group sessions.

V. Items for Approval:

A. Approval of Taxiway Lima East Reconstruction Contract Award

Ms. Traci Holton, AVP and Chief Engineer, briefed the Board on this item. Staff requested that the Board of Commissioners accept the bid by Eutaw Construction Company, Inc. (Eutaw) for the Taxiway Lima East (T4 to B) Reconstruction project at Nashville International Airport (BNA) and authorize the Chair and President & CEO to execute the construction contract.

Background:

Taxiway Lima is a full length parallel taxiway located on the north side of Runway 13/31 and provides east/west access across the airfield. Taxiway Lima East, between taxiways Bravo and Tango-4, was originally constructed of asphalt in 1984. The keel section was last reconstructed in 2005. The current Pavement Condition Index (PCI) values in this area are between 55 and 65 (Poor to Fair).

The project consists of the reconstruction of Taxiway Lima East between Taxiway Bravo and Taxiway Tango-4. 30-foot asphalt shoulders will be added, where applicable, in accordance with FAA Advisory Circular

150/5300-13A, Change 1, Airport Design. The total reconstruction area is approximately 300,000 square feet. All airfield lighting, signage and electrical infrastructure within the project area will be fully replaced with LEDs.

An Invitation to Bid on the project was advertised on July 16, 2018 and July 19, 2018 and included one Base Bid Schedule.

On August 15, 2018, bids were received from Eutaw and Jones Bros. Contractors, LLC (Jones Bros.). Below is a tabulation of those bids:

<u>Contractor</u>	<u>Base Bid</u>	<u>Disadvantaged Business Enterprise (DBE) %</u>
Eutaw	\$4,417,096.00	7.18% DBE
Jones Bros.	\$5,436,799.20	7.42% DBE

Below is a tabulation of the prices for asphalt received:

<u>Contractor</u>	<u>Bituminous Surface Course Price</u>
Eutaw	\$160/TON
Jones Bros.	\$170/TON

The DBE goal established for the project was 7.04%. Eutaw was able to obtain 7.18% DBE participation. Eutaw's DBE subcontractors include Archangel Protective Services, Gibco Construction, Jen-Hill Construction and Jerry B. Young, LLC.

Eutaw's Bid was 3.15% higher than the Engineer of Record, Garver's, opinion of probable construction cost of \$4,282,353.75 and 23.09% below the high bidder, Jones Bros.

MNAA and Garver have evaluated the bids and determined the bid from Eutaw to be responsive and responsible and recommend award to Eutaw Construction Company, Inc.

Impact/Findings:

MNAA DBE Participation Level:	7.04%
Eutaw DBE Participation Level:	7.18%
Anticipated Contract Start Date:	March 2019
Duration of Contract:	105 Calendar Days
Contract Completion Date:	July 2019
Contract Cost:	\$4,417,096.00
Funding Source:	75% Federal and 25% Bond

Strategic Objectives:

- Invest in MNAA

Options/Alternatives:

Do Nothing: The "Do Nothing" option will result in continued deterioration of the asphalt pavement on Taxiway Lima East, which will negatively affect airfield operations.

Committee Review.

This item was presented to the General Aviation, Operations, Planning and Engineering Committee on October 10, 2018. The GAOPE Committee approved recommendation to the Board by vote of 4 to 0.

A motion was made by Commissioner Freeman and seconded by Commissioner Farnsworth to accept the bid by Eutaw for the Taxiway Lima East (T4 to B) Reconstruction project at BNA and authorize the Chair and President & CEO to execute the construction contract. The motion carried by vote of 7 to 0.

B. Approval of Aircraft Rescue and Fire Fighting Vehicle Purchase

Captain Chris Shuff briefed the Board on this item. Staff requested that the Board of Commissioners accept the proposal by Rosenbauer for the purchase of a new Airport Rescue and Fire Fighting (ARFF) Vehicle; and authorize the Chair and President & CEO to execute the purchase.

Background:

The Department of Public Safety (DPS) ARFF is designated as a Safety Index C under CFR Part 139 Section 139.315, and currently operates four vehicles for aircraft rescue and firefighting:

- Fox 1: 2004 Rosenbauer (1,500 gallon)
- Fox 2: 2004 Rosenbauer (3,000 gallon)
- Fox 3: Oshkosh 2001 (3,000 gallon)
- Fox 4: Rosenbauer Airwolf Rapid Response 2013

This ARFF vehicle has a High Reach Extendable Turret (HRET) with piercing capabilities, and carries 3,170 gallons of water, 400 gallons of foam and 500 lbs. of dry chemical. The truck will be equipped with hands-free radio operations, a tablet loaded with aircraft information and charts, rescue tools, medical supplies and all the equipment necessary to fight exterior and interior fires. It is a current industry leading vehicle, and will improve all aspects of responding to aircraft emergencies.

This truck will be replacing the 2004 Rosenbauer 3,000 gallon truck, Fox 2, which is currently still in use at DPS. Disposition will be evaluated, and it may either be held as an additional future resource or sold.

Due to the uncertainty of securing qualified bidders for this item in an open bid, MNAA utilized a national purchasing agreement to insure a mechanism was in place for procurement. MNAA's Purchasing Department

approved the use of a Sourcewell (formerly National Joint Powers Alliance) contract which was awarded under a cooperative purchasing agreement utilizing a nationally competitive public solicitation process. A proposal was requested from Rosenbauer to supply a new and unused, well-designed, self-contained and properly engineered diesel-powered ARFF vehicle.

Specifications include:

- The ARFF vehicle shall consist of a crew cab on a 6x6, custom chassis with single tires. It is to be all-wheel drive, single engine diesel powered, with an automatic transmission.
- The fire-fighting package shall include a water tank with a minimum capacity of 3170 gallons (12,000 liters) and a liquid foam agent concentrate tank with a working capacity sufficient for two tank loads of water at the maximum tolerance specified in NFPA 412.
- The unit shall contain all component parts necessary for a water/foam proportioning system capable of expelling agent through a cab controlled High Reach Extendable Turret (HRET), a bumper turret, gated discharge(s), twin agent hand line and pre-connected handline(s). The vehicle shall be capable of discharging water only, proportioned water and foam, or auxiliary agent through the HRET, bumper turret or handline(s).
- The system shall be operable from the cab and exterior of the vehicle.
- The ARFF vehicle shall be designed for aircraft fire fighting with on/off road capabilities, which allow the vehicle to respond to aircraft accident sites across terrain otherwise inaccessible to standard highway equipment.
- The vehicle shall be designed and constructed to facilitate operation by a single fire fighter if needed, when steering, operating the turret and pumping in the water/foam and dry chemical mode.
- The vehicle shall be designed for maximum stability and maneuverability under all operating conditions and all conditions of loading.
- The vehicle shall have all-wheel drive to permit the vehicle to perform both on and off road in all weather conditions.
- The unit shall comply with all requirements of FAA Advisory Circular #150-5220-10E and NFPA 414 standards in effect at time of bid.

Rosenbauer Minnesota, LLC submitted a proposal in September 2018 as follows:

One (1) Rosenbauer Panther 6x6 with HRET	\$955,762
Requested loose equipment and radios	\$114,466
Manufacturers/Sourcewell discount	-\$10,000
<u>Total</u>	<u>\$1,060,228</u>

This total amount is within the approved CIP budget amount of \$1,200,000. The FY19 CIP was approved by the Board of Commissioners on April 18, 2018.

Impact/Findings:

MNAA SMWBE Participation Level:	Race and Gender Neutral
Anticipated Purchase Date:	October 2018
Lead Time:	395 days

Anticipated Receipt Date:	December 2019
Contract Cost:	\$1,060,228
Funding Source:	100% MNAA Airline Investment Fund

Strategic Priorities:

- Invest in MNAA
- Prepare for the Unexpected

Options/Alternatives:

Do Nothing: The "Do Nothing" option requires MNAA to continue to operate the aging 2004 Rosenbauer vehicle, and resubmit for approval in the FY19 CIP.

Committee Review.

This item was presented to the General Aviation, Operations, Planning and Engineering Committee on October 10, 2018. The GAOPE Committee approved recommendation to the Board by vote of 4 to 0.

A motion was made by Commissioner Freeman and seconded by Commissioner Farnsworth to accept the proposal by Rosenbauer for the purchase of a new ARFF Vehicle; and authorize the Chair and President & CEO to execute the purchase. The motion carried by vote of 7 to 0.

C. Approval of Airport Financing Feasibility Consultant Services Award

Ms. Marge Basrai, CFO, briefed the Board on this item. Staff requested that the Board of Commissioners: accept the statement of qualification by Landrum & Brown, Inc. to provide general feasibility services related to the bond issue process and rates and charges analysis and negotiations at BNA accept the statement of qualification by DKMG Consulting, LLC to provide general feasibility services related to certain financial analysis (evaluate effects on airline charges, Passenger Facility Charge Applications, and related services) at BNA and authorize the Chair and President & CEO to execute the proposed agreements.

Background:

MNAA plans to issue long-term debt to finance most of the projects under the BNA Vision. As a part of this process, MNAA will use a qualified Airport Feasibility Consultant(s) to assist with the issuance of General Airport Revenue Bonds and other debt. The selected Consultant(s) will work cooperatively with the Authority and other airport finance team consultants with respect to the Airport construction and development projects.

MNAA intends to use the Feasibility Consultant(s) to provide any of the following services:

1. Bond Issue Process – Provide Feasibility Consultant Report, Prepare stakeholder presentation/information (investors, underwriters, rating agencies, etc.)

2. Rates and Charges Analysis and Negotiations – Interpret FAA policy on Rates and Charges; Evaluate modifications to rates and charges; Assist in negotiations with the Airlines on rates and charges
3. Financial Analysis – Evaluate effects on airline charges; Passenger Facility Charge (PFC) applications; and related services.

These financial services fall under Section 1.6 of the Procurement Policy as "Exceptions to Policy" and are exempt from the requirements of the open, competitive process through the Procurement Department. However, to ensure due diligence when evaluating potential Feasibility Consultants, MNAA used PFM to issue a direct solicitation for Request for Qualifications (RFQ) on our behalf. On August 17, 2018, MNAA sent an RFQ for Airport Feasibility Consultant Services at BNA to four qualified airport consultants. On September 7th, 2018, three Statement of Qualifications were received: DKMG Consulting, LLC; Landrum & Brown, Inc.; and Unison Consulting.

The selection committee for the RFQ consisted of four individuals: MNAA Chief Financial Officer; MNAA Chief Operating Officer; PFM Managing Director, and PFM Senior Managing Consultant. Two members of PFM were used in the selection process due to their role as Financial Advisor to MNAA and their extensive experience with Feasibility Consultants. Between September 12th – 17th, 2018, the committee reviewed the Statements of Qualifications based on four criteria:

1. Resources and Team Composition
2. Qualifications and Experience
3. Analysis and Approach to feasibility reports and negotiations, and timeline to prepare first draft of report
4. Business and Diversity Development efforts (goal not established)

Each committee member ranked each firm from 1-3 (one being the most favorable) on each of the four criteria to determine the overall ranking.

The overall rankings from the Statement of Qualifications are listed below:

Firm	Overall Ranking
Landrum & Brown	1
DKMG	2
Unison	3

Landrum & Brown, Inc. was deemed the most qualified based on their experience with preparing feasibility reports and rates and charges negotiations at large and medium hub airports. Based on the RFQ criteria, they were selected to provide the services discussed on page 1 related to the Bond Issue Process and Rates and Charges Analysis and Negotiations. Landrum and Brown's team includes two subconsultants - AVK Consulting, Inc. and Partners for Economic Solutions. These subconsultants are certified DBE's and have

currently applied with MNAA to be certified in Tennessee. The approximate scope of work assigned to the subconsultants is anticipated to be the following:

- 35% of the scope of the Bond Issue Process
- 10-15% of the Rates & Charges Analysis and Negotiations

DKMG Consulting, LLC was deemed overall to be the second most qualified firm. They are currently assisting MNAA (under a separate agreement) with our PFC Application #23 and working with the FAA to get this approved. Given the existing PFC application work, similar PFC work they are providing to other airports and their qualifications, they were selected to provide the services discussed on page 1 related to Financial Analysis – PFC Applications. DKMG Consulting, LLC is a certified DBE in Tennessee.

Under both agreements, each party agrees to provide these specified services on projects. For each specific project, a Task Order will be issued describing the services to be performed, pricing, commencement date of the project and estimated performance period. The fees for each Task Order will be negotiated. Task Orders can either be issued for a fixed fee or as-needed basis based on hourly rates, depending on the specific project. Both agreements will allow for a three-year term with two, one-year optional renewals. The agreements can be canceled at any time with 30 days' notice.

Impact/Findings:

Anticipated Agreements Start Date:	October 17, 2018
Term of Agreements:	Three-years, with option for two one-year extensions
Agreement Amounts:	Fees negotiated by individual Task Order
Funding Sources:	Bond; O&M

Strategic Objectives:

- Invest in MNAA
- Plan for the Future
- Prepare for the Unexpected

Options/Alternatives:

Reject the staff selection and reissue the RFQ. Could delay the Airline negotiations and first bond issuance in 2019.

Committee Review:

This item was presented to the Finance, Administration and Properties Committee on October 10, 2018 and approved for recommendation to the Board by a vote of 5 to 0.

A motion was made by Commissioner Smith and seconded by Commissioner Freeman to accept the statement of qualification by Landrum & Brown, Inc. to provide general feasibility services related to the bond

issue process and rates and charges analysis and negotiations at BNA, to accept the statement of qualification by DKMG Consulting, LLC to provide general feasibility services related to certain financial analysis (evaluate effects on airline charges, Passenger Facility Charge Applications, and related services) at BNA, and to authorize the Chair and President & CEO to execute the proposed agreements. The motion carried by vote of 7 to 0.

D. Approval to Begin Negotiations for Short Term Credit Facility

Ms. Basrai briefed the Board on this item. Staff requested that the Board of Commissioners approve the selection of a Direct Lending Short-Term Credit Facility with Bank of America Merrill Lynch (BAML) and allow MNAA to proceed with negotiations. In addition, if agreement of terms and conditions cannot be negotiated with BAML, staff asks for approval to negotiate with the next best option for the Authority.

Background:

In late 2016, MNAA entered into a taxable short-term credit facility with SunTrust Bank for up to \$100 million to temporarily start funding the BNA Vision projects under construction. As of October 3, 2018, we have drawn \$24.3 million on this facility. At the August FAP and Board meetings, we reviewed the cash flow projections for the BNA Vision which anticipates reaching the \$100 million limit on the current short-term credit facility in late 2018. This triggered the need to obtain a larger, short-term financing program through a Request for Proposal (RFP) process. The new short-term credit financing program will pay off the short-term credit facility with SunTrust, will be used during the entire construction period and be refinanced with multiple, long-term bond issues.

On August 17, 2018, PFM released a Request for Proposal (on behalf of the Authority) to provide a short-term financing program. The RFP allowed for various types of proposals to achieve greatest flexibility:

- Direct lending and public issuance of debt
- \$150-\$300 Million
- Lending position (on parity with other debt or subordinate to other debt)
- Rates for Taxable, Tax Exempt, and AMT

This RFP was distributed to over 55 bank contacts and accessed by over 40 bank contacts. On September 12, 2018, 10 proposals were received: 5 Direct Lending Proposals and 5 public issuance of note proposals (commercial paper and floating rate notes). Some of these proposals had two different options presented. There were also 4 limited responses received expressing interest in serving in other capacities (dealer/underwriters/etc.)

The following criteria was used to evaluate all short-term financing programs proposed:

1. Availability of \$300 million to ensure flexibility

2. Cost of Short-Term Financing Program:
 - Interest rates and on-going commitment fees
 - Lending position
3. Program Risks and Program Administration:
 - Direct Lending vs. Public Debt
 - Duration of Program/Commitment Term
4. Acceptability of Business Terms

Based on the criteria and a review of the proposals, preference was given to subordinate, direct lending proposals for longer duration. This resulted in two banks being short-listed – BAML and SunTrust.

Short Listed Direct Lending Proposals:

Interest rates proposed are variable based on an index (ex. – 80% of 1M LIBOR + 25bps) and tax status. For preliminary planning purposes and comparison, the interest rates shown below are variable rate based on 1 Month LIBOR as of 9/26/18.

	BAML(A)	BAML(B)	SunTrust
5-year Term	T/E ~2.33% TX ~2.89%	T/E ~2.04% TX ~2.55%	T/E ~2.34% TX ~2.89%
Commitment Fee	~ 0.25% until \$150M is drawn	~ 0.15% until \$150M is drawn	N/A
Business Terms	Full Credit and Risk Approval obtained		Covenant to maintain all deposit accounts, etc. Subject to Credit Approval

BAML(A) and Sun Trust proposals shown above are similar in structure and were compared first:

- Both offered \$300 Million on a subordinate basis with a 5-year commitment term (to lock in spreads)
- The interest rates proposed were similar
- BAML(A) had a commitment fee of 25 bps on the unused portion of the credit facility until \$150 million is drawn, then it is removed
- Sun Trust had no commitment fee on any of the unused portion of the credit facility based on the cash flow projections provided by MNAA in the proposal
- BAML(A) had already obtained the full credit and risk approval on the credit facility
- Sun Trust had two business terms that were concerning:
 - a) Covenant included in the proposal stated that MNAA must agree to maintain its existing deposit and treasury management business with SunTrust Bank, including all deposit accounts, disbursement accounts and lockbox accounts

- b) The Proposal letter indicated that the proposal was an expression of interest by the Lender in the proposed financing, does not contain all required terms and conditions, and should not be construed to be a commitment, offer, or agreement to provide the proposed financing. The credit and risk approval were still to be conducted.

BAML(B) proposal shown on the table is the second option proposed by BAML. This unique option was provided to reduce interest rates/costs for MNAA.

- Ability to have a 5-year agreement with the spreads locked in, however, it is renewed each year. This allows for better pricing (one-year commitment pricing) but allows BAML the option to renew or not each year. BAML indicates they are committed to providing MNAA with the 5-year commitment and intends to renew each year, barring any material changes to MNAA's credit.
- Commitment fee on the unused portion of the credit facility under \$150 million drops to 15 bps
- BAML has already obtained the full credit and risk approval on the credit facility

Impact/Findings:

Based on the review of the three short listed proposals, staff recommends that we proceed with Short-Term negotiations with BAML based on the following:

1. Full credit and risk approval of the \$300 million
2. Program cost, including unique pricing to reduce interest rate(s)
3. Favorable business terms (no covenant to maintain banking relationships, etc.)

MNAA will evaluate and consider variations of BAML Option B to reduce interest rates while managing renewal risk.

At the November FAP Committee and Board Meeting, the final short-term financing terms will be presented and will ask for financing authorizations.

Strategic Objectives

- Invest in MNAA
- Plan for the Future
- Prepare for the Unexpected

Options/Alternatives

1. Do nothing and make no recommendation. Potential issue: could use the entire current short-term credit facility prior to issuing long-term bonds in the public market leaving funding shortage for BNA Vision.
2. Direct the Staff to pursue negotiations on a different option.

Committee Review:

This item was presented to the Finance, Administration and Properties Committee on October 10, 2018, and approved for recommendation to the Board by a vote of 5 to 0.

A motion was made by Commissioner Smith and seconded by Mayor's Representative Wiltshire to approve the selection of a Direct Lending Short-Term Credit Facility with BAML and allow MNAA to proceed with negotiations. In addition, if agreement of terms and conditions cannot be negotiated with BAML, approval to negotiate with the next best option for the Authority. The motion carried by vote of 7 to 0.

E. Approval of Disparity Study Contract Award

Ms. Donzaleigh Powell, Director of Business Diversity Development, briefed the Board on this item. Staff requested that the Board of Commissioners accept the Response to Request for Qualifications by Griffin & Strong, PLLC (Griffin & Strong) for the Disparity Study for MNAA and authorize the Chairman and President & CEO to execute the Professional Services Contract.

Background:

In 2012, MNAA commissioned its second disparity study and the process was undertaken by the law firm of Colette Holt and Associates. The study was commissioned to verify the continued need for a race and gender based program in accordance with current legal standards. This study measured the difference between the availability and the utilization of minority and women-owned firms by the MNAA in its procurements. The data gathered and analyzed covered the time period from January 1, 2008 through December 31, 2012. The Disparity Study gave rise to the recommendations that have developed and shaped the MNAA's current SMWBE and DBE programs and policies.

To remain current, our program must periodically examine whether a disparity continues to exist. As the MNAA's last disparity study analyzed data from 2008 to 2012, the data is now outdated. Current data is necessary to support our current race and gender-conscious contracting, local and federal. Data to be reviewed in this disparity study will include the SMWBE, DBE, and ACDBE programs.

Due to the complexity and skill set required for this project a Request for Qualifications (RFQ) was advertised on August 7, 2018. On September 6, 2018, seven firms submitted qualification packages for the disparity study. Those firms were: BBC Research & Consulting (BBC), Colette Holt & Associates (CHA), Goodwille Pierre, LLC, Griffin & Strong, PC, Keen Independent Research, LLC, MGT of America (MGT) and Miller3 Consulting, Inc.

The review committee met on September 12, 2018 to score the qualifications. Four firms were shortlisted for interviews: BBC, Griffin & Strong, Keen Independent and MGT. After interviews, the review committee recommended Griffin & Strong. Griffin & Strong scored the highest with a score of 728 and 13.96% DBE participation. DBE participation included Communication Strategies.

Below is a tabulation of the scores:

Proposers	BBC Research & Consulting	Griffin & Strong	Keen Independent Research	MGT of America Consulting
Interview Totals	220	243	214	144
RFQ Eval Totals	438	485	470	465
Total Score	658	728	684	609

All four shortlisted firms were asked to provide a sealed envelope of their cost for the disparity study. Griffin & Strong's cost was \$350,100, which is within the estimate of \$750,000.

MNAA has evaluated the qualifications and determined the qualifications from Griffin & Strong to be responsive and responsible and recommend award to Griffin & Strong.

Impact/Findings:

DBE Participation Level: 13.33%
 Committed DBE Participation: 13.96%
 Anticipated Contract Start Date: November 1, 2018
 Duration of Contract: 365 days
 Contract Completion Date: November 1, 2019
 Contract Cost: \$350,100
 Funding Source: Federal - 75% and Local – 25%

Strategic Goals & Objectives/Critical Success Factors:

- Invest in MNAA
- Plan for the Future

Options/Alternatives:

Do Nothing: The "Do Nothing" option will result in continued use of data from the previous study which may result in a potential challenge to and dismantling of the SMWBE, DBE and ACDBE programs.

Committee Review:

This item was presented to the Diversity and Workforce Development Committee on October 10, 2018. The Committee approved recommendation to the Board by vote of 3 to 0.

A motion was made by Commissioner Smith and seconded by Commissioner Doerge to accept the Response to Request for Qualifications by Griffin & Strong for the Disparity Study for the MNAA and authorize the Chairman and President & CEO to execute the Professional Services Contract. The motion carried by vote of 7 to 0.

F. Approval of Amendment to Paslay Management Group Contract and Development Timeline

Mr. Robert Ramsey, COO, briefed the Board on this item. Staff requested that the Board of Commissioners authorize the Chair and President & CEO to execute the fourth amendment to the Paslay Management Group (PMG) contract. Mr. Ross Payton, Principal, Corgan and R. Clay Paslay, Paslay Management Group, presented development alternatives and timeline.

Background:

On August 17, 2016 the Board approved the contract for PMG to provide executive program management services to MNAA to support the successful development and execution of the BNA Vision. The contract was for one year with six one year renewals. The annual value of the contract was set at an amount of \$875,178 not to exceed per year. The initial strategy was for MNAA to fund and build a hotel as part of the BNA Vision. Further evaluation has revealed that a better strategy is to use a public/private partnership (P3) approach for the development of a hotel, office space and/or other development opportunities.

PMG will assist MNAA with the preparation of a request for information (RFI), industry meetings, development of request for qualifications (RFQ), provide advice to MNAA RFQ evaluation panel, development of a draft request for proposals (RFP), conduct collaborative dialogue meetings with shortlisted teams, develop final RFP, provide advice to MNAA evaluation panel, provide guidance and recommendations of the technical and business terms, and assist with contract negotiations. Staff requests to increase PMG's annual contract amount by \$600,000 per year to \$1,475,178 per year for each of the next three years for the additional support from PMG for the hotel, office, or other development evaluation and subsequent solicitation. The table below shows a breakdown of the fee for each step of the process, and a timeline is shown on page 3:

Phase	Task	Fee
1	Prepare RFI	\$ 47,750
	Review RFI and Industry Meetings	\$ 40,310
2	Develop RFQ	\$ 241,710
	Evaluate RFQ	\$ 45,700
3	Collaborative Dialogue with Shortlisted Firms and Prepare RFP	\$ 573,050
	Evaluate RFP and Assist with Negotiations	\$ 191,860
Contingency	Additional Manhours to Support BNA Vision, as required	\$ 375,000
	Additional Tasks as Directed by President & CEO, as required	\$ 284,620
Total		\$1,800,000

PMG and their partners will be providing their hotel experience from other airports such as Dallas Fort Worth, San Francisco and Phoenix. Additionally, PMG will be using Frasca which has extensive P3 experience to assist MNAA.

The specialty services within this scope include hotel and other related development financing and complex deal mechanics with public private partnership expertise and potentially a hotel or other selected development opportunity (office, retail, etc.) industry expert.

This will be the fourth amendment to the PMG contract. Amendment 1 and 3 were annual contract extensions and Amendment 2 was for \$125,000 for additional hours worked on year 2 of the contract for additional requested hours worked. The total contract amount after Amendment 4 and exercising the option years is \$8,051,246.

The SMWBE participation level set by MNAA for the initial contract was race and gender neutral, in August 2016. For this amendment, a detailed, four-page scope of work was provided to BDD on September 27, 2018 to determine the appropriate SMWBE certified participation level. No goal was identified at the time of the October 10, 2018 Vision Committee Meeting. On October 11, 2018, the additional breakdown of fees for each step was provided to BDD and a SMWBE certified participation level was set at 2.82% MBE and/or WBE for this amendment.

Impact/Findings:

	Initial Contract	Amendment
MNAA SMWBE Participation Level:	Race and Gender Neutral	2.82% MBE/WBE
PMG's SMWBE Participation Level:	0.00% Anticipated	2.82% MBE/WBE
Contract Start Date:	August 2016	No Change
Duration of Contract:	One year with six one year renewals	No Change
Contract Completion Date:	August 2023	No Change
Contract Cost (annually years 3 - 5):	\$875,178 (not to exceed (n.t.e.))	\$1,475,178 n.t.e.
Total Contract Cost (seven years):	\$6,126,246 n.t.e.	\$8,051,246 n.t.e.
Funding Source:	100% Bond	No Change

Strategic Objectives:

- Plan for the Future

Options/Alternatives:

Do Nothing: The "Do Nothing" option will result in lost opportunity to add a hotel, office or other commercial development to be built in conjunction with the BNA Vision.

Delay: Staff can evaluate alternatives for one month without impacting the Vision program schedule.

Committee Review:

This item was presented to the BNA Vision Committee on October 10, 2018. The BNA Vision Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Doerge and seconded by Commissioner Farnsworth to authorize the Chair and President & CEO to execute the fourth amendment to the PMG contract. The motion carried by vote of 7 to 0.

G. Approval of D Concourse and Terminal Wings (CGMP 4 of 5)

Ms. Traci Holton, AVP and Chief Engineer, briefed the Board on this item. Staff requested that the Board of Commissioners authorize the Chair and President & CEO to execute the proposed Amendment 3 for Component Guaranteed Maximum Price (CGMP) #4 that includes the civil design, foundations, and building shell for the Concourse D & Terminal Wings project at Nashville International Airport Progressive Design-Build contract.

Background:

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

The Progressive Design-Build contract establishes a Guaranteed Maximum Price (GMP) based on the 60% design drawings. For scheduling purposes, and to fast-track the project, "component" GMPs, (CGMP's) are utilized to provide for early start of critical path items. To manage the final GMP, a specified Design-to-Budget requirement is utilized to ensure the total budget remains on target through the progression of design and construction work. The Design-to-Budget for this project was originally established as \$203,000,000 based on Hensel Phelps' rough order of magnitude estimate submitted as part of the Proposal process. However, the Design-to-Budget is currently trending upward due to the following:

- 1) additional items outside the initial scope being more clearly identified as full phasing details and design progression occurred, such as, moving a portion of Garage A scope into this project due to project adjacency and to align schedule risks with this project; and
- 2) conditions in the bidding market which recently became more apparent as a result of bids received on the latest design package. Evidence of this includes numerous bid packages that started with 10-15 interested bidders, then decreased to 5-10 indicating they were bidding, and ultimately receiving only 1-2 bids. Hensel Phelps has reached out to subcontractors who showed interest but didn't bid and are getting responses such as: lack of time to bid, project is too complex, focusing on easier work elsewhere, and lack of manpower.

The design to budget is currently trending at approximately 10-15% over original estimate. In an effort to work on cost reductions, this Board action has been reduced from \$107M to \$21.9M. Hensel Phelps is taking the following measures to mitigate cost overruns and re-align with the design to budget:

1. Re-designing with focus on value engineering/cost cutting
2. Repackaging bid documents to entice more bidders
3. Working with bidders to breakout pricing for clearly defined scope versus scope with more unknowns and higher contingencies and/or premiums associated with it.
4. Identifying likely and capable bidders and reaching out to make sure information being provided in documents meet their needs for them to bid
5. Geographically reaching out to Nashville area, Tennessee wide SMWBE data base, HP nationwide database and local trade publications
6. Meeting with subcontractors after bid and vetting scope to ensure adequate pricing and greater likelihood of success
7. Identifying and marketing capable WBE firms in Nashville and greater Tennessee; Visiting in person or by phone to build a relationship and answer questions regarding documents for greater success of bidding.

Project costs are currently being evaluated and will continue to be managed to ensure the overall project budget of \$268,000,000 is not exceeded.

On January 17, 2018, the Board approved the selection of Hensel Phelps and CGMP #1 for the design & general conditions. On April 18, 2018, the Board approved CGMP #2 for design assist services & general requirements in the amount of \$2,608,282. On May 17, 2018, the Board approved CGMP #3 for the new Central Utility Plant (CUP), Concourse C buildout for enabling moves for DEA and TSA, construction of a north and south SARA, utility ductbanks and various site work in the amount of \$52,900,093. This amendment is for CGMP # 4 and includes the following items: progression of the civil design and construction, geotechnical foundations and drilled piers, glass and glazing, demolition and metal panels.

Staff is requesting the Board to authorize Hensel Phelps, via an amendment to their contract, to begin entering into subcontract agreements to deliver the scope for CGMP #4. In doing so, Hensel Phelps will negotiate final scopes of work and final bid prices for each individual package of work and bring that information to Metropolitan Nashville Airport Authority (MNAA) staff for review and approval. MNAA maintains final approval on all subcontracts for this project.

Hensel Phelps anticipates one remaining CGMP for the project: Final GMP- Finish out construction.

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

Impact/Findings:

MNAA SMWBE Participation Level:	6.29% MBE and 9.13% WBE and 4% SMBE
Hensel Phelps SMWBE Participation Level:	6.29% MBE and 9.13% WBE and 4% SMBE
Contract Start Date:	January 22, 2018
Duration of Contract:	900 Calendar Days Completion
Contract Completion Date:	July 10, 2020
Component Guaranteed Maximum Price 1	\$ 31,348,670.00
Component Guaranteed Maximum Price 2	\$ 2,608,282.00
Component Guaranteed Maximum Price 3	\$ 52,900,093.00
Component Guaranteed Maximum Price 4	<u>\$ 21,900,000.00</u>
Total Contract Price (CGMP 1-4)	\$108,757,045.00
Component Guaranteed Maximum Price 5	<u>TBD</u>
Current Estimated Guaranteed Maximum Price	\$238,000,000.00
Funding Source:	100% MNAA

Strategic Goals and Objectives/Critical success Factors:

- 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.

Committee Review:

This item was presented to the BNA Vision Committee on October 10, 2018. The BNA Vision Committee voted 4 to 0 to recommend approval to the Board.

A motion was made by Commissioner Doerge and seconded by Mayor's Representative Wiltshire to authorize the Chair and President & CEO to execute the proposed Amendment 3 for Component Guaranteed Maximum Price (CGMP) #4 that includes the civil design, foundations, and building shell for the Concourse D & Terminal Wings project at Nashville International Airport Progressive Design-Build contract. The motion carried by vote of 7 to 0.

VII. Adjourn

There being no further business before the Board, Chair Samuels adjourned the meeting at 2:10 p.m.



Amanda C. Farnsworth
Board Secretary