

**Minutes of the Joint Meeting of the
MNAA Board of Commissioners
and MPC Board of Directors**



Date: January 22, 2020

Place: Nashville International Airport

Time: 1:00 p.m.

Board Members Present:

A. Dexter Samuels, Chair; Trey Harwell, Vice Chair; Amanda Farnsworth, Secretary; John Doerge; Bill Freeman; Nancy Sullivan; Jimmy Granbery; Bobby Joslin; Christy Smith; and Kevin Crumbo

Board Members Absent:

None

Others Present:

Doug Kreulen, Cindy Barnett, and Angela Edwards

I. Call to Order

Chair Samuels called the MNAA Board of Commissioners and MPC Board of Directors meetings to order at 1:03 p.m., pursuant to the Public Notice dated January 17, 2020.

II. Approval of Minutes

Upon motion made by Commissioner Granbery and seconded by Commissioner Freeman, the Board voted to approve the Minutes of the December 18, 2019 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. The motion carried by vote of 10 to 0.

III. Chair's Report

Chair Samuels announced the Board had a special guest and asked Commissioner Joslin to introduce the guest speaker. Commissioner Joslin introduced Butch Spyridon, President & CEO, Nashville Convention & Visitors Corporation (NCVC) and gave a brief history of Mr. Spyridon's achievements.

Mr. Spyridon stated the NCVC's success is intricately linked to the success of the airport. As more people come to Nashville, there will be more flights needed into and out of Nashville. Mr. Spyridon thanked the staff at BNA for their hard work in making the visitor's experience a success while managing BNA Vision. Mr. Spyridon presented a hand-out of data points regarding Nashville's Hospitality and Visitation

statistics including visitor profile, visitor spending, hotel development and accolades received by the city of Nashville. Mr. Spyridon spoke on the NFL Draft, July 4th celebration, and the New Year's Music City Midnight in 2019.

Mr. Spyridon also spoke on key events coming to Nashville in 2020 and challenges facing downtown Nashville. Commissioner Crumbo thanked Mr. Spyridon for his work with the NCVC and for being such a great contributor to Metro Nashville.

Chair Samuels thanked Mr. Spyridon for his service to Nashville and for being a great partner of the airport. Chair Samuels commented that part of the Nashville brand that sets it apart from other cities is people that care and thanked the staff of BNA. Chair Samuels spoke to key accomplishments made by BNA in 2019. Chair Samuels stated there is a renewed commitment to assure and ensure the staff of BNA is free to do what it needs to do for continued success of the Authority. Chair Samuels stated he wanted to ensure the legacy of BNA is great with passion, grace, and commitment.

The Board of Commissioners gave the staff a round of applause for all the great work they did in 2019.

IV. President's Report

President Kreulen thanked Ms. Stacey Nickens and Mr. Franklin Carver for their work as Co-Chairs of the 2019 Metro Makes a Difference Charity Campaign. A check was presented for just over \$38K representing the amount raised by the Airport Authority employees for this charity campaign.

President Kreulen reported Viva Aerobus announced a new seasonal route to Los Cabos from Nashville. Allegiant Airlines announced nine new nonstop routes operating twice weekly with one-way fares as low as \$44. JetBlue is also expanding its service to JFK twice daily starting April 28, 2020.

MNA sponsors the Tennessee Airports Conference. This conference is held annually in Murfreesboro, Tennessee. All Commissioners are welcome to attend. This conference hosts all commercial and general aviation airports in Tennessee.

President Kreulen stated staff will send information to the Board members regarding other conferences this year they might be interested in attending.

Business Taking Off will be held March 27, 2020 at the Airport Marriott. The new Assistant Vice President of BDD, Mr. Jack Thomas, will start work at the Authority on March 1, 2020 and will attend and have an opportunity to meet Nashville business leaders that want to do business with the airport.

BNA will host another BNA 5K on the Runway in April 2020. The proceeds raised from this event will benefit the Safe Haven Family Shelter and Monroe Harding.

President Kreulen informed the board of upcoming CEO Outreach and Engagements in the months of January and February 2020. MNAA is sponsoring the Urban League of Middle Tennessee's Equal Opportunity Day luncheon on February 27, 2020. President Kreulen thanked Mr. Harris of the Urban League for his friendship and partnership with BNA.

President Kreulen reported the Airport Communications Center (ACC) and Department of Public Safety (DPS) went through the Commission on Accreditation for Law Enforcement Agencies (CALEA) Compliance Review and both the ACC and DPS passed with 100% compliance verification. President Kreulen stated he was proud of the Chief of Police and the staff at the ACC and DPS departments.

Calendar year 2019 was the busiest year in the history of the airport with 18.2M total passengers. That was an increase of 2,277,240 people compared to calendar year 2018. BNA hopes to reach over 20M passengers in calendar year 2020. The only other airports that have exceeded BNA's growth are Atlanta, Dallas, Charlotte, and Orlando which are all large hub airports.

Total passengers for December 2019 was up 15% over December 2018 and FY20YTD growth was up 13% over FY19.

V. Items for Approval:

None

VI. Staff Reports

A. Operations Report

Mr. Robert Ramsey, SVP, Chief Operating Officer, briefed the Board on this item. Mr. Ramsey reported that gross parking revenue was up for the month of December 2019 approximately 18% over December 2018. FY20 YTD was up 10.7% over FY19. Revenue per enplaned passenger was \$5.87 in December 2019 versus \$5.69 in December 2018.

BNA fuel sales for December 2019 were up 6% over December 2018 and up approximately 10% FY20 YTD over FY19. John C. Tune fuel sales were up 15.1 % FY20 YTD over FY19 and up 15.1% in December 2019 over December 2018.

Mr. Ramsey presented each member of the Board with a book containing January 2020 BNA Vision monthly updates for their reference.

B. Financial Report

Ms. Marge Basrai, VP, Chief Financial Officer, briefed the Board on this item. As of December 2019, BNA's Operating Revenues were \$86.4M, which was \$6.4M above budget and \$3.3M over the prior year. Signatory airline revenue was above budget \$1.5M. Landing fees are above budget approximately \$1.3M due to the landed weights being higher than was budgeted. Also, Spirit Airlines started service at BNA in October which was not calculated in the current year's budget. Parking revenue was \$1.5M above budget and \$2.8M over the prior year due to conservative estimates when budgeting the rate increase that became effective in May 2019. The increased rate was not finalized at the time the budget was completed. Concessions revenue is above budget by \$2.9M and \$1.2M over the prior year due to rental car revenues and ground transportation.

BNA Operating Expenses as of December 2019 were \$47.1M, which was \$7M below budget projections, and \$4.6M greater than the prior year.

Salaries and benefits were \$2.7M below budget due to FY20 new budgeted positions that had not been filled and other vacant positions due to retirements and resignations that had not been filled. Contractual services were below budget \$2.2M due to timing variances (services and repairs that had not been performed yet). Material and supplies were \$1.1M below budget also due to timing variances. Other expenses were under budget by \$645K due to special events/travel and training that was budgeted but not yet spent.

JWN FY20 YTD Operating Revenues as of November 2019 were \$487K, which was \$15K above budget and \$25K more than the prior year. The primary variance was due to an increase in rent from 6 t-hangars.

JWN FY20 YTD Operating Expenses as of December 2019 were \$320K, which was \$10K below budget and \$47K above the prior year. The variance was primarily in contract services due to timing variances with building maintenance and landscaping that had not been spent yet.

MPC FY20 YTD Operating Revenues as of December 2019 were \$1.8M, which was \$68K above budget projections and approximately \$300K above the prior year primarily in the International Plaza due to a

new tenant that started in July. Total rent is above prior year due to the new tenant and the building rental of the CRDC to Fraport in the Multi-Purpose Building.

MPC FY20 YTD Operating Expenses as of December 2019 were \$651K, which was \$248K below budget projections and \$24K above the prior year. The majority of the variance with budget was attributable to a delay of various maintenance projects due to a tenant not yet moving out. Also, repairs were budgeted for the roof on the Multi-Purpose Building, but due to the condition of the roof, a complete replacement of the roof was needed. The roof expense was shifted to CIP from O&M.

C. Commercial Development Report

Ms. Margaret Martin, VP, Chief Development Officer, briefed the Board on this item. Rental car revenue was up almost 18% for December 2019 over December 2018 and up by 8.2% for FY20 YTD over FY19. Revenue per enplaned passenger was up for December 2019 over December 2018.

Ground Transportation Revenue had increased FY20YTD over FY19 and for the month of November 2019 over November 2018 mostly due to Uber and Lyft. President Kreulen stated staff would continue to break down these numbers so the Board could see what portions of this revenue are TNCs, off airport shuttles, off airport hotels, and off airport parking, among others. Ms. Martin stated this is connected to rental car revenue and parking revenue. Staff will continue to monitor these numbers to determine how an increase in one area could affect a different area.

Ms. Martin presented a slide of month over month Fraport Revenue comparing the Minimum Annual Guarantee (MAG) that was negotiated in the agreement between MNAA and Fraport versus a 60% share of actual revenue. Actual revenue is expected to decrease due to the closing and construction of locations. Fraport has expected this decrease as well.

Concession sales per enplaned passenger had minimal loss in December 2019 from December of 2018 even with construction. This will continue to happen as BNA Vision progresses. President Kreulen stated that the sales per enplaned passenger information was added to the presentation because it is a standard metric other airports use.

D. Business Diversity Development

Ms. Gale LaRoche, VP, Chief Administrative Officer, briefed the Board on this item. Ms. LaRoche stated she was excited to welcome Mr. Jack Thomas to the BDD team starting in March. Ms. LaRoche reported

on MWBE Participation for the month of December 2019. In Professional Services, the aspirational goal was 12.4% while actual participation was 9.3%. In Goods and Services, the aspirational goal was 6.5% and actual participation was 0.8%. In Construction Non-Federal CIP, actual participation exceeded the goal at 11.1%. In Construction Federal CIP, actual participation exceeded the goal at 15.6%. Overall, December 2019 and FY20 YTD participation had exceeded aspirational goals.

Chair Samuels inquired as to the number of new firms that have been certified by MNAA. Ms. LaRoche stated since inception of BNA Vision, MNAA had certified 144 entities. Ms. LaRoche stated she would like to break that data down into different categories and inform the Board as to the firms that had been awarded the work. Ms. LaRoche stated staff is working on that data and it will be reported to the Board at a future meeting.

VII. Information Items

A. JWN Air Traffic Control Tower Update

President Kreulen stated the GAOPE Committee had a good discussion at its meeting regarding the JWN Air Traffic Control Tower. Mr. Ramsey did a great job of going back and looking at the history of how sitings had been conducted in the past and how to submit an application to the FAA program. The evening before the GAOPE meeting, the FAA contacted MNAA and gave notice that it did not agree with the site MNAA had originally planned for (Site 1A) and preferred Site 3 due to better visibility. The GAOPE Committee was entirely in support of what the FAA recommended. Staff is now working on what it would take to get Site 3 active and what it would take to amend the contracts with JE Dunn and Pond for Site 3, if that can be done. Staff will update the GAOPE Committee next month.

Commissioner Crumbo encouraged staff to move on with the timeline. Commissioner Crumbo anticipates the control tower will dramatically change the economics of that area for Metro Nashville over a period of time. Commissioner Crumbo stated if there was anything Metro Nashville government could do to help; he would like to hear it. President Kreulen stated staff is giving good feedback on this project and hopes to give the GAOPE a viable plan in February.

B. Series 2019 Bond Proceeds Update

President Kreulen briefed the Board on this item. Ms. Basrai presented this information to the FAP Committee on January 15, 2020. On December 17, 2019, after paying off the Note Purchase Agreement (NPA) with Bank of America, Ms. Basrai invested approximately \$58M into a Money Market Mutual Fund managed by MNAA to pay construction and costs of issuance, the balance of the money was sent

to PFM Asset Management for investing. Staff will report how those investments are doing in the months ahead.

C. Tennessee State Reports Update

President Kreulen briefed the Board on this item. Ms. Basrai presented four State Reports on Debt Obligation to the FAP Committee last week. Those reports consist of the 2019A Non-AMT Bonds, 2019B AMT Bonds, and two forms for the \$400M available on the NPA; one for tax exempt draws and one for taxable draws. These State Reports are included in the Board's packet for informational purposes only and are required to be shared with the Board per State statute. All four State Reports will be filed online tomorrow, January 23, 2020.

D. Fraport Agreement Overview & Transition Update

President Kreulen briefed the Board on this item. Linda Macey did an excellent job presenting an overview of the Fraport Agreement and the Fraport transition update to the FAP Committee on January 15, 2020. The Agreement is for a 10-year term and the ACDBE commitment is 40.5%. President Kreulen presented a slide showing the breakdown of concessions categories and reported there was a good mix of the 91 locations in food and beverage, specialty retail, news & gift, and services.

President Kreulen stated he appreciated the Commissioner's input on BNA's abilities to enforce financial penalties for non-compliance and/or work with Fraport to motivate and accelerate schedules. Staff will keep the Board informed of the penalties and fees and how it decides to work with Fraport and the new businesses to offset costs.

E. Hotel RFP Update

President Kreulen stated the hotel committee decided it needed one more collaborative dialogue meeting with the respondents. Staff will ask the Board for approval for the issuance of the RFP in March 2020. The RFP issuance was previously scheduled to be brought to the Board in February 2020. This will not affect the remaining events on the timeline. In September 2020 the staff will ask the Board to approve the recommended respondent and the hotel is still scheduled to open in the September-December 2023 timeframe along with the Grand Hall opening.

F. BNA Vision Program Budget & Schedule Summary

President Kreulen stated the program schedule had changed a bit. Garage C (Floors 1-4) is now expected to open in July 2020 rather than February 2020 due to extra work on the ground level where valet will be, along with a customer reception area. The Administration Building completion has been moved up to November/December 2020 in order to move along with BNA Vision. The Terminal Access Roadway Improvements project is scheduled to be completed in December 2024. This update was made to reflect the updated TDOT schedule with a December 2023 Donelson Pike completion.

G. BNA Vision 2.0 Scope

President Kreulen reported staff is still refining options for the Vision 2.0 expansion in order to avoid a gate shortfall. A BNA Vision Committee Workshop will be scheduled for next month. Staff is currently finalizing the cost estimate and schedule and evaluating options to address the remaining shortfall without shuttling of passengers. Staff is further refining three future expansion options and will develop cost estimates and schedules for those. Staff is scheduled to tour Seattle and Los Angeles airports before the next BNA Vision Committee Meeting in order to assess shuttling of passengers and satellite concourses. All findings will be shared with the Committee and Board next month.

H. Disparity Study Update

President Kreulen reported there is a potential data issue that needs reassessment and staff is continually working with Griffin & Strong, PLLC to determine what additional review may be required for statistics methodology. This item will be discussed in further detail at next month's Diversity & Workforce Development Committee meeting. Chair Samuels pointed out that if the data is not correct, the study is not correct. President Kreulen stated the data furnished may be incomplete, therefore staff is reviewing the data again to ensure it is complete and correct before re-submission.

VIII. Adjourn

There being no further business brought before the Board, Chair Samuels thanked the Commissioners for their participation and adjourned the meeting at 2:05 p.m.


Amanda C. Farnsworth, Board Secretary