

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



Date: February 19, 2020

Place: Nashville International Airport

Time: 1:00 p.m.

Board Members Present:

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

Board Members Absent:

Amanda Farnsworth, Secretary

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 1:05 p.m., pursuant to the Public Notice dated February 14, 2020.

II. Approval of Minutes

Upon motion made by Commissioner Joslin and seconded by Commissioner Freeman, the Board voted to approve the Minutes of the January 22, 2020 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. The motion carried by vote of 9 to 0.

III. Chair's Report

Chair Samuels did not have a Chair's Report.

IV. President's Report

President Kreulen reported Contour Airlines announced new non-stop service to Indianapolis. The inaugural flight will take place on June 10, 2020. Contour is offering an introductory fare of \$99 each way.

On February 10, 2020, President Kreulen presented a \$10K check on behalf of BNA to High Hopes Development Center to help middle Tennessee families dealing with special needs and chronic diseases. The proceeds of this donation came from a portion of the funds raised at the 2019 BNA Aviation Golf Classic Tournament.

President Kreulen reported Spirit Airlines announced on February 13, 2020, its plans to relocate its Operations Control Center to Williamson County, Tennessee from Florida. Spirit will relocate more than 240 positions to Tennessee and create 100 additional jobs in Williamson County. This relocation coincides with Spirit's plan to add additional planes to its fleet. The operations control center will dispatch planes, crews, schedule maintenance, re-route flights and coordinate with air traffic control.

President Kreulen informed the board of upcoming CEO Outreach and Engagements in the months of February and March 2020. He also discussed upcoming sponsorship and promotion opportunities. MNAA hopes to become a finalist in the Nashville Business Journal's 2020 Best in Business Awards. The award luncheon is scheduled for March 5, 2020 and President Kreulen invited all Board members to attend.

The total passenger numbers for January 2020 were up 13.1% over January 2019. The forecast for this year was 10%.

V. Items for Approval:

A. Approval of Professional Services Contract for Runway 2L-20R Extension Environmental Assessment

Staff provided the Board a staff analysis of the Professional Services Contract for Runway 2L/20R Extension Environmental Assessment prior to the meeting.

Staff requested that the Board of Commissioners approve the contract with AECOM Technical Services, Inc. (AECOM) for Runway 2L/20R Extension Environmental Assessment and authorize the Chair and President & CEO to execute the professional services contract.

Ms. Traci Holton, VP, Chief Engineer, briefed the Board on this item. The purpose of this project is to prepare an environmental assessment (EA) to help the Federal Aviation Administration (FAA) determine whether the proposed project /action to extend Runway 2L/20R has the potential to significantly affect the quality of the human or natural environment under the National Environmental Policy Act of 1969 (NEPA).

In August 2019, MNAA published a Request for Qualifications (RFQ) for this project. On September 18, 2019, 7 Statements of Qualifications were received from AECOM, Wood Environment & Infrastructure, Goodwyn Mills Cawood, Landrum & Brown, Incorporated (L&B), Mead & Hunt, RS&H, Inc. (RS&H), and S&ME, Inc. The selection committee determined 4 firms to be best qualified. Those firms were AECOM, L&B, Mead & Hunt, and RS&H. After conducting interviews with the 4 firms, the selection committee determined AECOM to be the most qualified firm for this project. The scope of the EA includes two tasks; Task 1: Early Project Planning and Task 2: Impact Analysis and Preparation of EA document. The Task 1 Contract amount was approximately \$803,427.00. The total contract cost (including Task 2) was not to exceed \$2.5M.

The DBE participation level set by MNAA for this project was 10.94%. AECOM was able to obtain 12.06% for this contract, covering Task 1. AECOM's DBE partners are HMMH, WD Schock, and duGard Communications. DBE Participation is expected to increase upon execution of Amendment 1 to include services for Task 2, to meet or exceed 15% DBE participation.

Committee Review:

Commissioner Freeman reported this item was presented to the General Aviation/Operations/ Planning/ Engineering Committee on February 12, 2020. The GAOPE Committee voted 3 to 0 to recommend approval to the Board of Commissioners.

Chair Samuels took Commissioner Freeman's statement as a motion and Commissioner Sullivan seconded the motion to approve the contract with AECOM Technical Services, Inc. (AECOM) for Runway 2L Extension Environmental Assessment and authorize the Chair and President & CEO to execute the professional services contract. The motion carried by vote of 9 to 0.

B. Approval of Assignment of JWN FBO Lease

Commissioner Freeman asked this item be deferred for 30 days in order to accommodate FAP Committee Chair Farnsworth's attendance. Chair Samuels took Commissioner Freeman's statement as a motion and Commissioner Granbery seconded the motion to defer the Assignment of JWN FBO Lease for 30 days. The motion carried by vote of 9 to 0.

C. Approval of FY20 Commercial Insurance Policy Extension

Staff provided the Board a staff analysis of the FY20 Commercial Insurance Policy Extension prior to the meeting. Staff requested that the Board of Commissioners authorize the payment of the four (4) month extension of the Authority's annual insurance premiums by the President & CEO.

Mr. Edward McDonald, AVP, Risk Management, briefed the Board on this item. An assessment of the insurance programs for the Authority was performed over the past several months. The Authority's insurance programs are divided into multiple categories. Those categories include Broker Services, Corporate Insurance, BNA Vision Insurance, and Third-Party Insurance. After a comprehensive review of the Authority's insurance programs, it was discovered that the insurance program renewals were out of sync with the Authority's budgeting cycle. The current renewal for the commercial insurance program is scheduled for March 1, 2020. The commercial insurance program would be better aligned financially for the Authority if the renewal was set to July 1, matching the Authority's fiscal year and providing time to prepare and budget for the upcoming fiscal year.

The incumbent broker for the Authority is Willis Towers Watson ("Willis") and their business diversity partner, Alexander & Associates. The premium from March 1, 2019 to February 28, 2020 was \$929K. The extension from March 1, 2020 to June 30, 2020 premium would be approximately \$505K. If approved, the total FY20 Premium would be approximately \$1.4M. The budget for FY20 insurance premiums was set at approximately \$1.6M, leaving approximately \$183K remaining in the budget.

Committee Review:

Commissioner Freeman reported this item was presented to the Finance/Administration/Properties (FAP) Committee on February 12, 2020. The FAP Committee voted 4 to 0 to recommend approval to the Board of Commissioners.

Chair Samuels took Commissioner Freeman's statement as a motion and Commissioner Doerge seconded the motion to authorize the payment of the four (4) month extension of the Authority's annual insurance premiums by the President & CEO. The motion carried by vote of 9 to 0.

D. Approval of CEO Contract Renewal

Chair Samuels stated as part of the CEO's contract, the Board is required to provide a 1-year notice of contract renewal or non-renewal to the CEO. Chair Samuels deferred to Board Vice Chair Harwell. Vice

Chair Harwell reported the Management Committee met on February 12, 2020. The Committee voted unanimously to extend Doug Kreulen's contract by one year. Chair Samuels took Vice Chair Harwell's statement as a motion and Commissioner Doerge seconded the motion to approve the renewal of Doug Kreulen's contract as President & CEO for 1-year. The motion carried by vote of 9 to 0. Vice Chair Harwell stated the Management Committee discussed how grateful they were for President Kreulen's great performance. President Kreulen stated he appreciated the Board's support.

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 January 2020 approximately 8% over January 2019. FY20 YTD was up 10.4% over FY19. Revenue per enplaned passenger was \$5.87 in December 2019 versus \$5.69 in December 2018.

BNA fuel sales for January 2020 were up 3.2% over January 2019 and up approximately 9% FY20 YTD over FY19. John C. Tune fuel sales were up 17.7 % in January 2020 over January 2019 and up 15.4% in FY20 over FY19.

Mr. Ramsey presented each member of the Board with a book containing February 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 January 2020, BNA's Operating Revenues were \$99.6M, which was \$6.6M above budget and \$4.5M 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 approximately 11.1% higher than was budgeted. Parking revenue was \$1.7M above budget and \$3.1M over the prior year due to conservative estimates when budgeting the rate increase that became effective in May 2019. Concessions revenue is above budget by \$2.8M and \$1.6M over the prior year due to rental car revenues and ground transportation which is driven by passenger growth and the additional TNC charges for drop off fee that became effective in January.

BNA Operating Expenses as of January 2020 were \$55.5M, which was \$8M below budget projections, and \$6.8M greater than the prior year.

Salaries and benefits were \$3.4M 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 \$2.7M due to timing variances (services and repairs that had not been performed yet). Material and supplies were \$870K below budget also due to timing variances. Other expenses were under budget by \$800K due to special events/travel and training that was budgeted but not yet spent.

JWN FY20 YTD Operating Revenues as of January 2020 were \$566K, which was \$15K above budget and \$47K 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 January 2020 were \$364K, which was \$16K below budget and \$36K 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 January 2020 were \$2.1M, which was \$79K above budget projections and approximately \$341K above the prior year. International Plaza was above budget by \$37K primarily 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 Central Receiving and Distribution Center (CRDC) to Fraport in the Multi-Purpose Building.

MPC FY20 YTD Operating Expenses as of January 2020 were \$763K, which was \$249K below budget and \$41K 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 for December 2019 due to the growth in enplanements.

Ground Transportation Revenue had increased for the month of January 2020. Approximately 85% of the increase in January 2020 over January 2019 was due to Uber and Lyft. As mentioned earlier in Ms. Basrai's presentation, there was an addition of a drop-off fee charged to the TNCs. This fee will go up \$1 per year for the next two years.

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 were down in January 2020 due to the closing of locations for construction. However, concession sales were at the level expected at this stage of the new concessions program.

D. Business Diversity Development

President Kreulen stated Ms. Gale LaRoche, VP, Chief Administrative Officer, was out of the office today and briefed the Board on this item. In Professional Services and Goods and Services, MWBE participation was a bit below the aspirational goals. However, MNAA is exceeding the participation goals in Construction Non-Federal CIP and Construction Federal CIP. Overall, January 2020 and FY20 YTD total participation had exceeded aspirational goals, with a total of \$45.9M MWBE expenditures for FY20 YTD.

President Kreulen presented a power point slide comparing SMWBE Spend from FY15-FY20 YTD. President Kreulen stated MNAA had spent approximately \$100M on BNA Vision to its SMWBE partnerships.

VII. Information Items

A. John C. Tune Control Tower Design/Construction Update

President Kreulen reported the change to Site 3 requires a new Environmental Assessment (EA) and anticipates that task adding another 6 to 9 months to the schedule. The construction schedule remains at 12 months. Staff evaluated options for roadway access from JWN Terminal and Centennial Place. The budget remains the same at approximately \$10M. President Kreulen stated staff would update the Board as the EA progresses. He reported staff needs to talk to the Federal Aviation Administration (FAA) about reimbursable agreements. If JWN's Control Tower is accepted into the Federal Contract Tower Program, the FAA will accept and maintain the equipment. The building of the tower may have to go back out for bid to ensure accurate pricing at that time.

B. Real Estate Development Update

President Kreulen briefed the Board on this item. Atlantic Aviation would like to make a significant capital investment and possibly extend its term. Staff anticipates submitting a final proposal for approval in March 2020.

Proposals have been received and interviews conducted on the 75-acre non-aviation development at BNA. A Request for Information (RFI) has been issued requesting current financial statements and once evaluated, staff hopes to submit its recommendation for approval in April 2020.

Proposals have been received and interviews have been conducted on the 32-acre aviation development at BNA. An RFI was issued in January 2020 and responses are under evaluation by staff. Staff anticipates submitting its recommendation for approval in May 2020.

Six proposals have been received for the 5 parcels (23.5 total acres) for aviation development at JWN. The development team has conducted all the necessary interviews needed. The team is also considering the potential for MNAA to self-develop. Staff will outline the next steps in March 2020.

After questions and discussions, President Kreulen concluded his presentation of the Real Estate Development update.

C. Fraport Transition Update

President Kreulen briefed the Board on this item. Four openings took place in February 2020, including The Arts District Market, Na'Sah's Nails, True to Tennessee and InMotion. The next opening is expected to be Tootsie's. President Kreulen discussed the projected openings for each concourse over the next couple of months.

D. Quarterly Retirement/OPEB Investment Report

President Kreulen briefed the Board on this item. The retirement plan is 98% funded and the OPEB is 86% funded. President Kreulen stated he was happy with the returns on investments and thanked the finance team for a good job.

After questions and discussions, President Kreulen concluded his presentation.

E. Quarterly Treasury Investment Report

President Kreulen briefed the Board on this item. Total available funds as of December 31, 2019, were \$1,156.8M and 99% of that money was invested. Earnings in the 2nd quarter of FY20 were \$2.258M. Since March 2019, MNAA had closed 48 bank accounts.

F. Information Technology Master Plan Update

President Kreulen briefed the Board on this item. The J.W. Group was awarded the contract for an IT Assessment in October 2019. Staff interviews and analysis were conducted from November 2019 to January 2020. The next steps are to review the results of the assessment. The results will be used to create the Information Technology Master Plan. Information Technology has been underfunded in the past. Staff will provide updates to the Commissioners as things progress.

G. Affirmative Action Plan Update

President Kreulen briefed the Board on this item. Joshua Wood, Esq. of Waller Lansden Dortch & Davis, LLP presented the 2020 Affirmative Action Plan to the Diversity & Workforce Development Committee last week. Two placement goals were set for 2020. Those are women in craft workers job group such as electricians, plumbers, etc. and the other was disability/veteran job group. Mr. Wood conducted a problem area analysis and there were no problem areas found. Initially there was a potential problem area identified in compensation, however, Human Resources performed a targeted compensation analysis and determined that none of the disparities were discriminatory. Mr. Wood reported that MNAA would be able to demonstrate good faith efforts if subject to an audit.

H. Workforce Development Update

President Kreulen briefed the Board on this item. He stated there are 329 active employees. 48 employees were hired in FY20 and there are 14 positions currently advertised. MNAA is making progress in becoming a more diverse organization.

5 apprentices started the Maintenance Apprenticeship Program and begin school next month. MNAA is paying for their school and provide them a full-time job.

BNA hosted the AAE Certified Member (CM) class in January. 38 BNA employees took the exam and 28 employees earned the CM certification.

MNAA's Airport Police department had 2 new graduates from the Tennessee Law Enforcement Training Academy (TLETA).

President Kreulen stated staff attended quite a few Talent Outreach events in order to recruit the best talent.

I. Business Diversity Development Update

President Kreulen briefed the Board on this item. The new Vice President of Business Diversity Development starts March 1, 2020 which will allow for him to reach out and meet people at Outreach and Business Taking Off. The new organization in the BDD office is helping MNAA with its compliance and staff continues to make contacts and grow the BDD program.

Business Taking Off is scheduled for March 27, 2020. This is an annual event sponsored by MNAA and led by the Office of Business Diversity Development. Presentations are given on upcoming business and contracting opportunities at both BNA and JWN.

J. Disparity Study Update

President Kreulen briefed the Board on this item. Discrepancies were identified with baseline data and related statistical analysis. This issue had been resolved and staff was currently working with Griffin & Strong to develop a final study for Board approval in the May/June 2020 timeframe.

K. Website Redesign Update

President Kreulen briefed the Board on this item. MNAA was on track to "go live" with the website redesign at the end of March/early April 2020. It is passenger friendly and built "mobile first."

L. BNA Merch/Shop BNA Update

President Kreulen briefed the Board on this item. Staff is developing an e-commerce site selling BNA merchandise in order to protect its trademark and increase revenue. President Kreulen stated MNAA also protected JWN's trademark as "Nashville's Executive Airport." To secure "evidence of use" MNAA displayed the new trademark on JWN's terminal doors, it is being used on the website, and staff has placed an order for merchandise for JWN as well.

M. Hotel RFP Update

President Kreulen briefed the Board on this item. Ms. Martin's team is ready to bring the issuance of the RFP to the Board for approval in March 2020. The two teams competing have done a good job. Staff hopes to have a recommendation of a respondent for Board approval no later than September 2020.

N. BNA Vision Program Budget & Schedule Summary

President Kreulen briefed the Board on this item. The schedule for opening of the Garage C (Floors 1-4) has been delayed to June 2020. There was no real change in the budget or contingency dollars.

O. BNA Vision 2.0 Workshop

President Kreulen briefed the Board on this item. There were five milestones identified to reach in construction in 2020. The North Checkpoint in April 2020; Garage C (Floors 1-4 & Valet) in June 2020; Concourse D expansion in July 2020; the South Checkpoint in September 2020; and the Administration Building in December 2020. At that point, the middle of the terminal will be able to close for construction.

Since October 2019, staff has evaluated numerous options to expand the number of gates for the forecasted passenger growth. Staff has been working with the BNA Vision Committee to decide how to accomplish that. Staff is working on benchmark analysis and projected revenue before the next BNA Vision Committee meeting.

VIII. Adjourn

There being no further business brought before the Board, Chair Samuels thanked the Commissioners for their participation and adjourned the meeting at 1:50 p.m.


Amanda C. Farnsworth, Board Secretary *Secretary*