

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



Date: October 20, 2021

Place: Nelson Andrews Leadership Center

Time: 9:00 a.m.

Board Members Present:

Bill Freeman, Chairman; Nancy Sullivan, Vice Chair; Joycelyn Stevenson, Secretary; Andrew Byrd, Bobby Joslin, Jimmy Granbery, Dr. Glenda Glover

Board Members Absent:

Others Present:

Doug Kreulen, Cindy Barnett, Lisa Lankford and Sabrina Troy

I. Call to Order

Chairman Freeman called the MNAA Board of Commissioners and MPC Board of Directors meetings to order at 9:02 a.m., pursuant to the Public Notice dated October 15, 2021.

II. Approval of Minutes

Chairman Freeman called for a motion to approve the Minutes of the September 8, 2021 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. A motion was made by Commissioner Joslin and seconded by Commissioner Stevenson to approve all of the Minutes. The motion carried by vote of 7 to 0.

IV. Chair's Report

Chairman Freeman and President Kreulen recognized former Commissioner Christy Smith for her service on the MNAA Board of Commissioners from June 6, 2017 – August 17, 2021. Ms. Smith's service was memorialized with Resolution 2021-11. Ms. Smith complemented the staff and expressed her appreciation for the opportunity to serve.

Next, Chairman Freeman and President Kreulen recognized former Commissioner John Doerge for his service on the Board from September 20, 2016 – August 16, 2021. Mr. Doerge's service was memorialized with Resolution 2021-13. Mr. Doerge expressed his gratitude for the great experience and opportunities to learn and thanked the Commissioners for their guidance.

President Kreulen presented Ms. Smith and Mr. Doerge with taxiway lights from Runway 2R/20L

V. President's Report

CEO Executive Session Review

President Kreulen expressed a public apology to the Board of Commissioners for the way the September 8, 2021 Executive Session regarding litigation was handled. President Kreulen took responsibility and stated that no disrespect was intended toward any Commissioner. He advised that the lesson learned was that Executive sessions should not be run based on past Board practice, without published guidance or governance.

The Tennessee Supreme Court has consistently upheld the authority of governmental bodies to hold executive sessions, only to discuss actual, pending or the threat of litigation. It is designed to protect the right of privilege that exists between attorney and client.

Executive sessions are for informational purposes only. President Kreulen reminded everyone that Board Members are not allowed to deliberate or vote, and all participants (CEO, Chairman, Board) are allowed to ask questions.

President Kreulen reiterated that when entering an Executive Session, the Chairman runs the meeting. It begins with a motion to enter Executive Session to discuss actual or the threat of litigation, followed by a second, discussion and a vote. The Chairman will excuse the Public/Staff (as required) to begin the Executive Session.

When exiting an Executive Session, the Chairman asks for a motion, followed by a second, any needed discussion, and a vote. President Kreulen emphasized the importance of thoroughly stating motions. The Chairman will invite the Public/Staff (as required) to resume the public meeting.

President Kreulen advised that when adjourning Committee & Board Meetings, the Chairman runs the meeting. To adjourn, the Chairman will ask for a motion and a second, any needed discussion and the Chairman will adjourn.

Neale Bedrock, EVP, Chief Compliance Officer and General Counsel, also apologized to the Board for the manner in which the Executive Session was held.

FY22 BNA Enplanements

President Kreulen briefed the Board on FY22 BNA enplanements. October is averaging 25,181 daily enplanements, and the fiscal is expected to finish at a record level.

Congratulations to our Superstar CFO

President Kreulen praised Marge Basrai, EVP, Chief Financial Officer, for becoming Nashville Business Journal's 2021 CFO of the Year. He expressed his pride for all she has done.

TN Business Roundtable

MNAA hosted the October 8, 2021 TN Business Roundtable Homecoming Meeting. Governor Bill Lee kicked off the meeting discussing the state's business climate, tax structure and workforce development commitment that led to Ford Motor Company's historic investment in the Memphis Regional Megasite. President Kreulen thanked Stacey Nickens, AVP, Corporate Communications for volunteering to host the meeting.

25th Annual BNA Aviation Golf Classic

President Kreulen thanked Ms. Nickens and her team for organizing the annual golf tournament that raised \$75,000 to be distributed to the following beneficiaries:

- Nashville Cherry Blossom Festival
- BNA Historically Black Colleges & Universities "Give Back Initiative" - American Baptist College and Meharry Medical College
- MTSU Charlie and Hazel Daniels Veterans & Military Family Center

FBI National Academy

President Kreulen proudly announced that Lieutenant Scott Harding was selected by the FBI to attend the January 3, 2022 session of the FBI National Academy. Lieutenant Harding started off as a patrol officer with MNAA, continued his education to receive his law degree and has been promoted through the ranks. He joins the list of great employees from MNAA:

- Chief W. David Griswold – March 1991
- Captain Thomas Quarles – September 2014
- Captain Christopher Shuff – September 2016
- Lieutenant Otis Gardner – June 2018
- Captain Alan Keene – September 2019

120 Day Outlook Discussion

President Kreulen presented the approval and information items planned for the November and December 2021 Committee and Board meetings.

VI. Approval Items

A. Design Contract to Reconstruct Taxiway Bravo South

President Kreulen introduced Ms. Traci Holton, VP, Engineering and Deputy COO, to present the design contract for Reconstruct Taxiway Bravo South from approximately 350' south of Taxiway K to the end of Runway 2L, including connectors B1 and B2. In mid-June an RFQ was published and in mid-July eight (8) Statements of Qualifications were received.

The scope includes engineering and design, including replacement of pavement section on existing alignment, new edge lights, signs and 30' paved shoulders. Geometry, grading and drainage will be updated to comply with FAA Advisory Circular 150/5300-13B and design bidding will be April 2022.

After interviews, the selection committee selected Atkins North America, Inc. (Atkins) based on their approach to addressing project challenges and fostering commerce with DBE's. The DBE participation goal was 6.8%; Atkins is committed to achieving 8.5% DBE participation. This is a 400-day contract with a not to exceed value of \$950,000. This will be 90% federal funding and 10% MNAA.

Ms. Holton recommended that the Board of Commissioners: 1) accept the statement of qualification by Atkins to provide engineering consulting services for the design of the Reconstruct Taxiway Bravo South project at BNA; and 2) authorize the Chair and President and CEO to execute the professional services contract.

Secretary Stevenson made a motion to approve as presented and Commissioner Byrd seconded the motion. The motion passed by vote of 7 to 0.

B. Construction Contract for Concourse A Ramp Expansion Site Prep/Fill

Ms. Holton brief the Board on this item. She stated that the Master Plan includes recommendation and justification to redevelop and expand Concourse A to provide the airport with a total of 56 gates (Vision currently has 48 gates). The RFP for Ramp A Expansion Site Prep/Fill was advertised June 2021 and 4 proposals were received in September 2021. All were evaluated based on mandatory requirements, experience and project approach, schedule, price and SMWBE participation. Eutaw was the highest rated proposal based on their overall price, and proposed construction schedule which was 74 days early overall and 49 days early for the fill portion of the contract.

The SMWBE goal was 7.38% MBE, 3.05% WBE. Eutaw slightly exceeded those goals with an SMWBE participation of 7.53% MBE and a 3.11% WBE while utilizing Archangel, Gibco, Jerry B. Young. Eutaw's proposal was approximately 23% lower than the opinion of probable cost of the engineer of record.

This contract will start in November 2021 for 526 calendar days with expected completion in June 2023 at a value at just under \$27.3M. The Knights of Columbus stockpiled material will be utilized, along with 525,000 cubic yards of onsite shot rock from the east side and 125,000 cubic yards of shot rock that will need to be purchased.

President Kreulen advised the Board will see a press release later today describing project; it will state 60% of fill was from the IAF project pulling out rock. Ms. Holton stated we have been storing at many stockpiles on property, keeping them as separated as possible. The fill also includes Knights of Columbus 380K cu yds (all at no cost from other jobs in city) and 130K cu yds pulling from garage/IAF projects. Ms. Holton said the process has been very successful.

Ms. Holton recommended that the Board of Commissioners: 1) Approve the proposal by Eutaw Construction Company (Eutaw) for the construction of Concourse A Ramp Expansion, Phase 1 – Site Preparation at BNA; and 2) authorize the Chair and President and CEO to execute the construction contract.

Commissioner Byrd made a motion to approve as presented and Secretary Stevenson seconded the motion. The motion passed by vote of 7 to 0.

C. Design Contract for Concourse B & C Upgrades (Finishes, Signage)

Ms. Holton briefed the Committee on the renovation of Concourses B and C to align with BNA Vision finishes, including wall finishes, gate podiums, signage and LED lighting. An RFQ was published July 2021 and 5 Statements of Qualifications were received in August 2021.

All firms were well-qualified, however, after interviews the committee selected TMPartners, PLLC (TMP) based on their thoughtful and detailed approach to the project's challenges. With an SMWBE goal of 6.54% MBE and/or WBE, TMP is committed to a 6.9% MBE. The total budget for Concourse B & C upgrades is approximately \$18M, with restrooms ~ \$9M and finishes/signage ~ \$9M. The total contract cost is a not-to-exceed \$550,000, starting in October 2021 and expected completion in October 2023. This project is 100% funded by bonds. Commissioner Glover asked about the percentage of MBE on this project. Ms. Holton asked Davita Taylor, VP, Procurement and Business Diversity, to speak to the goal setting process. Ms. Taylor advised that we do not have a lot of MBE's and WBE's in the specific division but MNAA does outreach across the state of Tennessee for prospective firms.

Ms. Holton recommended that the Board of Commissioners: 1) accept the statement of qualification by TMP to provide architectural consulting services for the design of the B and C Concourse Upgrades

project at BNA; and 2) authorize the Chair and President and CEO to execute the professional services contract.

Commissioner Glover made a motion to approve as presented and Secretary Stevenson seconded the motion. The motion carried by vote of 6 to 0. Commissioner Granbery recused himself from the vote.

D. Frist Aviation LLC Lease Terms

President Kreulen introduced John Corbitt, AVP, Real Estate, to brief this item. The 5.68-acre parcel located at 716 Hangar Lane in the general aviation area. The site currently has an approximately 22K sq ft hangar and office facility that was used by the State of TN prior to their move to JWN. On September 28, 2020 a notice of availability was released, and 3 responsive proposals received.

On December 2, 2020 the evaluation committee unanimously selected Frist Aviation LLC based on investment, lease term and highest and best use. Mr. Corbitt provided details on the two appraisals received by CB Richard Ellis (CBRE) and Airport Business Solutions (ABS). Commissioner Granbery asked about the discount the appraisers gave since the property restricted aviation, and Mr. Corbitt stated 30%.

Improvements include a hangar and office facility. Exact size is still TBD but are estimated at 20-25k square feet for the hangar and 10k square feet for the office.

The lease is a 30-year base term with one 5-year option. The annual base rent is \$131K (\$0.53 psf). This is based on a \$1.6M land value at an 8% cap rate. Rent starts immediately upon lease execution, with 3% annual increases. Fair market value (FMV) adjustments will be made on the 10th and 20th lease years based on appraisals, and increase will not exceed 6% nor will it decrease rent.

This is a triple net ground lease and the tenant is responsible for completing property condition and pavement condition assessments every 5 years. These will be submitted to MNAA with a report from the tenant setting forth any deficiencies that have been repaired in the prior 5-year period and plan for needed report in following 5-year period. Frist currently owns 5 planes and is in the process of purchasing a 6th airplane.

Mr. Corbitt requested that the Board of Commissioners: 1) approve the deal terms negotiated between MNAA and Frist Aviation LLC., 2) authorize Commercial Development to draft a ground lease agreement consistent with the negotiated deal terms, and 3) authorize the Chairman and President and CEO to execute the ground lease. Chairman Freeman stated his appreciation for President Kreulen and staff

and stated that this should be used as a template for any future property activity. He also stated that staff has done terrific job and that Frist is a great tenant.

After further discussion, Chairman Freeman asked for a motion to approve as presented. Commissioner Glover made a motion and Commissioner Byrd seconded the motion. The motion carried by vote of 7 to 0.

E. BNA Concessions 5th Amendment

President Kreulen introduced Colleen Von Hoene, Associate Principal with Paslay Management Group (PMG), to brief the Fraport 5th Amendment to the Lease and Concession Agreement and thanked Mr. Clay Paslay, PMG President and Managing Partner, for attending the retreat and providing MNAA with the three competent ladies to assist with concessions.

Ms. Von Hoene advised that this contract began on February 1, 2019 and expires January 31, 2029. Prior to execution of the 4th Amendment, Fraport was in default for failure to open locations as required in the schedule and they were invoiced \$5.25M in contract penalties. The 4th Amendment was executed in November 2020 and included immediate payment of \$3M and an escrow of \$2.25M, which was eventually paid on May 31, 2021. The 4th Amendment included an Amended Exhibit G requiring 30 concession locations to open between November 2020 and December 31, 2021. MNAA has the ability to collect penalties of \$547.5K for each 2021 location that is not opened by December 31, 2021. Fraport is currently in default for missing 5 or more Exhibit G deadlines although 19 of 30 locations planned for 2021 have opened. Currently, the remaining 11 locations are planned to open between October 2021 and December 31, 2021.

Ms. Von Hoene explained that the 5th Amendment key terms provide a second Amended Exhibit G which lists 17 concepts to open by Dec 31, 2022, 23 concepts by September 25, 2023, and 2 final concepts to open by April 9, 2024. It also sets forth interim performance dates for each concession location, which include sublease execution performance date, 30% design approval date, start of construction performance date, and an opening performance date. The 5th Amendment provides an amended Exhibit E that provides payment of enhanced contract penalties for failure to meet any of the four performance dates. There is an incentive for timely opening because MNAA will waive contract penalties previously collected for missing the three interim performance dates if Fraport successfully achieves the opening performance date. The 5th Amendment retains the 4th Amendment 2021 contract penalties of \$547,500 for the 2021 Exhibit G locations. President Kreulen added that this protects the airport, and he appreciates Fraport Germany executives taking this very seriously.

Ms. Von Hoene recommended that the Board of Commissioners: 1) amend the Lease and Concession Agreement between MNAA and Fraport Tennessee, Inc., for the BNA Concessions Program; and 2) authorize the Chairman and President & CEO to execute the 5th Amendment.

Chairman Freeman asked for a motion to approve. Commissioner Granbery made a motion and Secretary Stevenson seconded the motion. The motion carried by vote of 7 to 0.

VI. Informational Items

A. JWN Construction Redevelopment Update

President Kreulen briefed the Board on this item. Construction is going well, but Phase 1, planned for completion on November 17, 2021, will likely be delayed primarily due to the supply chain issues of electrical manholes which delays getting power to the buildings. Milestone 1 consists of C1, D1 & C2, and E1. As of October 19, 2021, 37 of the 76 lease deposits have been received.

He reported that results should be available on reusing the existing CFM slabs by the end of October. After discussion on operational issues related to the air traffic control tower, President Kreulen took it as a homework item. He also confirmed that engineering is looking at a potential chokepoint on the taxiway.

B. BNA Concessions Program Update

President Kreulen complimented the Paslay Management Team that Ms. Basrai contracted for the management of our BNA Concessions, and the 2021 Stoplight Chart that assists in how we communicate. He advised that 19 locations are opened for business with 11 additional locations to be opened by the end of December 2021. President Kreulen also advised that we are working with the Fraport team on the 2022 concessions plan and presented renderings of 2022 concepts with approved 30% designs. Chairman Freeman noted that he had received calls from concessionaires that they are exceeding budgets.

C. Long Term Valet Contract RFP Update

President Kreulen advised the long-term valet contract will be advertised November 4, 2021. The new solicitation is intended to go through the selection and award process and have the selected firm be onboard and ready to transition July 1, 2022. It will be a four (4) year contract that will focus on a number of things we learned both on the initial solicitation and on the follow-up solicitation regarding the emergency process. These include a focus on hiring, retaining and surge staffing, tracking customer

wait times in and out, technology, amenities and expanded reporting capabilities. Determining how we should use the BNA Express Lot, as it is not currently being used, will be included in the solicitation. These determinations will strengthen the new RFP from the emergency RFP.

Commissioner Byrd inquired about BNA's Customer Service Program. After questions and discussion, President Kreulen committed to make this an information item at a future Committee meeting.

VII. Adjourn

There being no further business brought before the Board, Chairman Freeman asked for a motion to adjourn. Commissioner Joslin motioned and Commissioner Granbery seconded the motion. The motion carried with a vote of 7 to 0, and the meeting adjourned at 10:07 a.m.


Joycelyn Stevenson, Board Secretary