

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



Date: January 19, 2022

Place: Nashville Airport – Tennessee Boardroom

Time: 1:00 p.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, Neale Bedrock, Lisa Lankford, and Ginger Cork

I. Call to Order

Chairman Freeman called the MNAA Board of Commissioners and MPC Board of Directors meeting to order at 1:00 p.m., pursuant to the Public Notice dated January 14, 2022.

II. Approval of Minutes

Chairman Freeman called for a motion to approve the Minutes of the December 15, 2021 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. A motion was made by Commissioner Byrd and seconded by Commissioner Joslin to approve the minutes. The motion carried by vote of 7 to 0.

III. Chair's Report

Chairman Freeman complimented the Airport's response during the recent snow and inclement weather events. The staff did an incredible job to keep the airport open and running during this time. Chairman Freeman thanked all the staff for their hard work.

IV. President's Report

Mr. Doug Kreulen, President and CEO, thanked Mr. Robert Ramsey, EVP, Chief Operating Officer, and his team as well as operations and maintenance for the assistance they provided to Tennessee State University traveling to the Rose Bowl Parade.

President Kreulen reported that on December 21, 2021 MNAA partnered with Hensel Phelps and the Engineering Department to donate 541 pounds of food to Second Harvest Food Bank.

President Kreulen reported that BNA Vision received a Merit Award from the American Institute of Architects – Middle Tennessee Chapter on January 4, 2022. This 2021 Design award honors “exceptional work on the behalf of the architecture profession” and recognizes BNA Vision as a whole. President Kreulen congratulated Corgan, Fentress Architects, Moody Nolan and the MNAA staff.

President Kreulen reported that February will be a busy month with approval items for the Operations side including the construction of the administrative/maintenance facility and laydown yard conversion for additional parking at John C. Tune, runway 2C tunnel repairs and Arts at the Airport Board member appointments. On the Finance side, approvals include insurance premiums / policies and Fraport subleases and an update will be provided for the satellite concourse concessions. March is busy with BNA Vision updates including roadway project, satellite concourse shuttles, and finance funding future initiatives. Additionally, March is very busy with us hosting several big events. Those events include the Airport Planning, Design & Construction Symposium scheduled for March 1 – 3, 2022; AAAE/ACI-NA Airport Customer Experience Symposium scheduled for March 7 – 10, 2022; MNAA Executive & Senior Staff Retreat scheduled for March 21 – 22, 2022 and the TN Aviation Association 2022 Airport Conference scheduled for March 28 – 30, 2022.

President Kreulen briefed the Board on FY22 BNA Enplanements. January YTD is averaging 24,307 daily enplanements, and the fiscal year is expected to finish approximately 8% over FY19. During the recent snow events we had 756 flight cancellations, approximately 8,000 passengers a day.

President Kreulen briefed the Board on the 5G impact on airport operations and other significant events coming up. Those events include the Medium Hub CEO Summit January 20-22; speaking with the Senate & House Transportation Committee on January 26; a tour with the Governor’s COO & Commissioner of Finance on February 2; and a tour with Middle TN Economic Developers on February 15 & 24.

President Kreulen welcomed new Directors, Tanja Turner Bell and Jessica Burton. Tanja has been named Director of Business Diversity Development. She has a strong background in diversity, equity, and inclusion programs and she will be responsible for the administration of the DBE, ACDBE and

SMWBE programs for the Authority. Jessica has over a decade of procurement experience and has been named Director, Procurement, and Inventory Management. In this role, she will be responsible for managing a comprehensive and coordinated program of procurement, inventory, and materials control activities including purchasing, property control, surplus property, receiving and contract administration for the Authority.

V. Approval Items

A. Construction Contract for Demolition of Westside Facilities

President Kreulen introduced Mr. Robert Ramsey, EVP, Chief Operating Officer. Mr. Ramsey briefed the Board of Commissioners on the construction contract for demolition of westside facilities. The scope of the project includes demolition of all westside maintenance facilities and selected other vacant buildings such as: seafood building, air cargo terminal 2, procurement building and two residential houses on the east side runway 2R-20L. The RFP was published in mid-September 2021, and we received 4 proposals from Complete Demolition Services (CDS), Dore & Associates, Inc., Environmental Abatement Inc. (EAI) & Modern Day Wrecking (MDW). Those 4 proposals were evaluated on mandatory requirements; qualifications and experience; SMWBE participation; and pricing. The selection committee interviewed CDS and EAI on December 14, 2021. Complete Demolition Services was the highest rated firm. The total cost for the contract is \$572,000. The SMWBE Goal established for the project was 11.01% MBE & 6.46% WBE.

Mr. Ramsey requested that the Board of Commissioners:

- 1) Accept the proposal by CDS for demolition, and
- 2) Authorize the Chair and President and CEO to execute construction contract with CDS for \$572,000

Commissioner Joslin made a motion to approve as presented and Commissioner Byrd seconded the motion. The motion passed with a vote of 7 to 0.

B. TARI Multiple Items (4 approvals w/TDOT Coordination)

Mr. Ramsey briefed the Board of Commissioners on the TARI/Donelson Pike Relocation. To allow a portion of the TARI construction to begin before the Donelson Pike project is complete, MNAA

requested TDOT to include specific construction phasing and scope not necessary for the relocation of Donelson Pike, referred to as non-participating work. The request will involve the construction of a temporary roadway transfer and 2 temporary corrugated metal arch bridges, along with other minor infrastructure necessary for a coordinated site layout. The phasing will allow the TARI project to begin some major construction activities approximately 18 months prior than what TDOT's baseline construction phasing would have permitted. The additional work is paid based on actual costs measured during construction according to the contract unit prices. To ensure the additional work is funded, TDOT requires the entity to place in escrow the estimated cost of the modifications. A construction cost has been estimated in an amount not-to-exceed \$4.5M. A more detailed estimate will be provided prior to the execution of the Local Programs Agreement.

Mr. Ramsey then reviewed the TARI/Donelson Pike Relocation and discussed transfer of property rights to TDOT for TDOT's Donelson Pike project, including deeds, easements, donations, a right-of-entry, and transfer of property. The property transfer credit will not be less than \$1.5M.

Mr. Ramsey requested that the Board of Commissioners:

- Authorize the Chair and President and CEO to
 - 1) execute a Local Programs Agreement with TDOT
 - 2) pay TDOT the cost of non-participating work in an amount not-to-exceed \$4.5M
 - 3) execute the necessary documents to transfer property rights to TDOT for TDOT's Donelson Pike project, including deeds, easements, donations, and a right-of-entry; and
- Authorize the President and CEO to
 - 4) Accept payment of fair market value for TDOT's acquisition of property including private property damages associated with the transfer of property for TDOT's Donelson Pike project in an amount not less than \$1,500,000

Commissioner Granbery requested a final total of land once all surveys are in.

Commissioner Joslin made a motion to approve as presented and Commissioner Granbery seconded the motion. The motion carried by a 7 to 0 vote.

C. Maintenance Contract for Baggage Handling System (BHS) and Passenger Boarding Bridges (PBB)

President Kreulen introduced Mr. Daniel Brown, AVP, Maintenance. Mr. Brown briefed the Board of Commissioners on the maintenance contract for baggage handling system (BHS) and passenger boarding bridges (PBB). The contract is to perform and provide all labor, tools, transportation, services, and equipment necessary and reasonably essential to perform operations and maintenance of inbound and outbound BHS and PBB. We have approximately two miles of outbound conveyors and ten inbound baggage belts and 43 passenger baggage belts, with 14 more coming. The contract start date is May 1, 2022 with a 5-year contract duration. An RFP was published in mid-August 2021. We received 3 proposals. One proposal was deemed nonresponsive for not having necessary licensing. The other two proposals were from JBT and JSM & Associates (JSM). These two proposals were evaluated by our selection committee (BDD, Finance, Procurement, Engineering, Operations, Airline Affairs & Maintenance) along with additional review and support from Southwest Airlines' Subject Matter Expert, Rick Weaver.

The selection committee met in mid-November 2021 to score the two proposals and perform interviews. The selection committee recommended that JSM be awarded the contract and they committed to a SMWBE goal of 4.52% while utilizing Atlas Management Corporation to perform bag jam running and clearing, manual encode station, baggage portering and general labor, as needed. The estimated cost of the contact over 5 years is \$26,544,792.

Mr. Brown requested that the Board of Commissioners:

1. accept the proposal by JSM & Associates for Inbound & Outbound BHS & PBB Operations & Maintenance at BNA; and,
2. authorize the Chair and President and CEO to execute the proposed contract for \$26,544,792.

Commissioner Joslin made a motion to approve as presented and Commissioner Byrd seconded the motion. The motion passed with a vote of 7 to 0.

D. Terminal Lobby Suspended Sculpture Art

President Kreulen introduced Ms. Stacey Nickens, AVP, Corporate Communications and Ms. Mary Grissim, MNA Curator. Ms. Nickens reported that we selected a sculpture for the terminal lobby titled *At the Edge of the World* by artist Jacob Hashimoto. The sculpture is an interpretation of land and sky built out of 8,000 handmade kite-like elements. Many of the kites are white; the rest hold embedded

graphics representing both the natural, regional ecosystem and the built, human, cultural landscape of the city and Middle Tennessee. The combination of land, sky, and culture should all be celebrated within this constellation. The sculpture will be suspended on clear fiber glass rods. The ambition of the artwork is to be beautiful, sublime, and meditative. It will recognize and celebrate a sense of place, both ecologically and culturally. This is one of the tallest structures in Tennessee and the lifespan of this piece is 20-30 years. The dimensions for the sculpture zone are 81' in length, 61' in width with the sculpture suspended two stories above the open atrium in the terminal lobby. The contract cost is \$900,000 and the design period is January / February 2022 with installation in November 2022. The funding source is 100% MNAA from the 1% Public Art budget.

Ms. Nickens requested the Board of Commissioners to approve the selection of Jacob Hashimoto's suspended sculpture, *At the Edge of the World*, and authorize the Chair and President and CEO to execute the contract with Superabundant Atmospheres LLC (Jacob Hashimoto) for \$900,000.

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

E. Grand Hall Green Wall Concept

Ms. Nickens briefed the Board of Commissioners on the Grand Hall Green Wall Project. The project is two 105' long and 9' high vertical panels to be located at the north and south ends of the terminal lobby. The vendor selected is Garden on the Wall. The contract cost is \$412,750 and the design period is January / February 2022 with installation in November 2022. The funding source is 100% MNAA from the 1% Public Arts budget.

Ms. Nickens requested the Board of Commissioners to approve the selection of Garden on the Wall for the Green Wall Project and to authorize the President and CEO to execute the contract with Garden on the Wall for \$412,750.

Commissioner Joslin made a motion to approve as presented and Commissioner Glover seconded the motion. The motion passed with a vote of 7 to 0.

President Kreulen introduced Marge Basraj, EVP, Chief Financial Officer, to brief the Board of Commissioners on three budget items. The Amended FY22 BNA O&M Budget – Resolution #2022-02;

Amended FY22 BNA Capital Budget and 5-year Capital Plan – Resolution #2022-03; Amended FY22 JWN O&M Budget – Resolution #2022-04 for approval.

Ms. Basrai briefed the Board of Commissioners on the three key metrics we look at when we go over our budgets and recommend them for approval. They are Debt Service Coverage, our landing fee and cost for enplanements. Enplanements were raised from 5.5M to 8.5M. Ms. Basrai explained the revenue increase is based on the increase in enplanements. The use of CARES/CRRSA funds were reevaluated to provide greater flexibility in the future.

<u>Use of CARES & CRRSSA Act Funds:</u>	Original Plan	Amended Plan	Variance
	FY22	FY22	
Apply to Debt Service	\$ 22,173,029	\$ 13,578,138	\$ (8,594,891)
Apply to Debt Service in Lieu of PFC's	9,460,451	9,460,451	-
Apply to Offset Salary and/or Other Exp	2,026,934	2,026,935	1
	<u>\$ 33,660,414</u>	<u>\$ 25,065,524</u>	<u>\$ (8,594,890)</u>

As of 6/30/22, \$8.6M of CRRSA and \$56.4M of ARPA funds will still be available.

F. Amended FY22 BNA O&M Budget – Resolution #2022-02

Ms. Basrai briefed the Board on the changes within the BNA O&M Budget.

Operating Revenue

MNA has increased operating revenue by \$62.6M.

- I. Non-Airline Revenue is increasing \$60M. The largest increase was in parking at \$44.3M
- II. Signatory Airline Revenue is increasing \$2.6M. This increase is baggage fees and loading bridge fees. The new Maintenance Contract is \$450K and the baggage project cost increase is \$2.5M.

Operating Expenses

Operating expenses are increasing \$12.7M. The two largest areas are salaries & benefits at \$1.2M and contractual services at \$10.6M.

Net Non-Operating Income (Expense):

The net non-operating income increased \$5.6M. Due to the increase of enplanements from 5.5M to 8.5M, we increased the Passenger Facility Charges (PFC) by \$11.4M. Customer Facility Charges (CFC)

increased \$3M. Other non-operating revenue decreased \$8.7M. This is a decrease in grant revenue due to deferred use of CARES/CRRSA to future fiscal years.

Chairman Freeman requested Ms. Basrai to present the other amended budget items and resolutions for the Board to vote on all 3 in one motion.

G. Amended FY22 BNA Capital Budget – Resolution #2022-03

Ms. Basrai briefed the Board on the changes within the BNA Capital Budget.

In the FY22 BNA Capital Budget we had a project in the Terminal and Landslide Category with a cost of \$1,150,000 which was the refurbishment of baggage makeup carousel 1 & 2. After an analysis was conducted, Southwest asked to increase the length of those carousels which will result in a more efficient bag room. The increase cost of this project is \$2.5M for a total amended cost of \$3,664,000. The funding source is 100% baggage fees from airlines.

H. Amended FY22 JWN O&M Budget – Resolution #2022-04

Ms. Basrai briefed the Board on the changes within the JWN O&M Budget.

Operating Revenue

Operating revenue increased by \$425,000. \$363,000 is estimated for space rental and \$62,000 is estimated for fuel flowage fees.

Operating Expenses

Operating expenses increased by \$408,000. The largest variances are in contract services for the following items.

- Airfield circulation simulation study - \$117k
- Overlay project - \$147k
- Analysis for a second FBO - \$24k
- Legal fees - \$100k

Non-operating revenue

Non-operating revenue increased by \$382,000. This was increased due to additional insurance proceeds received for the tornado.

Ms. Basrai requested the Board of Commissioners to:

1. Approve the proposed amended FY22 BNA operating budget, and
2. Authorize the Chair and President and CEO to execute MNAA Resolution No. 2022-02
3. Approve the proposed amended FY22-26 BNA Capital Improvements Plan, and
4. Approve the proposed amended FY22 BNA Capital Improvements Budget, and
5. Authorize the Chair and President and CEO to execute MNAA Resolution No. 2022-03
6. Approve the proposed amended FY22 JWN operating budget, and
7. Authorize the Chair and President and CEO to execute MNAA Resolution No. 2022-04

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

I. Feasibility & Recommendation of COLA to Retirees & Beneficiaries - Resolution #2022-01

Ms. Basrai briefed the Board on this item. The MNAA Retirement Plan (the Plan) is a closed plan that closed on 6/27/2003. We have 183 active participants in the Plan, 61 active employees and 53 previous employees with deferred benefits in the Plan. MNAA Resolution 2019-02 requires review of the feasibility of a COLA and recommendation from staff to the Board every two years.

MNAA's Goals for the Plan are to protect assets and remain close to 100% funded (106% funded as of 7/1/21).

Ms. Basrai provided a brief COLA History:

7/2002: 4% COLA, \$435,200 increase in liability

7/2004: 2% COLA, \$289,838 increase in liability

7/2007: 5% COLA, \$845,402 increase in liability

Ms. Basrai was asked by President Kreulen to perform a feasibility of a COLA and to examine the policy to review every two years. After research and input from Findley (MNAA's Actuary), the considerations for recommendations are:

- Given market volatility, any COLA approved would increase liability to MNAA and reduce funding status
 - 3% annual COLA increases cost of benefit 26%
- Traditional businesses (non-governmental) generally do not offer COLAs
 - 75% of governments offer COLAs, however, this has caused significant underfunding and requires the need to increase tax revenues
 - MNAA operates as a business

- The Plan does not provide a guaranteed COLA to participants as a benefit
- There is no implied perception that MNAA will provide a COLA based on historical pattern
 - 14 years since last COLA
- 81% of MNAA employees (262 out of 323) are not in the Plan and will not receive any additional payment once they retire
 - Concern with creating disparity between old and new employees

Ms. Basrai requested the Board of Commissioners to:

1. Approve the staff recommendation declining to initiate a COLA for retirees and beneficiaries in the MNAA Retirement Plan, and
2. Authorize the Chair and President and CEO to execute MNAA Resolution No. 2022-01 rescinding MNAA Resolution No. 2019-02 which required periodic reviews of the feasibility of initiating a COLA to retirees and beneficiaries in the MNAA Retirement Plan.

Chairman Freeman made a motion to approve as presented and Commissioner Granbery seconded the motion. The motion carried by a 7 to 0 vote.

Ms. Basrai also let the Board of Commissioners know that a hard copy of the Annual Comprehensive Financial Report for July 1, 2020 to June 30, 2021 was provided to each Board member at their seat. These reports are also available online.

VI. Informational Items

A. BNA Vision Update

President Kreulen briefed the Board of Commissioners on key concerns we have with the market and trade estimates that are trending higher for both the satellite concourse and Terminal Access Roadway Improvements (TARI). He reported that he and Ms. Basrai will reevaluate debt capacity and the financial plan for both projects.

The satellite concourse was approved for \$89M in April 2021. The budget with additional bays (+\$3.5M) was at \$92.5M in August 2021. It is trending at ~ \$33.7M over budget for January 2022 based on current estimates. We continue to refine these with engineering and with the contractors as we get pricing in. We are highly confident that we are able to fund this delta and we will come back and discuss this with

Commissioners over the next couple of Board Meetings with a final approval in April to adjust the budget. Assuming we are able to approve in April, the prices will be locked in.

The TARI project is also trending higher at ~ \$52M over the \$163.5M budget. We have a low level of confidence in cost based on schedule being 33 months to final GMP. We will need to re-evaluate the project delivery, cost and schedule.

President Kreulen summarized the next steps including 1) re-evaluation of the TARI schedule and project delivery with support from Paslay Management Group (PMG) and PMA Consultants; and 2) re-evaluation of debt capacity / financial plan for both projects with support from Landrum & Brown. There will be additional Board updates in February, March and April 2022.

These items were presented for informational purposes only, and no action was required.

B. JWN Redevelopment Update

President Kreulen reported that 3 buildings were completed December 30, 2021, and 2 more buildings are scheduled to be completed today, January 19, 2022. The box hanger that was supposed to be released today had some technical challenges that our team did not want to accept, but this should be ready soon. The additional 10 buildings are planned for March 28, 2022, with project completion April 23, 2022.

Chairman Freeman reported that he and other Commissioners have received very positive feedback from the tenants. They are excited with how everything is looking and how fast it is moving.

President Kreulen presented an update for the JWN Ramp Expansion and let the Commissioners know we will be coming back to this in the near future. Once the construction of the hangers is complete, the current laydown yard (which is being used through April 2022) will become future aircraft parking. The apron expansion estimated project cost is \$3.4M. Anticipated Board approval is June 2022; anticipated construction start date is June 2022 and the anticipated construction completion date is December 2022.

President Kreulen presented an update on the North Development Road / Utilities. The estimated project cost is \$4.2M. Anticipated Board approval is September 2022; anticipated construction start date of September 2022 and the anticipated construction completion date is April 2023. He reported that Commercial Development is getting together a business plan to recoup the investment.

President Kreulen presented an update on the Automated Weather Observing System (AWOS) relocation from the east side to the west side. The estimated project cost is \$650k. Anticipated Modification of Standards (MOS) approval is March 2022; anticipated Board approval is June 2022; anticipated construction start date of June 2022 and the anticipated construction completion date is September 2022.

President Kreulen also reported that Chairman Freeman, Commissioner Joslin and Commissioner Granbery have all mentioned from their activity that one of the challenges that we need to look at is where do people park vehicles and this is a homework assignment we have.

These items were presented for informational purposes only, and no action was required.

C. BNA Concessions Program Update (to include Satellite Concourse)

Main Terminal Concessions Program Update

President Kreulen reported that all 30 locations scheduled to open in 2021 did open, and he thanked Matt Jennings, Vice President, Fraport, for his performance. As we head into 2022, we are on track with five of the twenty locations opened before the deadline and those locations include Music Row Supply, Tennessee Tribune, Bongo Java, ChickFila and Southernaire Market. Three additional locations are in construction – Ole Red, Opry Shop and C Triangle (terrazzo & ceiling tile replacement). The two other locations planned for construction are MEEL, January 17, 2022, and Hudson Non-Stop, January 30, 2022. There are 3 locations that missed sublease execution and 1 at risk for sublease execution date January 20, 2022.

Satellite Concourse Program Update

President Kreulen reported that staff is developing the satellite concessions program with PMG. The next steps are to present proposed RFP business terms to the Board in February 2022 and issue the RFP in April or May 2022. Review of proposals and Board approval of award recommendation is anticipated to happen between July to September of 2022.

President Kreulen updated the Board on the satellite shuttle solicitation, and the analysis of supply chain and delivery; electric vs. CNG vs. diesel; lease vs. buy; and operation & maintenance of the

shuttles. The RFP release is planned for January 30, 2022, and the Board will be updated in February 2022.

D. Additional Updates

President Kreulen briefed the Board on the parking rate adjustment. This is the 6th adjustment to our parking rates – we went down to basically half price at the beginning of the pandemic and we’ve worked our way back to up a \$1 or so more than where we used to be previous to pandemic – people are back, parking rates are back, and that’s where we see a large portion of our revenue coming from. He presented a slide with the new rates:

- Valet: \$36
- Garages \$26
- Walk (A) \$18
- Economy (B & C): \$16

President Kreulen also presented a slide showing the red flag report from December 2021 had been administratively closed with no evidence of fraud.

These items were presented for informational purposes only, and no action was required.

VII. Adjourn

There being no further business brought before the Board, Chairman Freeman asked for a motion to adjourn. Commissioner Joslin motioned, and Secretary Stevenson seconded the motion. The motion carried with a vote of 7 to 0, and the meeting adjourned at 1:37 p.m.


Joycelyn Stevenson, Board Secretary