

Minutes of the Joint Meeting of the MNAA and MPC Operations, Engineering & Strategic Planning Committees



Date: February 8, 2023

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:00 a.m.

Committee Members Present:

Bobby Joslin, Chair; and Nancy Sullivan, Vice Chair, Dr. Glenda Glover

Committee Members Absent:

None

Others Present: Jocelyn Stevenson, Andrew Byrd, Doug Kreulen, Neale Bedrock, Lisa Lankford, Rachel Moore and Trish Saxman

I. CALL TO ORDER

Chair Joslin called the Joint Meeting of the MNAA and MPC Operations, Engineering & Strategic Planning (Operations) Committee to order at 9:00 A.M. pursuant to Public Notice dated February 3, 2023.

II. APPROVAL OF MINUTES

Chair Joslin asked for a motion to approve the minutes from the January 11, 2023 Operations Committee meeting. Vice Chair Sullivan made a motion and Chair Joslin seconded the motion. The motion carried by vote of 3 to 0.

III. CHAIR'S REPORT

Chair Joslin had no Chair's report.

IV. ITEMS FOR APPROVAL

1. On Call General Construction Services (Job Order Contract)

President Kreulen introduced Traci Holton, VP, Deputy COO & Chief Engineer, to brief the Committee on the On Call General Construction Services Contract (Job Order Contract) stating this has been utilized in the past and provides a lot of flexibility meeting immediate needs on fairly small services moving forward. A Request for Proposal ("RFP") was issued in November 2022 and in early January

2023 two proposals were received from Blakely Construction Services (“Blakely”) and Utopia Building Group (“Utopia”). Both proposals were evaluated based on mandatory requirements, experience, qualifications, approach, price and SMWBE. Utopia was the highest scoring firm based on experience with building construction services which lends itself to interior build out. The SMWBE participation goal is 10.98% MBE and 3.47% WBE. Utopia is a registered certified MBE with MNAA and also committed to 24% MBE and or WBE throughout the contract. This is a \$3M NTE contract per year, for 1 year with 4 one-year renewals. Funding will be identified on task-by-task basis and there is no commitment MNAA will spend all \$3M.

Commissioner Byrd asked if it pay as you go up to \$3M. Ms. Holton replied correct, up to \$3M task-by-task. Vice Chair Sullivan asked if it would be like a water line to the restroom. Ms. Holton stated yes, or it could be a new project, something small, like maintenance needs an office build out or if we need to move a wall, those are the kinds of things we would utilize this for and react quickly. Vice Chair Sullivan asked if we have a list of any projects now. Ms. Holton replied that there is not a complete list, but there is one project in curbside that MNAA may utilize for this contract. Commissioner Granbery asked if there is a breakdown of fees and overhead for each individual project. Ms. Holton replied MNAA did two types of pricing on this-- primarily it will be from the RFP for items such as building walls, and if it is outside, like curb, they will provide a proposal with a complete breakdown that we will then negotiate. Commissioner Byrd asked if the contractor was the small business that we helped get started. Ms. Holton replied that Utopia has been here for quite a while and have worked on a lot of things. They have served as a sub under a General Contractor and have primed their own projects like the two-lane expansion of the old checkpoint. They won the bid and are currently working on the Concourse B and C restroom upgrade, and also are on team with Hensel Phelps (“HP”) for two projects. Commissioner Byrd asked what Utopia is from a SMWBE standpoint. Ms. Davita Taylor, VP, Procurement and Business Diversity, responded that Utopia is one of our SMWBE rockstars. They come in with an intern contract program to teach them how to do the business and from there they kind of takeoff. Utopia also has been featured in the Business Journal newsletter. President Kreulen stated another backstory is the way that this program is structured over the years, that not only is Utopia 100% SMWBE, but they also pass on to others and when they commit to doing 24%, they hire other SMWBE businesses. Ms. Taylor stated MNAA wants to make sure we treat them as partners with the same responsibilities.

Ms. Holton requested the Operations Committee recommend to the Board of Commissioners that it accept the On Call General Construction Services and authorize the Chair and President and CEO to execute the contract with Atkins Professional Services Contract for \$3,000,000 NTE/year.

Chair Joslin asked for a motion to approve as presented. Vice Chair Sullivan made a motion and Commissioner Glover seconded the motion. The motion passed with a vote of 3 to 0.

2. Amendment 2 to Atkins Professional Services Contract for JWN North Development

Ms. Holton briefed the Committee on the Amendment 2 to Atkins Professional Services Contract for JWN North Development, stating this amendment is for additional grading work design for the tenant areas of the North Development at JWN now that we have a better idea of how many parcels are leased and the sequence and schedule of development. Ms. Holton stated it makes more sense for MNAA to grade all areas. There was a previous amendment on this contract with Atkins that brought the cost just under \$500K. This amendment will be for \$21,544 which puts the contract over the \$500K limit. MNAA needs to revise our grading permit and discuss with Metro, and also get a Notice of Intent from TDOT which is in the works.

Ms. Holton requested the Operations Committee recommend to the Board of Commissioners that it accept the Amendment 2 to Atkins Professional Services Contract for JWN North Development and authorize the Chair and President and CEO to execute the contract with Atkins Professional Services Contract for \$21,544.

Chair Joslin asked for a motion to approve as presented. Commissioner Glover made a motion and Vice Chair Sullivan seconded the motion. The motion passed with a vote of 3 to 0.

3. Change Order 1 to Civil Constructors Contract for JWN North Development

Ms. Holton briefed the Committee on the Change Order 1 to Civil Constructors Contract for JWN North Development. The Change Order 1 for Civil Constructors, LLC ("Civil") is for the grading and paving of the taxilane and roadway project. The amendment is for \$1.25M NTE. MNAA has not negotiated the amount due to the need to finalize design. Based on what we know today, MNAA is using unit bid prices and the current bid received. There is no change to any SMWBE participating commitments and 30 days were added to the schedule.

Ms. Holton requested the Operations Committee recommend to the Board of Commissioners that it accept the Change Order 1 to Civil Constructors Contract for JWN North Development and authorize the Chair and President and CEO to execute the contract with Civil Constructors for \$1,250,000 NTE.

Chair Joslin asked for a motion to approve as presented. Vice Chair Sullivan made a motion and Chair Joslin seconded the motion. The motion passed with a vote of 2 to 0.

4. Amendment to Bestway Custodial Services Contract for Parking Garages and Plaza Area

President Kreulen introduced Daniel B. Brown, AVP, Maintenance, Environmental and Safety. Mr. Brown briefed the Committee on the Amendment to Bestway Custodial Services Contract for Parking Garages and Plaza Area. The proposed amendment is to increase their labor rates which will allow them to continue to stay competitive with the current market and to recruit better candidates to service the garage and plaza areas as well as the garage coming online. Bestway currently performs above standard, they respond to all calls within minutes of being notified of any issues, and they ensure their assigned work is completed as required. The original contract was approved by the Board in December 2019 and was executed in April 2020 for a 5-year term with two optional years. This amendment increases the contract by \$780K, approximately \$6 an hour per employee. A prior budget increase was approved for the FY23 Budget back in April 2022.

Mr. Brown requested that the Operations Committee recommend to the Board of Commissioners that it accept the proposed budget amount by Bestway Services, Inc. Contract for Parking Garage and Plaza Area and authorize the Chair and President and CEO to execute the contract with Bestway Services amendment.

Commissioner Glover asked if it is for BNA or both airports. Mr. Brown replied it is just for BNA. Chair Joslin asked what the average rate per employee is today. Mr. Brown replied he is not aware of the employee hourly rate and will get back with that number; however, the overall rate is approximately \$35 an hour, including benefits, with this new rate. Chair Joslin asked with this contract, is it the same wage we started with when it was approved in 2019. President Kreulen stated yes, and that is a great question, when we were going through this review, this is an adjustment since that contract was executed. The amended amount in Year 1 and 2 was during the pandemic and not as much cleaning

going on so we lowered the contract amount. Now in years 3 through 5 MNAA is making the adjustment based on inflation. Mr. Brown stated as of now they have 38 full time employees and 2 part time employees. President Kreulen stated this also includes the new garage that opens in April and Bestway will be responsible for all 7K parking spaces. Mr. Brown stated it is approximately 3M SF of space. Commissioner Byrd asked if the contract gives them the right to renegotiate the rates. President Kreulen responded yes, and it is to our benefit as well to renegotiate because if we do not have Bestway here, then we have a problem with customer service. Commissioner Byrd asked if they have flexibility in the contract itself to renegotiate their rates. President Kreulen stated yes, based on different economic criteria. MNAA has written the contract well enough where if there is a legitimate need, it can be reviewed and negotiated in both parties' interests and not have to start all over again.

Chair Joslin asked for a motion to approve as presented. Commissioner Glover made a motion and Vice Chair Sullivan seconded the motion. The motion passed with a vote of 3 to 0.

V. INFORMATION ITEMS

1. BNA Development Update

Ms. Holton updated the Committee on BNA Development stating New Horizon has some updated renderings on Concourse D extension. MNAA is proposing an outdoor space with a seating area. This is popular with other airports—Denver has a couple of these locations that passengers seek out. President Kreulen mentioned that MNAA is working with Fraport and team for concessions. Commissioner Granbery asked if there are any special security issues with an outdoor area. Ms. Holton replied it must meet TSA requirements. President Kreulen stated based on what we have seen, this is a new feature that is coming to large hub category airports. The height of the wall will have to be approved by TSA. Commissioner Granbery asked is there any other airports that have these so that when traveling can look at them. Ms. Holton replied Denver has two and she will find out others. Vice Chair Sullivan asked how many people it will hold. Ms. Holton replied that she would get that number. President Kreulen stated that Concourse D extension will be 5 gates initially, but if we move a couple other businesses, we can go up to 7 gates in the future. 8 gates on the satellite turning 8 jets a day at 150 seats is 2.5M to 3.5M enplanements, so this area will probably be in that 2M to 3.5M range. The infrastructure will allow us to have 2 more gates. Chair Joslin stated this is all good information. Commissioner Granbery referenced the Delta lounge expansion and American Airlines lounge, and asked if there are plans for a shared lounge. President Kreulen stated there are couple

of answers to those questions. First, the Finance team is still negotiating and as we go beyond Concourse D and build the new Concourse A, American may move to Concourse A with the opportunity to get a new lounge which they would need to build out. Second, when we open the new International Arrivals Facility (IAF) on September 25th, it will have a mezzanine level which is currently unprogrammed space where a lounge could be built out. MNAA has not negotiated that yet, but we do have companies that have reached out and Fraport would love the opportunity to take up that space with new places.

2. JWN & BNA Development Update (Real Estate)

President Kreulen introduced Carrie R. Logan, Associate General Counsel, who gave an update on BNA & JWN Real Estate Development. Ms. Logan stated on JWN Parcels 1-5 we are continuing to have discussions with the prospective tenants, and for Parcels 2-5 we are very close now that we are committing to some of the grading. President Kreulen asked whether the Letters of Intent (“LOI”) are out. Ms. Logan stated yes, Parcels 6-9, LOIs are out—Jet Access for Parcels 6-7 and JetRight and Veloture for Parcels 8-9. Ms. Logan stated that we expect them back by February 17th and will present at March Board. For Parcel 10, Ms. Holton issued the RFQ for design on January 23rd and expect for Board approval in April. President Kreulen added today, we have distinguished guests from Jet Access and JetRight, both a success story. Parcel 1 continues to be a challenge. MNAA has done everything in our power to get that client to the finish line; however, we may readvertise it. It is not worth our time any more with it, and it might be simpler to send a Notice of Availability in the near future. Chair Joslin asked how long it had been, estimating between 4 and 5 months. President Kreulen stated may be longer than that, the staff will regroup and have templates for LOIs and Notice of Availability and it may be in our best interest to move on.

3. JWN Hangar Rent Model

President Kreulen stated on February 17, 2021 the Board approved the CEO recommended business model for hangar rent calculation. MNAA performs an annual review of costs and CPI. Since we were in the middle of the pandemic and rebuilding from the tornadoes, MNAA made a good business decision in July 2021 not to change the rent, however it has been over 24 months since the rents were adjusted. Grant Assurance 24, given to us by the Federal government, requires us to maintain a fee and rental structure that keeps us as self-sustaining as possible which is why back in February 2021, we created that rent model. The CPI-U increased 13.5% in last 24 months, (2021 – 7%, 6.5% in 2022).

The staff has been analyzing over the last few months and based on our efficiency and how we operate the airport we believe that a rent increase of 9.5% is what we will pass on to the tenants to keep us to that self-sustaining level. That is an average of \$36 a month, 2-year cumulative of \$72. MNAA did not pass on the full 13.5%. The fees are reasonable, and we have a requirement that when we build these hangars, we promised to notify the tenants when the new fiscal year started of any increases, and this is the level of the increase that we are intending to execute and notify the tenants.

Chair Joslin stated that this probably does not reflect any of the 10 potential land leases with the 10 hangars, so we are going to have an enormous amount of revenue off the land lease and asked where that is coming into play to balance this. President Kreulen affirmed Chair Joslin's statement and then stated that when we developed the model, we divided JWN into thirds: the southern third are these hangars we are discussing now; the middle third is the FBO which we will discuss later; and the northern third is still in development and it will probably be a couple of years until it is completed and receiving rent. We will have to then go back and evaluate internally and come back to Commissioners. We are basically trying to break even. There may be savings and we can choose to either take those increased revenues and invest on the Westside or do something on the Southside. We are running a better business and we will have some flexibility moving forward. Commissioner Stevenson asked if the tenants were aware of the possible increase. President Kreulen replied, yes, tenants are aware we are using CPI. The previous hangar storage agreements were for 30 days and that was not a good business model for MNAA. In 2021 we went to 12-month agreement with tenants. We started each new fiscal year reevaluating to ensure that we are breaking even. We have a chance to look at this once when we get into these other hangars how we want to distribute the revenue and expenses.

Commissioner Granbery asked how the fuel flow percentage comes into play. President Kreulen stated it all comes off of these calculations, one of the ways we lowered from 13.5% to 9.5% is crediting the approximately \$180K received in fuel flowage fees from those hangar tenants. Commissioner Granbery stated it is important to let the tenants know this. President Kreulen agreed, stating we still have 45 days to draft the letter. Commissioner Byrd asked if the inflation increase is built in when the annual leases automatically renew. President Kreulen stated yes, we run this calculation each January through March and then we send the letter from 90 days to choose if they want to renew. If they do not renew, we have many other tenants on the waiting list. Commissioner Byrd asked if they all renew on the same date. President Kreulen stated yes, July 1 starts the new 12-month term.

4. Executive Session - Litigation

Chair Joslin made a motion to suspend the public portion of this meeting to enter into executive session to discuss Authority litigation. Vice Chair Sullivan seconded the motion. The executive session started at 9:34 AM.

Chair Joslin made a motion to exit the executive session and return to the public portion of the meeting. Vice Chair Sullivan seconded the motion. The executive session ended at 10:37 AM.

VI. ADJOURN

There being no further business brought before the Operations Committee, Chair Joslin adjourned the meeting at 10:37 A.M.



Andrew W. Byrd, Board Secretary