

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



Date: January 10, 2024

Location: Metropolitan Nashville Airport Authority  
Tennessee Boardroom

Time: 9:00 a.m.

Committee Members Present:

Bobby Joslin, Committee Chair; Nancy Sullivan, Committee Vice Chair

Committee Members Absent:

Glenda Glover

Other Board Members Present:

Joycelyn Stevenson, Jimmy Granbery, Bill Freeman

MNAA Staff & Guests Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford, Trish Saxman, Marge Basrai, Brown, Chris Davidson, Kristen Deuben, Traci Holton, Ijeoma Ike, Carrie Logan, Rachel Moore, Ted Morrissey, Josh Powell, Stacey Nickens, Robert Ramsey, Davita Taylor and Steve Martin (Paslay)

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## 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 January 5, 2024.

## II. PUBLIC COMMENTS

Chair Joslin stated there were no public comment requests received.

## III. APPROVAL OF MINUTES

Chair Joslin asked for a motion to approve the minutes from the December 13, 2023 Operations Committee meeting. Vice Chair Sullivan made a motion and Chair Joslin seconded the motion. Chair Joslin asked Ms. Saxman for a roll call:

Chair Joslin – Yes

Vice Chair Sullivan – Yes

The motion was passed with a vote of 2 to 0.

IV. CHAIR'S REPORT

Chair Joslin did not have a Chair's Report.

V. ITEMS FOR APPROVAL

1. Donelson Pike Early Completion Incentive

President Kreulen introduced Robert Ramsey, EVP, Chief Operating Officer, to brief the Committee on the Donelson Pike Early Completion Incentive. Mr. Ramsey stated this Incentive Agreement with Tennessee Department of Transportation ("TDOT") is for Superior Construction ("Superior) to complete the relocation of Donelson Pike at least 365 days sooner than the current contract completion date of May 31, 2026, and to allow Superior Construction to borrow 200,000 cubic yards ("CY") NTE of fill material. Mr. Ramsey presented a diagram showing the existing Donelson Pike and showing where it will be moved and also showing the new Terminal Area Roadway Improvements ("TARI") that will help ease congestion in and around BNA as the airport continues to grow. Mr. Ramsey reiterated that the contractual schedule for the completion of Donelson Pike is May 31, 2026. The modified completion date is July 25, 2025 as shown in Superior's current construction schedule. MNAA would like at a minimum to move the completion date up to July 31, 2025. Under this proposed incentive, if the project is not completed by August 1, 2025, there will be penalties or disincentives at \$33K per day. President Kreulen has challenged TDOT to a completion date of May 31, 2025 versus July 31, 2025, shaving 365 days off from the schedule. If TDOT is able to complete the project by November 30, 2024, MNAA is willing to participate in a \$33K day incentive, up to \$6M, to expedite the project completion by up to 182 days. Through these negotiations, Superior has also requested to borrow 200K CY of fill material that they would later return. This will allow them to speed up construction because they have concerns about being able to get material in order to complete in the time frame requested. Negotiations are still ongoing between TDOT and Superior.

Mr. Ramsey requested the Operations Committee recommend to the Board of Commissioners that it authorize the Chair and President and CEO to execute an early completion incentive agreement with TDOT and Superior Construction for \$6,006,000 NTE, and to allow Superior to borrow 200,000 CY of fill.

Vice Chair Sullivan asked if there are penalties now in the existing contract. Ms. Traci Holton, VP, Chief Engineer, replied yes, Superior's contract with TDOT has penalties of \$4K per day beginning on June 1, 2026 if substantial completion is not met on May 31, 2026 .

Chair Joslin asked if they are on schedule now, to which Ms. Holton replied yes. President Kreulen stated they are on schedule and there are limited penalties. President Kreulen explained that they could slow down if they wished because the completion date per their contract is May 31, 2026. The negotiation between TDOT and Superior is to adjust this contract and remove the 365 days which MNAA believes will be easy for them to do and does not cost MNAA or Superior more money. MNAA does not want to incentivize Superior unless they can do better than a year. President Kreulen said that based on negotiations to date, TDOT thinks Superior can shave off 365 days and the \$6M incentivizes early completion. It is beneficial to the airport to have Commissioner Eley involved to shorten the construction schedule. Superior has communicated with TDOT, and they do have the capability to bring on extra teams and resources. Finance is comfortable with the cost and funds, and this will benefit the airport. Chair Joslin stated the one complaint he receives repeatedly , is about getting in and out of BNA. Whatever it takes, it is well worth it to put this airport in a better place -this is no brainer, he said.

Chair Joslin asked if there is a benefit to splitting the contract and giving some of the work to another contractor. Mr. Ramsey replied it is sequenced work to complete the phases, and we have pulled our pieces that we can do in parallel with them. He stated that he is not sure it will flow if MNAA introduces new contractors. Vice Chair Sullivan asked if MNAA has used Superior before, to which Mr. Ramsey stated yes, MNAA used Superior in TARI Phase 1 with discrete widening, and they also worked on the Apron. President Kreulen replied that future projects have been parceled out so that there will be more competition. Ms. Holton stated Jones Brothers is doing TARI Phase 2. President Kreulen stated when this date is locked in, MNAA will know how to advance Phase 3 and solicit another contractor. Chair Joslin asked when Superior will know make a commitment. Mr. Ramsey replied he has been told by the 2<sup>nd</sup> week of January. Vice Chair Sullivan stated she believes the costs are reasonable. Mr. Ramsey stated for comparison, looking at the current value of TARI Phase 2 and Phase 3, if MNAA uses a 3.5% construction escalation per year, that is \$5.8M and if it is 5% construction escalation per year, it would be approximately \$8M.

President Kreulen stated that he has had conversations with Jay Morris, TDOT Director, who indicated that they also want to get this done. TDOT would like to do a news conference once the deal is complete to celebrate the partnership.

Commissioner Granbery asked what the 305 days at no cost is based on, and why they have that extra 305 days. Mr. Ramsey stated that is more of a fallback position, MNAA is pushing for that bottom line to get to that 547 days, and that is an incremental build as MNAA works with TDOT. If TDOT wants to get an incentive, they will need to get between 365 and 547 days. Working with TDOT engineers evaluating the schedules, somewhere between the 365 and 547 days is an achievable target. It will take effort and work to get there, but there is an incentive to earn. Commissioner Granbery asked if MNAA has the 200K cubic yard of fill available. Mr. Ramsey responded yes sir. Vice Chair Sullivan asked if they are going to add anything else to the contract that is not included in the slides, specifically if they will keep the roads closed more. Mr. Ramsey replied he is not aware of any discussions along those lines at this time. President Kreulen replied we are pushing it, and it will require extra shifts. There are roads that are already closed to the public that connect over on the temporary crossover, so they can work all day and all night. Chair Joslin stated it is great news and a good way to start off 2024.

Chair Joslin made a motion to approve as presented. Vice Chair Sullivan seconded the motion. Chair Joslin asked Ms. Saxman for a roll call:

Chair Joslin – Yes

Vice Chair Sullivan – Yes

The motion was passed with a vote of 2 to 0.

## VI. INFORMATION ITEMS

### 1. Terminal II Siting Study Update 1 of 4

President Kreulen introduced Steve Martin, Executive Advisor with the Paslay Group, to update the Commissioners on the Terminal II Siting Study. Mr. Martin has 14 plus years of airport experience and has recently served in executive roles at JFK and LaGuardia. He was also the Chief Development Officer at Los Angeles World Airports overseeing \$8M in capital improvements

there and has been involved in the finance side of the house for ACI of North America. MNAA has brought Mr. Martin in to lead the Terminal II Siting Study.

Mr. Martin stated this is the Terminal II Siting Study but imbedded within it is the relocation of the Consolidated Rental Car Center (“CONRAC”) from its existing site, likely to a remote site. The CONRAC relocation is a subpart of the study because at some level the Terminal II site alternatives compete with where we might put the CONRAC, and we have to make sure we do not have an overlap. That is why they are in the same study window. Mr. Martin stated there are two study objectives: 1) identify both a primary and back-up site for Terminal II, and 2) identify a single CONRAC replacement site.

Siting a second terminal has a lot of potential risks. Paslay will try to reveal those risks, some of which will come out with environmental work, which is an exposure we will have to take. Having a back-up site for the terminal is a good strategy. With the CONRAC site, Paslay is much more confident that almost any of the 4 sites that are under consideration will be able to be sized to take the entire CONRAC relocation for its ultimate build. There are less constraints on that side. The issues that will arise from that, in terms of determining which is the best site, are also related to transportation. MNAA does not have a size siting challenge with the CONRAC. Paslay is certain that 1 of 4 candidate sites can fit the CONRAC.

Mr. Martin provided a list of pass/fail screening criteria and noted this is not the scoring criteria for the siting. If a site fails in any of the pass/fail screening, the site would likely be eliminated. Criteria of the most focus are the ones relating to the timelines. The growth of the airport affects the timeline and need for when this will get done. Mr. Martin stated the sites will be very different in terms of when you can deliver the product that you need at the size you need. Timing is one that Paslay will focus on—if you cannot get the project done when you need the project, it fails the first screening test Paslay has.

Mr. Martin stated the study has a 3 Phase approach with regular Board updates. Mr. Martin stated Paslay expects to be back fairly quickly with the two short-listed Terminal II sites by March 20, 2024. The schedule for the CONRAC is April 17, 2024 but Mr. Martin stated he believes it may be quicker than that, and Paslay will report back if that happens. The issues with the CONRAC sites

are less complicated than the terminal sites. Completely replacing and relocating the CONRAC is a different strategic question from a development point of view than starting a second terminal that will be expanded. There is a little bit of a strategic difference in how this plays out, he said. Mr. Martin provided the Commissioners 10 proposed evaluation criteria listing items that will be weighted in terms of importance. Paslay will build a spreadsheet model showing the weighting and how changes to the weighting impacts the results. Mr. Martin stated that Paslay will have a little bit of distillation between the evaluation criteria of the terminal versus the CONRAC because they are somewhat different in how they get evaluated. Paslay will provide the spreadsheet along with emerging sites.

President Kreulen thanked Mr. Martin and stated the Board approved this contract last month and this is what MNAA will proceed on over the next 12 months. Staff will be coming back to the Commissioners with the charts to show where the 5 sites are located and where they might be narrowed down so the Commissioners will have a situational awareness. Everything MNAA has built was designed to this point to handle the growth from 24M passengers and at the end of June 30, 2024, 35M passengers. That 35M passengers looks like it will happen earlier than 2035, possibly as early as 2033. It takes 10 years to get through the design, the location, the environmental and the construction to open the new terminal. That is why the schedule/timeline was moved forward to start in late 2023 to be ready in 2033. The CONRAC today, when you see the loop that Mr. Ramsey showed earlier, all that real estate is precious to MNAA. In the center of that loop may be future parking or future transit. We have to figure out what we want to build in the center. MNAA hopes to get 2 checkmarks out of this, Terminal II and CONRAC sites. The 10-year problem got moved up 10 years.

Commissioner Stevenson asked what happens after this is presented for approval at the March Board meeting for approval, and if the Board will see the same things as the Board saw in November. President Kreulen replied this is the same timeline that MNAA has we have for the contractor to help us ballpark things over the next quarter, and as MNAA comes up with a scoring criterion that will show a primary site, and nothing starts instantaneously at the end of this. It just starts a 9- year process starting with the environmental study and/or work with TDOT on roads. President Kreulen stated he believes staff will come to the Commissioners every month or two with information regarding the status and at the end of this contract, MNAA should have the

primary site and the back-up site for Terminal II and also the CONRAC site. In the end the Board will give staff permission to proceed with the next level of planning. Since the contract was just executed, we wanted to give the Board this introductory report.

Commissioner Granbery asked if any consideration has been given to potential sites relative to what we are building this facility for, where Terminal II might go, and where FAA falls into this. Mr. Martin replied environmental is a risk that Paslay will have to manage. FAA does not like overlapping multiple environmental assessments at the federal level, and getting the runway extension question cleared out before MNAA brings the next strategy will reduce the risk of things piling up. FAA also does not like doing overlapping analyses because there are different assumptions and different studies. Mr. Martin stated he believes Paslay can manage that and does not believe it will cause a problem. Relative to the first question, the existing roadway and the expanded loop is definitely in the center of all that is in consideration, and it is probably more of a factor for the terminal siting than the CONRAC siting. The CONRAC will fit in multiple places, and Paslay will have to evaluate the transportation to and from each of the terminals to determine what is the ultimate result. Mr. Martin stated it is not going to be as good for the CONRAC as it is now where people can walk to it. He noted that this does not happen at any other airport with a large facility. Regardless of where the CONRAC is sited, ground transportation and how it affects the roadways, will be considered. These are all aspects that will be considered in the study.

Commissioner Granbery asked if the FAA is involved with this process. President Kreulen replied that this is such a big study, and yes, the FAA will be involved. Because of the impact this project will have on the population, the FAA will want to know. Mr. Martin replied particularly on the terminal site, they are concerned about air quality because aircraft movements affect air quality. One of the things that will be considered for the terminal site is how is the FAA going to look at the air quality improvement or degradation. The second terminal could actually improve the air quality. President Kreulen stated when he met with NDOT and TDOT, separately, he made them aware they need to participate with MNAA because we are showing a challenge and they need to start thinking about going from 35M passengers to 70M passengers, which is a huge difference. This study will show that if MNAA puts the terminal in a certain location, they will need to bring

those people in and out of the facility. Mr. Martin added that we do not want to have to conduct a Terminal III study 15 years from now because Terminal II was not big enough for the growth.

Chair Joslin asked if there is a minimum size as far as the footprint of the second terminal. Mr. Martin replied there is not an absolute minimum, and he believes the probabilistic outcome is in the 20 to 30 gate range. There is sort of a critical mass of operations that if you get below 20 gates, the cost per gate gets so extraordinary because of all the infrastructure you have to build just to support that, it almost becomes uneconomical. He stated that something around the 30-gate range will have to be expandable considering the ultimate airfield capacity that the airport is likely to have. President Kreulen stated and that is the biggest challenge, using the 30-gate estimate. MNAA has a 6-year plan to arrive in 2028 at 70 gates, so this next terminal at its infancy when it opens can be 20 or 100 gates, but the direction to Paslay is to not build it too small. The airport needs to have the ability to get to that ultimate 70M passengers. Mr. Martin stated there are a lot of comparisons out there with other airports with similar runway capacity. If you take ATL or someplace like that, more than half the gates are dedicated to connecting traffic and not to serving the local origins of destination traffic. Paslay will get some good comparables as a basis to say whether this makes any sense in the context of what is going on at other airports.

Commissioner Granbery asked where BNA is now after all the pandemic, as far as originating here. President Kreulen replied that Ms. Lankford projects by June 30, 2023, BNA will have added another 2M passengers to go from 21.9M passengers to 24M passengers. Commissioner Granbery asked if that was originating, but not transfer. President Kreulen replied that the transfer traffic is 13-15%, 85% of the traffic originating and destination, with 41% destination and 44% origination. Chair Joslin asked when we will attempt to start building the CONRAC facility. Mr. Martin replied first MNAA will need to get through the financing of it, as the CONRAC is uniquely financed by the Customer Facility Charge ("CFC") and the capacity to finance what MNAA needs is going to be one of the critical path items that will have to be reviewed. Mr. Martin stated that he was reasonably confident that Paslay is going to be able to afford what MNAA plans to build, but they have homework to do. Mr. Martin stated rental car companies already have operational problems with the existing facility in that they cannot deliver as many cars as they need in the time needed. No matter what is done, there is grading and site preparation lead times. Even if MNAA wants to wait and build 7 years from now for whatever reason, getting the



sites prepped is a lot of work and takes a lot of lead time. MNAA may have to make 2 decisions: 1) do we want to commit to a site and get the civil works done to get it ready, and 2) when do we actually start building the facility. Given how the terrain around here works, a decision on the first item is needed quickly. You can separate the decision by prepping a site from building to building in a way that fits the financial plan.

Chair Joslin recalled building the existing CONRAC, a \$6-\$8M facility, and that it took a year to figure out how to pay for it, and that CONRAC started bringing in revenue too with parking. President Kreulen replied that the CONRAC is at its useful life now and at its max capacity, so the answer is to build as soon as a location and finances are figured out, so it will pay for itself with the CFCs. MNAA has looked at whether the facility could be converted to parking, but it is too small. MNAA can build another 6+ story garage, but the new CONRAC needs to be there. Part of the parking study is designed to tell MNAA where to build a new garage and we are trying to sequence those next moves. Mr. Martin stated that since BNA's CONRAC was financed and constructed, the rental car financing market has really matured and stabilized. Many rental car facilities have been built at so many airports that there is much more of an easier finance market to have bond holders and others understand how the whole system works. Mr. Martin stated he does not think it will take as long as the current CONRAC did, and MNAA is breaking new ground in terms of the financing. It is a different world today and it is a much higher ready market for it.

Commissioner Granbery asked what the trend is on rental cars, and if it is a growing market or flat market, or is it potentially declining with mass transit, Uber and Lyft. Mr. Martin stated he thinks the evidence is the rental car companies have survived the Uber and Lyft effect and have now restabilized and in fact the rental car companies now rent cars to Uber and Lyft drivers who rent a car for a week as an Uber driver. Rental car companies have lost a little bit on a single day rental at the short end of the duration, but they have not lost much on the multi-day rentals. There has been a lot of consolidation in the industry as well, so the companies are much more stable, and it is a pretty mature market at this point. Recently there have been a number of CONRAC financings.

Mr. Bedrock, MNAA General Counsel, concurred with Mr. Martin's statements regarding the rental car industry and stated it is a mature model and has now reached a status stay visa vie Uber, Lyft and Turo. Mr. Martin stated there is still some Turo litigation out there in a couple of

places. Commissioner Granbery stated he would have never dreamed of renting a car and becoming an Uber driver for a week, which is a creative way of developing business.

President Kreulen thanked Mr. Martin and informed the Commissioners that they will be seeing him again.

2. BNA Development Update (including TDOT/Roadways Update)

President Kreulen stated MNAA is looking to lock down the Hilton BNA opening day. MNAA believes it is now February 20, 2023 as they are taking reservations for mid-March on their website. MNAA executed an agreement with CHMWarmick, a hotel management consultant, that will monitor the hotel's performance data and assure they are operating within the terms of their lease with MNAA.

President Kreulen stated staff has analyzed employee parking, which is at -\$4.97M, and there has not been a rate increase since 2018. MNAA notified the businesses last Friday, who will notify their employees, that the rates are going up slightly. MNAA believes a 3-year cost recovery model will ensure expenses equal revenue and staff will provide more details as they come.

President Kreulen stated as part of the New Horizon project, we are building a new Concourse D. The Air Freight demolition is taking place now. He presented a video of the demolition of the Air Freight Building. All the airlines that were in that facility are now in the Multi-Purpose Building, the facility behind it. The demolition of the Air Freight Building allows the contractors to get in and start putting the foundations for the Concourse D extension. It is amazing how fast over the holidays how that building came down, he said. Commissioner Granbery stated it took 6 years to build and 30 days to take it down.

Commissioner Granbery asked for an update on Genesco. President Kreulen replied he will provide an update at the Board meeting. The internal demolition is happening right now and structurally it starts to come down on February 6, 2024.

3. JWN Development Update

President Kreulen stated every corner of JWN is busy right now. There are 2 large parcels on the North side that have started construction, and the Ramp Expansion around R3 is nearing completion in March. CFM has hanger number 2 up. MNAA is doing pricing now on the midfield options for the next development and the Board will see it in the very near future.

President Kreulen concluded the presentation of the informational items.

VII. ADJOURN

There being no further business brought before the Operations Committee, Chair Joslin adjourned the meeting at 9:40 a.m.



Andrew W. Byrd, Board Secretary