

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

Minutes of the Board of Commissioners

Date: February 20, 2019

Place: Henrietta Grant Board Room
McGhee Tyson Airport

The Board of Commissioners of the Metropolitan Knoxville Airport Authority met pursuant to notice at 4:00 p.m. on Wednesday, February 20, in the Henrietta Grant Board Room at McGhee Tyson Airport with the Board Chairman, Eddie Mannis, presiding.

Roll call developed that Board members present, in addition to Chairman Mannis, were Ursula Bailey, Julia Bentley, Charles Harr, Maribel Koella, Brian Simmons, Jeff Smith, and Howard Vogel. Also present were Patrick Wilson, President of the Airport Authority, and members of his staff; Mark Mamantov, legal counsel; and other visitors.

BUSINESS AGENDA

I. Announcements. Chairman Mannis reminded those in attendance that a sign-up sheet was available for members of the audience who would like to address the Board of Commissioners. The time for presentation would be limited to three minutes and then only if time permits.

Chairman Mannis announced that the Airport Authority is encouraging East Tennessee travelers to register for the Transportation Security Administration's "PreCheck Program" by hosting an enrollment event from March 25 to April 5. Enrollment in the Program will minimize time passengers spend in a checkpoint line and will be helpful as the Airport continues to add additional, popular flight destinations.

II. Minutes. The Chairman noted that the minutes of the regular meeting of December 19, 2018, had been distributed with the agenda materials. Upon motion duly seconded, the minutes were approved as presented by unanimous voice vote.

III. Consent Calendar. The Chairman noted that the Consent Calendar for February 20, 2019, had been included with the agenda materials, and he requested that Mr. Wilson review it with the Board. Following the review of the Consent Calendar, the Chairman inquired whether any Commissioner wished to move an item to the regular agenda. There being no such request, upon motion duly seconded, the Consent Calendar was approved by unanimous voice vote, and a copy will be filed with these minutes.

IV. President's Report and Financial Review. President Patrick Wilson advised the Board that his written report was included with the agenda materials, that the financial report was also included with the agenda materials, and that both reports would be on file in the administrative offices of the Airport Authority. Mr. Wilson then reported that the Airport served a record 2,221,137 passengers in 2018, an increase of 11.7% from 2017, and the Airport also set a record combined load factor of 80.3% for 2018. Further, the highlights of 2018 include the transportation of a record 82.9 million pounds of air cargo and mail, the successful recruitment and opening of an Allegiant Air base operation at the Airport, and the launch of two nonstop flights from American Airlines – one to Miami and one to New York-LaGuardia. In order to celebrate this achievement and to show appreciation, on February 22, 2019, the Airport Authority will set up stations at the gate areas giving away Airport promotional items and will be hosting a luncheon for the Airport Authority tenants.

Then, Mr. Wilson shared that he gave a presentation to the Tennessee Senate's Transportation and Safety Committee sharing updates and concerns for all Tennessee air carrier airports, as part of his role as President for the Tennessee Association of Air Carrier Airports. Mr. Wilson explained that 2018 was a record-setting year also for the airports located in Nashville, Memphis, and Chattanooga.

Mr. Wilson then asked representatives of the Tennessee Department of Transportation (TDOT) to provide an update on the rerouting of Alcoa Highway. Mr. Jason Sholtz, the Operations District Supervisor for TDOT, provided the Board with a project update, noting the erection of construction signs and the commencement of clearing and grubbing operations. Mr. Sholtz also discussed some of the project commitments involved, such as the construction of an additional 0.6-mile-long linkage for the Alcoa-Maryville greenway system and a noise-wall installation along Hunt Road. Finally, Mr. Sholtz discussed TDOT's channels for communication throughout the construction period to keep the Airport Authority and the traveling public informed.

V. Committee Reports.

A. Report of the Audit Committee. Commissioner Bentley, Chair of Audit Committee, advised the Board that the Committee had met prior to the Board meeting to select the Airport Authority's auditors. Ms. Bentley reported that the Authority issued a request for proposals for auditing services in 2014, and after interviews, Coulter & Justus, P.C. was selected. She reported that the firm had done an excellent job on behalf of the Authority, and the Authority has received the Certificate of Achievement for Excellence in Financial Reporting every year. During the current staff transitions and the runway project, Ms. Bentley explained the importance of continuity with the external auditors. Ms. Bentley then reported that Coulter & Justus, P.C. has proposed to be the Authority's auditor for the fiscal years ending June 30, 2019 and June 30, 2020, and that its proposed fees would be \$57,150.00 for the fiscal year end June 30, 2019 audit, and \$58,250.00 for the fiscal year ending June 30, 2020, representing a 2% increase for each year. Ms. Bentley then, on behalf of the Committee, moved for approval that Coulter & Justus, P.C. be awarded an additional two-year term as the Authority's auditors, which motion required no second. The motion was unanimously approved by a voice vote.

B. Report of the Marketing and Public Relations Committee. Commissioner Simmons, Chair of Marketing and Public Relations Committee, advised the Board that the Committee had met prior to the Board meeting to first discuss an amendment to the marketing air service budget for the fiscal year end June 30, 2019. Based on the amount of new services being added, the marketing air service incentive budget needs to be increased by \$250,000.00. Mr. Simmons then, on behalf of the Committee, moved for approval of the increase in the marketing air service budget for the current fiscal year, which motion required no second. The motion was unanimously approved by a voice vote.

The second order of business for the Marketing and Public Relations Committee was the approval of air service incentives consistent with the Authority's Enhanced Air Service Partnership Program for a new nonstop service to the Denver International Airport for Allegiant Air. Mr. Jim Evans, Vice President of Marketing and Air Service Development, explained that the service will launch two weekly nonstop flights starting May 22, 2019 through early fall, and this service will offer additional competition to the Denver market. The incentives include \$15,000.00 in initial marketing and advertising funds to support the Denver flights, plus \$1.00 per flown passenger in additional marketing dollars, and a waiver of all terminal rents and landing fees. These incentives will be offered for 12 months and will require Allegiant to operate the Denver flights for the full schedule between May to September. Mr. Evans explained that Allegiant's failure to operate the flights for the full schedule will result in a repayment of all incentives and payment of all fees waived. Mr. Evans recommended to the Committee that the incentive package supporting the Allegiant Air Denver flight be approved, subject to execution of a Memorandum of Understanding between the Airline and the Airport Authority, and subject to legal counsel's review of same. Upon motion duly

made and seconded, the Committee approved the incentive package supporting the Allegiant Air Denver flight by unanimous voice vote.

The third order of business for the Marketing and Public Relations Committee was the approval of air service incentives consistent with the Authority's Enhanced Air Service Partnership Program for a new nonstop service to the Pittsburgh International Airport for Allegiant Air. Mr. Evans explained that the service will launch two weekly nonstop flights starting May 17, 2019 through mid-August, and this service will be the only nonstop flight between the two airports. As Pittsburgh is a large origin city for visitors to the Great Smoky Mountains, this flight will attract more visitors to Tennessee. The incentives include \$30,000.00 in initial marketing and advertising funds to support the Pittsburgh flights, plus \$1.00 per flown passenger in additional marketing dollars, and a waiver of all terminal rents and landing fees. These incentives will be offered for 24 months and will require Allegiant to operate the Pittsburgh flights for the full schedule between May to mid-August. Mr. Evans explained that Allegiant's failure to operate the flights for the full schedule will result in a repayment of all incentives and payment of all fees waived. Mr. Evans recommended to the Committee that the incentive package supporting the Allegiant Air Pittsburgh flight be approved, subject to execution of a Memorandum of Understanding between the Airline and the Airport Authority, and subject to legal counsel's review of same. Upon motion duly made and seconded, the Committee approved the incentive package supporting the Allegiant Air Pittsburgh flight by unanimous voice vote.

The final order of business for the Marketing and Public Relations Committee was to discuss the selection of the digital advertising design and placement services provider for the Airport Authority. Mr. Evans explained that the staff needed assistance in the development and placement of digital advertisements. Therefore, a request for qualifications was issued in September 2018, and four responses were received. After formal presentations were given by three of the responding companies, the staff recommends that Midwest Communications be selected as the primary provider of digital advertising and placement services. Further, the staff recommends that Summit Media and Rick Laney Marketing both serve as secondary providers, subject to the execution of a formal Memorandum of Understanding between each provider and the Airport Authority, and subject to legal counsel's review of same. Upon motion duly made and seconded, the Committee approved the selection of Midwest Communications as the primary provider for digital advertising design and placement services and both Summit Media and Rick Laney Marketing as secondary providers by unanimous voice vote.

C. Report of the Finance, Personnel, and Insurance Committee. Commissioner Harr, Chair of the Finance, Personnel, and Insurance Committee, advised the Board that the Committee had met prior to the Board meeting to discuss an amendment to the capital budget for the current fiscal year ending June 30, 2019. Mr. Harr explained that the budget amendment reflects the additional expenditures incurred to meet building and fire codes for the airline base buildout. Commissioner Harr moved on behalf of the Committee that the increase in the capital budget for the current fiscal year be accepted by the Board, a motion which required no second. The motion was unanimously approved by voice vote.

D. Report of the General Aviation Committee. Commissioner Smith, Chair of General Aviation Committee, advised the Board that the Committee had met prior to the Board meeting to discuss a work authorization for the Airport Geographical Information System ("AGIS") needed for the Oak Ridge General Aviation Airport. Mr. Bryan White, Vice President of Engineering and Planning, explained to the Committee that an AGIS will be required by Federal Aviation Administration and will be the next step for the Oak Ridge General Aviation Airport. Mr. White explained that the staff recommends that CHA, Inc. be awarded this work authorization for the AGIS. The expected cost is \$48,000.00, and the expected time of completion is 9 to 12 months. Mr. Smith then, on behalf of the Committee, moved for approval of the work authorization with CHA, Inc. for the AGIS, which motion required no second. The motion was unanimously approved by a voice vote.

VI. New Business.

A. Consideration of Approval of Work Authorization No. 19-310 under the General Consultant Agreement with Gresham Smith for Environmental Compliance Assistance for McGhee Tyson Airport and Knoxville Downtown Island Airport. Mr. Wilson advised the Board that the proposed agenda item would allow Gresham Smith to provide quarterly inspections of the exterior and adjacent interior areas of all facilities on the McGhee Tyson Airport and Knoxville Downtown Island Airport property. Additionally, Mr. Wilson explained the fourth quarter inspection will include the Annual Comprehensive Site Compliance Evaluation that is required as part of the preparation of the Stormwater Pollution Prevention Plan, and Gresham Smith will provide the required annual environmental training required by the State of Tennessee. The total cost of this work authorization is \$30,850.00. It was moved by Mr. Harr, seconded by Mr. Simmons, that Work Authorization No. 19-310 with Gresham Smith for environmental compliance assistance be approved. Following discussion, the motion was unanimously approved by a voice vote.

The Chairman announced that the business agenda had been completed and that there were no requests by individuals wishing to address the Board. Thereupon, upon motion duly seconded and unanimously approved, the meeting was adjourned at 4:40 p.m.


Secretary

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