

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

Minutes of the Finance, Personnel, and Insurance Committee

The Finance, Personnel, and Insurance Committee of the Board of Commissioners of the Metropolitan Knoxville Airport Authority met electronically pursuant to notice at 4:00 p.m. on Wednesday, May 20, 2020. Commissioner Charles Harr, Chairman of the Committee, presided and other members present were Julia Bentley, Joe Dawson, Jeff Smith, and Eddie Mannis, Board Chairman, as an ex officio member of the Committee. Also attending were Brian Simmons and Howard Vogel, members of the Board of Commissioners, Patrick Wilson, President of the Airport Authority, Nancy White, Vice President of Finance of the Airport Authority and other members of the Airport Authority's staff; Mark Mamantov, legal counsel, who acted as secretary at the request of the Chair. Members of the public were permitted to join the meeting by conference call pursuant to instructions posted on the Airport Authority's website.

The Chair first asked for a motion for the Committee to agree that this Finance, Personnel, and Insurance Committee meeting be held electronically as it is necessary to protect the health, safety and welfare of the citizens of Tennessee. Ms. Bentley made the motion, and Mr. Mannis seconded the motion. The motion was then approved by unanimous roll call vote of the members of the Committee.

The Chair noted that the minutes of the last meeting of the Finance, Personnel, and Insurance Committee held on April 22, 2020, had been distributed with the agenda materials, and upon a motion duly made and seconded, the minutes were approved by unanimous roll call vote.

The first order of business was consideration of the renewal of the Airport Authority's automobile liability insurance policy. Nancy White, Vice President of Finance, provided information to the Committee for the proposed renewal with Cincinnati Insurance Company for a premium of \$32,419.00. The proposed renewal premium would reflect an approximately 6.5% rate increase with the addition of newer vehicles and an additional rider for traversable rental equipment. Ms. White explained that this policy is required because our airport liability insurance policy does not cover the first \$1,000,000.00 of an automobile accident claim. Upon a motion duly made and seconded, the Committee approved the renewal of the automobile liability insurance policy as presented by unanimous roll call vote.

The second order of business was a report from staff regarding the Airport Authority's intended allocation of the Coronavirus Aid, Relief, and Economic Security Act Grant funding. Mr. Wilson reported to the Committee that the expected grant for the McGhee Tyson Airport was \$25,830,652.00, and the expected grant for the Knoxville Downtown Island Airport was \$69,000.00. Mr. Wilson explained that the grants are conditioned on the Airport Authority retaining 90% of its employees as of March 27, 2020 through December 31, 2020. Mr. Wilson and Ms. White explained that the expected use of the funding includes debt service payments, employee salary and benefits, and parking expenditures. This report was informational only.

The third order of business was a report from staff regarding the budget forecast for the fiscal year ending June 30, 2020. Ms. White explained that the estimated revenue decrease is approximately 12% of budgeted revenues as a result of the COVID-19 pandemic. Additionally, to combat the decreased revenues, reduction measures have resulted in a 7% decrease in operating expenses and a 74% decrease in capital expenses. Finally, the enplanement estimates reflect a decrease of 18% from the original budget for the fiscal year ending June 30, 2020. This report was informational only.

The fourth order of business was the review of the budget for the fiscal year ending on June 30, 2021. Ms. White presented an overview of the budget items to the Board. Ms. White explained that revenues are

projected to be \$23,596,218.00, and operating expenses and debt service are projected to be \$23,336,748.00, representing a 36% decrease in revenues and a 26% decrease in expenses as compared to the budget for the fiscal year ending on June 30, 2020. Further, the projected debt service coverage ratio for the fiscal year is 2.405, which is above the 1.20 ratio required by the Airport Authority's bond covenants. The cost per enplanement is projected to be at \$10.81, an increase of 28% compared to the budget for the fiscal year ending on June 30, 2020.

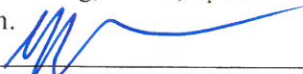
Ms. White then reviewed the proposed capital budgets for the upcoming fiscal year. She explained that \$23,494,771.00 is proposed to be spent on capital projects at the McGhee Tyson Airport, using \$1,831,722.00 of Airport Authority funds, and the remainder coming from state and federal grants. Finally, Ms. White explained that the budget proposes a surplus from operations of \$44,081.00, and an additional \$1,909,641.00 will need to be taken out of cash reserves to fund all of the proposed capital projects. Upon a motion duly made and seconded, the Committee recommended to the Board that the budget for the fiscal year ending on June 30, 2021 be accepted by unanimous roll call vote; provided that the Capital Improvements Committee approves the related capital improvement program at its meeting on May 27, 2020, and that the Airport Authority's staff will revisit the budget mid-year, after more is known about the impact of the COVID-19 pandemic.

The fifth order of business was the authorization of the President, in consultation with the Board Chairman, to cause the redemption of bonds or other indebtedness of the Airport Authority up to additional \$100,000.00 before June 30, 2020. Ms. White explained that, at the April meeting, the Committee previously recommended an authorization up to \$6,000,000.00 to cause the redemption of bonds or other indebtedness of the Airport Authority before June 30, 2020. Ms. White explained to the Board that such approval would include the payment of all transaction costs incurred in connection with the redemption of the bonds or other indebtedness, the termination of all interest rate swap agreements, and the retention of an interest rate swap consultant. Upon a motion duly made and seconded, the Committee recommended to the Board that the President be authorized to redeem an additional \$100,000.00 of bonds or other indebtedness of the Airport Authority as presented by unanimous roll call vote.

The sixth order of business was the review of the personnel grades and salaries in connection with the budget for the fiscal year ending on June 30, 2021. Trevis Gardner, Vice President of Operations, explained that due to the COVID-19 pandemic, the Airport Authority proposes no increases or changes to the personnel grades or salaries at this time. Mr. Gardner recommended a mid-year review of the Airport Authority's financial position as it relates to personnel and staffing expenses. This report was informational only.

The final order of business was consideration of hiring a Human Resources Director. Mr. Wilson explained that the Airport Authority's staff has continued to grow and diversify while the regulatory compliance burden has continued to increase. At the same time, he explained that no changes have been made to the human resources staff. The proposed director would report directly to the President and would supervise the Human Resources Specialist. Mr. Wilson explained that a job description is pending and will be developed with assistance from the human resources consultant. Upon a motion duly made and seconded, the Committee recommended to the Board that a Human Resource Director position be added by unanimous roll call vote.

There being no further business to come before the meeting, it was, upon a motion duly made and seconded, and unanimously approved, adjourned at 5:10 p.m.



Acting Secretary