

✈ Metropolitan Nashville Airport Authority ✈

Minutes of the Joint Meeting of the MNAA and MPC Finance, Administration & Properties Committees

Date: January 9, 2019 **Place:** Nashville International Airport Board Room
Nashville, Tennessee

Time: 9:55 a.m.

Committee Members Present: Christy Smith, Chair; Bill Freeman, Vice Chair;
Bobby Joslin; Nancy Sullivan

Committee Members Absent: Mayor's Representative, Matt Wiltshire

Others Present: Doug Kreulen; Cindy Barnett

I. Call to Order

Chair Smith called the meeting of the MNAA and MPC Finance, Administration, and Properties (FAP) Committee to order at 9:55 a.m., pursuant to Public Notice dated January 4, 2019.

II. Approval of Minutes

Chair Smith called for a motion to approve the Minutes of the December 12, 2018, FAP Committee meeting. A motion was made by Commissioner Freeman and seconded by Commissioner Joslin. The motion carried by vote of 4 to 0.

III. Chair's Report

Chair Smith had no Chair's Report.

IV. Items for Approval

None

V. Information Items

A. Fraport Transition Plan Update

Margaret Martin, AVP, Business Development, provided an update on the Fraport Transition Plan. The preliminary concept development (merchandising) plan was received January 4, 2019. There were 255 food & beverage bids from 50 individual companies and 10 retail bids from 37 individual companies. 80% of food & beverage and 75% of retail companies represent that they are ACDBE certified or in

process of certification. Host, Hudson and Delaware North retain a presence.

Fraport began negotiations with selected bidders the week of January 7, 2019, including signed Letters of Intent (LOI), subleases and local and ACDBE participation levels. All current concession agreements will be assigned to Fraport effective February 1, 2019 to allow for a smooth transition of locations from March 2019 – December 2023.

Ms. Martin presented maps of proposed locations of the first-round concessionaire tenant locations in the terminal concourses. Commissioner Freeman asked how the locations were negotiated and Ms. Martin stated that Fraport determined the suggested placements, and MNAA monitored the process. Proposers could bid on one, multiple, or specific locations. President Kreulen advised that the next steps are to get signed LOI's and to agree to the proposed terms. Bidders/concepts not initially selected may still be selected depending on LOI and sublease negotiations. If a proposer does not sign an LOI, Fraport will go to the backup list of proposers to secure all 91 locations in the terminal.

Commissioner Granbery asked about the possibility of access for customers who are not flying. President Kreulen discussed Pittsburgh's program, and stated this would require TSA approval.

President Kreulen stated that invitations would go out for an unveiling event on February 1, 2019. Tom Jurkovich, VP Strategic Communications, requested all information to maintain confidential until the unveiling on February 1, 2019.

This item was presented for information purposes only with no action required.

B. 15-year Concessions Contract Negotiations Update

Ms. Martin reported that the initial Fraport proposal was received November 21, 2018, and included:

- 62.5% split of concession revenue exceeding MAG (current 60% split)
- Additional \$10.6 million in capital expenditures (current \$17.4 million)
- Permission to implement a \$0.25 fee on every concession transaction to cover costs

Staff rejected the initial Fraport proposal and requested a revised proposal including:

- Assumptions behind their financial proposal
- Completion of all capital investments by December 2023
- Honor a 7-year term for retail and 10-year term for food and beverage
- Loan program for businesses in need of financial support
- Additional information regarding the proposed \$0.25 fee
- Submission via signed letter and supported by an excel spreadsheet to allow for easier analysis

Ms. Martin advised that Fraport has provided an updated 15-year proposal. Staff are reviewing and will provide an update at the February 2019 Committee meeting. President Kreulen advised that Ricondo would vet the proposal. Commissioner Freeman stated it is in MNAA's best interest to negotiate a 15-year deal.

This item was presented for information purposes only with no action required.

C. Airline Lease Negotiation

Marge Basrai, CFO, provided an update on negotiations for the amendment to the Airline Use and Lease Agreement (AULA), and presented the timeline.

- December, 2018: Meeting held with Landrum & Brown to provide initial proposal
- December 20, 2018: Call with Airlines to gather comments on the initial proposal with the top two concerns being revenue sharing with our terminal concessions and the time involved to get through an amendment and what would happen is only the top three airlines signed and we didn't get all airlines to agree.
- January 7, 2019: Based on feedback from Airlines, Landrum & Brown made slight changes to the proposal.
- January 10, 2019: Meeting scheduled with Airlines, Landrum & Brown and MNAA to gather feedback on revised proposal and present the draft Airline Use and Lease Agreement (AULA) Amendment.
- February 2019: Finalize AULA Amendment
- March 2019: Submit to Board for approval

Ms. Basrai reported the airlines are looking at more of a tiered revenue approach with concession revenue sharing. She will meet with Chair Smith to review after the January 10th meeting.

Chair Smith stated the Bank of America Short Term Credit Facility closed on Monday, January 7, 2019 and thanked Ms. Basrai for all her hard work.

This item was presented for information purposes only with no action required.

VI. Adjourn

There being no further business brought before the FAP Committee, Chair Smith adjourned the meeting at 10:50 a.m.



Amanda C. Farnsworth, Board Secretary