

Minutes of the Joint Meeting of MNA and MPC
Finance/Administration/Properties Committees



Date: June 12, 2019 Place: Nashville International Airport Board Room
Nashville, Tennessee

Time: 9:30 a.m.

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

Committee Members Absent: Nancy Sullivan

Others Present: Jimmy Granbery; John Doerge; Trey Harwell, Board Vice Chair; Amanda Farnsworth, Board Secretary; Doug Kreulen; Cindy Barnett; Angela Edwards

I. Call to Order

Chair Smith called the meeting of the MNA and MPC Finance, Administration, and Properties (FAP) Committee to order at 9:48 a.m., pursuant to Public Notice dated June 7, 2019.

II. Approval of Minutes

Chair Smith called for a motion to approve the Minutes of the May 15, 2019, FAP Committee meeting. A motion was made by Commissioner Freeman and seconded by Commissioner Joslin. The motion carried by vote of 3 to 0.

III. Chair's Report

Chair Smith had no Chair's Report.

IV. Items for Approval

A. Amendment to FY20 BNA CIP Budget, MNA Resolution No. 2019-06

Ms. Kristen Deuben, AVP, Finance, briefed the Committee on this item. Staff requested that the FAP Committee recommend to the Board of Commissioners that it approve the Amended Capital Improvements Budget for BNA for fiscal year 2020 (FY20) (July 1, 2019, through June 30, 2020) and

authorize the Chair and President and CEO to execute MNAA Resolution No. 2019-06.

Staff provided the FAP Committee a staff analysis for the Amended FY20 BNA Capital Improvements Budget for BNA for fiscal year 2020 and a copy of MNAA Resolution No. 2019-06 prior to the meeting.

Ms. Deuben explained after the Board approved the FY20 Capital Improvements Budget for BNA in April 2019, staff met with the airlines to review the rates and charges on airfield CIP projects which require the airlines to give MNAA a Majority-in-Interest (MII) approval on any airfield CIP projects. There was one change as a result of that meeting, for the construction of Runway 2R/20L. The cost for this project was \$90M. The Airline funding of \$70M for this project was presented as \$3.75M from the MNAA Airline Investment Fund and \$66.25M from the Future Bonds/Credit Facility. Since the Airlines are responsible for paying both of these funding sources on this airfield project, they requested that MNAA move the \$3.75M to the Future Bonds/Credit Facility instead of being part of the current year contribution to the MNAA Airline Investment Fund. MNAA agreed to this change to the FY20 BNA CIP.

Another change on the approved FY20 BNA CIP was to the CONRAC Reallocation project at an estimated cost of \$1M funded from excess Customer Facility Charges (CFC's). Since the April 17, 2019 meeting when the budget was approved, the consultant working on the project indicated that the CONRAC Reallocation will actually cost \$2.5M. An additional \$1.5M needs to be added to this project using excess CFC's.

A motion was made by Commissioner Freeman and seconded by Commissioner Joslin to recommend approval of the Amended Capital Improvement Budget for BNA for fiscal year 2020 and authorize the Chair and President and CEO to execute MNAA Resolution No. 2019-06. The motion carried by vote of 3 to 0.

B. Amendment to FY20 BNA O&M Budget, MNAA Resolution No. 2019-07

Ms. Deuben briefed the Committee on this item. Staff requested that the FAP Committee recommend to the Board of Commissioners that it approve the Amended Operating Budget for BNA for fiscal year 2020 (FY20) (July 1, 2019, through June 30, 2020) and authorize the Chair and President and CEO to execute MNAA Resolution No. 2019-07.

Staff provided the FAP Committee a staff analysis for the Amended FY20 BNA Operating Budget for BNA for fiscal year 2020 and a copy of MNAA Resolution No. 2019-07 prior to the meeting.

Ms. Deuben reported the funding source changes and moving money out of the Airline Investment Fund as discussed previously had impacted the FY20 Operating Budget for BNA. The costs included in

the Airline Investment Fund are used in the calculation of rates and charges – specifically the landing fee rate. This change resulted in the following adjustments to BNA’s operating budget:

- Signatory Landing Fees decreased by \$3.4M
- Non-Signatory Landing Fees decreased by \$302K

The combined effect is a total reduction to the FY20 budgeted operating revenue of \$3.74 million.

Commissioner Joslin inquired as to Income before Depreciation and Grants. Ms. Deuben replied the calculation included net non-operating income as well.

A motion was made by Commissioner Joslin and seconded by Commissioner Freeman to recommend approval of the Amended Operating Budget for BNA for fiscal year 2020 and authorize the Chair and President and CEO to execute MNAA Resolution No. 2019-07. The motion carried by vote of 3 to 0.

V. Information Items

A. Fraport Transition Update

Ms. Margaret Martin, VP, Chief Development Officer, reported that since the last update, the Receiving and Distribution Center became fully operational on May 23, 2019. Bank of America was awarded the ATM contract after an RFP. Fraport is in charge of the RFPs they want to see in the airport and MNAA staff approves the sublease. At this time, Bank of America will have eleven ATMs in the terminal building. Fraport has also identified five vending companies. MNAA staff has received five subleases to review, representing eleven locations. None of the subleases have been executed yet. At this time, five subleases are with the tenants awaiting execution.

President Kreulen stated the airport and Fraport have agreed on these subleases, which have been given to all of the companies to execute. Five of those companies had come back with comments. MNAA and Fraport have agreed to the amended subleases for those companies and now Fraport and MNAA are awaiting execution of those amended subleases. When those five companies sign their subleases, that will include eleven locations.

Commissioner Joslin inquired as to who these five companies are. Ms. Martin replied one company represents Nashville Nails. The remaining are opening late 2020 or later in the program. Barista Parlor and Four Hundred Degrees subleases have been reviewed. Ms. Martin stated she would have to get back with the Committee and Board on the actual companies as she did not have a list readily available.

Commissioner Joslin asked if the bigger companies such as Delaware North and Hudson had submitted anything yet. Ms. Martin replied no. Commissioner Joslin then inquired as to why MNAA is just now setting up a construction task force. Ms. Martin stated since last month's update, there have been people on the ground working with Fraport to focus on the construction. Fraport has brought Brett Kelly back to assist with the transition. Matt Jennings, who is based out of BWI, has been re-assigned to focus efforts on getting MNAA through the transition from a construction perspective. A main focus area is keeping things moving in the permitting process.

Commissioner Joslin inquired as to when the last time Ben Zandi had been at the airport. President Kreulen stated Mr. Zandi is required to attend meetings at the airport every two weeks with him and Ms. Martin. In the last six weeks, there has been a significant increase in performance because Mr. Zandi now comes back with Brett Kelly for an executive level review.

Chair Smith asked if the leases just received back by MNAA were the first chronologically. Ms. Martin stated the locations opening in 2019 are Nashville Nails and two locations for Kijiji Coffee. All of the tenants now have the subleases, and are slated to open in 2019 all the way through 2023. It's a matter of how long it is taking the tenants to review the subleases and get back with Fraport. Ms. Martin stated an executed sublease is not required before the pre-construction timeline starts. A tenant can start on the pre-construction while negotiating the sublease.

Ms. Martin reported the revised development schedule was approved. Fraport submitted a revised Exhibit G based on the revised development schedule. MNAA staff is currently reviewing the revised Exhibit G. Once Exhibit G is in place, failure to comply with Exhibit G from a timing perspective and not opening locations on time, will result in enforcement of contract penalties against Fraport daily. Four vending options will open in October 2019. Twenty-two locations will be opening by April 2020.

President Kreulen stated Fraport is focused on getting things done. There should be forty locations open by the end of 2020.

Commissioner Freeman inquired as to a few tenants that have backed out and asked if those spots have been filled. President Kreulen stated all spots are full. Of those that backed out, every spot has letters of intent signed for those locations.

Chair Smith inquired as to revised Exhibit G and if it had been signed by Fraport. Ms. Martin stated Fraport has submitted the revised Exhibit G to MNAA staff and if approved, MNAA staff will sign and Fraport should sign by this Friday (June 14, 2019). Exhibit G is a realistic timeline and with maximum

amount of time for codes review, and things to go wrong and extra time for design review. Fraport is pushing hard to beat the timelines.

President Kreulen stated Fraport is doing things beyond MNAA's control such as paying these companies bonuses to get their designs finished so the designs can be taken to Metro codes. The bonuses are not being paid by the airport. Fraport is paying these bonuses on their own. Fraport needs to get the companies in and generating revenue.

Commissioner Freeman inquired as to the amount of time it is taking to get through Metro codes. President Kreulen reported the Mayor has indicated he is supporting the airport and the airport has a good relationship with Metro codes. Basically, Metro codes is waiting on the airport.

Commissioner Joslin inquired as to the locations opening in January 2020. Ms. Martin replied Tennessee Trading Post, AirEssentials Music City, (both retail), Greetings from Nashville (news and gift), Tennessee Tribune (retail), Time for a Shine (shoeshine), Graycliff Smoking Lounge, and Tennessee Brew Works. Commissioner Joslin asked when Acme or Goo Goo Clusters (those with a footprint) would be opening. Ms. Martin replied Christie Cookies is opening in March 2020, Southernaire Market is opening in February 2020, Bajo Sexto is opening in March 2020, and Bongo Java is opening in February 2020. Retail is a faster build-out. Commissioner Joslin asked if 8th and Roast would still be at the airport. Ms. Martin replied yes.

President Kreulen stated he talked with the owners of 8th and Roast at City Hall in passing, and they are strongly behind the airport. Acme and the other big restaurants are doing their due diligence because they are all located in the big center hallway and not opening until 2023.

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

B. BNA and JWN Land Development Update

Ms. Martin stated MNAA previously provided an update on aviation projects in the pipeline. Hangar 14 Development is still being discussed with Sky Harbour. Currently, staff is working with Sky Harbour to develop a timeline.

Embraer occupies a lot of buildings on the west side of the airfield. The leases are old and very complex and there are many. Staff is currently working on evaluating those leases. Embraer vacated Building 109, and will vacate Vultee by mid-June. MNAA needs that land back for aviation development. As

those leases terminate and MNAA gets the land back, staff will be evaluating best uses for those parcels.

Ms. Martin reported staff is working on two Notices of Availability (NOA) for General Aviation (GA) Development. One for BNA and one for John C. Tune, both to be released in July. One additional NOA for BNA Non-Aviation Development is planned to be released in July.

Ms. Martin discussed the NOA for GA Development at John C. Tune. The parcel is 4.75 acres. Staff, with the help of the strategic planning department, is evaluating an appropriate parcel size for hangar development, but has not made a determination yet. The entire parcel could be sold, or the parcel could be split. President Kreulen stated staff would keep the Committee and Board updated as this progresses.

Commissioner Joslin stated that acreage is prime real estate at John C. Tune. Commissioner Joslin stated the access road should be moved south and it would be possible to increase the 4.75 acres for development. President Kreulen stated staff would take a look at that.

Ms. Martin then updated the Committee on the NOA for GA Development at BNA. This parcel is 32 acres south of Murfreesboro Pike. In the NOA, the parcel will be available for hangar development and may be developed under all 32 acres or developed in minimum 5 acre parcels. Commissioner Freeman inquired as to who the target tenants would be for that parcel. Ms. Martin replied HCA has expressed interest as well as other corporations or private companies.

Ms. Martin went on to discuss the NOA for the non-aviation development of 75 acres south of Donelson Pike and North of Harding Place. This is set to be released in July 2019. MNAA would like to develop it as one development. Multiple parties are interested in this parcel. Once the interested parties respond, staff will evaluate the best use for the property and best value for the Authority. Commissioner Granbery inquired as to the zoning of the property. Ms. Martin stated it is zoned industrial but is under the airport overlay. Commissioner Freeman asked if it would have the requirement of one developer for the entire parcel. Ms. Martin replied yes. Commissioner Freeman asked why MNAA would only seek one developer. Ms. Martin reported the two parties that have approached the airport about this property wanted to develop the entire parcel and both parties were logistic and distribution centers. Commissioner Freeman stated it might be a better idea to divide the parcel into two or three smaller parcels to attract a wider audience. Ms. Martin stated staff would definitely look at that and will structure the NOA to be as flexible as possible.

Commissioner Granbery asked to go back to the John C. Tune power point slide and asked if there were any thoughts on packaging the 4.75 acres under one umbrella. Ms. Martin replied previous interest was to build one large hangar or maybe two hangars. No one has asked for a lot of land to develop.

Commissioner Joslin asked why the strip between the FBO and TDOT hangar that is approximately 8 to 10 acres wouldn't be considered for an NOA to see what kind of interest there would be. Ms. Martin stated MNAA does not have the manpower at this point.

President Kreulen stated MNAA is trying to build the staff in order to do more work at John C. Tune. He stated staff could stop work on the NOA for the 4.75 acres and include the parcel Commissioner Joslin was talking about and maybe the entire west side by the tower. President Kreulen stated it would take a long time to put all of this together and staff would need to figure out the cost and what the value would be to the airport. Commissioner Freeman stated he did not think the solicitation for the 4.75 acre parcel should be stopped but the other locations mentioned should be added to the solicitation while reaching out to the market. He stated there is excess land at John C. Tune and there is a demand for it.

Commissioner Granbery stated a developer might find the blended format attractive on the two parcels with an option of first right of refusal to develop the west side.

Commissioner Joslin stated he has been asked for several years why there were not more hangars. Commissioner Granbery stated people are going elsewhere because there are not enough hangars.

President Kreulen stated he and Ms. Martin could take a step back and look at packaging the two sites together.

Ms. Martin reported staff is developing a plan for property acquisition of remaining parcels in the path of the R/W 2L Extension. This was part of the Master Plan and there are nineteen parcels MNAA needs to acquire. President Kreulen stated acquisition of those parcels is part of the budget and MNAA would have to pay fair market value for these parcels.

Commissioner Granbery stated if someone developed the entire 75 acre parcel, that would be approximately 3M square feet. He inquired as to height restrictions on the property. Mr. Ramsey stated there are height restrictions but the elevation drops off so it wouldn't be a problem.

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

C. Economic Impact Study Final Report

Mr. Tom Jurkovich reported the Economic Impact Study had been completed. The goal is to capture and communicate the economic impact BNA and John C. Tune has on the community. The airport is an enormous generator of economic activity. The last study was done in 2012. The members of the Committee were presented with a handout showing a summary of the biggest impacts made by the two airports. An executive summary is in the process of being printed. The final report is approximately fifty pages.

Total jobs in 2018 were 67K+. The overall economic activity as of 2018 was \$7.1B. The total enplanements increased 63% from 2012 through 2018. State and local taxes as of 2018 were \$169M. The airport gets very little from the state, local and federal government relevant to what the airport generates and causes to be generated. This will be a talking point while pursuing grants and possibly changing the law. MNAA's economic impact has doubled in the last six years.

Mr. Jurkovich reported there is probably not a single asset that generates as much economic impact as this airport in the entire state. In 2018, BNA had 4.4M visitors that spent \$2.9B in middle Tennessee. This information will be more detailed in the executive summary, which will be provided to the Board at the next meeting on June 26, 2019.

The Communications Plan going forward will be to provide a press release of the executive summary and a short video prepared by DVL Seigenthaler to news media on June 27th. It will be posted and promoted on the airport's website and social media. It will be distributed by e-mail to network users, stakeholders and interested parties, including elected officials. The executive summary will also be included in the legislative report. Thereafter, the information will be included as part of public presentations conducted by the airport.

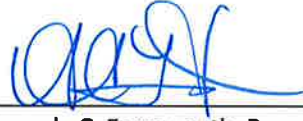
Commissioner Freeman asked what the personal income numbers meant. President Kreulen explained the numbers were direct, indirect and induced. Of the 67K+ aviation related support or activity jobs, those persons are taking home a combined personal income of \$2.85B.

Commissioner Doerge asked if the 67K+ included hotels and restaurants. Mr. Jurkovich replied yes, those two are major factors.

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 10:31 a.m.



Amanda C. Farnsworth, Board Secretary