

Minutes of the Joint Meeting of the
MNAA Board of Commissioners
and MPC Board of Directors



Date: April 15, 2020

Place: Nashville International Airport / Electronic Meeting

Time: 1:00 p.m.

Board Members Present:

A. Dexter Samuels, Chair; Trey Harwell, Vice Chair; Amanda Farnsworth, Secretary; John Doerge; Bill Freeman; Bobby Joslin; Nancy Sullivan; Jimmy Granbery; Christy Smith; and Kevin Crumbo

Board Members Absent:

None

Others Present:

Doug Kreulen, Cindy Barnett, and Angela Edwards

I. Call to Order

Chair Samuels called the MNAA Board of Commissioners and MPC Board of Directors meetings to order at 1:00 p.m., pursuant to the Public Notice dated April 10, 2020.

II. Roll Call and Open Meetings Act Announcement

Ms. Angela Edwards, Staff Secretary, read the Open Meetings Act Announcement as follows:

The Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors will be held in accordance with Executive Order No. 16 signed by Governor Bill Lee on March 20, 2020, allowing a governing body to hold meetings by electronic or other means of communication without a quorum being physically present if the governing body determines that meeting by electronic means is necessary to prevent the spread of COVID-19 or other related epidemics to protect the health, safety and welfare of the public and members of the governing body. All votes taken during this meeting will be by roll call vote.

Ms. Angela Edwards, Staff Secretary, called roll of the members of the MNAA Board of Commissioners and MPC Board of Directors. All members were present.

III. Approval of Minutes

Upon motion made by Vice Chair Harwell and seconded by Commissioner Doerge, the Board voted to approve the Minutes of the March 25, 2020 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. Ms. Edwards took a roll call vote and the motion carried by vote of 10 to 0.

IV. Chair's Report

Chair Samuels stated he thought the staff had done an excellent job of keeping the Board informed of the airport's affairs and thanked President Kreulen and his team.

Chair Samuels reminded the members of the MNAA Board of Commissioners that elections for the Board slate are coming up in May in accordance with the Bylaws.

V. President's Report

President Kreulen stated that the Cares Act (Federal Relief) was released yesterday including the amounts the airports will receive. The airport has not received any proceeds at this time. Staff will keep the Board updated as things progress.

President Kreulen stated the airport had been receiving letters of concern and their impact from airlines, concessionaries, and rental car companies. Those letters have been funneled to the Commercial Development Department and staff in that department are sending response letters.

MNAA has received from Bank of America an in-depth analysis of the aviation sector. Globally, aviation traffic is down 64%.

President Kreulen sent a President's Report to the Board of Commissioners prior to the meeting via e-mail. President Kreulen presented the report, including:

- Impacts to Daily Flights
 - Load factor is averaging 10% which means flights coming in and going out of Nashville have approximately 10% of their seats filled
 - Total daily operations were scheduled at 266 flights; most cancelled because there were not enough people on those flights
 - In May 2020, it is projected there will be approximately 2K passengers per day versus pre-COVID-19 projections at 61K per day

- FY20 Budget Baseline “2”
 - Pre COVID-19, BNA had 700K enplanements per month and for March there were only just below 400K enplanements
 - BNA anticipates 1K enplanements per day in April 2020, 2.5K in May and 5K in June
 - Projected MNAA recovery under the 3 enplanement scenarios utilizing outside consultant, Intervistas
 - March enplanements were down 49%; if April-June enplanements are as projected, FY20 operating revenue would be \$120M, approximately \$42M below budget for FY20
- FY21 Budget – Scenarios 1, 2, and 3
 - Projected operating income and cash balances under the 3 enplanement scenarios
- Reductions in Operational and Capital Expenses
 - FY20 & FY21 MNAA funded capital reductions - \$13.7M
 - FY20 & FY21 Airline funded capital reductions - \$12.4M
 - Approximate capital reductions - \$26M
 - Approximate operating reductions - \$26M
- Contractual Requirements
 - Rental Cars abatement of Minimum Annual Guarantee (MAG) due to decreased deplanement levels
 - Concessions contract amendment will be proposed due to decreased enplanements

After questions and discussions, President Kreulen moved on to the items for approval.

V. Items for Approval:

A. Approval of Atlantic Aviation Lease (Extension and Terms)

Mr. John Corbitt, AVP, Real Estate Development, briefed the Board on this item. Staff requested that the Board of Commissioners approve the Atlantic Aviation Lease (Terms & Extension). Staff provided the Board a staff analysis of the Atlantic Aviation Lease (Terms & Extension) prior to the meeting.

Mr. Corbitt stated Atlantic Aviation has requested a new long-term lease in exchange for their commitment to make significant capital investments in the property. The current premises is approximately 20 acres of land including 115,848 square feet of clear span hangars, a terminal building,

and a fuel farm located at BNA. The new premises will be 23.12 acres after addition of the TDOT Administration Building site.

Mr. Corbitt discussed the property layout, capital improvements to be made by Atlantic Aviation and key terms of the lease. The terms include:

- \$30M minimum initial investment within 48 months
- 40-year lease term with one 5-year option to renew
 - 115% escalation of base rent to commence on the 6th anniversary and adjusted every 5-year period thereafter through term
 - Every 10 years FMV reset based upon certified appraisal of all improvements vested with the Authority, to include improved and unimproved land
 - Addition of Property Condition Assessment (PCA) and Pavement Condition Index (PCI) every 5 years
 - Reset of improved and unimproved property designations

Mr. Corbitt also presented a map showing proposed demolition and proposed improvements.

Mr. Corbitt concluded his presentation with key benefits to BNA including:

- Increase in leasehold area by 3.14 acres by absorbing the TDOT Administration Parcel
- Increase BNA cash flows and further contribute to BNA sustainability
- Anticipated increase in fuel flowage fees as a result of increased aircraft operations
- Enhanced customer service and ability to meet the region's growing demand for private/corporate aircraft operations
- Secure Atlantic Aviation's long-term commitment to Middle Tennessee
- Total lease term value (45 year) = \$55 M

Committee Review:

Commissioner Farnsworth reported this item was presented to the Finance/Administration/Properties (FAP) Committee on April 8, 2020. The FAP Committee voted 5 to 0 to recommend approval to the Board of Commissioners.

Chair Samuels took Commissioner Farnsworth's statement as a motion and Commissioner Joslin seconded the motion to approve the Atlantic Aviation Lease (Terms & Extension). Ms. Edwards took a roll call vote and the motion carried by vote of 10 to 0.

B. Approval of Fraport 2nd Amendment (Application of Contract Penalties)

Ms. Margaret Martin, VP, Commercial Development Officer, briefed the Board on this item. Staff requested that the Board of Commissioners approve an amendment to the Lease and Concession Agreement (Agreement) between MNAA and Fraport Tennessee, Inc. for the terminal concessions program.

Staff provided the Board a staff analysis of the Fraport 2nd Amendment (Application of Contract Penalties) prior to the meeting.

The Fraport Lease and Concession Agreement currently requires payment of Contract Penalties for certain contract compliance issues. The Second Amendment to the Agreement is to provide Fraport and subtenants some flexibility in how Contract Penalties can be applied and utilized. The Amendment allows staff to apply the equivalent of any Contract Penalties owed to MNAA to the project(s) or efforts related to the Contract's fulfillment of its obligations under the Agreement.

Fraport currently owes MNAA approximately \$168K in penalties due to delayed openings of locations under the new program. Rather than writing MNAA a check for those penalties, the Amendment would allow Fraport to apply that money to projects. For example, Fraport could hire additional construction teams to move construction of the locations along more quickly. It is beneficial to both MNAA, Fraport, and subtenants.

Committee Review:

Commissioner Farnsworth reported this item was presented to the Finance/Administration/Properties (FAP) Committee on April 8, 2020. The FAP Committee voted 4 to 0 to recommend approval to the Board of Commissioners.

Chair Samuels took Commissioner Farnsworth's statement as a motion and Commissioner Crumbo seconded the motion to approve an amendment to the Lease and Concession Agreement between MNAA and Fraport Tennessee, Inc. for the terminal concessions program.

After questions and discussions, Ms. Edwards took a roll call vote and the motion carried by vote of 10 to 0.

C. Approval of Terminal Lobby/IAF CGMP 4 of 6 (Civil and Foundation)

Ms. Traci Holton, AVP, Chief Engineer, briefed the Board on this item. Staff requested that the Board of Commissioners authorize the Chair and President & CEO to execute the proposed Amendment 3 for Component Guaranteed Maximum Price 4 for civil and foundation scope activities related to the Terminal Lobby and International Arrivals Facility (IAF) for the Progressive Design-Build contract at the Nashville International Airport.

Staff provided the Board a staff analysis of Terminal Lobby and International Arrivals Facility (IAF) Design-Build CGMP 4 of 6 prior to the meeting.

Ms. Holton stated CGMP 4 consists of construction activities including building foundations, hydrant fueling, structural concrete, underground utilities, and passenger boarding bridges. The amount of CGMP 4 is not to exceed \$68.7M which brings the total committed project value to \$209.7M. Hensel Phelps remains committed to 8.5% MBE, 11.53% WBE, 5% SBE, which was slightly above the SMWBE goal.

Committee Review:

Commissioner Joslin reported this item was presented to the BNA Vision Committee on April 8, 2020. The BNA Vision Committee voted 4 to 0 to recommend approval to the Board of Commissioners.

Chair Samuels took Commissioner Joslin's statement as a motion and Commissioner Freeman seconded the motion to authorize the Chair and President & CEO to execute the proposed Amendment 3 for Component Guaranteed Maximum Price 4 for civil and foundation scope activities related to the Terminal Lobby and International Arrivals Facility (IAF) for the Progressive Design-Build contract at the Nashville International Airport. Ms. Edwards took a roll call vote and the motion carried by vote of 10 to 0.

VIII. Adjourn

There being no further business brought before the Board, Chair Samuels thanked the Commissioners for their participation and adjourned the meeting at 2:00 p.m.



Amanda C. Farnsworth, Board Secretary