

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



Date: January 20, 2021

Place: Nashville Airport Boardroom / Electronic Meeting

Time: 1:00 p.m.

Board Members Present:

Aubrey B. Harwell III, Board Chair; Amanda Farnsworth, Vice Chair; Bill Freeman, Secretary; John Doerge; Bobby Joslin; Nancy Sullivan; Jimmy Granberry; Christy Smith; Joycelyn Stevenson; and Kevin Crumbo (joined at 1:02 p.m.)

Board Members Absent:

None

Others Present:

Doug Kreulen; Cindy Barnett; Lisa Lankford; and Angela Edwards

## I. Call to Order

Chair Harwell 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 January 15, 2021.

## II. Roll Call and Open Meetings Act Announcement

Chair Harwell waived the reading of 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, which allowed governing bodies to meet electronically regarding essential business in light of Coronavirus Disease (COVID-19), and that order was extended by Executive Order Nos. 34, 51, 60, 65, and 71. All votes taken during this meeting will be by roll call vote.

Ms. Angela Edwards, Staff Secretary, called roll and took a roll call vote on waiving the reading of the Open Meetings Act Announcement. All members were present excluding Commissioner Crumbo and the waiver passed by vote of 9 to 0.

## III. Approval of Minutes

Upon motion made by Commissioner Granberry and seconded by Secretary Freeman, the Board voted to approve the Minutes of the December 16, 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 9 to 0.

Commissioner Crumbo joined the meeting at 1:02 p.m.

**IV. Chair's Report**

Chair Harwell provided comments and remarks regarding the highlights and accomplishments of the past 12 months covered in the January 14, 2021 press release and President Kreulen's interview with Nashville Business Journal earlier this month.

**V. President's Report**

President Kreulen reported that Concourse D was awarded LEED Silver Certification for Green Design and Construction which makes it one of 5 LEED Silver airport facilities in the nation and the first in Tennessee.

JetBlue added international air service to Cancun to begin in March 2021. This is the first JetBlue international route from BNA and will run 3 times per week.

Allegiant added nonstop service to Key West and to Greensboro, North Carolina beginning June 2, 2021 and June 3, 2021, respectively, and each will run 2 times per week.

President Kreulen discussed enplanement numbers for January and projections through the end of FY21. The FY21 projected year end is approximately 4-4.1M passengers which equates to approximately 48% of FY19 total. President Kreulen presented InterVISTAS FY22 air passenger recovery scenarios based on different paces of vaccine rollout.

President Kreulen reported that BNA was 2<sup>nd</sup> in the top 30 airports for seats recovered since the pandemic started. Southwest Airlines ranks BNA as 2<sup>nd</sup> in the top 10 for seat recovery. At the beginning of the pandemic, BNA was Southwest's 14<sup>th</sup> largest station and now ranks 8<sup>th</sup>.

According to the Nashville Convention and Visitors Corporation (CVC), convention bookings are returning to Nashville in the 2<sup>nd</sup> half of 2021 and gaining momentum for 2022.

President Kreulen then presented an outlook of items coming before the Committees and Board in February and March 2021 and upcoming solicitations and events.

**VI. Items for Approval**

**A. Approval of John C. Tune Airport (JWN) Lease/Rental Business Model and Implementation**

Mr. John Corbitt, AVP, Real Estate, briefed the Board on this item. Staff requested the Board of Commissioners:

(1) Adopt the following business model (formula) to determine appropriate rents for all MNAA funded developments:

- Direct Costs + Operating Costs = Breakeven Rent
- Breakeven Rent + Return on Investment (ROI) = Total Rent
- Annual review/escalation; and

(2) Implement the business model (formula) for all existing and new MNAA funded t-hangars, applying the following conservative calculations:

- Direct facility costs with a 40-year life
- 30% pro rata share of JWN operating costs
- 3% ROI
- 4-year phased cost recovery
- 12-month lease term

Staff provided the Board a staff analysis of the business model and formula prior to the meeting.

Mr. Corbitt gave a brief background of rental rate history at JWN. Failure to adjust rental rates since 2012 has not allowed the Authority to recover capital and applicable operational expenditures. The preliminary estimated losses from 2012 to 2021 is between \$4M and \$6.8M. To correct the shortfalls and to comply with the Federal Aviation Administration (FAA) requirements, staff developed a formula to meet Federal Aviation requirements regarding fee and rental structure (Grant Assurance 24) and self-sustainability (5190.6B, Ch 17).

Mr. Corbitt presented a formula to establish base rent for MNAA-funded developments and broke the formula down into direct facility costs (approximately \$5.5M) and operating costs (averaging approximately \$1.5M) with an explanation of expenses for each.

Mr. Corbitt then explained the average life of a hangar is 30 years. To err on the conservative side, staff recommended using a 40-year hangar life in determining a dollar amount for direct facility costs.

The proportional share of operating costs was determined by dividing the square footage of the particular development area by the total of all MNAA development areas which equaled a 30% share. Adding the direct facility costs and the operating costs would determine a breakeven rent.

Commissioner Joslin raised questions regarding grant assurances and direct facility costs. President Kreulen explained the formula used to calculate rent assumes there are no future grants since there is no commitment from the federal government to provide such.

To calculate the total rent, staff recommended adding ROI to the breakeven rent. The ROI presented was pending the CFO's evaluation. The consultant, Aeroplex, had previously advised that 3<sup>rd</sup> party developers would require a ROI in the 8% to 12% range.

MNAA plans to hire Landrum and Brown, a certified financial firm, to evaluate the formula further to ensure the correct calculations are being used. Additionally, President Kreulen said staff would re-evaluate all inputs to the model for accuracy.

Mr. Corbitt then discussed the staff's recommendation of a 4-year phased implementation to minimize the impact to tenants instead of applying the entire ROI in year 1.

#### Committee Review

Commissioner Freeman stated this item was presented to the GAOPE Committee on January 13, 2021. The GAOPE Committee voted 4 to 0 to recommend approval to the Board of Commissioners.

Chair Harwell took Commissioner Freeman's statement as a motion, which was seconded by Commissioner Joslin to (1) Adopt the following business model (formula) to determine appropriate rents for all MNAA funded developments:

- Direct Costs + Operating Costs = Breakeven Rent
- Breakeven Rent + Return on Investment (ROI) = Total Rent
- Annual review/escalation; and

(2) Implement the business model (formula) for all existing and new MNAA funded t-hangars, applying the following conservative calculations:

- Direct facility costs with a 40-year life
- 30% pro rata share of JWN operating costs
- 3% ROI
- 4-year phased cost recovery
- 12-month lease term

Before taking a vote, Commissioner Joslin started discussions regarding competitiveness with surrounding airports, and the make-up of the direct facility costs and operating costs. After lengthy discussions, Commissioner Freeman reiterated that the Board was voting on a formula, not a particular number, and asked that it be put to a vote since there was a motion and a second on the floor.

Commissioner Crumbo commented he would like to see the Board amend the current motion and add additional considerations to the recommended formula and take into account market value.

Commissioner Farnsworth raised questions regarding the direct facility costs and commented she would like to revisit how the direct facility costs are added.

After further discussion, Commissioner Granbery made a motion to table the formula and any numbers associated with it until President Kreulen and staff had a better opportunity to review the numbers, and to increase rent for existing hangars by 15% effective February 1, 2021.

Chair Harwell stated the motion on the floor needed to be addressed before voting on Commissioner Granbery's motion. Commissioner Freeman made a motion to include Commissioner Crumbo's amendment, seconded by Commissioner Crumbo.

President Kreulen asked for clarification of the motion. Commissioner Crumbo stated the motion is to take Commissioner Freeman's motion and amend it to add a consideration that staff complete the formula based on Management's review, and the determination of "like" airports and come back to the Board with those components and go from there.

Commissioner Smith asked that the motion be restated again, possibly in a short sentence. Commissioner Crumbo stated the motion is to approve the formula as Management has recommended, and once the result is completed, take the next step to compare that number to market value. Commissioner Crumbo stated market value could be determined by airports in the geographic area, or "like" airports in different geographies.

More discussion ensued regarding the formula, direct facility costs, and market value.

Chair Harwell called for a vote on Commissioner Freeman's motion with Commissioner Crumbo's amendment. Ms. Edwards took a roll call vote and the motion carried by vote of 10 to 0.

Commissioner Smith commented that a lot of work had gone into the numbers and wanted to make sure the Board sends the right signal to the staff that the Board trusts them and that they have the best interests at heart.

Chair Harwell called for a vote on Commissioner Granbery's motion to increase existing T-hangar rent by 15% beginning February 1, 2021. Commissioner Crumbo seconded the motion with discussion. Chair Harwell asked for further discussion. After comments from Commissioner Freeman and Commissioner Joslin, Commissioner Granbery withdrew his motion.

Chair Harwell asked that Management and the GAOPE Committee look at the possibility of raising the rent for existing hangars at next month's Committee meeting.

Commissioner Freeman exited the meeting at 2:46 p.m.

B. Approval of Payment of NES Service Invoice for Terminal Access Roadway Improvements (TARI)

Ms. Traci Holton, AVP, Chief Engineer, briefed the Board on this item. Staff requested that the Board of Commissioners authorize the Chair and the President and CEO to pay a Nashville Electric Service (NES) invoice to relocate a redundant power feed for the Terminal at Nashville International Airport.

Staff provided the Board a staff analysis of the TARI project and invoice from NES.

The TARI project will provide a new routing of the NES "Airport" feed to create a geographically separated redundant power feed for the Terminal area complex and greatly improve reliability as it relates to power. The reconfiguration of NES service will benefit MNAA's strategic goals and objectives. NES has submitted an

invoice estimate to permanently relocate the Airport circuit in the amount not to exceed \$1M. Pre-payment to NES is required before start of work.

Committee Review

This item was presented to the BNA Vision Committee on January 13, 2021. The BNA Vision Committee voted 4 to 0 to recommend approval to the Board of Commissioners. Chair Harwell took Commissioner Joslin's statement as a motion, seconded by Commissioner Granbery to authorize the Chair and the President and CEO to pay a NES invoice to relocate a redundant power feed for the Terminal at Nashville International Airport. Ms. Edwards took a roll call vote and the motion carried by vote of 7 to 0, with Commissioner Crumbo abstaining. Commissioner Smith's vote could not be heard and therefore was not counted.

C. Approval of Stream Mitigation Credit Purchases for Concourse A Fill/Site Prep

Ms. Traci Holton, AVP, Chief Engineer, briefed the Board on this item. Staff requested that the Board of Commissioners approve the purchase of stream mitigation credits from the Setter's Ridge Stream Mitigation Bank and the Cumberland River Compact and authorize payment to cover the expense of the credit purchases.

Staff provided the Board a staff analysis of the stream mitigation plan and credit purchases for Concourse A site prep prior to the meeting.

Committee Review

This item was presented to the BNA Vision Committee on January 13, 2021. The BNA Vision Committee voted 4 to 0 to recommend approval to the Board of Commissioners that it approve the purchase of stream mitigation credits from the Setter's Ridge Stream Mitigation bank and the Cumberland River Compact and authorize payment to cover the expense of the credit purchases. Chair Harwell took Commissioner Joslin's statement as a motion. Ms. Edwards took a roll call vote and the motion carried by vote of 7 to 0. Commissioner Doerge and Commissioner Smith's votes could not be heard and therefore were not counted.

VII. Informational Items

A. JWN Development Update

President Kreulen gave an update on the status of insurance claims, key projects and initiatives, and presented an overview of the Request for Proposal for redevelopment of the facilities.

B. BNA Vision 1.0 and 2.0 Projects and Schedules

All projects for BNA Vision 1.0 were on schedule and approvals for two items will be presented to the Committee and Board in the March and April timeframe. President Kreulen then discussed upcoming approvals for projects included in BNA Vision 2.0.

C. CEO Updates

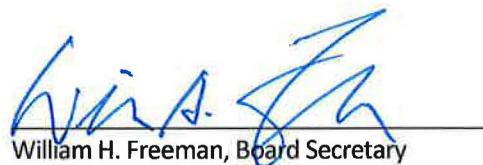
President Kreulen updated the Board members on the mediation schedule for the Colonial Pipeline litigation. Cindy Barnett, Board Counsel, requested a vote on approval of Chair Harwell as designee to participate in mediation on behalf of the Board.

The Management Committee voted on this item last week in which there was a unanimous vote to approve Chair Harwell as designee. Commissioner Joslin made a motion, seconded by Commissioner Doerge. Ms. Edwards took a roll call vote and the motion passed by vote of 8 to 0. Commissioner Smith's vote was not heard therefore not counted.

President Kreulen reported that the Management Committee would present CEO compensation and severance policies at a future meeting, pending Commissioner Doerge and Commissioner Stevenson's review.

VIII. Adjourn

There being no further business brought before the Board, Chair Harwell thanked the Commissioners for their participation and adjourned the meeting at 2:53 p.m.



William H. Freeman, Board Secretary