

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



Date: July 14, 2021 Place: Nashville International Airport Board Room
Time: 9:30 a.m.
Committee Members Present: Amanda C Farnsworth, Chair; Bill Freeman, Vice Chair; John Doerge and Bobby Joslin
Committee Members Absent: None
Others Present: Andrew Byrd; Jimmy Granbery; Nancy Sullivan; Doug Kreulen; Cindy Barnett; Lisa Lankford and Sabrina Troy

I. Call to Order

Chair Farnsworth called the meeting of the MNM and MPC Finance, Administration, and Properties (FAP) Committee to order at 9:36 a.m., pursuant to Public Notice dated July 9, 2021.

II. Approval of Minutes

Chair Farnsworth called for a motion to approve the Minutes of the June 9, 2021 FAP Committee meeting. Commissioner Freeman made a motion and Commissioner Joslin seconded the motion. The motion passed by vote of 4 to 0.

III. Chair's Report

Chair Farnsworth had no Chair's Report.

IV. Items for Approval

A. 2nd & 3rd Amendments to Fraport Sublease with ASG Nashville LLC (f/k/a BNA Concessions, LLC)

Doug Kreulen, President and CEO, introduced Ms. Linda Macey, AVP Revenue Development, who briefed the Committee on this item. Staff requested that the FAP Committee recommend to the Board of Commissioners that it approve the second and third amendments to the sublease with ASG Nashville, LLC and Fraport. Staff was provided the Committee with a staff analysis for the two amendments prior to the meeting.

The original sublease was approved by the Board in December 2019, and the first amendment reduced the minimum base rent due from BNA Concessions, LLC to Fraport in accordance with the reduction in MAG required from Fraport to MNAA.

The second amendment changes the name from BNA Concessions, LLC to ASG Nashville, LLC.; requires both parties to use good faith efforts to document ASG's participation in the FACT Fund program; and revises Exhibit F, the Design and Construction schedule.

The third amendment leases storage space to ASG with reduced minimum base rent from the original Sublease terms by 50%; and reduces the Percentage Rent due from the original terms of the Sublease, with the reduced percentage rent then increasing when a specific threshold is met.

Commissioner Joslin asked about readjusting MAG (current MAG \$11M) since passenger travel has increased. President Kreulen advised that Finance is evaluating, and Fraport may exceed the MAG in the near future.

Commissioner Doerge made a motion to approve the second and third amendments to the sublease, and Commissioner Joslin seconded the motion. The motion carried by vote of 4 to 0.

B. Fraport Sublease with Tennessee F&B

Ms. Macey briefed the Committee on this item. Staff requested the FAP Committee recommend to the Board of Commissioners that it:

- 1) approve the sublease with Fraport and Tennessee F&B, so that all rights and obligations attorn to MNAA at the expiration of Fraport's Lease and Concession Agreement, and
- 2) authorize the Chair and President & CEO to execute the sublease.

Staff provided the FAP Committee a staff analysis prior to the meeting.

The term of the Master Lease and Concession Agreement with Fraport, TN is February 1, 2019 – January 31, 2029. If a lease term extends beyond January 31, 2029, MNAA must become a party to the sublease so that all rights and obligations of the sublease attorn to MNAA at the expiration of Fraport's Lease and Concession Agreement.

The sublease with Fraport and Tennessee F&B includes five local brands and one national brand operated by a majority local JV. The planned concepts, which are subject to change before final execution, include Bongo Java, Southernaire Market, The Southern Steak & Oyster, Ole Smokey Moonshine, Half Moon Empanada and Two Old Hippies. Opening dates range from November 30, 2021 – August 31, 2023. The sublease term ends August 31, 2033.

Commissioner Doerge made a motion to approve the sublease with Fraport and Tennessee F&B, so that all rights and obligations pertain to MNAA at the expiration of Fraport's Lease and Concession Agreement. Commissioner Joslin seconded the motion. The motion carried by vote of 4 to 0.

C. Revisions to the Investment Policy for Retirement and OPEB Plans, MNAA Resolution No 2021-09

President Kreulen introduced Ms. Marge Basrai, EVP, Chief Financial Officer, who briefed the Committee on this item. Staff requested the FAP Committee recommend to the Board of Commissioners that it:

- 1) approve the revisions to the MNAA Investment Policy for the Retirement Plan for the Employees of MNAA and the MNAA OPEB Plan, Policy #41-011, and
- 2) authorize the Chair and President and CEO to execute MNAA Resolution No. 2021-09

Staff provided the FAP Committee a staff analysis prior to the meeting.

Ms. Basrai welcomed Mr. Chris Prevette, Wells Fargo (Investment Advisor) and Ms. Laura Stewart, Findley (Actuary), who were in attendance and available for questions.

On May 25, 2021, the Retirement Committee met with Wells Fargo and Findley to review various items in the Retirement and OPEB plans. Based on the discussions with Wells Fargo and Findley, the Retirement Committee approved three changes:

- 1) Reduce the Retirement Plan's current discount rate from 6% to 5.5%, to align with the new expected long-term rate of return. The discount rate selected affects the pension liability – the decrease in the rate will increase the liability. At June 30, 2020 (with the 6% discount rate), the plan was overfunded by \$3.1M (104% overfunded). With the change to a 5.5% rate and the market gains thru March 31, 2021, the Plan was estimated to still be overfunded by \$8.3M (110%) at June 30, 2021 based on our best estimate in April 2021.
- 2) Change the OPEB Plan's portfolio asset allocation from 65/35 (65% equities/35% fixed income) to 60/40 (60% equities/40% fixed income) asset allocation, which is the recommendation from Wells Fargo. The plan became fully funded as of June 30, 2020. As a well-funded plan with a closed group of employees, it was prudent to consider a more conservative asset allocation to help reduce the volatility of market returns. A similar approach was taken with the Retirement Plan when it became fully funded, with the reduction in two phases. Staff will consider the second change to a 50/50 allocation in the next few years.

- 3) Increase the OPEB Plan's discount rate from 5% to 6% to align with the new expected rate of return on the new allocation of 60/40. The discount rate selected affects the pension liability – the increase in the rate will decrease the liability. At June 30, 2020 (with the 5% discount rate), the plan was overfunded by \$1.9M (106% overfunded). With the change to a 6% rate and the market gains thru March 31, 2021, the Plan was estimated to still be overfunded by \$12.1M (140%) at June 30, 2021 based on our best estimate in April 2021. This will also satisfy a recommendation by our external auditors, Plante Moran.

Chair Farnsworth commended Ms. Basrai and staff on fully funding the plans. After questions and discussions with Wells Fargo and Findley, Commissioner Joslin made a motion to approve the revisions to the MNAA Investment Policy for the Retirement Plan for the Employees of MNAA and the MNAA OPEB Plan, Policy #41-011, and authorize the Chair and President and CEO to execute MNAA Resolution No. 2021-09. Commissioner Freeman seconded the motion. The motion carried by vote of 4 to 0.

D. 2024 AAAE Conference Sponsorship

President Kreulen briefed the Committee on this item. Staff requested the FAP Committee recommend to the Board of Commissioners that it authorize approval of the sponsorship agreement and prepayment of \$650,000 for the 2024 AAAE Conference sponsorship. Staff provided the FAP Committee a staff analysis prior to the meeting.

The 96th Annual AAAE Conference & Exposition will be held April 28 – May 1, 2024, with attendance of approximately 2,500 – 3,000 expected. The economic impact to Nashville is projected between \$5 – \$6.5M.

Sponsorship requirements include a 2023 Kick Off Reception in Denver, Colorado; Leadership Dinner on Saturday, April 27, 2024; evening event on Monday, April 29; final conference event on Tuesday, April 30 or Wednesday, May 1; airport tours on Wednesday, May 1; assistance providing speakers, performers and onsite volunteers; and overall assistance with educational programming for the conference

Commissioner Doerge inquired about other organizations that are sponsoring the event, and President Kreulen stated that the majority of the monetary support will come from the Authority.

Commissioner Doerge made a motion to authorize approval of the sponsorship agreement and prepayment of \$650,000 for the 2024 AAAE Conference sponsorship, and Commissioner Joslin seconded the motion. The motion carried by vote of 4 to 0.

V. Information Items

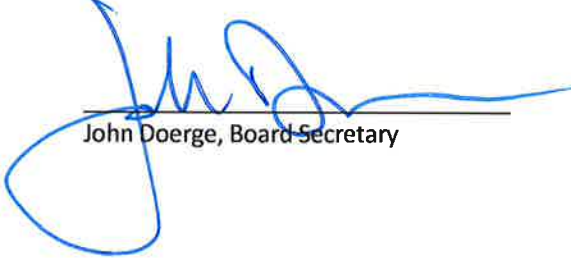
A. BNA Concessions Program Update

President Kreulen briefed the Committee on the BNA Concessions Program. He met with Fraport USA/AG executives on July 7, 2021. Eight of 17 locations required by June 30, 2021 are behind schedule and Fraport USA is in default. Late openings after December 31, 2021 will incur penalties of \$547,500 per occurrence. Staff rejected the May 27th and June 30th CY2022 proposals, as they did not position the program for success in 2022 and did not ensure a smooth transition in 2023. A revised plan is expected prior to the end of July. Three concepts have opened since the last Board meeting – Urban Juicer, True to Tennessee and Swett's.

This item was provided for informational purposes only with no action required.

VI. Adjourn

There being no further business brought before the FAP Committee, Chair Farnsworth adjourned the meeting at 10:05 a.m.



John Doerge, Board Secretary