

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



Date: July 21, 2021

Place: Nashville Airport Boardroom

Time: 1:00 p.m.

Board Members Present:

Amanda Farnsworth, Vice-Chair, Bill Freeman, Secretary, Andrew Byrd, Bobby Joslin, John Doerge, Christy Smith, Nancy Sullivan, Jimmy Granbery, Courtney Pogue, Joycelyn Stevenson

Board Members Absent:

None

Others Present:

Doug Kreulen, Cindy Barnett, Lisa Lankford and Sabrina Troy

I. Call to Order

Vice Chair Farnsworth 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 July 16, 2021.

II. Approval of Minutes

Vice Chair Farnsworth called for a motion to approve the Minutes of the June 16, 2021 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. A motion was made by Vice Chair Farnsworth and seconded by Commissioner Pogue. The motion carried by vote of 10 to 0.

IV. Chair's Report

Vice Chair Farnsworth did not have a Chair's Report.

V. President's Report

Doug Kreulen, President and CEO welcomed the newly appointed and reappointed commissioners to the Board. President Kreulen stated that we are very proud and thankful to our sponsors and community that are assisting the BNA 5K on the Runway. Currently we are at 800 runners and approximately \$80,000 raised for these two charities: Tunnel to Towers Foundation and The Urban League of Middle Tennessee. Allegiant continues to grow in Nashville and announced three new service options starting in November.

President Kreulen applauded Margaret Basrai, CFO, Kristen Deuben, VP Finance and Deputy CFO, and the entire finance team for the outstanding work that they do and for the GFOA Certificate of Achievement for Excellence in Financial Reporting award they received.

The 35th Anniversary celebration of John C. Tune along with the groundbreaking on July 20, 2021 was a success with Mayor Cooper and Commissioners attending the kick-off of the \$34.5M redevelopment.

President Kreulen elaborated that post pandemic numbers are looking very good with projected enplanements expected to increase to 2019 numbers by end of year. The operating budget is expected to be adjusted due to increases in O&M expenses needed to handle the volume. President Kreulen presented a graph of total passenger performance from 1992 to present. CY2021 is projected to finish near 15.4M total passengers.

President Kreulen presented the 30-day and 90-day Committee outlook calendars.

## VI. Approval Items

### A. Board Officer Elections

Commissioner Freeman moved to elect Vice Chair Farnsworth as Board Chairman. Commissioner Joslin nominated Commissioner Freeman as Board Vice Chair and Commissioner Doerge as Board Secretary. These terms will expire on June 30, 2022.

Vice Chair Farnsworth advised that the Management Committee met on July 14, 2021 and voted to recommend approval of each and made a motion to take to the Board for approval.

Commissioner Granbery made a motion to approve officers as presented at the Management Committee and Commissioner Byrd seconded the motion. The motion passed by vote of 10 to 0.

### B. Board Resolution 2021-08 for 35th Anniversary of John C. Tune Airport

President Kreulen briefed the Management Committee on this item. Commissioner Freeman made a motion to approve Board Resolution 2021-08 recognizing the 35<sup>th</sup> Anniversary of John C. Tune Airport.

Chair Farnsworth advised that the Management Committee voted unanimously to recommend approval and she made a motion for approval, along with a second from Commissioner Doerge. The motion carried by vote of 10 to 0.

### C. Board Resolution 2021-10 Commending Aubrey B. Harwell III for Service to the Board

President Kreulen recognized Chair Harwell for his eight years of outstanding accomplishments to the Board. Chair Farnsworth advised that the Management Committee met on July 14, 2021 and voted unanimously 4 to 0 to recommend approval. Chairman Farnsworth made a motion to approve Board Resolution 2021-10 Commending Aubrey B. Harwell III for Service to the Board, and Commissioner Stevenson seconded the motion. The motion carried by vote of 10 to 0.

D. Construction Contract for Concourse Restroom Upgrades

Traci Holton, Vice President, Engineering, Chief Engineer and Deputy COO, requested the Board of Commissioners approve the construction contract for Concourse Restroom Upgrades with Utopia Building Group, LLC, and authorize the Chair and President and CEO to execute the contract. Staff provided the Board a staff analysis prior to the meeting.

The project includes renovation of six Concourse B and C restrooms to match the Vision interior design theme and provide for consistency and a seamless environmental experience through the new and old spaces of the terminal. The total contract cost is \$8,787,036 NTE and is scheduled for completion September 2023. This was presented to the GAOPE committee on July 14, 2021.

Commissioner Freeman advised that the GAOPE committee unanimously voted to recommend approval, and made a motion to approve. Commissioner Granbery seconded the motion. The motion carried by vote of 10 to 0.

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

Linda Macey, AVP, Concessions, requested that the Board of Commissioners approve the second and third amendments to the sublease with ASG Nashville, LCC and Fraport. Staff provided the Board with a staff analysis for the two amendments prior to the meeting.

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.

Chair Farnsworth advised that the FAP Committee voted to recommend approval and she brought it to the full Board as a motion for approval. Commissioner Pogue seconded the motion and the motion carried by vote of 10 to 0.

F. Fraport Sublease with Tennessee F&B

Ms. Macey requested that the Board of Commissioners 1) approve the sublease with Fraport and Tennessee F&B, so that all rights and obligations atturn 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 Board a staff analysis prior to the meeting.

The term of the Master Lease and Concession Agreement with Fraport Tennessee is February 1, 2019 – January 31, 2029. If a sublease term extends beyond January 31, 2029, MNAA must become a party to the sublease so that all rights and obligations of the sublease attach 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 to August 31, 2023. The sublease term ends August 31, 2033.

Chair Farnsworth advised that the FAP Committee voted to recommend approval and she brought it forward as a motion for Board approval. Commissioner Pogue seconded the motion. The motion carried by vote of 10 to 0.

Commissioner Granbery departed the meeting after this approval.

G. Revisions to the Investment Policy for Retirement and OPEB Plans, MNAA Resolution 2021-09

Ms. Margaret Basrai, EVP, Chief Financial Officer, requested that the Board of Commissioners approve the revisions to the MNAA Investment Policy for the Retirement Plan and OPEB, Policy 41-011, and authorize the Chair and President and CEO to execute MNAA Resolution 2021-09. Staff provided the Board a staff analysis prior to the meeting.

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 reduce the discount rate 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. On 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 through 3/31/21, the Plan was estimated to be overfunded by \$8.3M (110%) on June 30, 2021 based on our best estimate in April 2021.
- 2) Change the OPEB Plan's portfolio asset allocation from 65% equities/35% Fixed Income to 60/40 asset allocation, which is the recommendation from Wells Fargo. The OPEB Plan became fully funded as of 6/30/20. 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 – we reduced

the asset allocation in two phases. A second change to a 50/50 allocation for the OPEB Plan will be considered 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 OPEB liability – the increase in the rate will decrease the liability. On June 30, 2020 (with the 5% discount rate), the OPEB Plan was overfunded by \$1.9M (106% overfunded). With the change to a 6% discount rate and the market gains through 3/31/21, the OPEB Plan was estimated to be overfunded by \$12.1M (140%) on June 30, 2021 based on best estimates in April 2021. This will also satisfy a recommendation by the external auditors, Plante Moran.

Ms. Basrai described the policy changes needed:

- 1) Add two tables to show the new asset allocation, subcategory ranges, and composite benchmarks for Retirement and for OPEB. These tables were in the staff analysis. The OPEB allocation will be 60/40 and the Retirement allocation will remain the same at 50/50. Earlier this year it was noted that there was an error (typo) made in the August 2019 update. On the allocation table, "Minimum/Target/Maximum" percentages are shown to allow for small fluctuations until the assets can be redistributed. The "Maximum %" should have been 57% instead of 47%. The 47% was the "Target" percentage. The table has been updated to correct the error.
- 2) Two minor wording changes proposed: Changed "Assistant Treasurer" to "Director of Treasury" to correct actual title in two places.

Chair Farnsworth thanked Ms. Basrai for her achievements on a great job and advised that the July 14, 2021 FAP Committee voted to recommend approval and she brought it to the full Board as a motion for approval. Commissioner Byrd seconded the motion. The motion carried by vote of 9 to 0.

#### H. 2024 AAAE Conference Sponsorship

President Kreulen recommended approval for the Authority to sponsor the 2024 American Association of Airport Executives (AAAE) conference in Nashville, Tennessee at a cost of \$600,000. The number of attendees is estimated between 2,500 and 3,000 with an estimated economic impact from other cities of \$4 – \$6.5M and a projected ~ \$5 – \$6.5M for Nashville.

Vice Chair Freeman asked about additional local companies assisting in the cost and President Kreulen stated that the Authority and AAAE would work with local organizations to for additional sponsorships. The Authority feels that this conference will bring business to Nashville following the pandemic and recommended the Board approve this expenditure.

Chair Farnsworth advised that the FAP Committee voted to recommend approval and she brought it forward as a motion for Board approval. Commissioner Stevenson seconded the motion. The motion carried by vote of 9 to 0.

I. Terminal Garage B CGMP 2 of 2

Ms. Holton requested that the Board 1) approve Component Guaranteed Maximum Price 2 (CGMP2) and the Guaranteed Maximum Price (GMP) for all remaining trade contracts including MEP, structural and miscellaneous steel, fire protection and parking control and guidance equipment for the Terminal Garage B Design-Build contract with Messer Corporation; 2) authorize the Chair and President & CEO to execute this amendment to the Hotel and Parking Garage Lease Agreement; and 3) authorize an increase to the BNA Vision project budget in the amount of \$32,310,000, for a total project budget of \$97,428,000 and a total BNA Vision program budget of \$1,419,508,000. Staff provided a staff analysis to the Board prior to the meeting.

Staff's initial budget established in 2018 for Garage B was \$57M and was very low compared to recent BNA garage costs. Staff assessed the estimated GMP against the other 2 garages and found the costs to be comparable versus the initial estimate based on cost per square foot.

Garage A: \$110.03 (959,650 GSF)

Garage C: \$107.39 (1,335,000 GSF)

Garage B: \$112.12 (731,386 GSF) (October 2020 50% ROM)  
\$122.13 (731,286 GSF) (July 2021 GMP)

Increased costs are due to initial estimate shortfall, developer fee, cost to bring utilities to site and volatile market increases.

This was presented to the BNA Vision committee on Wednesday, July 14, 2021. Commissioner Joslin advised that the BNA Vision Committee voted to recommend approval and he brought it forward as a motion for Board approval. Commissioner Sullivan seconded the motion. The motion carried by vote of 9 to 0.

VI. Informational Items

A. JWN Construction Redevelopment Update (GAOPE)

President Kreulen provided an update on the JWN redevelopment construction schedule. Materials will be arriving later in the month of August 2021 for the assembly of our newest hangars.

He reported that Christina Holloway will be the on-site Air Traffic Manager, and that Robinson Aviation, Inc. contract controllers will begin arriving to prepare for opening. September 1, 2021 at 6:00 am is the planned air traffic control tower opening.

B. JWN New Hangar Rent Model (GAOPE)

President Kreulen briefed the Board on this item. Rental Rates for the new hangars are based on the business model approved by Board on February 17, 2021. Costs included in the model are \$20.9M for capital costs (60% of project cost) with \$396,005 for operating costs (36% of annual operating cost – allocated across existing and new hangars).

– 42' T-Hangar (1,050 sq ft)	\$ 640
– 48' T-Hangar (1,440 sq ft)	\$ 750
– Box Hangar (3,600 sq ft)	\$ 2,100
– Plane Port (1,407 sq ft)	\$ 350
– Plane Port (1,440 sq ft)	\$ 375

Agreements will be executed after the lottery to be held on August 12, 2021. Additionally, as requested in the July 14, 2021 GAOPE meeting, T-hangar benchmarks were provided to the Board.

C. BNA Concessions Program Update (FAP)

President Kreulen briefed the Board on this item. On July 7, 2021 he met with Fraport USA/AG executives to discuss their 2021 performance and Exhibit G. Staff is awaiting a new draft proposed Amendment 5 for 2022 Exhibit G Transition Plan from Fraport, and staff are also drafting a proposed Amendment 5. Board approval in August or September 2021 will be required. The next meeting with Fraport USA/AG executives is planned for the beginning of August 2021. Commissioners will be updated on a weekly basis.

President Kreulen shared pictures of the 4 concessions opening June 16 – July 21: Urban Juicer, Pyramids, True to Tennessee and Burger King

D. Hotel Personnel Update (Chartwell) (Vision)


President Kreulen reported that he met with Chartwell Hospitality on July 13, 2021, based on notification of a key personnel change at that time. Robert Schaedle, Founder and President, will be our primary contact for Chartwell going forward. Chartwell is in the process of procuring the hotel construction, and has an invitation to us to come back once they determine who will be awarded the contract.

E. CEO Inputs for FY21 Evaluation (Management)

President Kreulen reported that during the July 14, 2021 Management Committee meeting, the Commissioners were provided informational package for performance CEO Evaluation based on FY21 Strategic Goals, CEO Inputs for FY21 Evaluation and FY22 Strategic Goals & Objectives.

VII. Adjourn

There being no further business brought before the Board, Chair Farnsworth made a motion to adjourn. Vice Chair Freeman seconded the motion. The motion carried with a vote of 9 to 0, and the meeting adjourned at 1:29 p.m.



William H. Freeman, Board Vice Chair