Minutes of the Joint Meeting of MNAA and MPC Finance, Diversity & Workforce Development Committees

BNA Nashville International Airport

Date:	November 10, 2021	Place:	Nashville International Airport Board Room
Time:	9:30 a.m.		
Committee Members Present:			Jimmy Granbery, Chairman; Andrew Byrd, Vice Chair; Joycelyn Stevenson; and Glenda Glover
Committee Members Absent:			NONE
Others Present:			Bill Freeman; Bobby Joslin; Nancy Sullivan; Doug Kreulen; Lisa Lankford, Neale Bedrock, Ginger Cork and Sabrina Troy

I. Call to Order

Chairman Granbery called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (FINANCE) Committees to order at 9:56 a.m., pursuant to Public Notice dated November 5, 2021.

II. Approval of Minutes

Vice Chair, Andrew Byrd made a motion to approve the minutes of the October 13, 2021 Finance Committee Meeting, and Commissioner Stevenson seconded the motion. The motion carried by vote of 4 to 0.

III. Chairman's Report

Chairman Granbery had no Chair's Report.

IV. Items for Approval

Chairman Granbery introduced Marge Basrai, EVP, Chief Financial Officer, to brief Amendment #10 to Paslay Management Group (PMG) Contract (Concessions) and the Short Term Credit Facility - 2nd Amendment to Note Purchase Agreement with Bank of America, N.A.

A. Amendment #10 to Paslay Management Group Contract.

In July 2021, MNAA asked PMG to assess the concessions program and provide support to ensure Fraport remained on track with concession openings. These are billed under the existing Executive Advisory services in the current contract. In October 2021, based on PMG's performance and improvements made to the program overall, MNAA outsourced the internal management of the concessions program to PMG.

Up to four PMG staff will be used to manage the concessions program -- two staff dedicated at 100% and two staff dedicated at 50%. The total increase to the contract through August 2023 is $3,850,000 (Contract Year 6: $1,870,000, Contract Year 7: $1,980,000). All costs are not-to-exceed amounts and time is billed hourly as needed. With these changes, PMG's overall contract authorization is increased from $10.4M to $14.3M.

Prior to this amendment, funding was all bonds because it was through the vision program. The portion now that is going to be supporting concession management is coming through O&M.

Ms. Basrai recommended the Finance Committee recommend that the Board of Commissioners authorize the Chairman and President and CEO to execute Amendment #10 to the PMG contract, modifying the total NTE by $3.85M.

Commissioner Stevenson made a motion to approve as presented and Commissioner Glover seconded the motion. The motion carried by a 4 to 0 vote.

Chairman Granbery noted that the professional level that PMG brings to the program will make the return on investment very recognizable, and a lot of this cost is offset because Ms. Basrai is doing this in lieu of personnel on her staff. The Committee also expressed interest for staff to pursue a future program similar to Pittsburgh Airport's PIT Pass.

B. Short Term Credit Facility - 2nd Amendment to Note Purchase Agreement (NPA) with Bank of America, N.A. (BofA)

Ms. Basrai introduced Lauren Lowe, Managing Director, PFM, our financial advisor. On January 7, 2019, MNAA entered into a NPA with BofA to help start the financing of capital. This Short Term Credit Facility (STCF) provided a commitment for advances up to $300M, with variable interest rates for taxable and tax-exempt borrowings based on LIBOR or successor index. It was for a 5-year commitment, terminated every 2 years unless renewed, with an initial maturity date of 3 years per state law. The fees were 15bps on the unused portion of the facility until 50% ($150M) is drawn. All draws are expected to be refinanced with bonds.

On November 26, 2019, MNAA entered into the 1st Amendment with BofA, which increased the commitment to $400M. Staff were still working on bond documents due to Vision 2.0 being added in October 2019. This amendment added an accordion feature, set the commitment amount at $100M after the bond issue, and provided the ability to increase/decrease the facility as needed in order to try to save on commitment fees.

In December 2019, the available commitment was reduced to $100M by MNAA. In March 2020, given the credit pressures associated with the COVID-19 pandemic, BofA increased the available commitment internally to the maximum of $400M to ensure MNAA had flexibility within the NPA. They only charged us the unused fee on the $100M, not the $400M, which saved MNAA $660,000 over this last year.

In September 2021, with the initial maturity date of the NPA of January 7, 2022, staff started negotiating the terms for the remaining two years of the 5-year commitment. The terms we have now are:

- $400M commitment - Expires 1/7/22
- Tax exempt rate: 80% of 1 month LIBOR + 33 bps
- Taxable interest rate: 1 month LIBOR + 40 bps
- Commitment fee of 15bps on unused portion up to $150M

The 2nd Amendment to NPA negotiations included reducing the commitment fee to $300M, removing the 1st Amendment accordion feature, which is no longer offered, and updating available indices.

LIBOR index ceases 6/30/23 and no agreements after 12/31/21 can use LIBOR - many banks are enforcing "stop sell" dates which accelerated the LIBOR deadline. BofA's stop sell date was October 27, 2021. PFM compared the rates of Securities Industry and Financial Markets Association (SIFMA), Secured Overnight Financing Rate (SOFR) and Bloomberg Short Term Bank Yield (BSBY) against London Interbank Offered Rate (LIBOR) from 1/7/19 - 9/7/21. Based on this analysis, PFM recommended BSBY based on its consistency and alignment to the 1-month LIBOR.

Due to market conditions, both interest rate pricing will increase slightly, with tax exempt from 33 bps to 42 bps, and taxable from 40 bps to 52 bps. Unused commitment fee will increase from 15 bps to 20 bps and will be based on the unused portion of $150M (50% of available commitment).

Summary of terms negotiated:

- $300M available commitment
- Maturity date of January 7, 2024
- Tax-Exempt rate of 80% of BSBY + 42 bps

- Taxable rate of BSBY + 52 bps
- 20 bps for the commitment fee

Ms. Basrai wanted to ensure we were getting good interest rates in this renewal, and asked PFM to research the most recently offered NPA's and credit facilities at other airports. They were able to compare against 5 other facilities. Our rates were more favorable than 4 of the facilities. The one exception had 40 bps for tax-exempt pricing as compared to 42 bps for MNAA but was a much smaller loan of $86M. Ms. Basrai and PFM believe these are fair rates in the current market.

Following discussion on rates, cash on hand and escrow, Ms. Basrai stated there were two resolutions related to the NPA amendment:

1) MNAA Resolution No. 2021-14, Initial Resolution

- Allows us to use our credit facility (up to $300 million) to finance a portion of the cost of the Authority's CIP
- Required by TN State Law and notifies the public of our plans to incur additional debt. This will be published in accordance with State Law following its adoption by the Board

2) MNAA Resolution No. 2021-15, Authorizing Resolution

- Authorizes the President and CEO to execute the Second Amendment to the NPA with the changes just discussed.

Ms. Basrai requested that the Finance Committee recommend to the Board of Commissioners that it approve resolutions 2021-14 and 2021-15 and authorize the President and CEO to execute the Second Amendment.

Vice Chair Andrew Byrd made a motion to approve as presented and Commissioner Stevenson seconded the motion. The motion carried by a 4 to 0 vote.

V. Information Items

A. BNA Concessions Program Update

President Doug Kreulen introduced Margaret McKeough, Principal, PMG, to give a status update on the 30 locations scheduled for 2021. Ms. McKeough reported that 22 locations were open for business, and 5 locations were in construction with 1 progressing for November opening and 4 progressing for December opening. Three additional locations are in construction but at risk due to supply chain disruptions and specialty trade labor availability.

Ms. McKeough presented photos of the 3 locations that have recently opened -- Fugitives, Bar-B-Cutie and Yazoo. Commissioner Stevenson reported that she had received positive feedback on the openings. Ms. McKeough reported that 1 of the 2022 locations is open, and 4 are under construction and expected to open ahead of contract opening deadlines.

Fraport AG Executives will travel to Nashville from Germany on November 16th to review the Concessions program and will attend the November 17th Board meeting. The Tennessee Tribune Ribbon Cutting will take place on Friday, November 19, 2021, at 9:00 a.m., and all Commissioners are invited to attend.

This item was presented for informational purposes only, and no action was required.

B. Quarterly Retirement, OPEB and Treasury Investment Reports

President Kreulen introduced Sharon Sepik, Director, Treasury, to give the update on Treasury.

Ms. Sepik reported that the FY22-Q1 Retirement Plan gross return was -0.29%, and net of fees was -0.34%. The composite benchmark was -0.53%. As of June 30, 2021, the retirement plan is 106% funded.

The FY22-Q1 OPEB gross return was -0.39%, and net of fees was -0.44%. The composite benchmark was -0.65%. As of June 30, 2021, the OPEB plan is 159% funded.

Ms. Sepik provided the Treasury Investment Report for the quarter ending September 30, 2021. 99% of the total available funds of $815.5MM were invested, and the investment portfolio was in compliance and meeting policy objectives. The FY22-Q1 combined yield was 0.49%, the PFMAM CORE portfolio yield was 0.55% vs. 0.23% benchmark, the PFMAM DSR yield was 0.48%, the CAP-I yield was 1.61%, and the Construction Funds yield was 0.84% vs. 0.05% benchmark. The MNAA Managed yield was 0.02% vs. 0.03% benchmark.

Total cash & investment earnings for FY22-Q1 were $1,664,746 as compared to FY21-Q1 of $3,451,851. FY22-Q1 had $120.3MM less available funds than FY21-Q1.

The FY22-Q1 focus areas included finalizing documents for upcoming RFPs for Banking Services and Investment Advisor Services for FY22, finalizing details for authorized broker/dealer list, completing implementation of a commercial paper ladder strategy for maturing construction fund investments, placing matured investments at the end of the ladder during FY22.

Cash in Demand Deposit Accounts (DDA) for FY22-Q1 was 1.4% of total available funds, which outperforms the internal goal of 8% maximum in DDA accounts.

This item was presented for informational purposes only, and no action was required.

Prior to adjourning the meeting, Chairman Granbery asked Ms. Basrai about limitations on where the credit facility funds can be spent. Ms. Basrai stated that when we advertised to the public, we told them we could use these funds for anywhere in BNA or at JWN. When the tornado hit the John C. Tune Airport, staff verified with Bond Counsel that we could draw on the credit facilities.

VI. Adjourn

There being no further business brought before the Finance Committee, Chairman Granbery adjourned the meeting at 10:32 a.m.

Joycelyn Stevenson

Joycelyn Stevenson, Board Secretary