

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



Date: December 8, 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: Nancy Sullivan; Doug Kreulen; Lisa Lankford, Neale
Bedrock and Ginger Cork

I. Call to Order

Chairman Granbery called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (FINANCE) Committees to order at 9:30 a.m., pursuant to Public Notice dated December 3, 2021.

II. Approval of Minutes

Commissioner Glover made a motion to approve the minutes of the November 10, 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. He thanked everyone for their support and thanked the staff for their hard work.

IV. Items for Approval

Doug Kreulen, President and CEO, introduced Marge Basrai, EVP, Chief Financial Officer, to brief the first amendment to the Airline Use and Lease Agreement – 1 year Extension Key Terms.

Ms. Basrai briefed the Finance Committee on this item. MNAA currently has a Signatory Use and Lease Agreement (AULA) with nine passenger air carriers and one cargo carrier. Those carriers are Alaska, Allegiant, American, Delta, Frontier, JetBlue, Southwest, Spirit, United and FedEx. The

other carriers are considered non-signatory and pay a 25% premium on all rates and charges. The AULA was originally entered into on July 1, 2015 and is set to expire on June 30, 2022. MNAAC and the Signatory Airlines are in negotiations for a new, long-term AULA. Due to the rapidly changing airline/airport environment post pandemic, MNAAC and the carriers have negotiated terms for a one-year extension of the current AULA. This allows additional time to negotiate the long-term AULA to include finalizing the capital program, terms of the business deal, and other operational issues. MNAAC and the Signatory Airlines remain committed to negotiating a new long-term deal.

The negotiated terms of the first amendment are a one-year extension that expires June 30, 2023. The FY23 Terminal Rental Rate = \$116.55 / sq ft which is a 5.0% increase over FY22 rate (increased 2.5% each year in current AULA). All other rental rates would remain calculated per the original agreement. Airlines are charged for 222,848 sq ft of leased space, including a 10,500 sq ft Delta Sky Club and 63,276 sq ft baggage claim area. The FY23 reliever airport support for JWN = \$487,000 which is an increase of 5.0% over FY22 (increased 2.5% each year in current AULA). The average gate utilization target increased to 5.75 daily turns (up from 4.0 in the existing agreement). Common Use language and relocation rights for better operational efficiency during construction were added. All other terms and conditions of the AULA remain in full force and effect.

Commissioner Glover asked how difficult the conversation was to go from 2.5% to 5%. Ms. Basrai said it wasn't a difficult conversation at all because it is based on the index; the CPU had gone up 5% and they were OK with that.

Vice Chair Byrd asked about the benefit of 5.75 daily turns. Mr. Robert Ramsey, EVP, Chief Operating Officer, stated it was better utilization rates of the gates and it is imperative that we maximize the gate usage as we have construction scheduled in the coming months.

Chairman Granbery asked about the boundaries of the \$116.55/sq ft and how it was calculated. Ms. Basrai stated the square footage was calculated when the agreement was originally set, which was before she joined MNAAC. It is based on the estimated costs in the terminal over the 7 years of the AULA.

Vice Chair Byrd and Chairman Granbery asked what the multiple was to get to a number for the square footage. Mr. Ramsey explained the square footage is the exclusive use space for an airline. Exclusive use of space includes the ticket counter space, the airline ticket office or back-office space that is reserved just for that individual airline. Common use area is not included.

Ms. Basrai requested that the Finance Committee recommend to the Board of Commissioners that it:

1. Approve the terms negotiated between MNAA and the Signatory Airlines on the First Amendment to the AULA, and
2. Authorize the Chair and President and CEO to execute the First Amendment consistent with the negotiated terms

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

Ms. Basrai also provided an update from the Rating Agencies. Kroll Bond Rating Agency reaffirmed our ratings in November 2021 -- Senior: AA- Stable; and Subordinate: A+ Stable. We are waiting on the results from S&P Global for our Senior bonds. Our last update with S&P was April 2021 and our Senior Bond was A Stable.

Chairman Granbery asked for history of airports in other cities with regards to S&P. Ms. Basrai stated that S&P has raised most to a stable outlook, and as some airports are going through a new bond issue have started to be upgraded back to where they were pre-pandemic. Ms. Basrai stated she is anticipating our rating is reaffirmed.

V. Information Items

A. BNA Concessions Program Update

President Kreulen introduced Margaret McKeough, Principal, PMG, to give a status update on the 30 concessions locations scheduled for 2021. Ms. McKeough reported that 24 locations were open for business, and 6 locations were in construction. Two of the six locations are well underway in construction and anticipate opening soon. The remaining 4 locations are considered at risk, but we are hopeful for a December 31, 2021 opening.

Ms. McKeough presented photos of the 4 locations that are at risk – Pig Star by Peg Leg Porker, Three Casks, Tailgate Brewery, and Puckett's Grocery and Restaurant. The photos show they are well into construction and are hopeful for a December 31, 2021 opening. Chairman Granbery inquired about the penalty if they are not open by the deadline. Ms. McKeough explained that in the contractual arrangements that MNAA has with Fraport, Fraport is obligated to compensate MNAA for each of the units that do not open by the December 31, 2021 deadline. The penalty amount is \$547,500 for each

unopened concession location. Chairman Granbery asked if there was any type of force majeure relative to supply chain that would allow them to extend the opening date. Ms. McKeough referred that question to Mr. Neale Bedrock, EVP, GC & Chief Compliance Officer and Mr. Bedrock answered no.

Commissioner Stevenson asked for further clarification on penalties. President Kreulen stated that if the deadline is not met on December 31, 2021, MNAA will send a demand letter to Fraport on January 3, 2022 and an invoice to pay those penalties. The Board, staff and Fraport have already executed amendment 5 which lays out the 2022 and 2023 milestones. As of now, Fraport has already opened 4 of 2022 concepts. They are finishing strong on amendment 4, and are starting faster with 2022 concepts which gives us high confidence that 2022 and 2023 will be equally successful. Fraport is aware of these deadlines - December 31, 2021 is important, 2022 is very important and 2023 is the biggest of all because when we open up the airport, we want all our stores and restaurants open.

Ms. McKeough elaborated on the 4 new concepts that opened since we last met with the Board of Commissioners. Starting with two concepts for 2021, Air Essentials in the C Concourse and Little Harpeth Brewing in the B Concourse. Two concepts scheduled for 2022 that opened earlier than expected include Bongo Java in the C Concourse and Chick-fil-a in the A/B Food Court.

Commissioner Glover asked if there were other opportunities for additional concessions. President Kreulen said in 2022 there are 20 concepts and there are another 22 or 23 in 2023 and he thinks Fraport has all of those concepts partnered. We don't have all the leases just yet, but there will be future concepts as we build out the satellite and we build out a future concourse D and a new concourse A. Our forecast is that we will end up north of 120 or 130 businesses over the next couple years. Fraport will take us to 2023 with just shy of 90 businesses but there are another 30 to 40 plus as we continue to expand. Commissioner Glover asked how open the process is because she is getting asked how to become a vendor in the airport. President Kreulen said there are opportunities for vendor and retail space and asked for them to pass those questions off to him and he will make the introductions to our team in Procurement and the Commercial Development team.

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

VI. Adjourn

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



Joycelyn Stevenson, Board Secretary