

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



Date: April 13, 2022

Place: Nashville International Airport Board Room

Time: 9:30 a.m.

Committee Members Present:

Jimmy Granbery, Chairman; Andrew Byrd, Vice Chair;
Joycelyn Stevenson; Dr. Glenda Glover

Committee Members Absent:

Others Present:

Bill Freeman, Nancy Sullivan; Doug Kreulen; Lisa Lankford,
Neale Bedrock and Ginger Cork

I. Call to Order

Chairman Granbery called the Joint Meeting of the MNA and MPC Finance, Diversity & Workforce Development (FINANCE) Committees to order at 9:31 a.m., pursuant to Public Notice dated April 8, 2022.

II. Approval of Minutes

Vice Chair Byrd made a motion to approve the minutes of the March 9, 2022 Finance Committee Meeting, and Commissioner Stevenson seconded the motion. The motion carried by vote of 4 to 0.

III. Chairman's Report start here

Chairman Granbery had no Chair's Report.

IV. Items for Approval

Doug Kreulen, President and CEO, introduced Ms. Marge Basrai, EVP, Chief Financial Officer.

1. FY23 Budgets

Ms. Basrai discussed the FY22 and FY23 enplanement projections with the Committee and presented a chart showing moderate recovery and aggressive recovery. Ms. Basrai stated that she uses these enplanement projections to determine budgets for the upcoming year. The FY22 projection is at 9.1 – 9.2M enplanements. As we look to our FY23 budget, we would normally take our moderate recovery forecast of 9.1M and base the budget using that enplanement, however, our FY22 budget is already at that number. We chose 5% growth over the FY23 moderate recovery forecast, which gives us 9.6M

enplanements for FY23. Ms. Basrai stated that President Kreulen asked the financial team to accomplish the following items during the FY23 budget year: Minimize non-essential increases in the FY23 O&M expenses (control our costs); Meet both Board required debt service coverage and days cash on hand metrics (maintain credit ratings); Minimize financial impact to our business partners to enhance future air service (help our customer); Efficiently use the remaining \$65M of CRRSA (\$8.6M) and ARPA (\$56.4M) funds.

Commissioner Glover asked what has to be spent of these funds. Ms. Basrai stated that the final ARPA funds must be spent by December 2025.

Ms. Basrai provided a summary of how we have spent the CARES/CRRSA/ARPA funds. The total award between all three funds was \$126,452,218. Our planned use between operating and debt service in FY23 is \$17.1M leaving \$47.9M remaining on June 30, 2023 and the balance will be spent in FY24/25. We estimate additional expenses to occur in FY24/25 with the opening of the Satellite, the Grand Hall and additional O&M expenses and we can use these funds to help mitigate the impact of this increase.

Ms. Basrai reviewed the FY23 Budget summary metrics with the Committee. Senior debt coverage needs to be at 1.5 and our Senior Subordinate at 1.25. FY23 is at 8.09 for Senior and 2.95 for Senior Subordinate. The landing fee that we charge to our airlines is decreasing from FY22 at \$2.85 to \$2.83 for FY23. The Cost per Enplanement (CPE) is also decreasing, it was \$7.03 for FY22 and will be \$6.93 for FY23. Our days cash on hand is at 734 days as of March 31, 2022 and the Board requirements is between 550 to 650 days cash on hand. This cash on hand was calculated by using the 4 main reserve funds only (NAE, Revenue Fund, O&M Fund, R&R Fund).

Commissioner Glover stated that means if something catastrophic were to happen, we can go 2 years with our cash on hand – that is excellent. Ms. Basrai confirmed and stated it would be 4 years if you were to look at total unrestricted cash on hands.

Vice Chair Byrd asked how rising interest rates will affect our debt service, and if most of our rates are fixed or float. Ms. Basrai said on our debt and bonds, our rates are fixed. The only part that is not fixed and floats is our short-term credit facility but right now rates are still lower than what it was when we first got the credit facility. When we talk about our budget, one of the things that we do is we go to the Bond market, probably by the end of the year we will have used up our credit facility and do the next crunch to payoff all of Vision 1.0 and probably Vision 2.0 and we will be doing that calculation to see when the best time to go to the Bond market.

President Kreulen complimented Ms. Basrai, Mr. Neale Bedrock, EVP, GC and Chief Compliance Officer, Mr. Robert Ramsey, EVP, Chief Operating Officer and the other staff members that are in the room – as we are working with the airlines and you see these landing fees and cost per enplanement, we are lucky we are in Nashville and we are growing, but we are also lucky that we work really hard to control our expenses. By us staying level to them, the airlines make more money in Nashville. This is why 4 new airlines came in the months of April and May, and also want to add flights. Because of how efficient our city is to operate out of, Nashville remains competitive.

A. FY23 BNA O&M Budget, MNAA Resolution #2022-05

Ms. Basrai briefed the Finance Committee on the FY23 BNA O&M Budget. The total operating revenue increased \$17.5M for a total of operating revenue of \$207.4M. The two main components to this are non-Airline revenue and Signatory Airline revenue. Non-airline revenue increased \$10.3M and the two large changes are due to higher enplanements. Parking increased \$5.8M. Concessions increased \$4.1M in car rental and ground transportation.

President Kreulen added this is the first time for the Airport Authority to go north of \$200M in revenue.

Ms. Basrai noted the second component for our operating revenue is signatory airline revenue which is increasing \$7.2M. There are 5 areas that have the largest changes, and they are: 1) Landing fees for Signatory Airlines increased \$4.9M. Ms. Basrai noted that she said earlier that our landing fees would be going down \$0.02 but we are anticipating higher landed weights. The increase in landed weights (1M lbs.) is offset by a reduction in landing fee from \$2.85 to \$2.83; 2) main terminal rent increased by \$2.3M, which includes a contractual rent increase of 5% and increase in leased space of ~ 14,000 sq ft; 3) jet bridge rent increased by \$1.3M due to the new preventative/corrective maintenance contract and these costs are 100% reimbursed by the airlines; 4) Terminal ramp rent increased by \$1.1M, due to 3 new positions, ramp striping and contractual increases; and 5) Baggage fees decreased by \$2.3M. We did have an increase in new preventative/corrective maintenance contract however we had some one-time baggage cost offset by removal of the FY22 project.

Commissioner Glover asked if the passengers would realize this savings in the new contract. Ms. Basrai said yes, I believe they will – with the new contract they are asking for additional hours and additional supplies and they are going to have more people on staff to handle the repairs of the baggage and jet bridges and I think the passengers will see good results. The airlines were part of the contract, and were advisors so they could assure the contract could meet their needs too.

Ms. Basrai discussed the operating expenses of the FY23 BNA O&M budget. Operating expenses are increasing \$20M for the FY23 budget to be at \$132.3M. Salaries & benefits increased \$7.3M, which is a placeholder for the implementation of the results of the compensation study. Contractual services increased \$8.8M due to additional hours and higher contractual hourly rates in the following areas: \$3.1M in janitorial services; \$1M in security services; and \$1.3M in landside operations (valet, parking, and shuttle operations). There is a \$2.3M increase in maintenance for passenger boarding bridges and baggage handling from new contract and a \$400K increase in concessions due to contract escalation with Paslay Group. Materials and supplies increased \$800K based on the boarding bridge/jet bridge maintenance contract. Other expenses increased \$2.7M and we are estimating about \$1.7M in insurance mainly due to higher property values and tight market conditions (we will come back to the Board in June with actual increase amounts) and lastly \$900K in airline incentives/airport promotion and sponsorships/memberships.

Ms. Basrai then discussed the Net Non-Operating Income/(Expense) which decreased \$25.6M. We increased our interest income \$2.9M with additional cash from the anticipated bond issue in FY23 and higher interest rates. We increased \$4.2M in Passenger Facility Charges (PFC's) and \$1M in Customer Facility Charges (CFC's) with the additional enplaned passengers. We are reducing our grant receipts to \$7.5M due to the reduction in use of CARES/CRRSA/ARPA funds in FY23. We increased interest expense by \$21.7M and added bond issuance costs of \$4M with an anticipated bond issue in December 2022.

Staff requested the Finance Committee recommend to the Board of Commissioners that it

1. approve the proposed FY23 BNA operating budget and;
2. authorize the Chair and President & CEO to execute MNAA Resolution No. 2022-05

Prior to the motion, Commissioner Glover asked if the increase for FY23 is a straight % over FY22. Ms. Basrai stated it was not a straight % - operating revenue went up approximately 9% and expenses went up about 18%.

Vice Chair Byrd made a motion to approve as presented and Commissioner Stevenson seconded the motion. The motion passed with a vote of 4 to 0.

Following approval, Vice Chair Byrd asked how we supervise and look at parking rates and what it costs people to park here. President Kreulen stated our operations team surveys other similarly sized airports to see what they are paying and we also survey what it costs to park in downtown Nashville and the surrounding areas. So, we have both the local and national range. When we pick

airports to survey, we try to look at airports that are not only similarly sized but ones that are also managed by an airport authority as opposed to airports run by the city. Chairman Granbery added the good thing is you've got 4 or 5 different parking options, or you can get dropped off or you can Uber. You've got valet, surface lots, parking garages and off-site parking. I think from a consumer perspective it's fair because you have so many options. Vice Chair Byrd stated that your average metro citizen is going to be very aware of— what is it going to cost to park at the airport and are we treating the citizen's fair. President Kreulen added that we are giving them \$1.6B worth of improvements and the only part they contribute is parking at the airport or through concessions. This is why we do so much public speaking tours to explain how we raise money and how much money it takes to run an airport and to cover the debt service. Vice Chair Granbery stated we should continue to spread that word so people know they are getting value for their money. President Kreulen added that we are always trying to balance what we are charging and what others are charging so we don't lose customers.

B. FY23 BNA Capital Improvements Budget & FY23-27 Capital Improvements Plan, MNAA Resolution #2022-06

Ms. Basrai briefed the Committee on the FY23 BNA Capital Improvements Budget (CIB) & FY23-27 Capital Improvements Plan (CIP). The total 5-year plan is \$1.79B however we are only going to focus on FY23. Every future year we come back and look at that year. The CIB for FY23 is \$411.3M and the major projects include Concourse D Extension for \$245M; Baggage Handling System Expansion for \$125M; and the Taxiway B South Reconstruction at \$25M. Ms. Basrai added that just because these are on the CIP doesn't mean that if you approve the CIP that you approve those projects going forward. Each project will be brought to the Board for approval throughout the fiscal year. Of this \$411M, we anticipate about 90% to be bond funded.

Staff requested the Finance Committee recommend to the Board of Commissioners that it

1. approve the proposed FY23-27 BNA Capital Improvements Plan, and
2. approve the proposed FY23 BNA Capital Improvements Budget, and
3. authorize MNAA to accept all grant(s) from the Federal Aviation Administration (FAA) and from the State of Tennessee, and designate the President & CEO, or designee, as the authorized representative of the Authority, and
4. authorize the Chair and President & CEO to execute MNAA Resolution No. 2022-06

Commissioner Stevenson made a motion to approve as presented and Vice Chair Byrd seconded the motion. The motion passed with a vote of 4 to 0.

C. FY23 JWN O&M Budget, MNAA Resolution #2022-07

Ms. Basrai briefed the Committee on the FY23 JWN O&M Budget. Operating revenue is increasing by \$731K to \$1.68M. Hangar rent increased by \$679K with the completion of the hangar portion of JWN redevelopment. Land rent increased by \$35K. Fuel flowage fees increased by \$19k from additional fees from increased hangar occupancy. Operating Expenses increased by \$604K to \$1.85M. Salaries & benefits increased \$80K (again as a placeholder to implement the results of the compensation study). We are decreasing contractual services by \$115K. We increased legal services by \$100K however this is offset by a decrease in contract services of \$215K for completion of one-time project/studies in FY22. Other operating expenses increased by \$612K which is allocation of administrative costs to JWN. We are required each year by our Airline Use and Lease Agreement (AULA) to take all our administrative costs and allocate them between all of our cost centers. In the past JWN has not generated enough to cover these costs but when we did our rent revenue changes, we looked at including all costs when we did the hangar rent, which would include JWN's portion of BNA overhead. Commissioner Freeman asked how much that adds to the total. Ms. Basrai stated \$611K and she said JWN is about 1.4% of the entire administrative expense of \$40M. Ms. Basrai then discussed the non-operating revenue decreased \$273K. We increased interest income by \$40K due to higher interest rates. We decreased insurance proceeds by \$382K and grant receipts increased by \$54K because we are using more ARPA, CRRSA, CARES funds for JWN in FY23 than we did in FY22.

Staff requested the Finance Committee recommend to the Board of Commissioners that it

1. approve the proposed FY23 JWN operating budget and;
2. authorize the Chair and President & CEO to execute MNAA Resolution No. 2022-07

Vice Chair Byrd made a motion to approve as presented and Commissioner Stevenson seconded the motion. The motion passed with a vote of 4 to 0.

Chairman Granbery stated this is exciting to see the growth in revenue and where we are going with JWN, and the fuel flow issues will dramatically increase when all the new hangers are full. He asked about the \$611k allocation from BNA to JWN, and if it would come down after we get through the tornado administrative work and construction and Ms. Basrai stated it is based on it's

share of expenses.

D. FY23 JWN Capital Improvements Budget & FY23-27 Capital Improvements Plan, MNAA Resolution #2022-08

Ms. Basrai briefed the Committee on the FY23 JWN Capital Improvements Budget & FY23-27 Capital Improvements Plan. The total 5-year plan is \$25.86M and FY23 is at \$17.6M. Major projects include AWOS relocation \$600K; Parking Lot \$2M; T/W R3 Apron expansion \$4M; North Development \$10.9M; Radar \$50K. Ms. Basrai added that of that \$17.6M - \$16.2M is JWN funding; \$387K is Airline fund; and \$963K is federal funds.

Staff requested the Finance Committee recommend to the Board of Commissioners that it:

1. approve the proposed FY23-27 JWN Capital Improvements Plan, and
2. approve the proposed FY23 JWN Capital Improvements Budget, and
3. authorize MNAA to accept all grant(s) from the Federal Aviation Administration (FAA) and from the State of Tennessee, and designate the President & CEO, or designee, as the authorized representative of the Authority, and
4. authorize the Chair and President & CEO to execute MNAA Resolution No. 2022-08

Vice Chair Byrd made a motion to approve as presented and Commissioner Stevenson seconded the motion. The motion passed with a vote of 4 to 0.

Following approval, Chairman Granbery noted that Ms. Basrai said the breakdown of the \$17.6 will come back in individual components for final approval by the Committee as those projects move forward in more detail.

E. FY23 MPC O&M Budget, MPC Resolution #2022-01

Ms. Basrai briefed the Committee on the FY23 MPC O&M Budget. Operating revenue increased by \$221K to \$3.5M due to increase in space rent per lease agreements. Operating Expenses increased by \$168K to \$1.44M. These increases include \$34K for IPB commission & tenant improvements; \$33K for insurance; \$46K for building maintenance/janitorial services; \$28K for utilities (7.5% inflation assumption); \$23K for intercompany expense (administrative exp). Non-operating income increased by \$127K for interest income because we are anticipating higher interest rates.

Staff requested the MPC Finance Committee recommend to the MPC Board of Directors that it

1. approve the proposed FY23 MPC operating budget and;
2. authorize the Chair and President & CEO to execute MPC Resolution No. 2022-01

Commissioner Stevenson made a motion to approve as presented and Commissioner Glover seconded the motion. The motion passed with a vote of 4 to 0.

F. FY23 MPC Special Projects Budget & FY23-27 Special Projects Plan, MPC Resolution #2022-02

Ms. Basrai briefed the Committee on the FY23 MPC Special Projects Budget & FY23-27 Special Projects Plan. The total 5-year plan for FY23-27 is \$1.29M and the total budget for FY23 is \$290K. Major projects include IP Lower-Level renovation of \$40K; Snow Guard at \$200K; Fire Pump at \$50K. As assessment was just completed on the International Plaza – it's a 50yr old building and we are looking at the infrastructure and what the needs would be in the future for capital investment. Then we will do an assessment to determine if we should do improvements or sell this building, and we will come back to the Board once this assessment is complete. FY23 is just the minimum amount of work that needs to be completed. All of this is funded out of MPC cash balance.

Staff requested the MPC Finance Committee recommend to the MPC Board of Directors that it

1. approve the proposed FY23-27 MPC Special Projects Plan, and;
2. approve the proposed FY23 MPC Special Projects Budget, and;
3. authorize MNAAC to accept all grant(s) from the Federal Aviation Administration (FAA) and from the State of Tennessee, and designate the President & CEO, or designee, as the authorized representative of the Authority, and;
4. authorize the Chair and President & CEO to execute MPC Resolution No. 2022-02

Commissioner Stevenson made a motion to approve as presented and Commissioner Glover seconded the motion. The motion passed with a vote of 4 to 0.

Vice Chair Byrd asked what MPC stood for. President Kreulen stated that back in the old days the airline agreements were residual, and the airport couldn't keep cash. Since the airport had to give it all back to the airlines, they created the MNAAC Properties Corporation (MPC) to manage the real estate so the money could come to the airport.

President Kreulen introduced Ms. Colleen Von Hoene, Associate Principal, Paslay Group.

2. Amendment 6 to Fraport Concessions Agreement

Ms. Von Hoene briefed the Committee on the Amendment 6 Fraport Concessions Agreement. MNAA has a Lease and Concession Agreement with Fraport Tennessee, Inc. (Fraport) to develop a terminal-wide concessions program, including food, beverage, services, retail, and vending offerings. The term of the agreement commenced on February 1, 2019 and will expire on January 31, 2029. MNAA approved the Fifth Amendment to the Agreement in October 2021. Amendment 5 included the Second Amended Exhibit G, which approved concepts, sublease entities, locations and Interim Performance Dates for concessions scheduled to open in 2022, 2023 and 2024. Fraport has recently proposed changes to the concession program to include the following: new concepts; changes to Sublease entity names; and new or different locations. These proposed changes to the concession program require Board approval of a Sixth Amendment to the Agreement and a Third Amended Exhibit G.

Staff requested the Finance Committee recommend to the Board of Commissioners that it

1. approve Amendment 6, and;
2. authorize the Chair and President & CEO to execute Amendment 6 between MNAA and Fraport Tennessee, Inc.

Vice Chair Byrd made a motion to approve as presented and Commissioner Stevenson seconded the motion. The motion passed with a vote of 4 to 0.

3. Amendments to Subleases with Fraport Tennessee, Inc.

Ms. Von Hoene briefed the Committee on the following changes that require amendments to these Board-approved subleases. The term of the Fraport agreement is at the end 2029 and any subleases that extend beyond that will be approved by the Board because MNAA becomes a party to that sublease. Today we are specifically looking at 4 subleases that were previously approved by the Board that have some changes that need to be incorporated by an amendment. The subleases and changes include:

Host International, Inc.

- Changes sublease entity to Host TRA Nashville FB III, LLC
- Revises name "Arrington Vineyards" to "Arrington Wine Bar and Café,"
- Adds new location and concept, "The Green Room"

Delaware North Travel Retail Services, Inc.:

- Changes sublease entity to DNC BNA Partners, LLC

Tennessee F&B, LLC:

- Replaces “Two Old Hippies” with “Sunglass Hut”
- Changes square footage and revises name from “Ole Smokey Moonshine” to “TN Moonshine Bar”

Newslink of Nashville, LLC:

- Adds new location “In Tune”
- Changes square footage and revises name from “Shoppes On Broadway” to “Smashville”
- Revises names of existing concepts

Staff requested the Finance Committee recommend to the Board of Commissioners that it:

1. Approve amendments to the following subleases:
 - Host International
 - Delaware North Travel Retail Services
 - Tennessee F&B, LLC and
 - Newslink of Nashville, LLC
2. Authorize the Chair and President & CEO to execute amendments to the subleases

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

V. Information Items

A. BNA Concessions Program Update

Ms. Von Hoene gave a status update on the concessions program for the main terminal as well as the satellite concourse.

- Main Terminal Concessions Update

There are 10 locations for 2022 in construction and 4 of those locations have started construction since we last met. Those 4 locations include the kids’ play area in Concourse B starting construction on March 29, 2022; Southern Steak and Oyster in Concourse D started construction on April 5, 2022; Tennessee Tribune in the A/B Pre-security area stated

construction on April 6, 2022; Starbucks in the A/B Food Court started construction on April 7, 2022. We also expect another location, Shake Shack, in the C Triangle, to start construction next week and we expect the Opry Shop in the C Triangle to open this week.

- Satellite Concourse Concessions Program Update

An industry day outreach event was held on April 1, 2022 for people who were interested in the Satellite Concessions RFP opportunity. We had 64+ attendees, including ACDBE's, master concessionaires and concession brands. We expect to advertise the RFP on April 26, 2022 and release the RFP on May 3, 2022.

Chairman Granbery asked about the number of concessions that will be at the Satellite Concourse. Ms. Von Hoene stated it would be 5 food and beverage locations and 3 retail locations for a total of 8 concessions.

President Kreulen thanked Ms. Von Hoene and the entire Business Diversity team for putting this event together for us. The day started at 7:30am with our Business Taking Off event which was attended by over 400 participants to hear the opportunities we have over the next 12 months they can participate in. There are 3 big things going on at the Satellite that will happen by October 2023 - 1) Build it; 2) get the shuttles built; and 3) award the contract for our concessions.

Commissioner Glover asked if there would be an airline club at the Satellite. President Kreulen stated no.

B. TEMA/FEMA Grant for JWN Tornado Expense Reimbursement

President Kreulen briefed the Committee on the TEMA/FEMA Grant for JWN Tornado Expense Reimbursement. The Federal Emergency Management Agency has agreed to reimburse the Airport Authority for \$821,184.74 of expenses related to the cleanup cost associated with the March 3, 2020 Tule tornado. On March 31, 2022, in accordance with Section 4.4.1.8 of the Bylaws, the President & CEO consulted with the Board Chair, who concurred with acceptance of funds.

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

Prior to adjourning the meeting, Board Chairman Freeman thanked Chair Granbery for his work on the Finance Committee and the Board.

VI. Adjourn

There being no further business brought before the Finance Committee, Chairman Granbery adjourned the meeting at 10:17 a.m.


Joycelyn Stevenson, Board Secretary