

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



Date: August 17, 2022

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:00 a.m.

Board Members Present:

Joycelyn Stevenson, Vice Chair; Jimmy Granbery, Secretary;
Bobby Joslin; Nancy Sullivan; Andrew Byrd

Board Members Absent:

Bill Freeman, Chair; Dr. Glenda Glover

Others Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford, Rachel Moore and
Tammy Pierce

I. CALL TO ORDER

In accordance with the 3rd Amended and Restated Bylaws of the MNAA Board of Commissioners, Section 2.3, Vice Chair Stevenson called the MNAA Board of Commissioners and MPC Board of Directors meeting to order at 9 a.m., pursuant to Public Notice dated August 12, 2022.

II. APPROVAL OF MINUTES

Vice Chair Stevenson called for a motion to approve the Minutes of the July 20, 2022 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. A motion to approve was made by Secretary Granbery and seconded by Commissioner Joslin. The motion carried by vote of 5 to 0.

III. CHAIRMAN'S REPORT

Vice Chair Stevenson had no Chair's report.

IV. PRESIDENT'S REPORT

Doug Kreulen, President and CEO, congratulated Marge Basrai, EVP and CFO, Kristen Deuben, VP, Finance and Deputy CFO, and the MNAA Finance Department on achievement of the Government Finance Officers Association, Certificate of Achievement received for fiscal year ending 2021. The certificate is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The independent auditors are currently conducting the FY22 financial audit, and results will be presented in the next few months.

President Kreulen reported on the BNA monument unveiling. The 40-foot-tall monument represents the BNA, branded logo and trademark and will be lit each day at sunset, illuminating the entrance to BNA. There will be the opportunity to change colors to recognize events. President Kreulen thanked the engineering and design teams for their work.

President Kreulen reported that Breeze Airways has added new nonstop flights to West Chester, New York and Norfolk, Virginia. Both start November 2, 2022, with service on Wednesday, Friday and Monday. Breeze Airways focuses on providing fast, efficient and affordable service to underserved cities.

MNAA hosted Commissioner McWhorter and Deputy Commissioner Borden, with the Tennessee Department of Economic and Community Development, on April 11, 2022. Secretary Granbery also attended, and discussion included growth in Middle Tennessee and its impact on operations at BNA, and future service to Europe and Asia. He noted that all Commissioners are welcome to participate on tours.

President Kreulen presented enplanements for July and August of 2023. July had growth of nine percent over FY22 and 27% over FY19. August is projected to be 10% over FY22 and 19% over FY19. The budget for FY23 is based on 9.6M enplanements.

President Kreulen presented the 30-day outlook. The Operations Committee will have an approval item for the Construction Contract for the JWN R3 Apron Expansion and Northside Ramp and Taxiway Connectors. Staff are finalizing details for the terminal concessions program for the remainder of 2022 and 2023 and a few additional sublease approvals are expected for the Finance Committee. There is consideration on the need for a litigation update and an Executive Session may be held. The Executive and Senior Staff Retreat will be held September 26-27, 2022, for final planning for the Board Retreat in October.

President Kreulen presented the 60-day outlook. Operations Committee approvals are planned for construction upgrades for Concourses B and C; the Design Contract for TARI, Phase 2 and 3; and a Job Order Contract. Finance approvals include Security Guard Services for Landside and the Air Operations Area (AOA); and Airline Negotiation Considerations for Building the FY24 Budget. The Board Meeting is scheduled October 19, 2022 at 9 a.m. followed by the Board Retreat at Nelson Andrews Leadership Center, Nashville.

President Kreulen reported that an emergency waiver was approved in May 2022 for the procurement of a contract for Runway 2R Safety Area (RSA) repairs to correct deficiencies discovered in the annual FAA 139 inspection. An Invitation to Bid (ITB) was directly solicited to nine contractors in July 2022. The repair estimates previously presented to the Board was \$750,000; however, five bids were received, and the lowest bid was \$1,082,331. Runway 2R was closed and a Notice to Proceed was issued August 8, 2022. The expected completion of work is September 8, 2022, ahead of the FAA deadline of October 1, 2022. In accordance with

the 3rd Amended & Restated Bylaws, Section 4.4.1.8, the President and CEO consulted with the Board Chair prior to execution.

Expenditures to date for the August 10, 2022 lightning strike(s) at JWN are just over \$10K for repair of runway lighting and lighted signs. At repair completion, testing will be conducted to ensure all circuits are properly grounded and any future strikes will not cause the same level of damage and service interruption. President Kreulen advised there are four types of airfield inspections: regular, continuous, periodic, and special. "Special" designation is assigned after a significant event or accident. After the August 10th event, an assessment was immediately conducted, and appropriate action taken. Secretary Granbery inquired on insurance deductible amounts and President Kreulen confirmed the current deductible is \$150K.

V. ITEMS FOR APPROVAL

A. Terminal Apron Taxi Lane Expansion (TATE) Phase 2 (Operations)

President Kreulen introduced Robert Ramsey, EVP and Chief Operating Officer. Mr. Ramsey briefed the Board on the Terminal Apron Taxilane Expansion Phase 2. He advised an Invitation to Bid (ITB) was advertised in June 2022. Two bids were received in July, the lowest being Superior Construction with a total contract cost of \$17,778,305. The SMWBE goal on the project was 16.48% MBE or WBE and Superior Construction obtained 16.71% MBE or WBE. The scheduled time frame to completion is one year and is necessary to allow the center area to function for the new International Arrivals Facility (IAF). This was presented to the Operations Committee last week. Mr. Ramsey requested the Board of Commissioners authorize the Chair and President and CEO to execute the construction contract with Superior Construction for \$17,778,305.

Commissioner Joslin made a motion to approve as presented and Secretary Granbery seconded the motion. The motion carried by vote of 5 to 0.

B. Design Build Contract for Concourse D Extension (Operations)

Mr. Ramsey briefed the Board on the design build contract for Concourse D extension. Mr. Ramsey introduced guests from Hensel Phelps Construction (Hensel Phelps) -- Scott Shelby, Project Executive; Joanna Yates, Project Manager; and Clif Fessler, Operations Manager. The project will extend Concourse D by adding five additional gates. The contract will begin September of 2022 and complete July 2025. The extension of the five gates will match the existing D Concourse with jet bridges, inground refueling, bathrooms and similar amenities. A Request for Proposals (RFP) was issued in June 2022. Two proposals were received in July 2022. Submissions were evaluated and both teams were interviewed July 25, 2022. Hensel Phelps was unanimously selected as the higher scoring submission. The first of four Component

Guaranteed Maximum Price (CGMP) includes the design, preconstruction phase services and construction phase services and sets the percentage fee for cost-of-work at 3.25%. The SMWBE goal was set and committed to by Hensel Phelps and their partners at 6.9% MBE and 6.77% WBE. The SBE target is 4.2%.

Mr. Ramsey described the key differentiators, including:

- 3 gates will be completed 4.5 months early
- Multiple solutions that minimize operational disruptions to Gate 6, area loading docks and taxi lane
- Creative options for concession and passenger experience

Additional options to be evaluated during the design process will be another concession opportunity on Concourse D with a stage and a potential observation deck with canopy. The plan would allow for two future additional gates at the end of the terminal with future demolition of the Multi-Purpose Building.

This Design Build Contract was presented to the Operations Committee last week. Mr. Ramsey requested the Board of Commissioners approve the proposal by Hensel Phelps for the progressive design-build contract for the Concourse D extension and authorize the Chair and President and CEO to execute the construction contract and CGMP 1 to Hensel Phelps for \$36,950,795.

Commissioner Joslin inquired where the modular sections would be built, and Mr. Shelby advised all modular sections would be constructed off-site. Commissioner Sullivan inquired if concepts presented had been implemented at other airports. Hensel Phelps team members confirmed concepts had been installed at other airport locations with the outdoor areas becoming predominate as a design feature.

Secretary Granbery inquired if an estimated total budget had been established for the project and Mr. Ramsey confirmed the approximate total budget is \$287M. Secretary Granbery asked if a per-gate cost estimate is available. President Kreulen advised current budget expectations are \$43M per-gate at 2025 project completion, differing from original cost projections of \$36M per-gate. If 2 additional gates are added, the per-gate cost will be reduced due to infrastructure already being in place. Commissioner Joslin asked if the Hensel Phelps contract included the tear down of the Multi-Purpose Building, and Mr. Ramsey reported that it not part of this package.

Vice Chair Stevenson called for a motion to approve. Commissioner Joslin made a motion to approve as presented and Commissioner Byrd seconded the motion. The motion carried by vote of 5 to 0.

C. Satellite Concessions Contract (Finance)

President Kreulen introduced Colleen Von Hoene, Associate Principal, Paslay Group. Ms. Von Hoene introduced guests representing Paradies Legardère @ Nashville (Paradies) and their ACDBE partners --

Gerry Savaria, Executive VP and Chief Development Officer, Paradies; Amy Billings, Owner, Wine Down Nashville; and EJ Odom, Owner, EJO Ventures.

Ms. Von Hoene advised this contract includes services to design, build, and operate concessions in the new satellite concourse. The established Minimum Annual Guarantees (MAG) on the 10-year contract will generate \$27.5M in revenue to BNA. The initial investment is \$450 per square foot with a mid-term refurbishment cost of \$75 per square foot. Paradies ACDBE commitment of 12% exceeded the established ACDBE goal 10.23%. The effective date of the contract is September 1, 2022; the ten-year lease term will be commensurate with the satellite concourse opening, scheduled October 19, 2023.

Ms. Von Hoene presented a graphic of the satellite concourse concession area delineating food and beverage areas, and retail areas. Paradies has proposed a mix of local and national concepts; including local Bongo Java and Fat Bottom Brewery as well as Nashville themed retail concepts. Jimmy John's sandwiches will be a strong national presence in the concourse.

Ms. Von Hoene requested that the Board of Commissioners accept the proposal submitted by Paradies for the satellite concourse concessions program and authorize the Chair and President and CEO to execute the Lease and Concessions Agreement. This was presented to the Finance Committee last week.

Vice Chair Stevenson called for a motion. Commissioner Byrd made a motion to accept as presented and Commissioner Joslin seconded the motion. The motion carried by vote of 5 to 0.

Secretary Granbery inquired on how the MAG was determined, and if there are any restrictions based on Alcohol Beverage Control (ABC) rules. Ms. Von Hoene advised Paslay Group had conducted analysis of the business potential examining sales per square foot and sales for enplanement, as well as review of current industry benchmarks specifically in ULCC terminals. She was not aware of any ABC limitations. Secretary Granbery advised that in retail, alcohol sales are limited with pass-through percentage rents. Ms. Von Hoene stated she would research these details further and follow up with finding.

D. Amendment 7 to Fraport Concessions Agreement (Finance)

Ms. Von Hoene briefed the Board on Amendment 7 to the Fraport Tennessee, LLC (Fraport) Concessions Agreement. The term of the agreement is February 1, 2019 – January 31, 2029. Amendment 6, approved in April 2022, included the Third Amended Exhibit G which approved concepts, locations, sublease entities and interim performance dates for concessions scheduled to open in 2022, 2023, and 2024. Fraport has proposed 7 changes to the concession program; 3 are changes to the sublease entities and 4 are changes to the concession names. These changes require Board approval of a 7th Amendment and a 4th Amended

Exhibit G. Ms. Von Hoene requested that the Board of Commissioners approve Amendment 7 to the Lease and Concessions Agreement and Amendment 4 to Exhibit G, with revisions including:

New Operators:

- TN Rickhouse → Newslink of Nashville, LLC
- Nashville Music City → Ferncroft Airport, LLC
- Titans Sports Bar → Ferncroft Airport, LLC

Revised Location Names:

- Arrington Wine Bar & Café → Arrington Wine Bar & Grill
- Kids Play Area → Play Nashville
- The Pharmacy Burger → The Pharmacy Burger Parlor
- Goo Store → Goo Goo Shop

Vice Chair Stevenson called for a motion. Commissioner Byrd made a motion to approve as presented and Secretary Granbery seconded the motion. The motion carried by vote of 5 to 0.

E. Amendment 2 to Fraport Sublease with Host TRA Nashville FB III, LLC (Finance)

Ms. Von Hoene briefed the Board on Amendment 2 to the Fraport Sublease with Host TRA Nashville FB III, LLC (Host). She explained that if lease terms extend beyond January 21, 2029, MNAA must become party to the sublease so that all rights and obligations may attach to MNAA at the expiration of Fraport's lease and concessions agreement. Arrington Wine Bar & Café changed to Arrington Wine Bar & Grill and Pharmacy Burger changed to The Pharmacy Burger Parlor. These name changes require an amendment to the Host sublease. This information was presented to the Finance Committee last week.

Ms. Von Hoene requested that the Board of Commissioners approve the Amendment 2 to the sublease between Fraport, Host and MNAA, and authorize the Chair and President and CEO to execute the amendment to the sublease. Vice Chair Stevenson called for a motion. Commissioner Byrd made a motion to approve as presented, and Secretary Granbery seconded the motion. The motion carried by vote of 5 to 0.

F. CEO Key Performance Indicators (KPI's) (Management)

Vice Chair Stevenson briefed the Board on the CEO KPI's. She advised that President Kreulen was asked to provide a draft document for review so the Board may better evaluate performance under the newly approved CEO agreement effective July 1, 2022. The Management Committee met August 10, 2022 and recommended approval for the CEO's FY23 performance evaluation. Vice Chair Stevenson explained that

criteria are divided as 50% operational and 50% financial, and source documents will be presented to the Board as part of the performance assessment process. The Board will continue to determine the extent and nature of the goals to be provided in the operational section.

Vice Chair Stevenson made a motion to approve the KPI's for the CEO's FY23 performance evaluation, and Secretary Granbery seconded the motion. The motion carried by vote of 5 to 0.

G. CEO FY22 Performance Evaluation (Management)

Vice Chair Stevenson briefed the Board on the CEO FY22 performance evaluation. On August 10, 2022, the Management Committee reviewed the CEO's performance from July 1, 2021 – June 30, 2022 and reviewed the CEO employment agreement in place on June 30, 2022. The Management Committee made a recommendation to award full bonus to the President and CEO for FY22, in accordance with the previous employment agreement.

Vice Chair Stevenson made a motion to approve as presented, and Commissioner Sullivan seconded the motion. The motion carried by vote of 5 to 0. President Kreulen thanked the Board for their support.

VI. INFORMATION ITEMS

A. JWN Northside Development (Operations)

President Kreulen reported that 3 Letters of Intent (LOI's) have been signed for 5 of the 10 northside parcels. In alignment with the Commissioners goal to make JWN self-sufficient, these 5 parcels will bring almost \$500K additional revenue in the 1st year, and \$19.2M over 30 years. He said he had a discussion with Kristen Wilson, Chief of Operations and Performance/OEM with Metro Nashville, yesterday regarding the MNPD hangar planned for parcel 10. The Legal Real Estate team is working on the Notice of Availability (NOA) for parcels 6-9, and an update will be provided in September. Secretary Granbery requested staff to extrapolate fuel sales for the 5 parcels. Commissioner Joslin asked if any of these had asked for fuel farms, and President Kreulen said he would verify and report back.

B. BNA Concessions Update (Main Terminal) (Finance)

Sixteen of the 19 locations for 2022 are open, and the 3 recent openings have been well received – Southern Steak & Oyster, Arrington Wine Bar & Grill and Starbucks. President Kreulen noted that the two locations in construction are running behind – Shake Shack and the Green Room.

C. Quarterly Retirement, OPEB and Treasury Investment Reports (Finance)

President Kreulen thanked Kristen Deuben, VP, Finance and Deputy CFO, for her presentation at Committee. Overall earnings are down due to negative growth in the market; however, plans are still fully funded. As of June 30, 2022, the Retirement Plan is 102% funded and the OPEB Plan is 113% funded. Total

MNAA available funds for investment last quarter was \$806.6M, of which 98.8% was invested. He noted this was a long-term goal, going from 0% to 98.8% invested.

VII. ADJOURN

There being no further business brought before the Board, Vice Chair Stevenson thanked the Commissioners for their participation and adjourned the meeting at 9:40 a.m.



Jimmy Granbery, Board Secretary