

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



Date: August 10, 2022

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:26 a.m.

Committee Members Present:

Andrew Byrd, Chair; Dr. Glenda Glover, Vice Chair; and
Jimmy Granbery

Committee Members Absent:

None

Others Present:

Bill Freeman, Nancy Sullivan, Joycelyn Stevenson, Doug Kreulen,
Neale Bedrock, Lisa Lankford and Rachel Moore

I. CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 9:26 a.m., pursuant to Public Notice dated August 2, 2022.

II. APPROVAL OF MINUTES

Commissioner Granbery made a motion to approve the minutes of the July 13, 2022 Finance Committee Meeting and Vice Chair Glover seconded the motion. The motion carried by vote of 3 to 0.

III. CHAIR'S REPORT

Chair Byrd had no Chair's report. He expressed his appreciation for the opportunity to serve as Chair of the Finance Committee.

IV. ITEMS FOR APPROVAL

A. Satellite Concourse Concessions Contract

Doug Kreulen, President and CEO, introduced Ms. Colleen Von Hoene, Associate Principal, Paslay Group, to brief the Committee on the Satellite Concourse Concessions Contract. Ms. Von Hoene introduced Greg Paradies, President and CEO, Paradies Legardère; and Amy Billings, Owner, Wine Down Nashville, ACDBE. A Request for Proposals (RFP) was issued May 5, 2022, and 5 responses were received. The three responsive and responsible responses were evaluated by a selection committee and interviewed on July 21, 2022. Paradies Legardère @ Nashville, LLC (Paradies) was unanimously recommended by the selection

committee. Ms. Von Hoene advised the contract with Paradies will include the design, build-out and operation of 7 new concession locations. Locations were originally allocated in 8 sections; however, one concept has combined two areas changing the total concepts to seven. There will be four food and beverage and three retail locations. 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 goal 10.23%. ACDBE partners are Amy Billings, Wine Down Nashville, and EJ Odom, EJO Ventures. 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 provided a graphic of the concepts, which provide a healthy mix of local and national concepts. Commissioner Glover asked what percent the satellite concessions are to the overall concessions program, and President Kreulen said it is about 10% by number of locations. Chair Byrd asked about the relationship between Paradies and Fraport, and Ms. Von Hoene clarified that contracts with Paradies and Fraport Tennessee are independent of each other.

Ms. Von Hoene requested that the Finance Committee recommend to Board of Commissioners that it authorize the Chairman and President and CEO to execute lease and concession agreement with Paradies Lagardédre @ Nashville, LLC. Chair Byrd made a motion to approve as presented and Commissioner Granbery seconded the motion. The motion carried by vote of 3 to 0.

B. Amendment 7 to Fraport Concessions Agreement

Ms. Von Hoene briefed the Committee on Amendment 7 to the Fraport Tennessee, Inc. (Fraport) Concessions Agreement. She provided a brief background on the agreement, and noted that 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 recently proposed changes to the concession program including new sublease entities for three locations and changes to three concession names.

Changes to sublease entities include:

- Tennessee Rickhouse, LLC will become NewsLink of Nashville, LLC
- Nashville Convention & Visitor's Corporation will become Ferncroft Airport, LLC
- Heartland Hospitality, LLC will become Ferncroft Airport, LLC

Changes to concession names include:

- Arrington Wine Bar & Café becomes Arrington Wine Bar & Grill
- The Pharmacy Burger becomes The Pharmacy Burger Parlor
- Kids Play Area becomes Play Nashville

Ms. Von Hoene noted that one additional name change would be added prior to Board approval. Chair Byrd clarified for Committee Members, approval votes would cover Amendment 7 addressing the three sub-lease changes and three concession name changes and noted the additional company name change will be brought forward during next week's Board Meeting. Chair Byrd asked if these changes addressed the issue discussed in the last executive session, and President Kreulen stated there were still some challenges and there may be another executive session next month.

Ms. Von Hoene requested that the Finance Committee recommend to the Board of Commissioners that it approve Amendment 7, and authorize the Chair and President and CEO to execute Amendment 7 between MNAA and Fraport Tennessee, Inc. Commissioner Granbery made a motion to approve as presented, noting that the additional name change would be approved next week. Chair Byrd seconded the motion. The motion carried by vote of 3 to 0.

C. Amendment 2 to Fraport Sublease with Host TRA Nashville FB III, LLC

Ms. Von Hoene briefed the Committee on Amendment 2 to the Fraport sublease with Host TRA Nashville FB III, LLC (Host). She provided a brief background, and noted 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. The Board has previously approved subleases for terms that extend beyond the 10-year contract, and changes to the concession program require an amendment to the Host sublease.

- Arrington Wine Bar & Café to be changed to Arrington Wine Bar & Grill
- Pharmacy Burger to be changed to The Pharmacy Burger Parlor

Ms. Von Hoene requested the Finance Committee recommend to the Board of Commissioners that it approve the second sublease amendment between Fraport Tennessee, Incorporated, Host TRA Nashville FB III and MNAA, and authorize the Chair and President and CEO to execute the amendment to the sublease. Commissioner Granbery made to approve as presented and Chair Byrd seconded the motion. The motion carried by vote of 3 to 0.

V. Information Items

A. BNA Concessions Program Update – Main Terminal

Ms. Von Hoene briefed the Committee on the main terminal concessions program. Progress continues on the 2022 concession locations, with 16 of 19 locations open, and 3 opening in the recent weeks.

- Southern Steak located in Concourse D opened July 31, 2022
- Arrington Wine Bar & Grill in Concourse D opening August 2, 2022
- Starbuck's in A/B opened August 3, 2022

Two locations are under construction -- Shake Shack at C Triangle and The Green Room at C/D node.

Chair Byrd inquired on quality checks for operations and food quality. President Kreulen advised that Fraport has in-house requirements for on-sight inspection of food quality and customer service, a secret-shopper program and customer surveys. A quarterly report is forwarded to MNAA confirming standards are being met and reviewed by the Paslay Group and the MNAA Finance Department. He noted that sales reports are provided in the Board package.

Commissioner Granbery stated that sales and transactions are a good way to track customer satisfaction. He asked if the Fraport agreement has termination rights for sales performance, and President Kreulen responded that it does.

B. Quarterly Retirement/OPEB/Treasury Investment Reports

Kristen Deuben, Vice President of Finance & Deputy CFO, briefed the Committee on the quarterly retirement, OPEB and Treasury Investment Reports. The Retirement Plan's fourth quarter market value is \$76.4M; a decrease of \$7.9M dollars from the previous quarter. The OPEB Plan's market value is \$36.7M; a decrease of \$5.2M dollars from the previous quarter. Both plans are fully funded. Financials presented are based on actuarial valuation for the Retirement Plan, and on a market value basis for the OPEB plan, as of June 30, 2022.

At the May Finance Committee update, funding information was requested for each plan by fiscal year. Financial data for the retirement plan was provided beginning 2014 reflecting actuarial value. It was noted that actuarial value tends to smooth market fluctuations. Currently the MNAA Retirement Plan is 102% funded. OPEB funding information was presented to beginning FY 2017; the first year MNAA was required to show OPEB liability and asset information on financial statements. OPEB is funded at 113%.

The MNAA Treasury Report was presented showing \$806.5M total funds available, of which 98.8% is invested. Cash account balances are \$9.7M; less-than 1% total cash available, meeting the goal of keeping cash balances below 8% of total available funding.

Total cash investment earnings for fourth quarter 2022 are \$1,814,041. This is less than the fourth quarter 2021 earnings of \$2,893,622 due to decline in earnings rate and \$31.1M less available funds.

Chair Byrd asked for additional information on the Tennessee Local Government Investment Pool (TN LGIP). Ms. Deuben advised TN LGIP is a funding tool utilized by the State of Tennessee to support local municipalities and was restricted to state-only expenditures. He requested that staff determine who supervises the fund.

VI. Adjourn

There being no further business brought before the Finance Committee, Chair Byrd adjourned meeting at 9:40 a.m.



Jimmy Granbery, Board Secretary