

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



Date: November 16, 2022

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 1:00 pm

Board Members Present:

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

Board Members Absent:

Bill Freeman, Chair

Others Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford and Rachel Moore

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 1 p.m., pursuant to Public Notice dated November 11, 2022.

II. APPROVAL OF MINUTES

Vice Chair Stevenson called for a motion to approve the Minutes of the October 19, 2022 Joint Meeting of the MNAA Board of Commissioners and MPC Board of Directors. A motion to approve was made by Commissioner Joslin and seconded by Commissioner Byrd. The motion carried by vote of 6 to 0.

Vice Chair Stevenson called for a motion to approve the Minutes of the October 19, 2022 FY23 Board of Commissioners Retreat. A motion to approve was made by Commissioner Joslin and seconded by Commissioner Byrd. The motion carried by vote of 6 to 0.

III. CHAIRMAN'S REPORT

Vice Chair Stevenson had no Chair's report.

Doug Kreulen, President and CEO, introduced Ralph Schulz, President and CEO of Nashville Area Chamber of Commerce. Mr. Schulz thanked President Kreulen and Commissioner Joslin for having the opportunity to speak at BNA, one of the most important economic development assets to this region. Mr. Schulz commented

that to the people who are bringing and expanding businesses here in Nashville, the opportunity and resources provided by BNA are number two on their list, with number one being available work force. He stated that Nashville has historically been slow to recession and quick to rebound from economic downturns. Nashville has experienced shallow recessions due to the city's economic sectors of healthcare, music, and hospitality working together to create a balance for the last 30 years. Affordable housing is a key issue for this community. As we are in a difficult economic period across the nation, Nashville will not feel the same pressure that exists in some of the other areas.

Mr. Schultz reported that 47 business projects are in the pipeline for this market. These projects include Oracle, Amazon, and 7,000 new hotel rooms. Mr. Schultz noted new hotel rooms are needed to help stabilize prices and continue to provide access to the area. Several mega-range businesses, businesses with 500-1000 employees, are still interested in Nashville. Mr. Schultz thanked the airport for being a lead investor in the Chamber's Partnership 2030 Plan. He relayed that we are on track in every single metric with the exception of population growth in Nashville. Davidson County lost 11,000 people; however, with population growth in surrounding counties, the region experienced a total population increase of 33,000.

Mr. Schultz reported that Nashville has a 70% labor participation rate. Economists believe that when an economy is in the 60% labor participation range, the available workforce is just about fully utilized. This means that Nashville is at an unsustainable number. Currently, there were 70,000 job openings in this region and there are only 31,000 people unemployed. If every person who is unemployed would take one of those jobs, we would still have a 40,000-person gap. Mr. Schulz stated that when he joined the Chamber 16 years ago, there were more people than jobs, that is now completely flipped. Workforce availability is a significant barrier to expanding opportunities in this region. BNA is key to overcoming this obstacle because when people visit here, they often consider moving here. People are coming for a variety of reasons-- conventions, leisure travel, Vanderbilt, Belmont, etc.-- and that population growth is important for continued expansion. BNA is a key way that people have that initial experience.

Mr. Schulz noted that the tech sector is now a new vertical industry whereas in the past tech has been a horizontal industry that is spread across all sectors. Tech is paced to become one of the top 5 or 6 industries in this region.

Commissioner Joslin thanked Mr. Schulz for what he has done for the city for 16 years and stated we are lucky to have two individuals, like Mr. Schulz and Butch Spyridon, President and CEO, Nashville Convention and Visitors Corp (NCVC), and their magnificent vision to keep this town growing. Mr. Schulz said thank you and that he will pass it on to all of the Chamber. Mr. Schultz closed by complementing the decisions that BNA is

making and remarked that they are in perfect sync with the needs of this community and expanding opportunities for the people in this region.

IV. PRESIDENT'S REPORT

Doug Kreulen, President and CEO, introduced two members of Leadership staff, Karmin Bailey and Franklin Carver. Karmin Bailey, Director, Business Diversity Development, recently joined us from Ohio, and Franklin Carver, Director, Community Affairs, was recently promoted to his current position. President Kreulen thanked both Ms. Bailey and Mr. Carver for accepting the new responsibilities.

President Kreulen introduced our canine officer, Officer Havoc, who received the Meth Man Award by the Tennessee Narcotics Officers Association and his human partner, Sergeant Brad Kessler. The duo seized over 83 pounds of methamphetamine last year.

President Kreulen reported that BNA hosted 35 airport officials from Vietnam and two interpreters on November 15th. Vietnam is interested in building a bigger and better airport outside of capital city of Pan Noi, and they wanted to see what we are doing here in Nashville. Staff delivered a presentation to the group and provided them with a tour. The officials enjoyed lunch as well before they flew back to Washington, DC. This is a US Trade & Development Agency (USTDA) mission program through Washington DC and Nashville, and we were proud to host them.

President Kreulen reported on the Series 2022 Bond Sale. He relayed that because of our fiscal management, we received great Bond ratings from Moody's, Fitch and Kroll. This morning, as of 11:00 AM, we were trying to sell \$602 million dollars in Bonds, with \$7.7 billion in orders, a little over 12.8 times oversubscribed. As we walked into this meeting, Marge Basrai, CFO, notified President Kreulen that they just finished the pricing, and BNA budgeted to secure these Bonds at a 5.5% interest rate. After the final pricing our average Bond interest rate is 4.88% which saves BNA approximately \$5 million dollars per year for the next 30 years. President Kreulen thanked Ms. Basrai and her team. Secretary Granbery asked if she sold the \$1.25 billion NTE. President Kreulen explained it was \$1.25 million because it included approximately \$300 million in the short-term credit facility.

President Kreulen briefed the Board on the FY23 enplanements and reported that BNA is blowing out another forecast. Last year BNA was number one of the top 50 airports in terms of recovering from the pandemic. FY23 YTD is 19% over FY22, which is equivalent to 8 – 9 years in growth in a given year. Airlines are announcing

today additional nonstop flights to Provo, Utah and Akron/Canton, Ohio beginning in February 2023. We are continuing to grow, and we are trying to build as fast as possible to keep up with that growth.

Commissioner Glover pointed out that Mr. Schultz stated during his presentation that the growth in Nashville has shifted downward, yet the enplanements are up. She asked if Nashville has become more of a destination city and what is affecting the growth. President Kreulen explained it is a combination of Nashville not being an origin and destination city when this airport was built. President Kreulen credited Mr. Schulz and the Chamber with turning Nashville and Middle Tennessee into a destination city. When the pandemic happened, we lost a lot of business travelers, but they have returned in droves. About 87% of our traffic is originating or traveling to the Nashville area. Commissioner Glover stated the cost of living has become so high it is pushing a lot of people out and she wondered if it had anything to do with the slowing down of the growth. President Kreulen stated inflation is one thing we are all tracking, but right now it is not slowing BNA down with 19% more passengers than the previous year. Mr. Schulz added that from an affordability perspective, it is definitely tough, but we have also seen pretty substantial wage growth over this same period. It has not been enough to overcome inflation, but the big issue for most people is entry level housing and that is where the Chamber is concentrating a lot of their efforts.

President Kreulen stated that customer service has been a key focus. Our overall customer experience has come back up close to our highs from 2018 and 2019, overcoming the dip at 82% in 2021 during the pandemic. We have slowly been raising our standards in performance and expect a huge jump once we get to the January and September openings. In terms of concessions, we entered into a new developer agreement in the 2019 time period where we were at a 70% score. Food and beverage and retail went down to 44% and 60% respectively during the pandemic, and now we are back to 71%. We now have 58-59 new businesses inside the airport, which is 7 more than we had previously, and in 12 months there will be over 98 businesses inside the airport to generate the revenue to pay those bonds back. BNA anticipates that our customer service ratings are going to continue to increase. Vice Chair Stevenson asked what types of businesses are considered other services. President Kreulen responded examples are ATMs, Wi-Fi, and nail salons.

President Kreulen stated on the next 30-days, we look forward to having Butch Spyridon with the Nashville Convention & Visitors Corp. speak at the December meeting and that the Operations Committee will be busy with several approvals. For the 60-day outlook, as we move forward to January, we will have Burke Nihill, the Titans President & CEO, as guest speaker and more Operations and Finance Committee approvals.

V. ITEMS FOR APPROVAL

A. Construction Contract for JWN North Development and R3 Apron Expansion (Operations)

President Kreulen introduced Traci Holton, Deputy COO & Chief Engineer, who briefed the Construction Contract for JWN North Development and R3 Apron Expansion. This project constructs airside and landside infrastructure to support north development leases and apron expansion towards Taxiway A and Taxiway R3. Ms. Holton provided background that on October 20, 2022 we received two bids for the scope. Civil Constructors (“Civil”) was the low bidder, with a base bid and alternate bid totaling \$18.41M. Their bid was deemed responsive and responsible, and she recommended the Board of Commissioners accept the bid from Civil and authorize the Chair and President and CEO to execute the construction contract for \$18,412,545. This item was presented to the Operations Committee on November 9, 2022.

Commissioner Joslin made a motion to approve as presented and Secretary Granbery seconded the motion. The motion carried by a 6 to 0 vote.

Secretary Granbery asked Ms. Holton if this includes the alternate. Ms. Holton replied yes, base bid and alternate bid. Ms. Holton introduced Jeff Banta, Operations Vice President, and Tom Jones, Senior Project Executive, with Messer Construction.

B. Design/Build Contract for Baggage Handling System Expansion CGMP 1 of 3 (Operations)

Ms. Holton briefed the Board on the Design/Build Contract for Baggage Handling System Expansion CGMP 1 of 3. Ms. Holton stated on October 5, 2022 we received three proposals. Messer was rated the highest proposer for this project with a Component Guaranteed Maximum Price (“CGMP”) just under \$8.8M. The total project budget is \$125M. Ms. Holton recommended the Board of Commissioners accept the proposal from Messer and authorize the Chair and President to execute the design/build contract for CGMP 1 of 3 for \$8,773,225. This item was presented to the Operations Committee on November 9, 2022.

Commissioner Joslin stated the Operations Committee studied this very carefully and recommended Board approval. Secretary Granbery asked what portion of the \$125M is third party. Ms. Holton responded that we would know that more in the future as we start to bid this project. Secretary Granbery also asked how many vendors there are worldwide that can provide this equipment and Ms. Holton responded not many.

Commissioner Glover asked if the standard for selecting Messer was the lowest and best bid. Ms. Holton explained it was a Request for Proposal (“RFP”) that was evaluated based on qualifications and price. President Kreulen stated when it is an RFP, we lay out the evaluation criteria so that we know what percentage we are going to give to price and what percentage we give to design.

Commissioner Joslin made a motion to approve as presented and Commissioner Glover seconded the motion. The motion passed with a vote of 6 to 0.

C. MNPD Hangar Lease Agreement with Metro Government (Finance)

President Kreulen introduced Carrie Logan, Associate General Counsel, who briefed the Board on the MNPD Hangar Lease Agreement with Metro Government (“Metro”). Ms. Logan stated that this agreement used the same terms from the JWN Notices of Availability (NOA) for parcels 1-5 and includes the supplemental rent for including design and construction by MNAA. Ms. Holton recommended the Board of Commissioners approve the lease terms negotiated between MNAA and Metro and authorize the Chair and President and CEO to execute the ground lease. This was presented to the Finance Committee on November 9, 2022.

Secretary Granbery asked what was decided about insurance. President Kreulen stated staff is still evaluating and have looked at it both from the legal and risk perspectives and is coordinating with Metro. BNA is covered and secondly, BNA will be covered by Metro self-insurance. Staff is asking our insurance provider if any type of supplemental insurance is needed. We believe we can fit it in with the rates we are charging.

Commissioner Glover asked when if the leases will be assessed every five years. President Kreulen stated that the leases include the base rent, a 3% escalation from that the initial \$221 per sf each year, and on the 10th and 20th years require a fair market value reset, which cannot go down. BNA is assisting Metro by building them a hangar for their aviation department for their new helicopters, which will be based out of JWN, and they will pay us back for the design and construction through the life of the lease.

Commissioner Byrd stated the Finance Committee voted to recommend approval and made a motion to approve as presented and Commissioner Glover seconded the motion. The motion carried by vote of 6 to 0.

D. Air Service Incentive Policy (Finance)

President Kreulen introduced Josh Powell, Director, Airline Affairs & Air Service Development, who briefed the Board on the Air Service Incentive Policy (ASIP). The ASIP helps BNA remain competitive with other US airports in efforts to attract additional non-stop international and domestic service. The key changes from the current policy to this update include Hawaii's move to Trans-Oceanic tier from the Other Americas tier, which is a better incentive; and a change to the eligibility restrictions from previous 12 months to previous 24 months. The funding for the incentive policy is the NAE Incentive Fund, currently valued at \$6.85M, with annual funding of \$2M. All proposed marketing incentives and landing fee and facility abatement entered into outside of the Domestic Market Agreements, requires separate approval of the Board of Commissioners. Mr. Powell presented a table outlining the different types of incentives and options available. This was presented to the Finance Committee on November 9, 2022. Mr. Powell recommended the Board of Commissioners approve the ASIP and authorize the President and CEO to execute the policy.

Commissioner Byrd stated that the Finance Committee had voted to recommend approval and made a motion to approve as presented and Secretary Granbery seconded the motion. The motion carried by vote of 6 to 0.

President Kreulen pointed out that Commissioner Byrd and Secretary Granbery asked previously about the current balance of the NAE Incentive Fund. It is \$6.85M and Ms. Basrai makes a monthly contribution of \$166K. A question was asked about how much British Airways costs us monthly because they are currently on an incentive for a 24-month period. Combined waivers to the landing fees and ramp fees, and marketing, is approximately \$1.5M dollars. The balance would slowly start to decrease as we offer the next flight, which we hope is to Central Europe (Amsterdam, Frankfurt, Paris or Rome). As Mr. Powell presented here, we underlined the addition of Hawaii under that Trans-Oceanic tier and hopefully Hawaiian Airlines is interested in buying bigger airlines that could fly nonstop from Nashville to Hawaii. If that happens, we want them to choose Nashville and this incentive will make us more favorably considered than other airports. On January 24th we will open the first checkpoint and on September 25th we will open the International Arrivals Facility ("IAF"). President Kreulen clarified that the terminals would no longer be split when the checkpoint opens on January 24th.

E. General Services Administration/Drug Enforcement Agency 2-year Space Lease Extension (Finance)

Mr. Powell briefed the Board on the General Services Administration (“GSA”)/Drug Enforcement Agency (“DEA”) 2-year Space Lease Extension Agreement. Mr. Powell stated that the original lease was 5 years with one 5-year option that expires at the end of this calendar year. We have negotiated a 2-year extension that will run from January 1, 2023 through December 31, 2024. The existing rental rate of the lease is \$39.37 per sf per year. The new rental rate is \$118.51 per sf per year which is consistent with other terminal rental rates. This was presented and approval recommend at the Finance Committee on November 7, 2022.

Commissioner Byrd stated that the Finance Committee had voted and recommend approval and made a motion to approve as presented and Commissioner Sullivan seconded the motion. The motion carried by vote of 6 to 0.

F. Fraport Subleases (Finance)

President Kreulen introduced Colleen Von Hoene, Associate Principal with Paslay Group to brief the Board on three Fraport subleases with terms extending beyond January 31, 2029. MNAA is required to become a party to the subleases so that all rights and obligations of Fraport’s agreement attorn to MNAA at the expiration of Fraport’s Lease and Concessions Agreement. These leases were presented to the Finance Committee on November 9, 2022.

Commissioner Glover asked which businesses are minority-owned. Ms. Von Hoene responded SNA Nashville and TRNA Nashville are both 40% ACDBE participation, with locations including Slim and Husky’s, Hattie B’s, ACME Feed & Seed, Galleria Duty Free/Duty Paid and Tennessee Whiskey Company.

Ms. Von Hoene requested that the Board approve the following subleases for the terminal concessions program between Fraport and MNAA: and 1) Ferncroft Airport, LLC (2 leases), 2) SNA Nashville, LLC and 3) TRNA Nashville, LLC; and authorize the Chair and President and CEO to execute the subleases.

Commissioner Byrd stated that the Finance Committee met and considered the Fraport sublease extensions and recommend approval and made a motion to approve as presented. Commissioner Glover seconded the motion. The motion carried by vote of 6 to 0.

Commissioner Joslin stated he is so happy that the team is moving forward with these concessions and for the first time in a couple of years he is receiving praises for the program, and we owe that to our traveling public giving them an opportunity here to have food and beverages. He said we are at a good point at this airport, and complemented Matt Jennings, Fraport and Ms. Von Hoene.

VI. INFORMATION ITEMS

President Kreulen briefed the Board on several Information Items. President Kreulen updated the Board on the BNA Vision. The checkpoint reopens on January 24, 2023, and passengers will come over the bridge and into the airport below the artwork that was previously approved. When passengers hit the ground floor, they will see these large jumbo-trons, 24 security lanes and new artwork. In reference to Commissioner Glover's previous question, there will be a wall put up at the IAF that will open in September. Several other big events coming up include the Hilton hotel topping out on December 31st and the BNA reception on January 19th.

President Kreulen stated on the BNA development that the Frist new aviation development is in the demolition phase of the old TDOT hangar. He provided images of the demolition. The Frist family will build a new hangar that will have all of their corporate jets and staff will keep Commissioners updated on that construction. Panattoni has not been able to get a permit from Metro and they want to discuss a new financial proposal that was recently submitted. This will be evaluated to see if it is in the best interest of the Authority. Late yesterday, BNA received an unsolicited proposal for the 5.5-acre parcel on Westside, which staff has not had an opportunity to evaluate yet. That is one that the Commissioners previously asked us to go back and do more homework, which we are preparing to do after we see what this proposal offers.

President Kreulen thanked the Board for the two approvals for JWN made today. The first approval from the Operations Committee and Board to build the new ramp and put in the new road allows us to get in and develop parcels 1-5. The second approval from the Finance Committee and Board to move forward with the lease for Metro will put their aviation department in parcel 10. We will see proposals on 6-9 in late December. By Board approving this construction today to build the road, the five tenants should not have concerns about getting to the ramp or not having roadways, so we should be able to lock up those leases.

President Kreulen stated the BNA Concessions program has turned around from 2019, with 18 of 19 locations for 2022 already opened and the last one scheduled to open December 26, 2022. On January 6, 2023, 12 new businesses will open inside the airport, all of which are under construction. The final 15 locations will open up in the month of September, and the satellite concourse locations will open in October 2023.

Commissioner Glover asked what percentage of the locations are minority-owned. President Kreulen stated by the September 24, 2023 we will be at 90 businesses. Under the prior concessions program with 52 locations, approximately 13% were ACBDE. The 90 in the new program are approximately 40% ACBDE, so we have raised the bar by 27%. Commissioner Glover stated that is a great story. President Kreulen agreed and stated we also have several businesses opening with Nashville flavor, including Smashville and Titans.

President Kreulen stated regarding the FY22 Insurance program, after coming out of the Tune tornado of 2020, the Commissioners asked that MNAA have an outside agency review our insurance policies and practices. We contracted with Anderson Kreiger who engaged Albert Risk Management Consultants ("ARMC"). With the improvements we have made in the two years post-tornado, our policies are stronger and better protect the airport. As Commissioners are aware, we are still in negotiations, mediations and litigations with a couple of insurance companies related to the tornado, and we hope to have those resolved soon.

President Kreulen reported that on the investment side of the house, with the stock market being down, our Retirement Plan lost about \$4.8M and OPEB plan lost about \$4M. Both plans remain over 100% funded. For the Treasury, 97% of money is invested, which is about \$700M. We had \$116M less available funds than the previous quarter, but we made more money on the investments. The investment portfolio is in compliance and meeting policy objectives.

President Kreulen reported the Finance, Internal Audit and IT teams are excited that MNAA received Unmodified Opinions on all three external audits, the highest rating possible. The Authority also passed the PCI test for the fourth year in a row. President Kreulen thanked the Finance, Internal Audit and IT teams for pulling off such strong results.

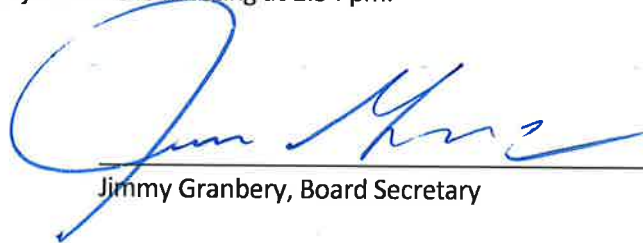
President Kreulen presented the 2023 Board Schedule that was reviewed last month and will be sent out after meeting. Committee meetings will be held on the 2nd Wednesday and the Board will convene on the 3rd Wednesday of each month. The only exception will be the June Committee date

which conflicts with a major conference in the US, which we are hosting in 2024, and a modification may be made at a later date with Board approval.

President Kreulen stated all Commissioners have executed their Ethics Disclosure forms with the exception of one. President Kreulen and Mr. Bedrock will work on proposals for the updated Ethics Policy and revisions to the Bylaws, based on best practices, and all will come before the Board for review and approval.

VII. ADJOURN

There being no further business brought before the Board, Vice Chair Stevenson thanked the Commissioners for their participation and made a motion to adjourn. Commissioner Byrd seconded the motion, which carried by a vote of 6 to 0. Vice Chair Stevenson adjourned the meeting at 1:54 pm.



Jimmy Granbery, Board Secretary