

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



Date: December 14, 2022

Location: Metropolitan Nashville Airport Authority  
Tennessee Boardroom

Time: 1:00 PM

Board Members Present:

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

Board Members Absent:

None

Others Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford and Rachel Moore

## I. CALL TO ORDER

In accordance with the 3<sup>rd</sup> 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 1:00 PM, pursuant to Public Notice dated December 9, 2022.

## II. APPROVAL OF MINUTES

Chair Freeman called for a motion to approve the Minutes of the November 16, 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.

## III. CHAIRMAN'S REPORT

Chair Freeman welcomed everyone and thanked all for attending. He thanked all the Board Members and stated he appreciates all the hard work and hours put into the MNAA Board.

## IV. PRESIDENT'S REPORT

Doug Kreulen, President and CEO, introduced Butch Spyridon, CEO of Nashville Convention & Visitors Corp. ("NCVC"). Mr. Spyridon began his presentation by thanking MNAA for supporting the NCVC. Mr. Spyridon presented the NCVC Annual Report, noting that the success of the NCVC and its ability to sustain the momentum of Nashville's growth is dependent on the availability of more hotel rooms and airline seats. Mr.

Spyridon stated President Kreulen is now a Board Member of NCVC, MNAA is a corporate partner, and the relationship has never been better. Mr. Spyridon remarked that the two organizations are in sync.

Mr. Spyridon shared that in October 2022 another record was set selling more than 900K hotel rooms in one month. He expects to hit 10M room nights next. Mr. Spyridon reported 2022 ends with 9.5M rooms night sold, which is 27% year over year, and 7% over year 2019. Projections for 2023 are 10% over this year and 19% over 2019. Hotel rooms are a staggering \$1.9B in 2022, 57% year over year and 22% over 2019. NCVC gets calls asking about recovery which is long in the rearview mirror. The forecast for 2023 is \$2.2B in hotel revenue, being 15% over 2022.

Mr. Spyridon explained that NCVC is changing how visitors are counted, with better methodologies. This shifts the numbers, making them a little lower than in 2019, and it is about the counting methodology, not that we lost visitors. For 2022 NCVC is expecting 14.4M visitors, a 13% increase over 2021, and believes 2023 will bring 15M visitors. Visitor spend for 2022 is \$8.8B, up from \$7.7B in 2021. The only way to continue to grow is with the airlines and hotels. In the last five years, we have added 11K new hotel rooms, which is extraordinary. We have seen 1% to 2% growth market of new hotels for the past several years. There are 2,000 rooms that will open between now and 2024, along with 7,698 rooms in the pipeline, either under construction or actively working in final plans. We have 36,000 rooms in the city at this time. We are hopeful this will bring some rates down and we can normalize and capture some market share we are losing because we have priced some individuals out of the market.

Mr. Spyridon restated his desire for NCVC and MNAA to continue their partnership. NCVC looks forward to opening a store next month at MNAA where passengers can buy tickets for activities while visiting, which is a great way to encourage repeat visitation or extended stays. NCVC has started international conversations with Delta and will keep MNAA staff aware of all discussions. The CEO of Southwest Airlines was a guest at the NCVC annual luncheon, along with the Senior VP of Sales for Delta Global Sales. United Airlines also came to town for a retreat. NCVC is going to talk about markets and marketing and continue to find ways to grow traffic through this airport. Mr. Spyridon stated lastly for the 11<sup>th</sup> year in a row, Nashville was named a top destination in the world, in all the major travel publications, which does not usually happen. Mr. Spyridon concluded stating he is honored and appreciates the opportunity to speak.

Secretary Granbery thanked Mr. Spyridon for his attendance and for all he does for Nashville and asked if the numbers quoted during his presentation are only Davidson County. Mr. Spyridon stated it is regional to which

Secretary Granbery replied, in Brentwood it is sometimes hard to get rooms and the spillage and growth is consistent with NCVC numbers. Chair Freeman added he does not think anyone ever gets tired of people telling them what a great job they are doing and MNAA and NCVC are leading the charge in Middle Tennessee with the growth of Nashville and the growth of the airport. He thanked Mr. Spyridon and NCVC for everything they are doing for our city. President Kreulen thanked Mr. Spyridon for speaking.

President Kreulen recognized Corey King, Manager Airport Customer Experience and Olivia Parven, Manager, Corporate Communications, the co-chairs for the “Metro Makes a Difference” campaign. MNAA employees pledged \$38,287 to benefit 44 different agencies and local communities.

President Kreulen congratulated Chair Freeman on his appointment by President Biden to the J. William Fulbright Foreign Scholarship Board.

President Kreulen announced MNAA received a Gold Winner Excellence in Concrete Paving Award from the American Concrete Paving Association Excellence in Concrete Payment Awards. On the concrete paving side on R/W 2R/20L, 262,000 square yards of cement pavement was put in, and the team did a couple of unique things in terms of the schedule, which allowed them to deliver in 15 months versus 20 months. The team ordered all of the steel ahead of time and then stored it so we never had any delays due to the steel delivery. On the innovation side, the team proved that crushed existing runway was viable material for use and added it into the two batch plans that they established to produce the amount of concrete needed to rebuild the runway. This was an impressive award for the team to achieve.

President Kreulen acknowledged the promotion of Emily DiPietro from Sergeant to Lieutenant. Lieutenant DiPietro has a bachelor’s degree in EMS Management and in addition she is currently attending Tennessee Tech working on her master’s degree in Professional Studies and Strategic Leadership, which she hopes to complete in May 2023. Lieutenant DiPietro is a Certified Emergency Medical Technician since 2009 and has set the bar high and we are happy to see her promoted to Lieutenant.

President Kreulen also congratulated George Youssef, who was promoted from Officer to Sergeant. Sergeant Youssef is a native of Egypt and speaks, reads and writes Arabic fluently. Sergeant Youssef graduated from MTSU with a BS in Criminal Justice Administration and is continuing to lead his department and we are excited about that.

President Kreulen stated the Snowball Express is an opportunity each year for deserving charities and this year it was sponsored by the Gary Sinise Foundation and American Airlines. They took the families and children of fallen military personnel for a one-week vacation to Walt Disney World Resort for the annual Snowball Express event. MNAA's Honor Guard marched down the terminal for the celebration and Disney brings a lot of cartoon characters to celebrate the launch. President Kreulen also had the opportunity to meet Donna Palmer, the new CEO of the Gary Sinise Foundation, who just moved to Tennessee.

President Kreulen briefed the Board on FY23 BNA Enplanements. BNA is right on top of our aggressive forecast and ranked number one airport in the nation last year in terms of recovery from the pandemic. This fiscal year is up plus 18%. This is the challenge the staff is focused on. Last year ended at 18.4M and we think in this 12-month time period we will end up at 21M passengers, almost 2.5M new people coming through the airport during a 12-month time period.

MNAA will be preparing staff analyses for several items for Board approval. President Kreulen reminded the Board of the Grand Lobby preview which MNAA is hosting on January 19<sup>th</sup>. The Grand Lobby will open on January 24<sup>th</sup>. In February, some additional approval items will be coming to the Board and just after the Committee meeting, we will have another Executive Senior Staff Retreat, which is our last opportunity to tweak the budget that will come to the Board for approval in April.

## V. ITEMS FOR APPROVAL

### A. Professional Services Contract for Curbfront Operations and Improvements Study (Operations)

President Kreulen introduced Traci Holton, Deputy COO & Chief Engineer, who briefed the Board on the professional services contract for curbside operations and improvements study. A Request For Qualifications ("RFQ") was advertised and two responsive Statements Of Qualifications ("SOQ") were received in October. Both firms were interviewed with InterVISTAS being the top scoring firm. The amount is \$500,000 NTE. The schedule is currently one year, and staff hopes to greatly reduce that duration. The curbside study will analyze all of BNA's passenger pick-up and drop-off curbs, cell phone lots, ground transportation center and internal airport roadways, to help improve the congestion that we are currently now having. Ms. Holton requested the Board of Commissioners accept the SOQ and authorize the Chair and President and CEO to execute the contract with InterVISTAS for \$500,000 NTE. This contract was presented to Operations Committee on December 7, 2022.

Commissioner Joslin acknowledged the contract was presented and approval recommended by the Operations Committee. Secretary Granbery made a motion to approve as presented and Vice Chair Stevenson seconded the motion. The motion carried by a 6 to 0 vote.

B. Change Order for Baggage Handling System ("BHS") Short Term Improvements (Operations)

Ms. Holton briefed the Board on the Change Order for BHS Short-Term Improvements. She stated this Change Order will provide bag porters to mitigate impacts from upcoming work in the C Concourse screening matrix. The contractor is CLX Engineering in the amount of \$277,300 NTE. This is the 2<sup>nd</sup> change order on this contract, and the total of the 2 change orders is greater than \$500,000 and therefore, staff is bringing this item to the Board for transparency. Ms. Holton requested that the Board of Commissioners authorize the Chair and President and CEO to execute the proposed Change Order No. 2 to CLX for \$227,300 NTE.

Commissioner Joslin acknowledged the contract was presented and approval recommended by the Operations Committee and made a motion to approve as presented and Vice Chair Stevenson seconded the motion. The motion carried by a 6 to 0 vote.

Secretary Granbery asked what the Authority Improvement Fund is, to which President Kreulen responded that it is a capital improvement fund. President Kreulen stated sometimes MNAA will show it as MNAA instead of the Authority Fund. Secretary Granbery asked how much money is in the fund. Marge Basrai, Chief Financial Officer, responded it does change every year, and she will get the numbers. Secretary Granbery stated it would be good to know if we have enough funds, especially when we make improvements. President Kreulen stated yes, and at the end of the study for the curbside we will come back to the Board for approval for the recommended improvements.

Commissioner Glover asked why it was not in the previous change order and if there will be any other change orders. Ms. Holton responded that MNAA is not expecting any other change orders and that the previous change order was due to TSA originally stating we did not have to include certified testing and now it is a TSA requirement. President Kreulen stated we normally have money in there for contingency that we can spend and when TSA put the additional testing requirements on there and to prevent disruption when that was going on, MNAA submitted this second change order and the sum of those two together exceeded \$500,000 so we are bringing these change orders to the Board for visibility. Secretary Granbery stated

Change Order 2 will be money well spent and President Kreulen agreed and explained that when making improvements to a running system and if it fails, you need people to move hundreds of bags.

C. Change Order to HP Terminal Lobby International Arrival Facility (IAF) Contract for Wi-Fi/Distributed Antenna System (DAS) (Operations)

Ms. Holton briefed the Board on the Change Order for extension of Wi-Fi services into the new terminal lobby and IAF to add Wi-Fi and DAS in the amount \$3.5M NTE. She requested that the Board of Commissioners authorize the Chair and President and CEO to execute the proposed Change Order No. 1 to the HP contract for \$3,500,000 NTE. This was presented to the Operations Committee on December 7, 2022.

Commissioner Joslin acknowledged the contract was presented and approval recommended by the Operations Committee. He made a motion to approve as presented and Secretary Granbery seconded the motion. The motion carried by a 6 to 0 vote.

D. Change Order to Holder Satellite Concourse Contract for Wi-Fi/DAS (Operations)

Ms. Holton briefed the Board on the Change Order number 1 to Holder's contract for installation of Wi-Fi in satellite concourse Guaranteed Maximum Price in an amount \$1M NTE. She requested that the Board of Commissioners authorize the Chair and President and CEO to execute the proposed Change Order No. 1 to the Holder contract for \$1,000,000 NTE. This item was presented to the Operations Committee on December 7, 2022.

Commissioner Joslin acknowledged the contract was presented and approval recommended by the Operations Committee. He made a motion to approve as presented and Vice Chair Stevenson seconded the motion. The motion carried by a 6 to 0 vote.

## VI. INFORMATION ITEMS

President Kreulen introduced Marge Basrai, EVP, CFO, and Lauren Lowe, Managing Director, PFM Financial Advisors. Ms. Basrai reported the Series 2022 A&B Bond Financing just closed last week on December 7, 2022. On November 16, 2022, MNAA sold \$596,085,000 of Airport Revenue Bonds as two series: \$94,525,000 non-AMT and \$501,560,000 in AMT. MNAA funded \$431M in project costs and paid off \$110M of the Note Purchase Agreement ("NPA") we have with Bank of America. Ms. Basrai stated market conditions turned favorable starting November 10th and continued through the day of pricing. The Consumer Price Index ("CPI")

and Producer Price Index (“PPI”) came in much lower than expected and the Municipal Market Data Index (“MMD”) decreased by an average of 0.39% basis points in the two weeks prior to pricing.

The underwriters, led by Bank of America (“BofA”) Securities, generated over \$7.7B of investor orders which were 12.8X oversubscribed. We had 118 unique investors who submitted orders of which 55 were new investors to MNAA and who generated \$2.5B in orders. We wanted to generate as many orders as we could because it gives the competition which allows us to lower the price. Ms. Basrai spoke one-on-one with four investors per their request, Alliance Bernstein, BlackRock, MacKay Shields and Vanguard and these four investors submitted \$1.1B in orders. Ms. Basrai presented a list of the total order amount of the top 15 largest investors; noting that this is not necessarily the amount that was sold to them. We tried to give orders to every investor who put in an order for bonds.

Ms. Basrai stated by leveraging the strong order book, BofA Securities reduced yields another 8 - 20 basis points giving us an All-In-True Interest Cost (“TIC”) of 4.88% for the Bonds, which is below the estimated rate of 5.5% included in the Airport Consultant’s Report. The debt payments are approximately \$42.1M per year starting in 2026 through 2052, which is approximately \$5M less in annual debt payments than forecasted.

MNAA evaluated upsizing the bond transaction between \$842M and the maximum allowed of \$1.25B, and based on certain factors, MNAA decided not to upsize. MNAA does have a NPA with BofA for \$300M to fund our project cash flows, until refinanced with a bond issuance. MNAA has paid off a majority of the NPA note with the proceeds from this bond issuance so now we can use it again for construction. The interest cost of 4.88% for the 2022 Bonds was really good for the current market we are in; however, the rates are at a 10-year high. It was 1.36% higher than the rate of the 2019 Bond of 3.52% and is higher than the NPA 6-month average rate of 2.64%. While the future is unknown, BofA and JP Morgan believe interest rates will start to decrease by the end of 2023. Based on cash load projections, MNAA will not need to come back to the market until at least the very end of 2024/2025. Based on current market conditions, PFM estimated the net cost of upsizing is approximately \$9M to \$29M higher than using the NPA to fund expected construction requirements over the next two years. Most of our 2022 Bond issuance funded the remaining of the Vision 1.0 and 2.0 projects and MNAA is early in the planning phase of the New Horizon capital projects and the actual cost/scope is still unknown until we get going on a lot of those big projects. It is better to wait until we verify costs, which will occur as the projects are under construction. All of these factors combined resulted in the decision to not upsize.

Ms. Basrai noted two State Reports on Debt Obligations will be filed on December 15, 2022, which are the 2022A Non-Amt Bonds and the 2022B AMT Bonds. This is required to be shared with the Board per State statute. Commissioner Byrd asked how BofA maintains a NPA at 2.94% when the overall market is 4.5%, and if it is a floater rate/ Ms. Basrai replied it is a variable rate and Ms. Lowe confirmed it is a 30-day reset rate. Commissioner Byrd asked if it is a percentage of LIBOR or LIBOR straight up. Ms. Lowe stated it depends on the withdrawals, a taxable withdrawal is a straight up LIBOR or BSBY, and if it is governmental or tax exempt it is a percentage thereof. Most of the withdrawals going forward are going to be deemed governmental or tax exempt. Commissioner Byrd asked if this NPA is able to take advantage of the tax-exempt nature of the obligation issued by MNAA. Ms. Basrai replied, yes. Secretary Granbery asked if it is BSBY straight up or BSBY plus. Ms. Basrai replied it is BSBY plus. Secretary Granbery asked what BSBY is today. Ms. Basrai stated she does not monitor it daily and will get that number. BSBY more closely follows LIBOR and the other one had a lot more volatility, so MNAA picked BSBY at the time because of that reason. Ms. Lowe stated the credit spread is 42 basis points over tax exempt and she will find the other numbers. Chair Freeman thanked Ms. Basrai and stated she has done a fantastic job and has exceeded expectations.

President Kreulen provided the remaining informational updates. The BNA Vision Checkpoint is opening on January 24, 2023. As of a couple of days ago, the escalators that will bring passengers to the central checkpoint are complete and the jumbo-trons are being tested on each side of the checkpoint along with the new x-ray scanning machines TSA is installing. All of that is happening now and our attention on the January 19<sup>th</sup> celebration to commemorate almost 6 years of work to get to this point. We will take the Legislators and Commissioners, current and past, on a walking tour and let everyone see it before it opens to the public.

Commissioner Glover asked if MNAA or TSA purchased the screening equipment. President Kreulen stated it was purchased by TSA and explained that if TSA decides your device is not scheduled to be upgraded until a later date, then airport money must be used to purchase. TSA has been a good partner with us these past several years.

President Kreulen provided an update on two BNA real estate projects. Regarding the Panattoni 75-acre development, they are having trouble getting their permits out of Metro, and the bigger issue is that MNAA had to go back to FAA with some additional paperwork to verify the land was not purchased with federal dollars. While waiting on permits, MNAA needs to get more homework done on the FAA requirements. On the Westside 5.5-acre development, Commissioners are aware that MNAA received a proposal several months ago that was unacceptable and we are planning to issue a Notice of Availability ("NOA") through procurement.



MNAA received a second unsolicited proposal for that area and are working with the entity to see if the terms comply with the JWN standard previously developed, and there is some work to be done on that. They gave us a proposal on November 15<sup>th</sup> and an updated one to correct an error on December 6<sup>th</sup>, and there are still some things MNAA is working on. Once all the analysis and paperwork are completed, MNAA will bring a recommendation to Commissioners.

On the JWN side of the house, the real estate team has been doing a good job and are closer with northside parcels 1-5. We believe in 6 days from today Metro council will approve the MNP hangar on parcel 10. We should have in bids on parcels 6-9 on December 20<sup>th</sup>. Secretary Granbery said he was unable to attend the JWN stakeholder meeting a few nights ago and asked about comments made about the radar not being permitted due to being a third party. Robert Ramsey, EVP, COO, stated for the contract tower, the FAA does not have a third-party available radar system that has been checked out and certified by the FAA at this time, so they have a list and they are working through their technology shop to try to find an available radar technology off the shelf to use, but does not currently exist. Secretary Granbery asked if it does become available, if MNAA will be in line to receive the radar. Mr. Ramsey stated yes, MNAA has put its name on the list asking for radar for JWN. The equipment does not currently exist and the FAA are going through certification and testing processes at this time. President Kreulen explained MNAA is asking for two things - our own radar and a scope that they can see. Once this version of radar is approved to install, if the FAA is not funding in a timely manner, then MNAA has the option to purchase. Just like Commissioner Glover's question about the TSA equipment, if FAA would tell us what would be approved and certified, but does not have the money, then MNAA could choose to make an investment.

## VII. ADJOURN

There being no further business brought before the Board, Chair Freeman 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. Chair Freeman adjourned the meeting at 1:42 PM.



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Jimmy Granbery, Board Secretary