

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



Date: February 8, 2023

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 10:43 a.m.

Committee Members Present: Andrew Byrd, Chair and Jimmy Granbery

Committee Members Absent: Dr. Glenda Glover, Vice Chair

Others Present: Bobby Joslin, Nancy Sullivan, Joycelyn Stevenson, Doug Kreulen,
Neale Bedrock, Lisa Lankford, Rachel Moore, and Trish Saxman

I. CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committee to order at 10:43 a.m. pursuant to Public Notice dated February 3, 2023.

II. APPROVAL OF MINUTES

Commissioner Granbery made a motion to approve the minutes of the January 11, 2023 Finance Committee Meeting and Chair Byrd seconded the motion. The motion carried by vote of 2 to 0.

III. CHAIR'S REPORT

Chair Byrd has no Chair's Report.

IV. ITEMS FOR APPROVAL

There were no items for approval.

V. INFORMATION ITEMS

1. Quarterly Retirement/OPEB/Treasury Investment Reports

President Kreulen introduced Kristen Deuben, VP, Finance & Deputy CFO, to brief the Committee on the Quarterly Retirement Plan and OPEB Investment Reports. Ms. Deuben stated the Q2 of FY23

Retirement Plan market value was \$74.7M, which is an increase of \$3.1M over the prior period. The OPEB market value was \$36.7M, which is an increase of \$2.1M over the prior period. Both plans outperformed our benchmarks.

During the Q2 of FY23 MNAA had total available funds of \$1.272B with 97.7% of these funds invested. MNAA had \$9.7M in DBA accounts which exceeds our internal goal to keep cash in our bank accounts below 8%. The Q2 earnings for FY23 were \$3.4M, more than the prior year due to an increase in earning rates and having \$455M more available funds.

2. BNA Concessions Program Update

President Kreulen introduced Colleen Von Hoene, Associate Principal, Paslay Group, to brief the Committee on concessions activity. Ms. Von Hoene stated that she is pleased to announce that everything that was scheduled to be opened has opened. The 12 locations that were to open in January, are now all open. The 15 locations that are scheduled to open in September 2023 have all received 30% of design review approval and 9 of the 15 locations have been approved to Code and are making good progress toward final permits. On the Paradies Satellite Concourse program, 7 locations are scheduled to open in October 2023, and all have achieved 30% design approval and expect 95% drawings to be submitted to MNAA by end of February 2023. Ms. Von Hoene presented photos of the January 2023 open concessions.

Commissioner Granbery asked how the concessions are doing and if the sales are good. Ms. Von Hoene stated we have been asking Fraport to look at sales on a daily basis particularly how existing tenants are affected by the recent openings. Mr. Matt Jennings with Fraport responded that sales are fantastic and have stayed stable. Some are outperforming others: the leaders are Johnson & Murphy and Nashville Jam Session. President Kreulen stated every couple of days he walks around the concourse and is really impressed by how many passengers are moving about and are in all of the different stores. Commissioner Granbery asked about the Titans deal. Mr. Neale Bedrock, EVP, General Counsel and Chief Compliance Officer, replied that litigation is

ongoing and from the MNAA perspective we expect all parties to complete contract obligations and we are confident that they will.

3. Airline Use & Lease Agreement Update (Calendar)

President Kreulen introduced Marge Basrai, EVP, Chief Financial Officer, who briefed the Committee on the Airline Use & Lease Agreement (“AULA”). The AULA negotiations started the summer of 2018 with initial airline discussions and ended soon after, as it was really too early for airlines to get engaged. No negotiations were happening during the pandemic and in July 2021 MNAA held a kickoff meeting. By the end of 2021 we negotiated a 1-year extension to current AULA and January 2022 resumed negotiations of new AULA. By the end of September 2022, we reached an agreement on all material elements of a new AULA. On October 17, 2022 Southwest signed a Memorandum of Understanding (“MOU”) on all material terms and October 19, 2022 the Board approved these terms for preparation of FY24 Budget and to use those terms also when preparing the financial information in our financial statement for the last Bond issue. By the end of last year, we were negotiating the small non-material items and reviewed the first draft of the new lease agreement that described those material terms. On January 11, 2023, we completed negotiations with the airlines and have been reviewing the draft agreement. Final legal reviews and airline comments were received February 3, 2023. By mid-March we expect to have the airlines return the executed lease agreements and anticipate some may take longer, like American Airlines. In April, MNAA expects to bring a new AULA to the Board for approval which will be the same time that we bring our FY24 budgets. In May and June MNAA will collect any remaining executed agreements that are still outstanding. On July 1, 2023 the new airline rate and charges will become effective per the new AULA.

In the event airlines do not sign there are two options: 1) The airline can sign a Letter of Intent indicating the airline plans on approving the AULA, due to needing additional time to get through their internal approval process; and 2) The airline can elect not to sign the agreement and become a non-signatory airline, which will increase their fees by 25%. President Kreulen stated when MNAA executed the current AULA, in April there were 3 or 4

that did not come in and did not want to pay the 25% increase and if that happens to us, they will issue Ms. Basrai a letter informing that they have agreed to the AULA but need a couple of more weeks and they do not have to pay the increase.

Chair Byrd asked if we move forward with this, which represents about 1/3 of the income, what are the three top benefits of the new AULA for MNAA. Ms. Basrai replied that the first benefit is the ability for us to pass on our debt service in our terminal. Right now, in our current agreement, we have a fixed terminal rate that escalates 2.5% a year and the new AULA allows us to pass our true costs each year including our debt service in the terminal which is crucial considering a lot of this construction that we are doing is terminal related. The second benefit is the amount of revenue share that is given to the airlines. While the amount may be going up, the percentage of what they have been getting currently will go down. Right now, they get about 50% of terminal concessions and but when you look at 8 years overall it is probably an average of 25% of terminal concessions. We are sharing less with airlines and have the ability to charge them what our true costs are. The third is a benefit truly for all, which allows us to put the capital program that we want in place, for all the airlines to have gates in order to continue growing, and bring more nonstop destinations and more passengers through. President Kreulen stated the new AULA is a 10-year agreement. Ms. Basrai clarified that it is an 8-year agreement with one two-year option. President Kreulen stated that as to the third benefit, the 18 airlines, some of which are signatories, have all agreed to the Board's BNA Vision and New Horizon and are committed until the FY32/FY33 time period and know exactly what we are constructing at BNA. Commissioner Granbery asked if British Airways is a signatory airline. Ms. Basrai stated that they are not. President Kreulen stated that British Airways buying into the capital program and committing to be with us for 8-10 years is huge. Also, relative to the second enumerated benefit, in the past we gave the airlines 100% of the concessions and decided in 2015 to change to 10% per year.

Ms. Basrai shared the good news that we received an upgrade from S&P from an A+ to AA-. She reminded the Committee that during the pandemic, S&P downgraded all the airports, and that we were downgraded to an A. In January of 2022, S&P upgraded us back to A+, and

now we have been elevated higher. S&P cited the following key strengths of MNAA in their report: (1) MNAA is a dominant airport in a strong economically and healthy region; (2) MNAA has strong financial strength and resilience; and (3) MNAA has very strong management and governance. It is common, that before you get an upgrade, S&P will raise your outlook from stable to positive knowing that you are on track for the upgrade, and in this case, they went straight to the upgrade. Ms. Basrai plans to leverage this with the other rating agencies, and they will do some of their annual surveillance again by the end of this year and try to leverage that to continue to be upgraded. Chair Byrd stated the fact that we are AA- is remarkable, certainly worthy of circulating in the news that our Bond rating has improved and the reasons for the upgrade. President Kreulen stated we normally would do a press release for this news immediately; however, the Finance Committee was alerted today. We will draft a press release and have it out by Friday.

4. Parking Rate Adjustment

President Kreulen stated MNAA hired Ricondo to conduct an independent rate analysis and survey our peer airports, the off-airport competitors, and the top 20 US airports and issue recommendations. Ricondo has multiple recommendations, and the \$2 increase is the midpoint. Ricondo felt we could increase up to \$4. As we look at peer airports and airports bigger and smaller than us, our parking rates are comparable and are actually below the average. Our rates are cheaper on short and long term, and a little under valet averages. Chair Byrd asked how Denver is able to charge \$68. President Kreulen stated Denver wants you to ride the train. MNAA garage rates go up every 15 minutes, but Denver is \$40 for the first 20 minutes. President Kreulen stated our off-airport parking lots are more expensive than MNAA, and their advertised price might be lower but with all of the drop off fees and taxes they are higher. Our \$2 rate increase keeps us in the middle of the market, and we plan to do this in March, once we get the administrative side of the house complete. Commissioner Joslin asked if the free parking is 10 minutes and if we could raise it to 15 minutes. President Kreulen stated that staff would explore whether the grace period should be adjusted, evaluating industry standard.

Commissioner Granbery inquired about the cell phone lot. President Kreulen stated that MNAA is about to embark on the roadway improvement off of Exit 216A. When you take Exit 216A from Nashville, you will see us widen to two lanes and also, we are working with TDOT to widen their lanes. The cell phone lot is not in a good location, and we are looking at moving it to Genesco and have to run fiber/internet cables in order to have the flight information out there. Chair Byrd asked how drivers will get to the airport from Genesco. President Kreulen stated as soon as they hit the terminal loop road, they just follow the terminal signs and go right to pick up, which is labeled 1 through 10. MNAA has been in discussions and negotiations with TDOT on the roadway signs coming from Nashville, and it will take approximately 90 days to get the new green signs made with 216A for departures and 216B for arrivals. We are trying to split the flow getting off of the interstate to get to terminal, and we are doing roadway work for customers. The lane delineators will direct you when you exit 216A you will go to the two right lanes and when you exit 216B you will go to arrivals in the middle two lanes. More communications from our team through customer service with instructions will be coming soon.

Commissioner Stevenson asked where this information will be displayed and also when the information for the cell phone lots will be communicated. President Kreulen replied MNAA will publish new maps and put it all on our BNA website and educate our local teams how to get to Genesco area. TDOT has been really good with sign changes, but we are not allowed to advertise our parking on their green signs. Chair Byrd asked if the monument sign is located off Exit 216A and if that exit is for departures. President Kreulen replied yes and Exit 216B is arrivals. Commissioner Joslin said this is best news all year.

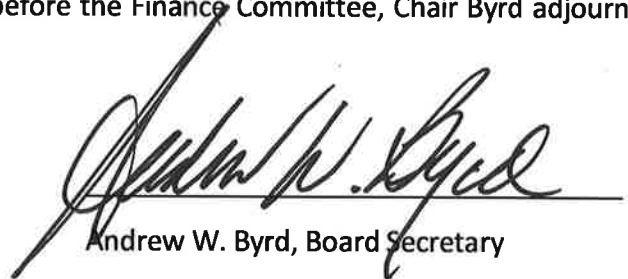
President Kreulen then explained the pathway from the airport to the Genesco parking lot which will have 240 parking spaces and computer displays with flight information. President Kreulen stated there are several customer initiatives like traffic, cell phone lots, and exits. Commissioner Granbery asked about the plans for the second cell phone lot and if it is best

to move both cell phone lots at the same time to Genesco. President Kreulen agreed that was a good point and staff will look into it.

Commissioner Granbery asked whether rideshare is more stable now since the pandemic. President Kreulen stated yes, it is stable now. The drop-off fee is now \$4, however, when we benchmark with other airports some are getting \$6 so we may go back and negotiate. The ground transportation center was built for 8 service lanes and multiple lanes exit simultaneously and worth every penny because it has been really busy.

VI. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned meeting at 11:17 a.m.



Andrew W. Byrd, Board Secretary