

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



Date/Time: Wednesday, March 8, 2023, at 9:40 a.m.

Place: Nashville International Airport – Tennessee Board Room

Finance Committee Members: Andrew Byrd, Committee Chair
Dr. Glenda Glover, Committee Vice Chair
Jimmy Granbery

I. CALL TO ORDER

II. APPROVAL OF MINUTES

[February 8, 2023 Minutes of the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development Committees](#)

III. CHAIR'S REPORT

IV. ITEMS FOR APPROVAL

1. [JWN North Development Parcels 6-7 LOI/Lease Terms \(Jet Access\)](#)
2. [JWN North Development Parcels 8-9 LOI/Lease Terms \(JetRight\)](#)

V. INFORMATION ITEMS

1. [FY23 O&M Budget Update](#)
2. [Airline Use & Lease Agreement \(AULA\) Update](#)
3. [BNA Concessions Program Update](#)

VI. ADJOURN

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

STAFF ANALYSIS

Finance Committee

Date: March 8, 2023
Facility: North Development Parcels #6 & #7 at John C. Tune Airport
Subject: Jet Access Group Letter of Intent/Lease Terms

I. Recommendation

Staff requests that the Finance Committee recommend to the Board of Commissioners that it:

- 1) approve the terms negotiated between MNAA and Jet Access Group (the “Tenant”) via Letter of Intent (LOI).
- 2) authorize MNAA Staff and the Board of Commissioners to execute a lease agreement between MNAA and Tenant that is consistent with the LOI terms.

II. Analysis

A. Background

On October 6, 2022, MNAA released a second Notice of Availability (NOA) for the remaining five 0.84-acre parcels of land at JWN, commonly referred to as the North Development. These parcels of vacant land run between the State hangar and the Air Traffic Control Tower (ATCT) on the north end of the airport. Three responsive proposals for the NOA were received. MNAA Staff selected two parties and executed LOIs for parcels 6 - 9. Parcel 10 was removed from the solicitation after the execution of a binding lease agreement with the Metropolitan Government of Nashville and Davidson County for a hangar for the Metropolitan Nashville Police Department.

B. Lease Terms

1. Tenant will lease two parcels of land for a total of 1.68 acres. These parcels are depicted as #6 & #7 on the attached exhibit.
2. Tenant will have a 30 year and 18 month initial term, and one 5 year renewal option for a total potential term of 36.5 years.
3. Tenant will pay rent at \$2.75 p/sf beginning on the effective date of the lease. Rent will increase each year by 3% except for in years 10 and 20 of the initial term, upon which rent will be increased based on an appraisal. In no event will rent increase by more than 110% of the immediately prior year, nor will rent decrease.

4. Tenant will pay a monthly fuel flowage fee for all fuels dispensed and the current rate is \$0.06 per gallon.
5. During construction, the Tenant will invest a minimum of \$6M for construction of a fuel storage and hangar facility. The design of the improvements is ongoing, but Tenant is planning to construct at least one large hangar of at least 20,000 square feet, with adjacent vehicle parking.
6. Tenant will complete the improvements within 18 months of the effective date.
7. Tenant is responsible for obtaining all necessary permits to complete the project, including compliance with MNAA's AIR process.
8. The lease is a triple net lease; therefore, Tenant will be responsible for all costs associated with the property during the term of the lease including maintenance, insurance, and taxes.
9. Tenant will be responsible for completing property condition and pavement condition assessments every 5 years. These assessments will be submitted to MNAA with a report from the Tenant setting forth any deficiencies that have been repaired in the prior 5 year period and a plan for the repairs needed during the following 5 year period.
10. Tenant holds the right to assign the lease to an affiliate or successor organization of Tenant with notice to MNAA. Any other assignment or transfer must be approved by MNAA and will include payment to MNAA of a percentage of the gross transaction value. MNAA's percentage of the proceeds is based on scale dependent upon how far along in the term such assignment or transfer is done. MNAA will receive 20% of the transaction value if there are 10 or more years remaining on the term, 15% if there are less than 10 years remaining, and 10% if there are less than 5 years remaining.
11. Tenant is permitted to use the property under 14 CFR Part 91 and 14 CFR Part 135, including operating its commercial Wing Share Ownership Program. This includes managing, maintaining, fueling, and otherwise supporting the aeronautical activities of individuals or entities who have an ownership interest in aircraft stored on the leasehold who are under a written contract with Tenant to provide such services.

C. Impact/Findings

This lease will provide MNAA with an immediate revenue source of \$201,432.00 in year one and a new asset that will vest in 31.5-36.5 years.

This redevelopment is being supported by MNAA project "JWN 2297 - North Development, Airside Improvements and Apron Expansion" whereby MNAA will be constructing facilities to support the tenant(s) development including an access road, natural gas, electricity, water, and sewer utilities and taxiway and taxiway connections.

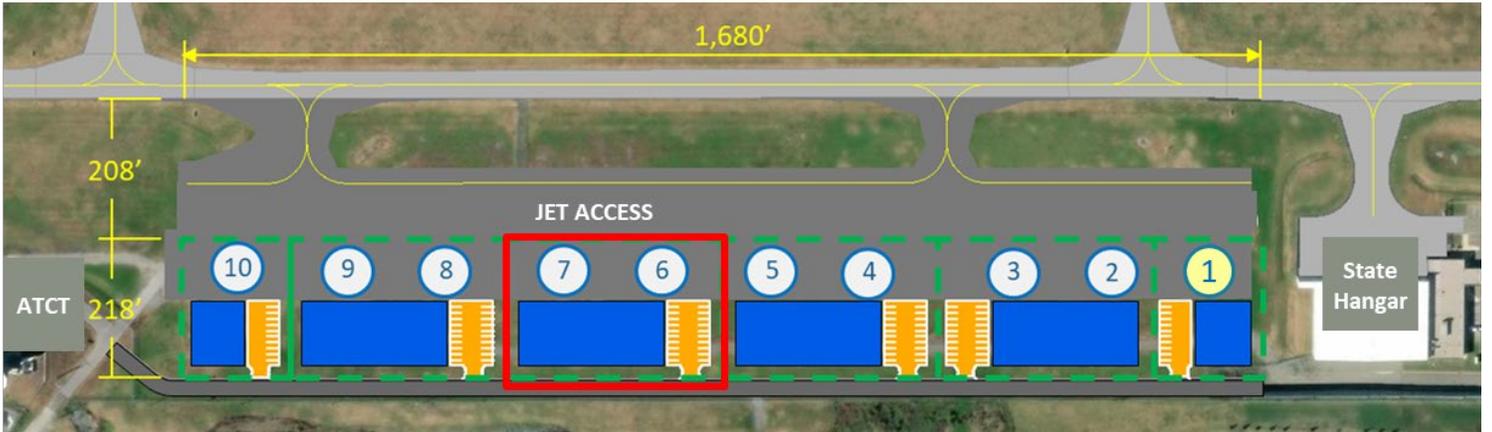
D. Strategic Priorities

- Invest in JWN
- Plan for the future

E. Options/Alternatives

The Finance Committee could decline to recommend approval of the proposed Tenant and Real Estate could attempt to negotiate with another entity for the lease of parcels #6 & #7.

EXHIBIT



STAFF ANALYSIS

Finance Committee

Date: March 8, 2023
Facility: North Development Parcels #8 & #9 at John C. Tune Airport
Subject: JetRight Properties LLC Letter of Intent/Lease Terms

I. Recommendation

Staff requests that the Finance Committee recommend to the Board of Commissioners that it:

- 1) approve the terms negotiated between MNAA and JetRight Properties LLC (the “Tenant”) via Letter of Intent (LOI).
- 2) authorize MNAA Staff and the Board of Commissioners to execute a lease agreement between MNAA and Tenant that is consistent with the LOI terms.

II. Analysis

A. Background

On October 6, 2022, MNAA released a second Notice of Availability (NOA) for the remaining five 0.84-acre parcels of land at JWN, commonly referred to as the North Development. These parcels of vacant land run between the State hangar and the Air Traffic Control Tower (ATCT) on the north end of the airport. Three responsive proposals for the NOA were received. MNAA Staff selected two parties and executed LOI for parcels 6 - 9. Parcel 10 was removed from the solicitation after the execution of a binding lease agreement with the Metropolitan Government of Nashville and Davidson County for a hangar for the Metropolitan Nashville Police Department.

B. Lease Terms

1. Tenant will lease two parcels of land for a total of 1.68 acres. These parcels are depicted as #8 & #9 on the attached exhibit.
2. Tenant will have a 30 year and 18 month initial term, and one 5 year renewal option for a total potential term of 36.5 years.
3. Tenant will pay rent at \$3.00 p/sf beginning on the effective date of the lease. Rent will increase each year by 3% except for in years 10 and 20 of the initial term, upon which rent will be increased based on an appraisal. In no event will rent increase by more than 110% of the immediately prior year, nor will rent decrease.

4. 4. Tenant will pay a monthly fuel flowage fee for all fuels dispensed and the current rate is \$0.06 per gallon.
5. During construction, the Tenant will invest a minimum of \$5M for construction of a hangar facility. The design of the improvements is ongoing, but Tenant is planning to construct at least one large hangar of at least 20K square feet, with adjacent vehicle parking.
6. Tenant will complete the improvements within 18 months of the effective date.
7. Tenant is responsible for obtaining all necessary permits to complete the project, including compliance with MNAA's AIR process.
8. The lease is a triple net lease; therefore, Tenant will be responsible for all costs associated with the property during the term of the lease including maintenance, insurance, and taxes.
9. Tenant will be responsible for completing property condition and pavement condition assessments every 5 years. These assessments will be submitted to MNAA with a report from the Tenant setting forth any deficiencies that have been repaired in the prior 5 year period and a plan for the repairs needed during the following 5 year period.
10. Tenant holds the right to assign the lease to an affiliate or successor organization of Tenant with notice to MNAA. Any other assignment or transfer must be approved by MNAA and will include payment to MNAA of a percentage of the gross transaction value minus the unamortized amount of the total Capital Investment made by Tenant to the Premises. MNAA's percentage of the proceeds is based on scale dependent upon how far along in the term such assignment or transfer is done. MNAA will receive 20% of the transaction value if there are 10 or more years remaining on the term, 15% if there are less than 10 years remaining, and 10% if there are less than 5 years remaining.
11. Tenant is permitted to use the property for commercial operations under 14 CFR Part 91 and 14 CFR Part 135. This includes managing, maintaining, fueling, and otherwise supporting the aeronautical activities of individuals or entities who have an ownership interest in aircraft stored on the leasehold who are under a written contract with Tenant to provide such services.

C. Impact/Findings

This lease will provide MNAA with an immediate revenue source of \$219,744.00 in year one and a new asset that will vest in 31.5-36.5 years.

This redevelopment is being supported by MNAA project "JWN 2297 - North Development, Airside Improvements and Apron Expansion" whereby MNAA will be constructing facilities to support the tenant(s) development including an access road, natural gas, electricity, water, and sewer utilities and taxiway and taxiway connections.

D. Strategic Priorities

- Invest in JWN
- Plan for the future

E. Options/Alternatives

The Finance Committee could decline to recommend approval of the proposed Tenant and Real Estate could attempt to negotiate with another entity for the lease of parcels #8 & #9.

EXHIBIT

