

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



Date: July 12, 2023

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:28 a.m.

Committee Members Present:

Stuart McWhorter, Committee Chair; Tony Giarratana;
Jimmy Granbery

Committee Members Absent:

Jack Johnson, Committee Vice Chair

Others Present:

Bobby Joslin, Masami Tyson

MNAA Staff Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford, Trish Saxman
Marge Basrai, Kristy Bork, Chris Davidson, David Griswold,
Traci Holton, Ijeoma Ike, Carrie Logan, Rachel Moore,
Ted Morrissey, Stacey Nickens, Robert Ramsey, Davita Taylor

I. CALL TO ORDER

Chair McWhorter called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 9:28 a.m. pursuant to Public Notice dated July 7, 2023.

II. APPROVAL OF MINUTES

Chair McWhorter stated there was no meeting in June.

III. PUBLIC COMMENTS

Chair McWhorter stated there were no public comment requests received.

IV. CHAIR'S REPORT

Chair McWhorter expressed that he was honored to serve as Chair on the Finance Committee and he thanked all the other members for also serving.

V. ITEMS FOR APPROVAL

There were no items scheduled for approval.

VI. INFORMATION ITEMS

President Kreulen provided several informational items to the Finance Committee members regarding ongoing projects at MNAA and budgets for the next fiscal year.

1. BNA Concessions Program Update

President Kreulen stated that since 2019, MNAA has been working with Fraport on the Terminal Concessions Program and that during that time, 75 retail and food and beverage concessions have been built. There are 15 locations scheduled to open to the public on September 27, 2023. President Kreulen said that on the evening of September 25th, MNAA hopes to have all the retail and food and beverage locations open so that guests will be able to walk around and visit the new facilities before passengers arrive the following day. All are on track at this point. The Satellite Concourse has 7 locations scheduled to open by Paradies in October 2023 and all are on track and had their first construction meeting recently. Two locations have some paperwork that needs to be resolved with Metro regarding sewer discharge issues. All retail concession spaces have to be built out within 90 days; and all food and beverage concessions have 120 days. MNAA does not perceive any problems with Fraport in the September time period and Paradies has a couple that we are watching, and staff will update the Commissioners of any challenges.

Commissioner Granbery asked if the team could share with the new Commissioners a map of all concessions in the Grand Hall and the new tenants as well. President Kreulen stated when guests enter through security, they will see the Acme Feed & Seed, Titans Press Box, and Kitty Hawk. Fraport is also adding local businesses including Hattie B's, Slim & Huskies and more retail spaces. When we started this program in 2019, we only had 13% minority participation and no local restaurants. Now we have about 45% minority participation and almost 50% of all concepts are local. At BNA, passengers can enjoy local fare in the city and at the airport. Commissioner Joslin stated the Board received a map a couple of months ago, which President Kreulen confirmed. President Kreulen said that he would share the map with the new Board. Chair McWhorter asked what the financial arrangements are. President Kreulen replied that MNAA has a lease with Fraport, our developer, and they put proposals together. President Kreulen introduced Matt Jennings, the Vice President of Fraport Tennessee.

Chair McWhorter asked if Fraport issues leases to the tenants. Mr. Jennings replied yes, Fraport solicits proposals and find tenants for all the spaces. Currently all the spaces are leased, and we have the Concourse D extension coming up soon and will be send out a new proposal to attract new tenants.

President Kreulen stated MNAA holds Fraport responsible for all compliance and contractual requirements and there may be amendments to the lease, or they may have liquidated damages. Commissioner Joslin stated that it is a 10-year deal, which President Kreulen confirmed, adding that it began in 2019, terminates in 2029, and when we open this here at the end of the year, the contract will be at its midpoint. MNAA signed Amendment 8 which gave Fraport Concourse D extension, and now Fraport will contract with new tenants. It is similar to when the Satellite Concourse was awarded to Paradies except they own all 7 of the retail and food and beverages and are putting in places like Jimmy John's, a Tex-Mex restaurant, Fat Bottom Brewery and several others. Companies compete and display what they will offer and MNAA observes how Fraport organizes teams and understands our priority to respect our local community as much as possible.

Commissioner Joslin asked if Metro Council approved the 24" water main. President Kreulen replied no and explained that Metro asked to defer for one session and that we are now working on a white paper so that we can inform the rest of Metro Council of the issues. President Kreulen stated that we are investing in three strategic goals, one of which is preparing for the unexpected. We only have one water line to the airport and if Metro has a failure, then the airport is shut down. At MNAA's expense, the plan is to put in a new pump station and a second water line. Metro wants us to increase the water line from 16" to 24" so they can pump water through the airport to other parts of the city. We hope to get it back on track and we want it for security. Memphis just shut down for 24 hours because they had a water issue, and it would cost millions of dollars if that happened at BNA. Commissioner Tyson asked why Metro deferred it. President Kreulen explained we are trying to get Metro to change its position. It puts MNAA at risk if there is a water main break. President Kreulen stated that Commissioners would hear more on this matter during executive session.

Commissioner Granbery reiterated his request for President Kreulen to share the map of all the concessions and also asked President Kreulen to provide a brief abstract of sales. Commissioner Granbery stated that 22M passengers is good for both Fraport and BNA.

President Kreulen presented pictures of the concession construction today of Acme Feed & Seed, Titans Press Box and Slim & Husky's, and stated that more photos would be shared as progress continues.

2. Airline Use & Lease Agreement Update

President Kreulen complimented Marge Basrai, Executive Vice President & Chief Financial Officer, and the Finance team on a great job negotiating the Airline Use & Lease Agreement (“AULA”). Prior to 2015 MNAA was considered a residual airport, which meant that if BNA made money it went to the airlines. From 2015 -2022 MNAA became a compensatory airport and signed a one-year extension to 2023. Under a compensatory agreement, when BNA makes money, it retains it. This is our second compensatory agreement. It is 8 year agreement, with a possible two-year extension, and all terms are better for MNAA. MNAA gets more money from the airlines and shares less of the concession revenue.

President Kreulen provided a report displaying the Signatory Airlines and he explained the ones with check marks have executed documents and the ones with stars are onboard but only have quarterly Board meetings and have not met yet. MNAA has a letter from those stating that the charges will concur at the new rate. Chair McWhorter asked when MNAA expects to have all of the executed documents. Ms. Basrai stated they have until July 31st. President Kreulen stated the non-signatories pay a 25% premium. The AULA provides that if we do not open the new Concourse A in 2028, we automatically get a two-year extension which is when all the debt will come online. Any airline that goes out to Satellite terminal, like Allegiant or Spirit, get a 2.5% discount in their rate, but MNAA does not lose that 2.5% because the other airlines make that up inside the airport. MNAA has increased the amount of our Renewal and Replacement and O&M Reserve accounts. The airlines will contribute \$500K a year to JWN, with a 3% escalator, because JWN takes some traffic off of Nashville. Commissioner Joslin stated if the taxiway is not built, BNA will receive more traffic. President Kreulen said he will work on that. President Kreulen stated airlines get to keep preferential gates if they use it 6 times a day or have bigger jets doing 900 seats a day.

3. FY24 Operating & CIP Budget Update

President Kreulen explained that the budgets were approved by the Board on April 19, 2023. BNA’s operating budget was based on 10.97M enplanements and continues to grow so fast making that number attainable this fiscal year. Staff will give a mid-year update in January. President Kreulen presented the overall guidance that he gives to Ms. Basrai and the Finance team. Additionally, he explained how MNAA uses the Federal Relief Grants. ARPA, CARES, and CARISA are COVID relief grants that the Federal Government provided to BNA. \$126M was provided based on our size, and we will spend approximately \$31M this year, which leaves about \$6M to be used in FY25. Each year MNAA receives between \$5-\$6M from the Federal Government for infrastructure. There are a lot of grant insurances attached to those

funds. This funding has helped MNAA maintain its financial strength. Chair McWhorter asked what the Federal Relief Grants can be used for. Ms. Basrai replied O&M and Debt Service. President Kreulen replied it is approximately 99% goes towards debt service. MNAA asked the State for permission to use the funds for Capital, O&M and Debt Service, which they said no to Debt Service.

President Kreulen presented the budgets for BNA, JWN and MPC. He highlighted that BNA received \$226M in revenue last year and that BNA is on track this year to reach \$282M, and expenses are at \$165M. Commissioner Granbery noted JWN is now in the black, and that JWN is making more money and will only get stronger. President Kreulen reported that MPC's International Plaza, known as the Gold Building, is fully rented and generates positive revenue; however, at some point MNAA will need to demolish the Gold Building because it is so old and the upkeep is costly. Plus, there are other aeronautical uses for that space. Commissioner Joslin stated that replacing the windows was estimated to cost \$9M, which President Kreulen confirmed and stated that the building is not worth that.

4. Quarterly Retirement/OPEB/Treasury Investment Reports

President Kreulen presented the Quarterly Retirement Plan. MNAA is very strong on funding with payments planned to get it to 100%. The Retirement Plan's market value for 3rd quarter was \$77.3M. For the OPEB at 3rd quarter, MNAA has \$38M, and did not have to make a contribution last year because it was overfunded. There is an investment policy stating that the Finance team works with the CEO to move money in these different areas and staff will disclose those funds to the Commissioners in the future.

The Quarterly Treasury Investment Report shows all the money that we have, and President Kreulen presented the breakdown into various accounts. He noted the previous CEO did not invest BNA funds, so this is one of the things MNAA changed with the new CEO. Percent invested is the key metric and shows in 2017 that MNAA had zero funds invested. The total available funds were \$1.2B for FY23-Q3. Commissioner Joslin asked Ms. Basrai how many checking accounts we have now. Ms. Basrai replied approximately 30 now but may have been over 100 previously. Commissioner Joslin remarked that MNAA was not investing any money, it was just sitting there. President Kreulen replied, yes, when the Board realized that, they said it was unacceptable and asked the CEO to do his fiduciary duties so these changes were made.

President Kreulen stated the last slide shows a new aerial photograph of the International Arrivals Facility ("IAF"). New aerials are taken monthly to show construction progress. He highlighted the former 50 feet hole, that served as the lay down yard to build the center. and is now starting to have the concrete put in for international jets to park. The satellite is just off Concourse C. Demolition of the Air Freight Building will begin as soon as next year, so 5 gates can be added to Concourse D. By summer 2025 Concourse A goes away and the new concourse will come back double the size from 8 to 16 gates. Donelson Pike is moving to provide a bigger ring road. With all of the activity and moving pieces to juggle, President Kreulen said, the Board's support is critical to do the right thing for the city and State of Tennessee. He assured the Board that the staff is thinking far enough in advance. We have plans to go to 2028 today and when we meet at the Board retreat in October, we will look at next steps for 2035. Chair McWhorter asked what the delivery date is for the hotel. President Kreulen replied that according to the contract, the delivery date is December 31, 2023; however, Chartwell Hospitality is little behind, though they believe that they can catch up.

VII. ADJOURN

There being no further business brought before the Finance Committee, Chair McWhorter adjourned the meeting at 9:53 a.m.



Masami I. Tyson, Board Secretary