

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



Date: August 9, 2023

Location: Metropolitan Nashville Airport Authority  
Tennessee Boardroom

Time: 9:34 a.m.

Committee Members Present:

Jack Johnson, Committee Vice Chair; Tony Giarratana;  
Jimmy Granbery

Committee Members Absent:

Stuart McWhorter, Committee Chair

Others Present:

Bobby Joslin, Masami Tyson

MNAA Staff Present:

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

I. CALL TO ORDER

Vice Chair Johnson called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 9:34 a.m. pursuant to Public Notice dated August 4, 2023.

II. APPROVAL OF MINUTES

Vice Chair Johnson asked for a motion to approve the minutes from the July 12, 2023 Finance Committee meeting. Commissioner Granbery made a motion and Commissioner Giarratana seconded the motion. Vice Chair Johnson asked Ms. Saxman for a roll call:

Vice Chair Johnson - Yes

Commissioner Giarratana - Yes

Commissioner Granbery - Yes

The motion was passed with a vote of 3 to 0.

III. PUBLIC COMMENTS

Vice Chair Johnson stated there were no public comment requests received.

IV. CHAIR'S REPORT

Vice Chair Johnson had no Chair's Report.

V. ITEMS FOR APPROVAL

1. JWN North Development LOI/Lease Terms – Parcel 1 (Future SPE for Steve Smith)

President Kreulen introduced Carrie R. Logan, VP, Associate General Counsel, who briefed the Committee on the JWN North Development LOI/Lease Terms. Ms. Logan stated that this is a lease for Parcel 1 at JWN North Development for a Future Special Purpose Entity ("SPE") for Steve Smith. This property is one parcel of land for a total of 0.84 acres, approximately 36K sf. The key lease terms we have been using for Parcels 2-9 will also be used for Parcel 1. Rent commences upon execution on or before October 15, 2023. There is an 18-month term for construction of the hangar, and a 30-year initial term with one 5-year renewal option, for a total potential 36.5 years. Base Rent is \$2.70/sf which is the average of base rent on Parcels 2-9. There is a 3% annual escalation with FMRV adjustments in year 10 and 20 of initial term. We expect to have a minimum of \$2.5M improvement value for a 10K sf hangar. This is a triple net lease with property condition and pavement condition assessments every 5 years. The tenant has the right to lease to affiliate or successor with notice to MNAA and assignment of transfer of the lease to another entity which varies depending on the time that the lease transfers. The impact is the immediate revenue source of \$98K to JWN in year one and new asset that will vest in 31.5 – 36.5 years.

Commissioner Giarratana asked if the tenant does the construction of the facility and if the tenant is required to spend \$2.5M. Ms. Logan replied yes that is correct. Commissioner Granbery asked if the option is based on the value of the land and the hangar. Ms. Logan replied yes, the rent will change at that time and not just the land value. Commissioner Granbery asked if it would vest at that time. Ms. Logan said yes, it will vest at that time. Commissioner Joslin asked what JWN makes off the 10 parcels for annual leases. Commissioner Granbery replied \$980M. Commissioner Joslin stated that finally being in the black is great news for JWN. President Kreulen stated he and Ms. Basrai are scheduled to meet later today to review the JWN financial model because BNA loaned JWN money for these improvements and needs to get paid back, while keeping JWN in the black. Commissioner

Granbery asked if we have done any calculations on fuel flow revenue. President Kreulen replied we have some estimates of what we think they are burning, at 6 cents a gallon. For example, the 100 hangars that are on the south side of the tower, last year generated about 180K in fuel flow which was rolled in to keep their rent low. So, for renting at JWN, we basically are taking the fuel flowage fees and giving it back to the tenants to keep rent down. Commissioner Joslin commented that we always need to keep rent reasonable and stay competitive. President Kreulen agreed and stated Parcels 1-9 are all commercial entities, and they are building their own hangars and paying us for that opportunity. Ms. Logan added that they still pay a fuel flowage fee if they have their own fuel pumps. President Kreulen stated they may have their own fuel pump, but they are still paying us. Commissioner Granbery stated yes, they are all big aircrafts too.

Ms. Logan requested the Finance Committee recommend to the Board of Commissioners that it approve the terms negotiated between MNAA and future Special Purpose Entity for Steve Smith via Letter of Intent; and authorize the Chair and President and CEO to execute a lease agreement with future special purpose entity for Steve Smith, consistent with these terms.

Commissioner Granbery made a motion and Commissioner Giarratana seconded the motion. Vice Chair Johnson asked Ms. Saxman for a roll call:

Vice Chair Johnson - Yes

Commissioner Giarratana - Yes

Commissioner Granbery - Yes

The motion was passed with a vote of 3 to 0.

2. Amendment to Fraport Subleases with Ferncroft Airport, LLC (Titan's Sports Bar, The All Day, Nashville Music City)

President Kreulen introduced Colleen Von Hoene, Associate Principal, Paslay Group, to brief the Committee on Amendment to Fraport Subleases with Ferncroft, LLC. Ms. Von Hoene stated MNAA has a Lease and Concession Agreement with Fraport Tennessee, Inc. ("Fraport") to develop a terminal-wide concessions program, including food, beverage, services, retail, and vending offerings and that Agreement expires January 31, 2029. If any sublease terms extend beyond that date, MNAA must become a party to the sublease so that all rights and obligations of the sublease attach to MNAA at the expiration of Fraport's Lease and Concession Agreement. Fraport has two subleases with Ferncroft Airport, LLC to which MNAA is a party. Ferncroft requested changes to location names,

which were formally approved in Amendment 8 to the Fraport Agreement. Nashville Music City will change to The Music City Shop, The All Day will change to Kitty Hawk Eat and Drink and Titans Sports Bar will change to The Titans Press Box. The Ferncroft subleases must now be amended to incorporate the name changes approved in Amendment 8 to the Agreement. As MNAA is a party to the subleases, the sublease amendment requires approval by the Board of Commissioners.

Commissioner Giarratana asked regarding the statement in sublease terms “MNAA must become a party to the sublease”, if MNAA is not a party now. Ms. Von Hoene replied those subleases are signed by MNAA, because those subleases will refer to MNAA and the expiration clause. For example, Titans Press Box and Kitty Hawk Eat and Drink leases will not expire until 2033, so MNAA signs the subleases. President Kreulen stated if Fraport’s contract is not extended after January 31, 2029 then we are the landlord at that point for that lease. If someone else comes in, we can assign that lease to them. Commissioner Giarratana stated that it becomes a lease rather than a sublease. President Kreulen replied correct. Commissioner Giarratana stated that it is just mechanically the sublease ceases to be a sublease and becomes a direct lease with MNAA. President Kreulen agreed, stating that MNAA goes back in and corrects the paperwork because of the last-minute name changes, and we want the entities to have the correct names if there are any disputes. Ms. Von Hoene stated Fraport has the names of all its tenants and their locations, and if those change, we do an amendment and if we approve those like Amendment 8, then the subleases will also change, so this is truly a housekeeping item.

Ms. Von Hoene requested the Finance Committee recommend to the Board of Commissioners that it authorize the Chair and President and CEO to execute the amendments to the subleases between Fraport, Ferncroft Airport, LLC and MNAA.

Commissioner Giarratana made a motion and Commissioner Granbery seconded the motion. Vice Chair Johnson asked Ms. Saxman for a roll call:

Vice Chair Johnson - Yes

Commissioner Giarratana - Yes

Commissioner Granbery - Yes

The motion was passed with a vote of 3 to 0.

VI. INFORMATION ITEMS

BNA Concessions Program Update

Ms. Von Hoene provided the BNA Concessions Program Update. She reported that two areas that are under construction. The first is the Fraport Terminal Concessions Program located in the Grand Hall and concessions located in A, B, C and D. There are 15 locations currently under construction and scheduled to open in September 2023. The Paradies Satellite Concourse Program has 7 locations under construction and scheduled to open in October 2023 and 5 are on track. Ms. Von Hoene shared some photos of the Fraport concession construction showing Acme Feed & Seed and the Titans Press Box located in the Grand Hall and in Concourse C, Slim + Huskey's. She also shared photos of the Paradies Satellite Concourse construction showing Bongo Java, Fat Bottom Brewery, TX/MX and Jimmy John's. Jimmy John's is working to accelerate and get back on track. President Kreulen stated that a reception on October 20<sup>th</sup> was planned, but because 2 of the 7 locations are late, it is not a good idea to bring 500 people back out here three weeks after the Marketplace/IAF reception, with two concepts are under construction. The satellite needs to open up and the space it provides is needed. There will still be adequate food, beverages, and retail spaces available for the passengers that fly out of there.

Once all construction is complete, the Commissioners and some select State officials will be invited to come out and enjoy lunch with the staff. State leaders, including Governor Lee and his team, Commissioner Bryson and Commissioner Eley, will also be invited. The state provided us \$33M last year and it all went into this facility and was spent on one invoice. MNAA would like to show the state officials that with that funding, we will be bringing in 2.5 – 3.5M more people into Tennessee when we open the satellite concourse. Commissioner Joslin asked which airlines will go in there. President Kreulen stated there are two airlines which will be tenants and they are Allegiant and Spirit, and the gates are common use for other airlines. Commissioner Joslin asked if we are trying to assign the gates and if the airlines know which concourse they will use and if they are in the satellite concourse. President Kreulen replied yes, we call it a "chiclet" slide of all the gate assignments and every airline knows which gates they will be using and operating out of. Some airlines have preferential gates and others do not. Commissioner Joslin stated Spirit has been picking up over the last couple of years. President Kreulen replied yes, and also Allegiant. Both airlines are fighting to get gates and will take everything we give them, but they need to get so many flights per day to keep the gates.

### Quarterly Retirement/OPEB/Treasury Investment Reports

President Kreulen introduced Kristy Bork, AVP, Finance, to brief the Committee on Quarterly Retirement/OPEB/Treasury Investment Reports. Ms. Bork stated every quarter we do an update on how our various portfolios have performed over that previous quarter. For the 4th quarter of FY23 ending June 30, 2023, the Retirement Plan has \$79.6M which is an increase of \$2.3M and the OPEB plan has \$39.5M which is an increase of \$1.2M. The Retirement and OPEB Plans are fully funded as of 6/30/2023 on an actuarial basis for the retirement plan and on a market value basis for the OPEB Plan. Last quarter we presented our actuarial reports for the prior fiscal year, and we received our actuarial reports completed for fiscal year ending June 30, 2023. For the Retirement Plan we are funded \$1.4M and are at 99.7% funding and for the OPEB Plan we funded just under \$200K and are at 145%.

During the 4<sup>th</sup> quarter of FY2023 MNAA had total funds available of \$1.263B with 99.6% of those funds invested. We had \$5.6M in Demand Deposit Accounts (“DDA”) or cash accounts with just 0.4% of our total funds in DDA accounts. We outperformed our internal goal to keep cash in bank accounts below 8% of total available funds.

The 4<sup>th</sup> quarter 2023 earnings for the MNAA Treasury Investment were \$9.9M, which was one of the best quarters we have ever had. The earnings were more than 4<sup>th</sup> quarter 2022 due to increase interest rates and having \$449M more in deposits. We continue to monitor our DDA accounts and cash investments accounts to make sure we try to get as much return on our available funds as possible. Vice Chair Johnson pointed out that MNAA uses treasuries and asked if MNAA has CDs. Ms. Bork replied that MNAA does have some CDs and pointed out on the slide that the portion on the chart that has TN LGIP is the local government investment pool for the State of Tennessee. Right now, our money market funds are with Goldman Sachs, and those are paying over 5% and are very competitive with the CD market. Vice Chair Johnson asked on the treasuries and CDs how far out is MNAA going. Ms. Bork replied the core portfolio has a range/benchmark that we are trying to keep, and she believed it is a 2-3 mark, but we have treasuries that mature every month. Some of the treasuries are in our construction funds, so that is based on the construction cash flows that we get from D&E, so it could be as little as a month out to a year or so.

Commissioner Granbery complimented the Finance team and remarked that he and Commissioner Joslin have served on the Board for years and it is wonderful to see the results and level of concern at both

airports and the care we are putting into this program, as well as concessions. Not all airports have are as financially strong as BNA and JWN. President Kreulen replied thank you and yes, we are lucky.

VII. ADJOURN

There being no further business brought before the Finance Committee, Vice Chair Johnson adjourned the meeting at 9:56 a.m.

  
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Masami I. Tyson, Board Secretary