



Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development ("Finance") Committees

November 8, 2023

BNA

Call to Order

November 8, 2023

Approval of Minutes

Joint Meeting of the MNAA & MPC Finance, Diversity & Workforce Development (“Finance”) Committees
October 11, 2023

Public Comment

Tennessee Code Annotated, Title 8, Chapter 44, Part 1

MNAA Policy ID: 33-007, Public Comment Policy, effective July 13, 2023

No Public Comment Requests Received by Monday, November 6, 2023 @ 9 pm

Chair's Report

Andrew Byrd

Finance Committee Chair

Review of July – October Board Actions

November 8, 2023

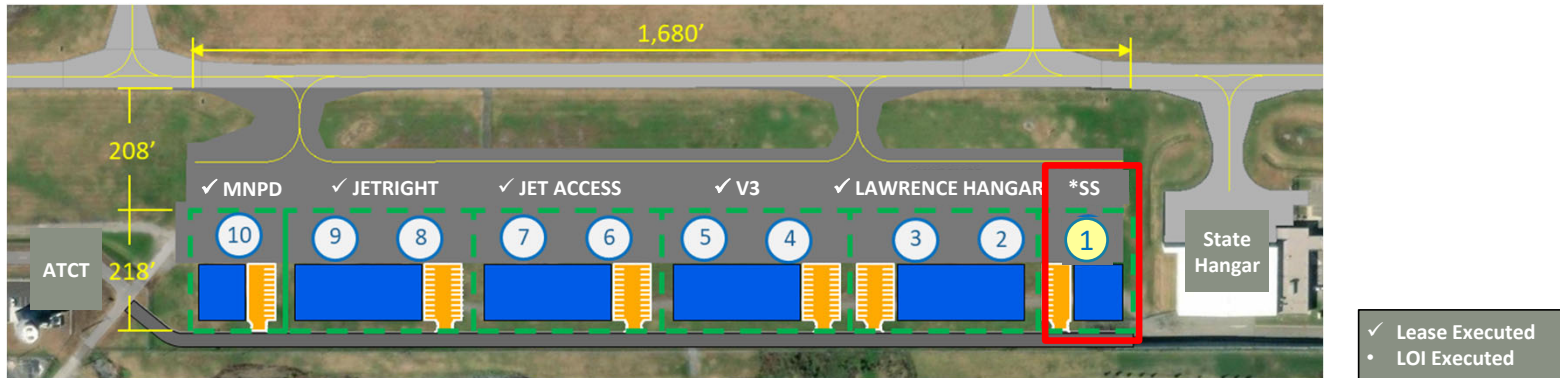
- ① JWN North Development LOI/Lease Terms – Parcel 1 (August)
 - Future Special Purpose Entity (SPE) for Steve Smith
- ② Amendment to Fraport Subleases (August)
 - Titan’s Sports Bar
 - The All Day
 - Nashville Music City
- ③ BNA Westside Development LOI/Lease Terms (September)
 - Future Special Purpose Entity (SPE) for Scott Sohr
- ④ Amendment to British Airways Incentive Agreement (London) (October)
- ⑤ Trademark License Agreement (October)
 - Hotel adjacent to Terminal by Nashville Airport Hotel Partners, LLC

Review of July – October Board Actions (Finance Committee)

Douglas E. Kreulen, A.A.E.
President and CEO

① JWN North Development Parcel 1 - Future SPE for Steve Smith

Property Description: One parcel of land for a total of 0.84 acres



Key Lease Terms:

- **Effective Date:** Rent commences upon execution, on or before October 15, 2023
- **Term:** 18-month construction term, 30-year initial term, one 5-year renewal option (total potential 36.5 years)
- **Base Rent:** \$2.70/sf; 3% annual escalation; FMRV adjustments in year 10 and 20 of initial term
 - Max 110% increase over prior year; No rent decrease
 - Monthly fuel flowage; current rate \$0.06/gallon
- **Improvements:** Minimum \$2.5M for construction of a hangar facility (at least 10,000 sq ft)

① JWN North Development Parcel 1 - Future SPE for Steve Smith

Key Lease Terms (continued):

- **Lease Type:** Triple Net Lease; Property Condition and Pavement Condition Assessments every 5 years
- Tenant has right to lease to affiliate or successor organization with notice to MNAA
 - MNAA receives 20% of gross transaction value if 10+ years remaining, 15% if less than 10 years remaining but more than 5 years, and 10% if less than 5 years remaining

Impact:

- Immediate revenue source of \$98,884.80 in year one
- New asset that will vest in 31.5 – 36.5 years

Review & Approval: Staff and the Finance Committee recommended approval to the full Board on August 16, 2023. The Board of Commissioners voted 5 to 0 to approve the terms negotiated between MNAA & 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.

② Amendment 1 to Fraport Subleases with Ferncroft Airport LLC

Background:

- The term of the Lease and Concession Agreement with Fraport Tennessee, Inc. (Fraport) commenced on February 1, 2019, and expires January 31, 2029.
- If sublease terms extend beyond January 31, 2029, MNAA must become a party to the sublease so that all rights & 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.

<u>Original Name</u>	<u>New Name</u>
Nashville Music City	The Music City Shop
The All Day	Kitty Hawk Eat and Drink
Titans Sports Bar	The Titans Press Box

Review & Approval: Staff and the Finance Committee recommended approval to the full Board on August 16, 2023. The Board of Commissioners voted 5 to 0 to accept and authorize the Chair and President and CEO to execute the amendments to the subleases between Fraport, Ferncroft Airport, LLC and MNAA.

③ BNA Westside Development - Future SPE for Scott Sohr

Property Description: Development of 5.15 acres of the 5.97-acre parcel of land and the extension of Taxilane B

Key Lease Terms:

- **Effective Date:** Rent commences upon execution of the lease agreement
- **Term:** 18-month construction term, 30-year initial term, one 5-year renewal option (total potential 36.5 years)
- **Base Rent:** \$2.40/sf; 3% annual escalation; FMRV adjustments in year 10 and 20 of initial term
 - Max 110% increase over prior year; No rent decrease
 - Monthly fuel flowage; current rate \$0.08/gallon
 - Easement fee of \$0.50/sf beginning on the effective date of the lease for the Taxilane B extension and this tract's share of Taxilane A & B; the easement fee includes a 3% annual escalation.
- **Improvements:** Minimum \$14M for construction of hangar facilities (approximately 66,000 sq ft), ramp/apron space and fuel farm. Tenant will complete Taxilane B extension and first hangar within 18 months of the effective date and the second hangar within 30 months.



③ BNA Westside Development - Future SPE for Scott Sohr

Key Lease Terms (continued):

- **Lease Type:** Triple Net Lease; Property Condition and Pavement Condition Assessments every 5 years
- Tenant has right to lease to affiliate or successor organization with notice to MNAA
 - MNAA receives 20% of gross transaction value if 10+ years remaining, 15% if less than 10 years remaining but more than 5 years, and 10% if less than 5 years remaining

Impact:

- Immediate revenue source of \$579,590 in year one
- New asset that will vest in 31.5 – 36.5 years

Review & Approval:

- Staff and the Finance Committee recommended approval to the full Board on September 20, 2023. The Board of Commissioners voted 6 to 0 to:
 - Approve the terms negotiated between MNAA and future Special Purpose Entity for Scott Sohr, via Letter of Intent; and
 - Authorize the Chair and President and CEO to execute a lease agreement with future special purpose entity for Scott Sohr, consistent with these terms.

④ Amendment to British Airways Incentive Agreement (London)

British Airways Service: Daily Service to London, England (Heathrow)

British Airways Incentive (London), Board Approved June 16, 2021

- Per the Air Service Incentive Plan (ASIP), approved by the Board on November 2, 2020, MNAA entered into a new 2-year incentive with British Airways for non-stop service to London (Heathrow) effective December 9, 2021.
 - Year 1: 100% abatement of landing and facility fees; \$100,000 marketing funds
 - Year 2: 100% abatement of landing and facility fees
 - Monetary approved maximum incentive \$2M

Recommended Incentive Amendment:

- Extend Term from expiring on December 8, 2023, to February 29, 2024, to recognize the period in which no flights occurred due to the reemergence of the pandemic (February 2022 - May 2022).
- Raise the maximum available incentive from \$2M to \$2.5M, due to increased flight activity and increased rates and charges

Review & Approval:

- Staff & the Finance Committee recommended approval to the full Board on October 18, 2023. The Board of Commissioners voted 6 to 0 to approve funding for the proposed amendment to the British Airways LOA including extend the term to February 29, 2024, and increase the cap of landing and facility fee abatements to \$2.5M; and authorize the Chair and President & CEO to execute the Letter of Agreement (LOA) Amendment by and between MNAA and British Airways outlining the specific terms of the proposed incentive amendment.

⑤ Trademark License Agreement - Nashville Airport Hotel Partners, LLC

Description:

- Project Lease Agreement contemplates the use of BNA® in the name of the hotel and a restaurant concept.
 - Hotel: “Hilton BNA Nashville Airport Terminal” and “Hilton BNA”
 - Restaurant: BNA Sky Pavilion
- The use of the BNA word mark and logo will be submitted as support for MNAAs application to register the BNA marks for hotel and restaurant services.

Trademark License Agreement Terms

- Gratis license, based on the provisions of the existing Project Lease Agreement.
- Seven-year terms, which auto renew.
- Tenant is required to follow MNAAs quality and brand standards

Impact: Allows MNAAs to file additional trademark applications and continue to build the BNA brand.

Review & Approval:

- Staff and the Finance Committee recommended approval to the full Board on October 18, 2023. The Board of Commissioners voted 5 to 0 (1 recuse) to approve the terms negotiated between MNAAs and Nashville Airport Hotel Partners, LLC (the “Tenant”) via the trademark license agreement and authorize MNAAs Staff and the Board of Commissioners to execute a trademark license agreement between MNAAs and Tenant.

Items for Approval

November 8, 2023 - None

Information Items

November 8, 2023

- BNA Concessions Program Update (including Quarterly Sales Report)

Information Item

Colleen Von Hoene
Associate Principal, Paslay Group

Fraport Terminal Concessions Program

- Existing Terminal Program:
 - 2 Food & Beverage locations scheduled to start construction December 1, 2023
- Future Concourse D Extension Program:
 - 7 Letters of Intent (LOI) have been executed
 - Amended Exhibit G, updated to reflect tenant locations, operators, and key performance milestones due to MNAA by December 31, 2023

Fraport Concessions Activity

Fraport Concourse D Extension Concessions

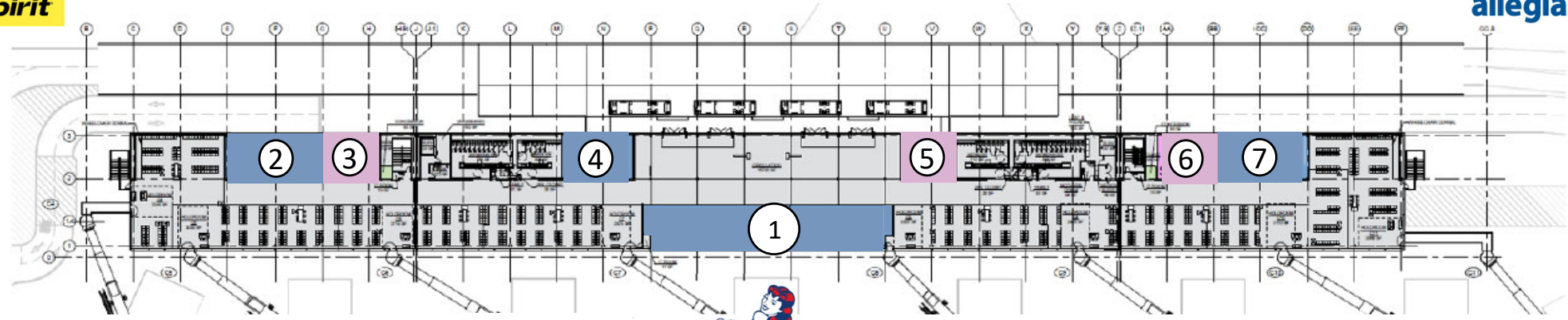
- Dx.01 3rd & Broadway
- Dx.02 Sandella's
- Dx.03 The Castle
- Dx.04 New Heights Cantina
- Dx.05 Flytes Virtual Dining Hall
- Dx.06 Daniel X Diamond
- Dx.07 Nashville Tracks
- Dx.10 Martini



Paradies Satellite Concourse Concessions Program

- 3 Retail locations opened 10/21/23:
 - Distillery District Market
 - Gulch Goods
 - Nashville Supply
- 1 Food & Beverage location opened 10/28/23:
 - TX/MX
- 3 Food & Beverage locations under construction:
 - Bongo Java (Opens Friday)
 - Jimmy John's (Late November)
 - Fat Bottom Brewery (Early December)

Paradies Satellite Concourse Concessions Activity



Nov

Open

Nov

Dec

Open

Open

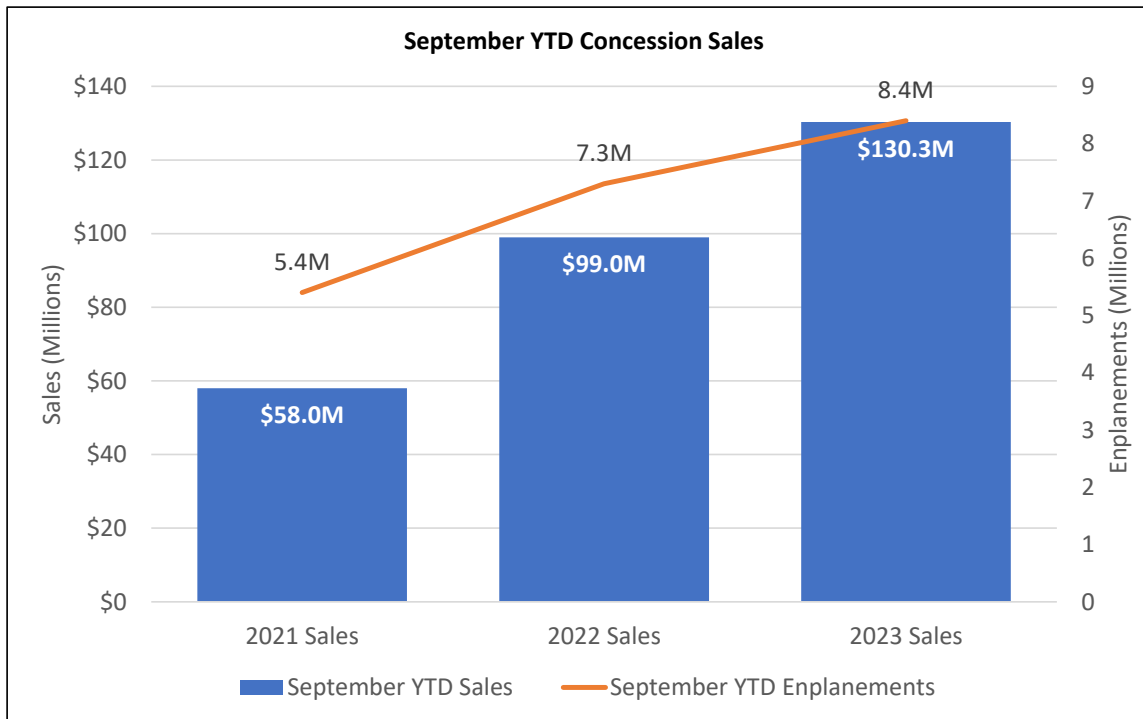
Open

Satellite Concourse Concessions



New Paradise Locations at Satellite Concourse

YTD 2023 Sales 31.75% higher than YTD 2022 (Enplanements up 15.4%)



Fraport Concessions Sales

Top Performing Units in September

- News & Gift
 - TN Trading Post \$767K
 - Evolve \$722K
- Full-Service F&B
 - Ole Red \$650K
 - Tootsies \$609K
- Quick Service F&B
 - Chick Fil A \$453K
 - Shake Shack \$358K
- Specialty
 - True to TN \$295K
 - Whiskey Trailhead \$235K
- Coffee
 - Starbucks \$291K
 - 8th & Roast \$237K & \$201K

- Air Service Incentive Fund Capacity

Information Item

Josh Powell, C.M., ACE
AVP, Airline Affairs & Air Service
Development

Board Request (October 2023 Finance Committee):

- Air Service Development analyze the capacity of the Air Service Incentive Fund.
 - Balance as of September 30, 2023 – \$7,956,505
 - Funded at \$166.7K per month; \$2M per year
 - Remaining balance of approved incentives available -- \$998K
 - Average seasonal / year-round daily incentive available over a 2-year period*
 - Widebody Europe – \$1.7M / \$4.2M
 - Narrowbody Europe – \$1.1M / \$2.5M
 - Hawaii – \$1.5M / \$3.5M
 - Other Americas – \$0.4M / \$0.5M

Staff Recommendation:

- Continue deposits into the Air Service Incentive Fund at the current rate.
 - It is probable to enter into 2-3 larger incentives agreements over the next 2-3 years, equating to \$4-8M in incentives.
 - Rates and charges are likely to continue to increase.

*@ FY24 Rates & Charges

Air Service Incentive Fund Capacity

British Airways (London)

- Expires 2/29/2024; \$559K cap remaining

Flair Airlines (Edmonton)

- Expires 4/11/2024; \$50K cap remaining*

Air Canada (Montreal)

- Expires 6/1/2024; \$135K cap remaining*

WestJet (Vancouver)

- Expires 5/18/2025; \$254K cap remaining

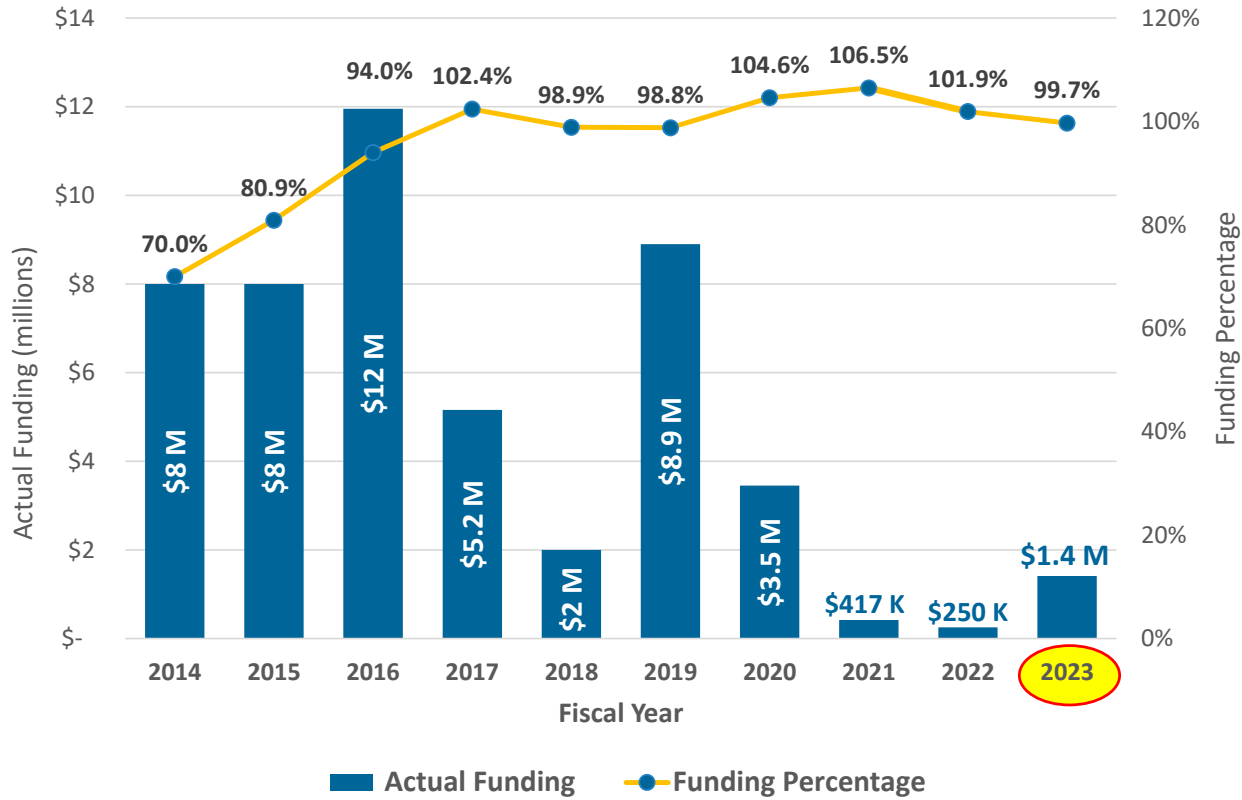
**pro-rated activity + marketing*

- Quarterly Retirement/OPEB/Treasury Investment Reports

Information Item

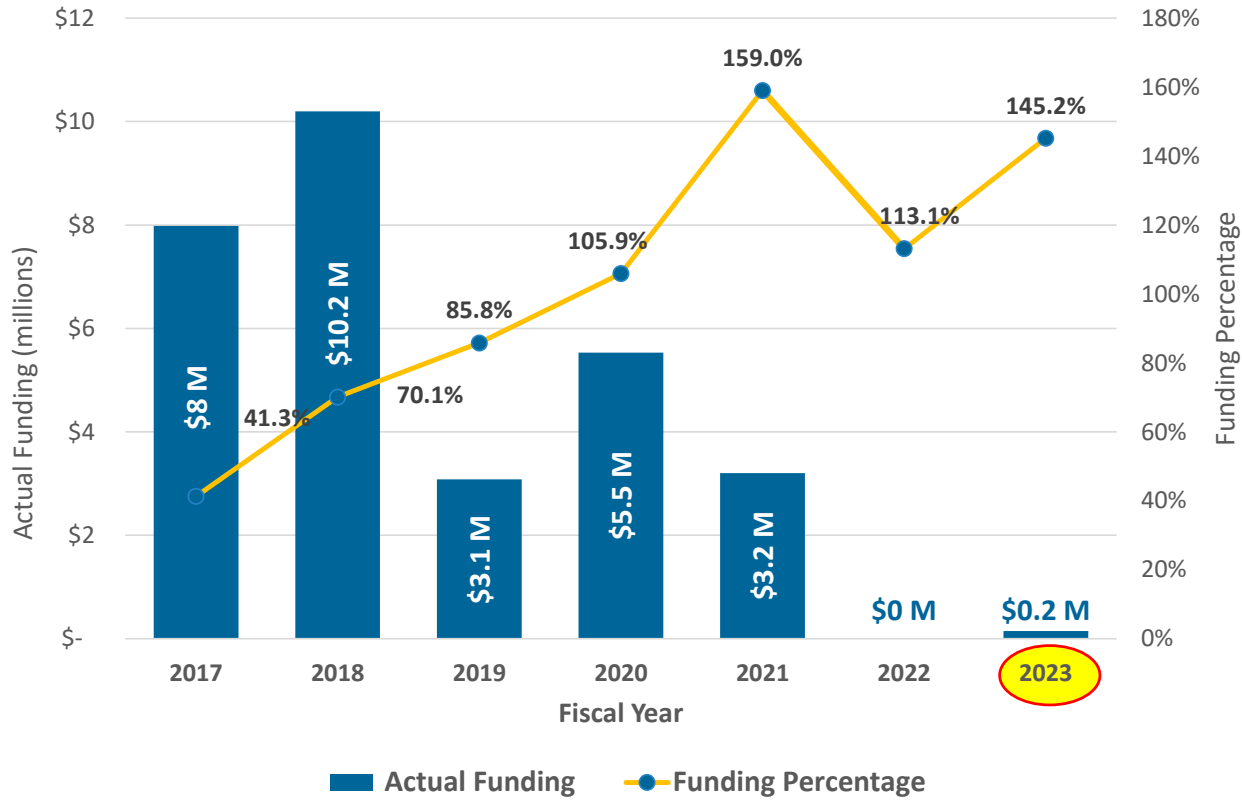
Kristy Bork, CPA, AAE
AVP, Finance

Historical Retirement Plan Funding



Historical Retirement Plan Funding

Historical OPEB Funding



Historical OPEB Funding

OPEB funding includes both contributions paid to trust and benefits paid by MNAA

Retirement Plan

- **FY24-Q1 Market Value: \$75.8M (-\$3.9M)**
- Gross Return
 - FY24 Q1: -3.27%
 - *Net of fees -3.31%; Composite benchmark -3.25%*

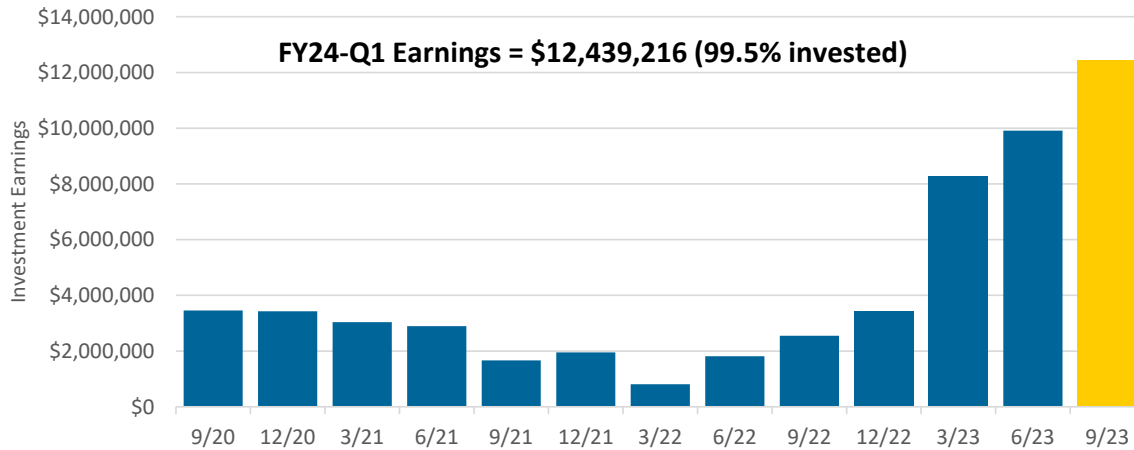
OPEB

- **FY24-Q1 Market Value \$37.8M (-\$1.7M)**
- Gross Return
 - *FY23 Q4: -3.32%*
 - *Net of fees -3.36%; Composite benchmark -3.29%*

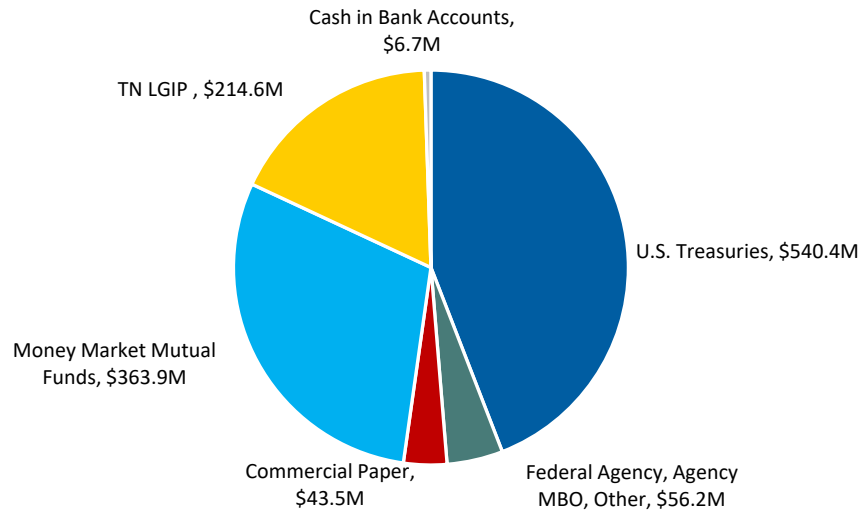
Quarterly Retirement/ OPEB Investment Report

Quarter ending September 30, 2023

Investment Earnings and % Invested



Investment Accounts



Quarterly Treasury Investment Report

Quarter ending September 30, 2023

- Total available funds: \$1.225B
- Funds invested: 99.5%
- Investment portfolio in compliance and meeting policy objectives
- 1Q23 combined yield: 4.47%
- Total cash & investment earnings
 - 1Q24: \$12,439,216
 - 1Q23: \$2,553,339
 - 1Q24 had \$526M more available funds than 1Q23



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Meeting Adjourned