



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

February 14, 2024

BNA

Call to Order

February 14, 2024

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, February 12, 2024, 9:00 pm

Approval of Minutes

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

December 13, 2023

Chair's Report

Andrew Byrd

Finance Committee Chair

Items for Approval

February 14, 2024

- Amendment to Air Service Incentive Policy

Item for Approval

Josh Powell, C.M.
AVP, Air Service Development

- The ASIP helps BNA remain competitive with other US airports trying to attract additional non-stop international/domestic service.
- On December 7, 2023, the FAA released the following notice: “FAA Policy Regarding Air Carrier Incentive Program”.
- The proposed amendment implements the above referenced directive, allowing the airport authority to take advantage of a key change regarding seasonal incentives ... adding an optional third year to the program.
- If approved, the effective period of the amended ASIP will be 2/21/2024 – 12/31/2025.
- Note: all proposed marketing incentives and landing fee and facility abatements, outside of the Domestic Market Agreements, require Board of Commissioner approval to execute any Letter of Agreement (LOA).

Air Service Incentive Policy (ASIP)

- Types and Tiers of incentives shown are the same as the previous policy
- Types:
 - Landing Fees
 - Facility Fees
 - Marketing Funds and Initiatives
- Tiers:
 - Domestic
 - Other Americas
 - Trans-Oceanic (includes Hawaii)

- No Change to the Year-Round Service.
- New Seasonal Service (see matrix below)
 - Adds a third year, and
 - Increases the Landing Fee & Facility Fee Abatement for Transoceanic flights to 100%

Type of Service	Landing Fees		Facility Fees	Marketing Incentive		Marketing Initiatives
	Year 1	Years 2&3	Years 1-3	Year 1	Years 2&3	
New Scheduled Service to Other Americas Markets	75% abatement	50% abatement	None	Up to \$75,000	Up to \$15,000 / year	Press release, website splash page - up to 4 week run, Air Service Billboard - up to 6 week run Gate Event for inaugural flight
New Scheduled Service to Trans-Oceanic Markets (Includes Hawaii)	100% abatement	100% abatement	100% abatement	Up to \$400,000	Up to \$300,000 / year	Press release, website splash page - up to 6 week run, Air Service Billboard - up to 8 week run Gate Event for inaugural flight

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

- 1) Approve the Air Service Incentive Policy (ASIP); and
- 2) Authorize the President and CEO to execute the policy.

Air Service Incentive Policy (ASIP)

- Balance of Fund as of 2/5/2024
 - \$8.28 Million

- FAA Contract Weather Observer (CWO) Lease Agreements at Harvey P. Gassaway Building
 - Supplemental Agreement No.3 to Lease Agreement No. DTFAEN-11-L-00047
 - Lease Agreement No. 69435Z-22-L-00102

Item for Approval

Carrie R. Logan, C.M.
VP, Deputy General Counsel

FAA (CWO) Lease Agreements at Harvey P. Gassaway Building

- **Background:**
 - **September 30, 2017:** term of Supplemental Lease Agreement No. 2 ends.
 - **2018:** the FAA sent a new lease.
 - MNAA executed the lease and returned it to the FAA.
 - FAA stated that it had provided an incorrect lease template and that a new agreement would be forthcoming.
 - MNAA diligently pursued completion of the second agreement, including sending a notice of default to the FAA in January of 2020.
 - **2021:** The parties had a lease agreement ready for execution in February of 2021, with a term beginning October 1, 2017.
 - FAA determined the parties need to execute a supplemental lease agreement, prior to a new lease agreement, to bring the lease up to date.
- **Current FAA Proposal:**
 - Supplemental Lease Agreement No. 3 will cover the term of the lease from September 30, 2017 through September 30, 2022.
 - The New Lease has a 10-year lease term that will be back dated to begin on October 1, 2022, as requested by the FAA, and end September 30, 2032.

FAA (CWO) Lease Agreements at Harvey P. Gassaway Building

Property Description: The FAA (CWO) occupies Suite 110 at the Harvey P. Gassaway Building consisting of 385 square feet

Key Lease Terms:

- **Supplemental Lease Agreement No. 3 :**

- **Term:** October 1, 2017 through September 30, 2022

- **Rent:**

- \$575.60 (\$17.94 PSF) per month from October 1, 2017 through September 30, 2018.
- \$628.84 (\$19.60 PSF) per month from October 1, 2018 through September 30, 2021.
- \$647.70 (\$20.19 PSF) per month for the final year of the Supplemental Lease Agreement ending on September 30, 2022.

- **New Lease:**

- **Term:** October 1, 2022 through September 30, 2032

- **Rent:** \$667.13 (\$20.80 PSF) per month.

FAA (CWO) Lease Agreements at Harvey P. Gassaway Building

Impact:

- Continued CWO services provided to the Air Traffic Control Tower.

Staff Recommendation:

- Staff requests the Finance Committee recommend to the Board of Commissioners that it:
 - Approve the terms negotiated between MNAA and the Department of Transportation Federal Aviation Administration (FAA); and
 - Authorize the President and CEO to execute the Supplemental Agreement No.3 and the New Lease Agreement with the FAA, consistent with these terms.

- Subleases for Concourse D Extension Concessions (7)
- Amendment 9 to Fraport Concessions Agreement (Exhibit G Updates)
- Amendment 2 to Boingo Concession Agreement for Cellular Distributed Antenna System (DAS) and Wi-Fi Service

Items for Approval

Colleen Von Hoene
Associate Principal, Paslay Group

Subleases For New Concourse D Extension Concession Locations

Background:

- MNAA has a Lease and Concession Agreement (Agreement) with Fraport, Tennessee, Inc. (Fraport) to develop a terminal-wide concessions program, including food, beverage, services, retail, and vending offerings. The term of the agreement commenced on February 1, 2019, and will expire on January 31, 2029. Fraport was provided rights to develop future Concourse D extension concession locations under Amendment 8.
- Fraport has negotiated subleases with seven subtenants to operate eight concession locations in the Concourse D extension, which is scheduled to open in July 2025.
- The sublease terms extend beyond the expiration of the Fraport Agreement. MNAA must therefore become a party to the subleases and consent to the sublease terms so that all rights and obligations of the subleases to attorn to MNAA at the expiration of Fraport's Lease and Concession Agreement.



Dx.10



Dx.07



Dx.06



Dx.05



Dx.03



Dx.04



Dx.02



Dx.01

Renderings will be provided when Design is complete

Subleases For New Concourse D Extension Concession Locations **BNA**

Subleases For New Concourse D Extension Concession Locations

- The Concourse D extension concession subleases include the following:

Subtenant	Concept	Space Number	Required Opening Date	Contract Expiration
Dalmation Creative Agency, Inc.	3 rd & Broadway	Dx.01	7/2/2025	7/31/2032
3BG, LLC.	Sandella's Flatbread Café	Dx.02	7/2/2025	7/31/2032
	Flytes – Virtual Dining Hall	Dx.05	7/2/2025	7/31/2032
Newslink of Nashville, LLC.	The Castle	Dx.03	7/2/2025	7/31/2032
ASG Nashville, LLC.	New Heights Cantina & Taqueria	Dx.04	7/2/2025	7/31/2032
Daniel Diamond LLC.	Daniel X Diamond	Dx.06	7/2/2025	7/31/2032
Nashville Tracks JV	Nashville Tracks by Hudson	Dx.07	7/2/2025	7/31/2032
Air Ventures Nashville, LLC.	Martini	Dx.10	7/2/2025	7/31/2032

Staff Recommendation:

- Staff requests that the Finance Committee recommend approval to the Board of Commissioners that it:
 - Approve seven subleases for eight locations in the future Concourse D extension and
 - Authorize the Chair and President & CEO to execute the subleases.

Amendment 9 to Fraport Lease and Concession Agreement

Background:

- MNAA (the Authority) has a Lease and Concession Agreement (Agreement) with Fraport Tennessee, Inc. (Fraport), to develop a terminal-wide concessions program, including food, beverage, services, retail, and vending offerings. The term of the Agreement commenced on February 1, 2019, and expires on January 31, 2029.
- Staff is recommending approval of the Ninth Amendment to the Agreement which includes the following key provisions:
 - Updates Sixth Amended Exhibit G to incorporate subtenant entities and operating names for eight concession locations in future Concourse D, scheduled to open July 2, 2025.
 - Extends the deadline for expenditure of the \$13 million Contractor Capital Investment Obligation to allow for completion of projects that could not be completed by the original contract deadline of July 31, 2023. Under the Amendment, Fraport must complete any remaining work by May 31, 2024, and submit proof of payment by July 30, 2024.

Staff Recommendation:

- Staff requests the Finance Committee recommend to the Board of Commissioners that it:
 - Approve Amendment 9 to the Fraport Agreement, and
 - Authorize the Chair and President & CEO to execute the amendment

Amendment 2 to Boingo Concession Agreement

Background:

- Since 2010, MNAA has provided Cellular Distributed Antenna System (DAS) and Wi-Fi services for the public through a concessions contract with Boingo, which expires February 28, 2024
 - MNAA received revenue of \$180,259 in 2023
 - Non-proprietary equipment and infrastructure reverts to MNAA ownership at contract expiration
- MNAA retained a technical consultant to conduct industry research and identify airport business models to determine best approach for MNAA
- The technical consultant identified the following 3 models:
 - Airport owned infrastructure, managed and maintained by third-party contractor
 - Cell carrier owned and managed infrastructure
 - Third-party owned and managed infrastructure (the current Boingo model)

Amendment 2 to Boingo Concession Agreement

Business Recommendation:

- Management recommends MNAA utilize the model providing for direct airport-owned infrastructure, utilizing a third-party contractor to manage and maintain.
- This structure provides MNAA the following benefits:
 - 1) Enables MNAA to control and coordinate expansion of DAS/Wi-Fi infrastructure with future MNAA facility development to meet passenger growth needs.
 - 2) Estimated to increase MNAA gross revenue through direct contracts with cell carriers, eliminating sharing revenues with a third-party Concessionaire.
 - 3) Capital contribution can be negotiated with cell carriers and used to fund future capital investment.
- In order to facilitate transition to this new business model, a short-term extension of the existing Boingo contract is required.

Staff Recommendation:

- Staff requests the Finance Committee recommend to the Board of Commissioners that it authorize the Chair and President and CEO to execute the amendment to agreement between Boingo and MNAA.

Information Items

February 14, 2024

- BNA Concessions Program Update
 - Quarterly Update
 - Sales Report
 - BNA PASSport

Information Items

Colleen Von Hoene
Associate Principal, Paslay Group

Fraport Terminal Concessions Program

- 2 Food & Beverage locations under construction, scheduled to open in April 2024
 - Prince's Hot Chicken (C/D)
 - Half Moon Empanadas (Conc. B)

Paradies Satellite Concourse Concessions Program

- Fat Bottom Brewery opened 12/21/23
- All 7 concession locations now open

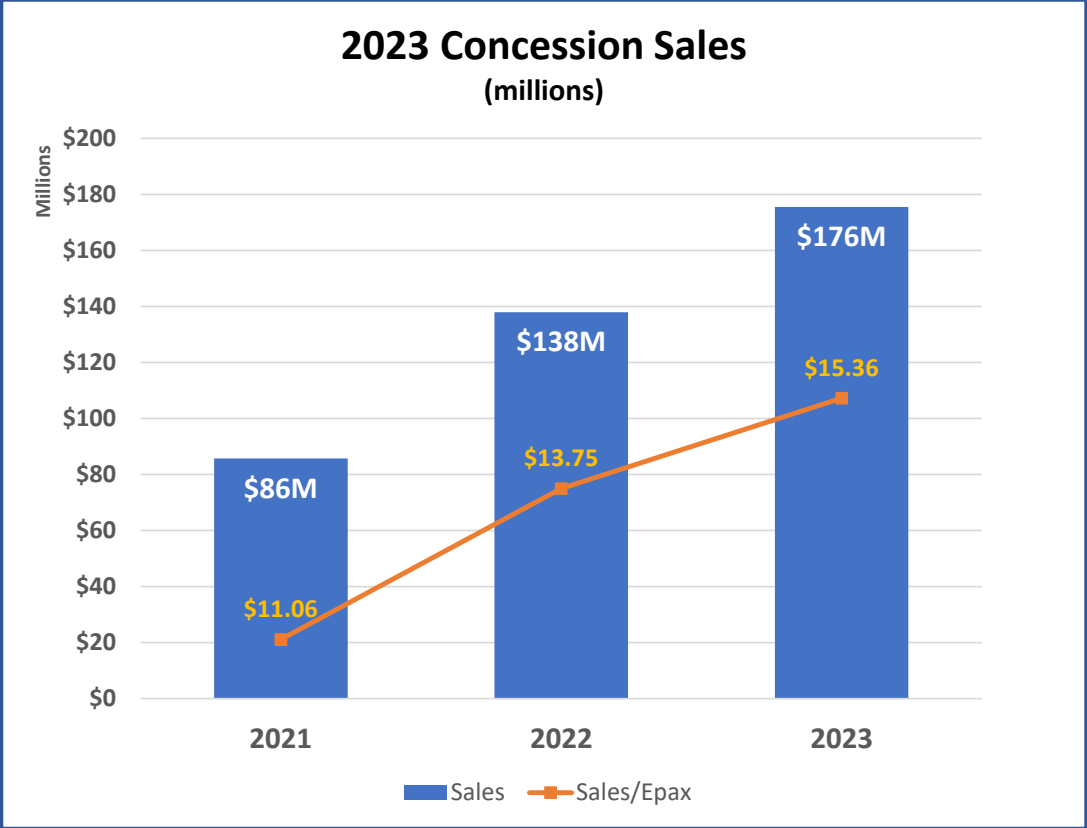
BNA Concessions Program Update



Satellite Concourse

Fat Bottom Brewery

2023 Annual Sales 27% higher than 2022
 (Enplanements up 14%)



NOTE: Satellite Concessions Sales will be included in the next update

Fraport Concessions Sales Leaders

(average monthly sales for 2023)

Top Performing Units

- News & Gift
 - Evolve (\$719K)
 - TN Trading Post (\$696K)
- Full-Service F&B
 - Ole Red (\$646K)
 - Tootsies (\$586K)
- Quick Service F&B
 - Chick Fil A (\$445K)
 - Shake Shack (\$375K)
- Specialty
 - True to TN (\$255K)
 - Whiskey Trailhead (\$208K)
- Coffee
 - Starbucks (\$285K)
 - 8th & Roast, CT (\$240K)

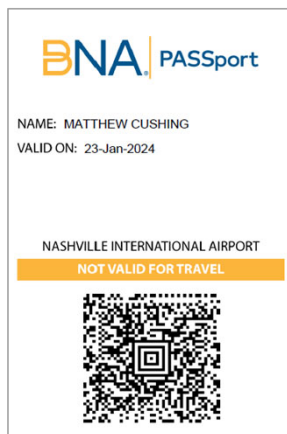
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PASSport

A NON-TICKETED
POST SECURITY PASS TO:


- Shop
- Dine
- Enjoy plane watching
- Meet loved ones at the gate
- View art exhibits



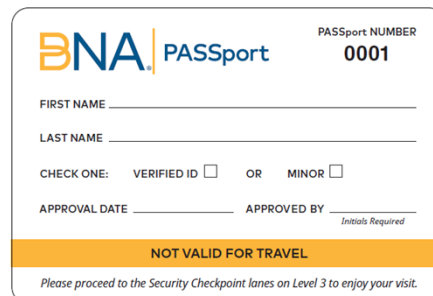
BNA | PASSport

NAME: MATTHEW CUSHING
VALID ON: 23-Jan-2024

NASHVILLE INTERNATIONAL AIRPORT
NOT VALID FOR TRAVEL



Mobile Pass



BNA | PASSport

PASSport NUMBER
0001

FIRST NAME _____
LAST NAME _____

CHECK ONE: VERIFIED ID OR MINOR

APPROVAL DATE _____ APPROVED BY _____
Initials Required

NOT VALID FOR TRAVEL

Please proceed to the Security Checkpoint lanes on Level 3 to enjoy your visit.

Documentation from Information Desk to show that individual has been vetted against the daily report of approved guest passes.

BNA PASSport

- Following TSA FSD's signature on Airport Security Program (ASP) Amendment, staff will
 - Complete Phase II Testing
 - Issue press release and social media posts
 - Launch BNA PASSport on website

- FY24 BNA and JWN O&M Budget Update

Information Item

Marge Basrai, CPA, CGMA, CM
EVP, Chief Financial Officer

BNA FY24 O&M Budget Update

	Total FY24 Budget	FY24 Budget as of 12/31/23	FY24 Actual as of 12/31/23	Variance Over (Under)
Operating Revenues	\$282.3M	\$144.5M	\$151.8M	\$7.3M

- Enplanements 8% above FY24 budget
- Revenues are \$7.3M above budget as of December 31, 2023
- Concessions (food & beverage/retail, rental cars, TNC), concession storage space rental, and other revenues are above budget
- Signatory Airline and parking revenues are below budget
 - Increase in landing fee for airline reimbursement of the virtual tower construction costs
 - Monitor change in passenger behavior as well as the effect of new short-term rate structure on parking revenue

BNA FY24 O&M Budget Update

	Total FY24 Budget	FY24 Budget as of 12/31/23	FY24 Actual as of 12/31/23	Variance Over (Under)
Operating Expenses	\$165.9M	\$77.3M	\$68.3M	(\$9M)

- Expenses are \$9M under budget, however, amendments may be required for:
 - 52 additional positions authorized; promotions made during year; DPS step chart increase
 - Satellite operating expenses (budgeted estimate versus actual)
 - Replenishment of contingency funds, \$4M-\$6M already allocated:
 - Mitigation of Roadway and Curbside Congestion
 - Nashville Conference Sponsorships (AAAE, AMAC)
 - WI-FI/DAS Transition
 - Fall/Spring Break Valet Parking Surges
 - Employee Parking Expansion (Southwest Crew Base)
 - Homeless Mitigation
 - Snow event in January 2024 cost \$3.9M – effect on budget being evaluated

JWN FY24 O&M Budget Update

	Total FY24 Budget	FY24 Budget as of 12/31/23	FY24 Actual as of 12/31/23	Variance Over (Under)
Operating Revenues	\$2.4M	\$1.2M	\$1.5M	\$0.3M
Operating Expenses	\$2.3M	\$763K	\$768K	\$5K

- Revenues and expenses are above budget by \$273K and \$5K, respectively
- Amendments may be required:
 - Three leases (five parcels) signed after FY24 budget approved
 - Additional studies conducted: Taxiway Bravo and 2nd FBO analysis
 - Equipment repairs and building set-up

- Monitor the revenues and expenses discussed on previous slides, as well as enrollment growth
- Identify any additional expenses needed to support business operations
- If adjustments are determined to be necessary, amendments will be brought to the Board in March

Next Steps

- Quarterly Retirement/OPEB/Treasury Investment Reports

Information Item

Kristy Bork, CPA, AAE
AVP, Finance

Retirement Plan

- **FY24-Q2 Market Value: \$81.4M (+\$5.6M)**
- Gross Return
 - FY24 Q2: 9.10%
Net of fees 9.04%; Composite benchmark 9.02%
 - FY24 YTD: 5.54%
Net of fees 5.43%; Composite benchmark 5.48%

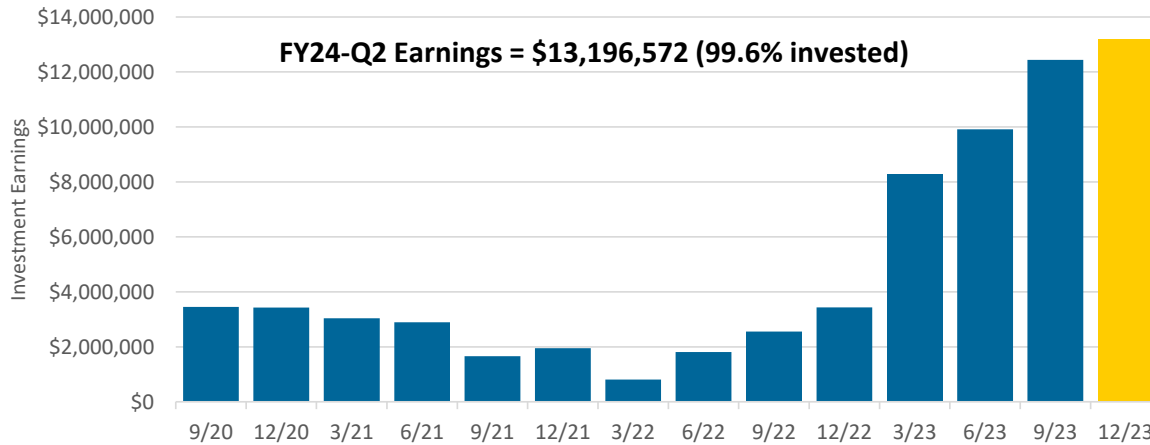
OPEB

- **FY24-Q2 Market Value \$41M (+\$3.2M)**
- Gross Return
 - FY24 Q2: 9.50%
Net of fees 9.44%; Composite benchmark 9.72%
 - FY24 YTD: 5.87%
Net of fees 5.76%; Composite benchmark 6.12%

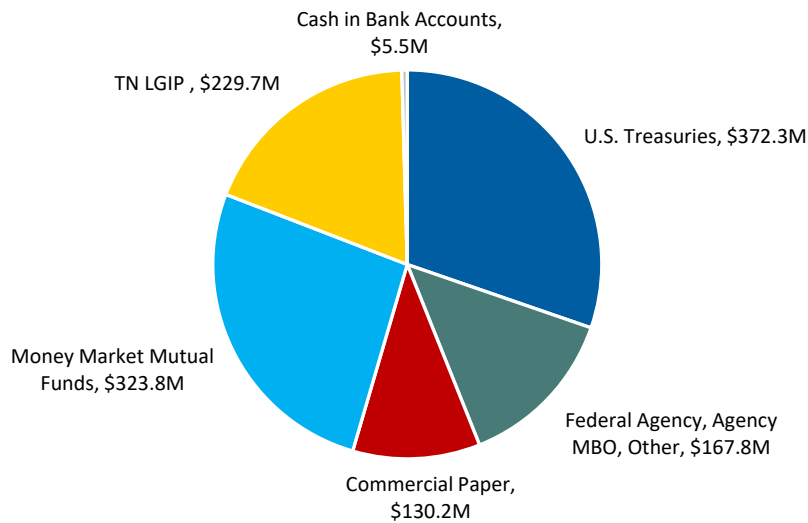
Quarterly Retirement/ OPEB Investment Report

Quarter ending December 31, 2023

Investment Earnings and % Invested



Investment Accounts



Quarterly Treasury Investment Report

Quarter ending December 31 2023

- Total available funds: \$1.229B
- Funds invested: 99.6%
- Investment portfolio in compliance and meeting policy objectives
- 2Q24 combined yield: 4.86%
- Total cash & investment earnings
 - 2Q24: \$13,196,572
 - 2Q23: \$3,431,946
 - 2Q24 had \$42.6M less available funds than 2Q23



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

Meeting Adjourned