

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



Date: May 8 2024

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:33 a.m.

Committee Members Present:

Andrew Byrd, Committee Chair; Glenda Glover,
Committee Vice Chair, Jimmy Granbery

Committee Members Absent:

None

Others Board Members Present:

Joycelyn Stevenson, Bobby Joslin, and Nancy Sullivan

MNAA Staff & Guests Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford, Trish Saxman
Marge Basrai, Kristy Bork, Kristen Deuben, Randy Dorsten
Adam Floyd, Ijeoma Ike, Eric Johnson, Carrie Logan, Rachel
Moore, Ted Morrissey, Stacey Nickens, Josh Powell, Robert
Ramsey, Davita Taylor, and Colleen Von Hoene

I. CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 9:22 a.m. pursuant to Public Notice dated May 6, 2024.

II. PUBLIC COMMENTS

Chair Byrd stated there were no public comment requests received.

III. APPROVAL OF MINUTES

Chair Byrd asked for a motion to approve the April 10, 2024 Minutes of the Joint Meeting of the MNAA & MPC Finance, Diversity & Workforce Development ("Finance") Committees. Vice Chair Glover made a motion and Commissioner Granbery seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

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

IV. CHAIR'S REPORT

Chair Byrd had no Chair's report.

V. ITEMS FOR APPROVAL

1. First Amendment to MNPD Lease Agreement

President Kreulen introduced Eric Johnson, SVP, Chief Revenue Officer, to update the Commissioners on the MNPD Lease Agreement. Mr. Johnson stated the Metropolitan Government of Nashville and Davidson County ("Metro") and the Airport Authority entered into a lease agreement on December 22, 2022. The Airport Authority is responsible for the design and construction of a hangar for Metropolitan Nashville Police Department ("MNPD"). Metro is responsible for reimbursing the Airport Authority for the cost of the design and construction through supplemental rent. Metro has the right to terminate the Lease within 60 days from the date they were notified of the supplemental rent, no later than June 23, 2024. The property in question is 0.84 acres, or 36,624 square feet, of unimproved land at JWN (parcel 10). The key amendment terms include: 1) effective date is July 1, 2024; 2) supplemental rent is \$66,746.54 monthly (\$800,958.48 annually); 3) domestic water submeter will be installed to measure the consumption of water by Metro; and 4) Airport Authority grants Metro an access easement in, to, and across the drainage culvert located between the access road known as Tune Airport Drive and the Premises for the purpose of vehicular access to and from the Premises.

Mr. Johnson stated the ground rent remains \$83,367 annually and the supplemental rent begins July 1, 2024 at \$800,958.48 annually for payback of design and construction of hangar. New assets will vest in approximately 29 years.

Mr. Johnson requested the Finance Committee recommend to the Board of Commissioners that it approve the First Amendment; and authorize the Chair and President and CEO to execute the First

Amendment. Mr. Johnson noted that the amendment requires approval by Metro Council via Resolution (by June 24, 2024) to reimburse the Airport Authority for design and construction costs.

Chair Byrd stated the supplemental rent is basically the rent for the building itself, not for the ground lease. Mr. Johnson responded that is correct, it covers the design and construction costs, and associated testing and project and construction management costs for that project. Chair Byrd asked what the total cost of the facility itself is. Mr. Johnson replied the total cost is estimated to be \$12,155,000. President Kreulen stated we estimated when the lease was signed in 2022 with Metro that we gave them a ballpark of less than \$15M, to build a hangar with this size and design. MNAA designed it and thought that would be \$1.5M and it cost MNAA \$993K, and the initial hangar estimate was \$12M and it ended up at \$10.4M. Metro is getting an economies of scale, which is very beneficial. Chair Byrd stated so the rent reflects the economies of scale. President Kreulen replied yes. Chair Byrd asked if Director Kevin Crumbo was pleased with the proposal. President Kreulen replied he would think he is pleased because Metro did not have to fund the capital and the terms are a good deal for Metro. It also gives MNAA a long-term tenant.

Commissioner Granbery asked what interest rate are we using. President Kreulen replied 5%. Commissioner Granbery asked if they exercise their option to terminate the lease if we still own the plans. President Kreulen stated that is a great question, and Metro would have to reimburse us for the \$993K that we have spent to date on design. You would think it would be ours and we could have it built and see if someone wanted to rent it. Most likely we would put it back on the street because Metro is getting a good deal on the rent per square foot compared to what the competitive process is doing. Competitively others will pay more to get into that space. Commissioner Joslin stated almost double. President Kreulen stated if Metro decides to back out, MNAA would make more money. Commissioner Granbery asked if that is because they are getting a discount. President Kreulen replied MNAA is not allowed to give discounts, but at the time that this was proposed to us, they are getting that average rent from that time. Rent has gone up a good deal since then and if they back out, \$1.50 more would be added per square foot.

Commissioner Granbery stated this does not carry a construction bond of any capacity. President Kreulen replied correct, at this point. Commissioner Glover asked if President Kreulen could point out the easement. President Kreulen showed Commissioner Glover the aviation side and the doors for

the helicopters to go in and out and in front of hangar is the road that is an easement to get in and out. President Kreulen stated this road services all of the other sites so everyone is paying to use that road. Chair Byrd asked if it is an access road. President Kreulen replied yes, it is an access road for all 10 hangars. Commissioner Glover stated it looks good. Commissioner Granbery asked the name of the architect. Mr. Ramsey replied, Landrum & Associates.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

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

2. Amendment to IT Staffing Services Purchase Order

President Kreulen introduced Randy Dorsten, AVP, Human Resources, to update the Commissioners on the Amendment to IT Staffing Services Purchase Order (“PO”). Mr. Dorsten stated this year MNAA had a staff augmentation services for Information Technology (“IT”) Terminal Operations Team. The initial PO value was around \$400K. The IT team is responsible for the 24/7 common use platform services team, and costs have gone over that \$400K, therefore an amendment for an additional \$600K is needed. Those dollars were already budgeted in the MNAA IT budget, which is running below budget as well. Mr. Dorsten asked for the \$600K incremental to pay for additional services rendered.

President Kreulen stated he would like to add some clarification. These staffing services are for the 13 personnel to get us up and running with the International Arrival Facility (“IAF”) and T gates, and to provide common use technology for any airlines to go in and out of those gates. This is on him, he stated, and procedurally Mr. Dorsten can help solve this by improvements in managing staffing services as well as the procurement team. This PO was initially \$400K and the CEO limit is \$500K and anything above \$500K needs to come to the Board. Staff did not catch it when this was going over because we knew the normal salaries and budgets were approved for our IT team budget and this

money was budgeted when we modified this PO. The bottom line is we have not paid this PO because it is restricted to the \$400K. The funds would be taken out of the O&M account to pay this PO, and then close this project out. It is really an accounting matter of where the dollars will be transferred out of our normal IT salaries and budgets and pay this PO. This is correcting a challenge. Chair Byrd asked if it is a budgeting issue. President Kreulen replied no, the budget is there, and finance knows that the money is there. We did not go over budget, and we are still \$1M under budget in IT. We had a problem with authorizing work to do and did not come back and correct this PO.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

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

3. Sublease Amendments for Fraport Concession Subtenants

President Kreulen introduced Colleen Von Hoene, Associate Principal with Paslay Group, to present the Sublease Amendments for Fraport Concession Subtenants. Ms. Von Hoene stated MNAA has a Lease and Concession Agreement (Agreement) with Fraport, Tennessee, Inc. (Fraport) to develop a terminal-wide concessions program. The term of the agreement commenced on February 1, 2019, and will expire on January 31, 2029. Fraport has several existing subleases that require amendments to incorporate minor modifications to sublease terms. Since the sublease terms extend beyond the expiration of the Fraport Agreement, MNAA must therefore become a party to and consent to the sublease amendments so that all rights and obligations of the subleases to attorn to MNAA at the expiration of Fraport's Lease and Concession Agreement.

Ms. Von Hoene presented a chart showing a list of tenants, locations and change to sublease terms. The key changes to the terms are 1) deletion of Common Area Maintenance ("CAM") fees, for concessions who are not in association with the common area; 2) revision to Grease Trap Maintenance where Fraport assesses costs to the tenants for maintenance of the Grease Trap system

to make sure the entire system is operating correctly; and 3) minor modification to operating hours for tenants that are adjacent and operating together.

Chair Byrd asked if this is another extension. Ms. Von Hoene replied no, this is just minor modifications to lease terms, there is no term extension. These subleases were previously approved by MNAA and the Board but we now have to make minor modifications and this amendment requires Board approval. Commissioner Glover asked how many subleases we have in concessions. President Kreulen replied there are 102 retailers and restaurants. Commissioner Glover stated right, but asked how many subleases. President Kreulen replied Fraport has the overall lease, these are subleases to Fraport and the operators are doing work for Fraport and the reason we have to come back to the Board is because some of these leases go to 2030 and 2031. MNAA is a party to that lease and because it goes beyond the 2029 deadline for Fraport, we are changing terms.

Commissioner Glover stated that she understood that part, but asked for further clarification on whether any of the leases are directly with the airport, using Burger King as an example. Ms. Von Hoene replied MNAA has a contract with Fraport and Fraport goes in and subleases to each individual operator for the various locations. Commissioner Glover asked Ms. Von Hoene to explain a little bit more on one shown on the chart, such as Transfare listed as the Tenant and Burger King as the location. Ms. Von Hoene stated when you see locations, that is the concept itself, the type of facility, for example. Transfare has a license agreement, and they are franchising with Burger King. Fraport's agreement is with Transfare and because the Transfare sublease with Fraport goes beyond 2029 we have to amend the agreement. Commissioner Glover replied she has that part, but she is confused over the naming. All of the locations are operating under another name because they are not Burger King in the agreement it is Transfare that is leasing it, and she stated that she understands about the changes. She asked for clarification on whether Host TRN Nashville, with Starbucks, Shake Shack, and Pharmacy Burger all under it, has 3 different subleases. Ms. Von Hoene replied no they have one sublease for multiple locations. Additionally, those are the locations that are specific to this amendment. Chair Byrd stated the location is owned by Host TRN, Starbucks is the management, they provide management services, and are not owned by Starbucks.

President Kreulen stated when Fraport went out to lease those 102 spaces and put out packages, Host TRN won a number of locations, and they said if you pick them, they will put a Pharmacy Burger

here, and a Starbucks there, etc. Commissioner Glover stated that is not what the original question was and explained that she wanted to know how many we deal directly with as tenants, or are they all of them under other names. Commissioner Granbery stated we only have 1 tenant, Fraport. Commissioner Glover stated yes, we are past that, they lease under the main tenant, and that there are 102 in total. She explained that she wanted a break down as to how many tenants there are. Ms. Von Hoene replied we will give you a list of all the tenants and concepts at the Board Meeting.

President Kreulen replied as an example, there is 1 Fraport, then 30 or so tenants and then 102 locations. But regarding this amendment, we are lowering their costs and correcting the lease and Fraport is managing these Grease Traps so everyone pays their fair share and we do not allow stuff to clog up and overflow onto the ramp. Commissioner Granbery asked regarding deleting the CAM fees, if this is just down to the food court area of if there are hallways and restrooms outside the food court that are part of the overall CAM. Ms. Von Hoene replied Fraport does not deal with the public areas, Fraport is responsible for maintaining common area food courts, which is the AB food court and the C triangle food court. Fraport develops them, pays for all the equipment, cleans everything, replaces everything that gets broken, and provides custodial service that is there throughout the day. Commissioner Granbery asked if in the common hallway outside the gates where there isn't a concessionaire if there is a contribution from Fraport in that common area. Ms. Von Hoene replied no. President Kreulen stated if you think about it in terms of, here on the left side of this table is a concessionaire, the airport is responsible for the common hallways and common restrooms and the window side where the airlines are located, they are paying rent for that side. We are responsible for any space that we didn't rent to the airlines or concessions. Commissioner Granbery stated the reason we are approving the subleases is because the time differential for the end of the leases is that once Fraport is out of business, all of the leases revert back to MNAA. Ms. Von Hoene stated yes, MNAA becomes the landlord.

Commissioner Glover asked Ms. Davita Taylor, VP, Procurement and Diversity, to explain the concept to her, adding that it bothers her because she gets calls from people who want to be out here at the airport and refers them to the CEO. She does not have the proper understanding about it. She stated that she would really appreciate Ms. Taylor going over it. The last time Ms. Taylor explained it, she understood and took notes. Using a mall as an example, Ms. Taylor stated that Fraport manages the mall and you have all those stores that are located inside the mall. Some of those folks who

operate Starbucks, Shake Shack, and Pharmacy Burger operate those under the tenant company name, Host TRN Nashville. Host TRN Nashville may have other concepts but for these particular ones, we are adding or deleting their CAM fees. For the 102 spots we may have, you will see those different names that show up as different tenants. They may operate different locations, whether it is a franchise agreement they may have, or their original concept, whatever they may look like, they will operate under a different name. You will rarely see somebody operate under Burger King and that be Burger King. Commissioner Glover stated she sees the Burger King name. Ms. Taylor replied yes you see Burger King, they own it as this company's tenant name, and utilizing it under Transfare II. Ms. Taylor stated you will hardly see at any airport Starbucks operated by Starbucks. Ms. Von Hoene stated she will confirm the numbers. Commissioner Glover asked if we have litigation if it would be against Fraport. President Kreulen replied yes, we are paying Fraport to manage those spaces for MNAA.

Chair Byrd stated when we delete this CAM fee for a particular location, for a common area and 5 tenants are no longer paying the CAM fee, if Fraport must raise the CAM fee to the remaining tenants. Ms. Von Hoene replied she will have to come back and tell the Commissioners what the impact is on the tenants. Fraport manages the cost associated with the Common Area Maintenance and she did not want to give a swag she would like to tell you what the effects are and she did not know how long they were paying them, but she will get back to the Commissioners. Chair Byrd asked that if they could get answers to these questions at the next Board meeting to clear up any confusion as to how exactly this is being handled, that would be very useful.

Ms. Von Hoene requested that the Finance Committee recommend to the Board of Commissioners that it approve the six (6) sublease amendments; and authorize the Chair and President & CEO to execute the sublease amendments.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

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

VI. INFORMATION ITEMS

1. BNA Concessions Program Update (including Quarterly Sales Report)

Ms. Von Hoene stated today we will give a recap of how concession sales went for the 1st quarter of 2024 and also an update on Fraport's development of Concourse D extension locations. Ms. Von Hoene stated that this is airport wide concessions sales so it represents both Fraport's program and Paradies' program at Satellite Concourse. The January through March 2024 concession sales overall for the 1st quarter were \$40.8M which is 11.5% increase over the same period last year, versus a 4% growth in enplanements. As you can see, we still have very positive sales growth even over the rate of growth in enplanements. Breaking it down, Fraport sales were \$39.1M which is \$16.95 in terms of sales per enplanements, and enplanements that are specific to the terminal concessions program. Paradies sales, the Satellite Concourse, were \$1.7M with sales per enplanements of \$7.47 and that is only the enplanement base for the Satellite Concourse, the carriers that operate out of the Satellite Concourse. Ole Red, the top performer for the sit down restaurants, continues to be a very strong performer; for quick service food, Chick-fil-A is top performer and Hattie B's is right behind it; for news and gift, Evolve and TN Trading Post are the top performers; and specialty retail, Whiskey Trailhead and True to TN are the top performers.

Commissioner Granbery asked what the natural break is on sales for Fraport and Paradies. Ms. Von Hoen stated she does not have that number and will get back with it. Chair Byrd asked if they ever receive any reports back from the other restaurants that are offering food in terms of how are they doing. Ms. Von Hoene asked Chair Byrd to please repeat his question. Chair Byrd replied that he is basically trying to make sure our tenants are happy. Commissioner Glover stated this is great, Hattie B's is doing well. President Kreulen agreed stating Hattie B's competing with Chick-fil-A is huge, and noted that we get rent plus a percentage of the profit. President Kreulen stated to Chair Byrd's point, we receive a monthly update from Fraport on how the concessions program performs and Ms. Von Hoene gives us quarterly evaluations, so we know who is doing well and who is struggling. Our team and Fraport work together and if any concessions are having issues,

they figure out if there something that can be done better to market themselves, or other ways to get more business. Chair Byrd stated yes, they are the ones that pay the rent and we just don't want to be replacing a lot of people. President Kreulen stated, knock on wood, we have not had to do that yet and that is not typical when you go to other airports. Some will be closed because whoever was operating that food or retail space is not making enough money and wanted to pull out. If that happens at BNA, Fraport would notify us that it is going to happen, and they would go solicit to a future tenant and negotiate a deal with them and hopefully that tenant would be successful.

Ms. Von Hoene replied we do internally review with Fraport and if Fraport has its eyes on some performers that they think are not performing as well as they could. It does not necessarily mean that they are going to exit, it just means their performance appears to be lacking, and Fraport is the primary tenant and is in charge of working with them to help them improve whether it is changing product, changing the way the product is displayed, or a variety of different things operationally that can improve their performance. It is Fraport's responsibility as MNAA's contractor to do that. We do all look at it. Chair Byrd stated yes, they are helping pay the rent. Commissioner Granbery asked if we have the capacity if the tenant does not reach a certain sales projection that can we terminate the lease. Ms. Von Hoene replied she does not believe so, but she will confirm.

Commissioner Granbery stated it is pretty common in the mall because you want successful tenants. Ms. Von Hoene replied she does not believe we have that, but she will look at the sublease terms. Commissioner Glover asked if MNAA requires audited financial statement each year. Ms. Von Hoene replied yes, Fraport is required to provide an audited statement annually. Commissioner Glover asked what the requirements of the subleases are. Ms. Von Hoene replied she cannot recall the audit requirements of the individual subleases but will bring it back to the Commissioners.

Ms. Von Hoene replied there are 8 new concession locations that Fraport is developing in the Concourse D extension. The 30% design review deadline is May 31, 2024 and 5 locations have been approved at 30%, well in advance of the date. Two of the locations have received 30% design

reviews, they were asked to make minor modifications to their store front designs and submit revised drawings. The last location will be reviewed this afternoon. We are in good shape to meet the 30% design approval date and the next major deadline is the construction start date of March 4, 2025, and that is basically when MNAA turns over the space for construction. Ms. Von Hoene presented several initial renderings from the 30% design. New Heights and The Castle are two restaurants that are in that big concession core. Commissioner Granbery asked what the Nashville Soccer Club has to do with The Castle. Ms. Von Hoene replied that the operator of The Castle has a license agreement with Nashville Soccer Club, similar to what the Titans and Smashville have. President Kreulen replied Nashville Soccer Club is very excited to be coming into the airport. Ms. Von Hoene presented another rendering showing the Martini Bar which will serve Frothy Monkey coffee in the morning and cocktails at night.

2. Quarterly Retirement/OPEB/Treasury Investment Reports

President Kreulen introduced Kristy Bork, AVP, Finance, to present the Quarterly Retirement/OPEB/Treasury Investment Reports. Ms. Bork stated this report is for the third quarter of the fiscal year, which covers the time period from January 1, 2024 through March 31, 2024. The Retirement Plan market value was \$83.5M, which is an increase of \$2.1M over the prior quarter and our gross return for the quarter was 4.19%, beating the benchmark of 3.86%.


Ms. Bork stated the OPEB market value was \$42.8M, which is an increase of \$1.8M over the prior quarter and our gross return for the quarter was 5.1%, which is also above the benchmark of 4.91%.

Ms. Bork stated that the Quarterly Treasury Investment Report for MNAA had a very good quarter. During the 3rd quarter FY2024 MNAA had total available funds of \$1.20B with 99.4% of those funds invested. We had \$6.6M in DDA accounts. Our investment portfolio was in compliance and meeting our policy objectives for the quarter. The 3rd quarter 2024 earnings were \$13.2M. The earnings were more than 3Q 2023, even with fewer deposits, due to increased interest rates and the timing of the 2022 bond proceeds. If you remember from last quarter, it was mentioned that you might see this taper off because of the expectation that the Feds would start lowering rates on fixed income investments which is what we are invested in, and if you have watched the markets that really has not happened. We did have another really good quarter, rates were down slightly, but our overall

combined returns for the quarter were over 5%.

VII. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 9:59 a.m.



Andrew W. Byrd, Board Secretary