

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



Date: September 11, 2024

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:41 a.m.

Committee Members Present:

Andrew Byrd, Committee Chair, and Glenn Farner

Committee Members Absent:

Glenda Glover, Committee Vice Chair

Other Board Members Present:

Nancy Sullivan, Jimmy Granbery, Bobby Joslin, and
Joycelyn Stevenson

MNAA Staff & Guests Present:

Doug Kreulen, Cindy Barnett, Lisa Lankford, Trish Saxman
Marge Basrai, Neale Bedrock, John Cooper, Kristen Deuben,
Adam Floyd, Traci Holton, Eric Johnson, Roman Keselman,
Carrie Logan, Rachel Moore, Ted Morrissey, Stacey Nickens,
Josh Powell, Robert Ramsey, Davita Taylor, Puneet VEDI,
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 9:41 a.m. pursuant to Public Notice dated September 6, 2024.

II. PUBLIC COMMENT

Chair Byrd stated there were no public comment requests received.

III. APPROVAL OF MINUTES

Chair Byrd asked for a motion to approve the August 14, 2024 Minutes of the Joint Meeting of the MNAA & MPC Finance Committees. Commissioner Farner made a motion and Chair Byrd seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Commissioner Farner – Yes

The motion passed with a vote of 2 to 0.

IV. CHAIR'S REPORT

Chair Byrd stated he is pleased to have Ms. Cindy Barnett on board and thanked her for attending.

V. ITEMS FOR APPROVAL

1. First Amendment to Paradies Lease and Concession Agreement

President Kreulen introduced Eric Johnson, SVP, Chief Revenue Officer, to brief the Committee on the First Amendment to the Paradies Lease and Concession Agreement. Mr. Johnson stated for background MNAA has a Lease and Concession Agreement with Paradies-Lagardere@Nashville, LLC (Paradies), to develop and operate a concessions program in the Satellite Concourse. The term of the agreement started on October 19, 2023, and expires on October 18, 2033. Airline activity in the Satellite Concourse has not yet reached levels forecasted by Paradies in the first year of the Agreement. In order to provide relief to Paradies and its ACDBE partners until airline activity reaches 90% of Paradies' expected levels, staff is recommending a temporary adjustment to the Minimum Annual Guarantee ("MAG") for the period Jan 1, 2024 - Dec 31, 2025. The adjustment is expected to reduce Paradies \$2.4M MAG by approximately \$624,195 in 2024 and \$404,506 in 2025. Paradies will pay the temporary adjusted MAG until the earlier of the second consecutive month after which enplanements reach 90% of Paradies' forecast, or December 31, 2025.

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

Chair Byrd asked what the rationale is for this, and what the motivation is and why are we making this adjustment. Mr. Johnson stated when Paradies went through the process of bidding on this, BNA did not know how many passengers were going to be at that concourse. Paradies' estimate of the passenger enplanements was very close to our internal forecast but through a number of changes

that have occurred out there, we have just not hit the passenger levels. Chair Byrd asked if this is the Satellite Concourse. Mr. Johnson replied yes. The Paradies contract only allows an adjustment if the total passengers for the airport drop below a certain level which does not necessarily help the Satellite Concourse when it has been affected by operational changes with our ultra-low cost carriers. So, they have been struggling to meet their expectation of what they are going to be doing business wise and that is the reason for this request. President Kreulen stated he would like to add that when the pandemic happened, we made some adjustments to Fraport because the passenger volume fell off beyond anyone's control at the airport or the concessionaires. MNAA modeled the traffic we thought was going to go through the Satellite Concourse based on the forecast of the growth Allegiant, Spirit and other airlines had advertised to us. Those airlines did mention the goals that they wanted to do in terms of the number of flights. MNAA thinks it is a fair analogy that what we provide for one concessionaire, Fraport, that we treat Paradies the same way, by giving them the adjusted MAG with the same trigger to turn it off once they hit the 90%. Half of their business is run by one company out of Atlanta and half are small minority and women owned firms. They are struggling to make the sales they need to make to pay for the construction and operate the restaurants. We can say no and they close, or we can try to help them get over a slower time in the forecast. He believes it is to our benefit, as there are beautiful restaurants out there, to give them a break for a time period without overall impacting our operations. President Kreulen stated for 2024 the current MAG is \$2.4M, which is \$200K a month. Commissioner Byrd asked what MAG stands for. President Kreulen replied Minimum Annual Guarantee. They have to pay us a minimum to operate out there, so instead of them paying us \$200K a month, they will pay \$175K per month, so we are cutting a little bit of a break on the rent. Commissioner Byrd asked if that is per year. President Kreulen replied that is per month and they have been paying it so they have not breached their contract and we want to help them out. We do not want those businesses to close and then we do not have food or drinks there. Commissioner Byrd asked if we know if they pass these benefits to their tenants. Commissioner Joslin asked if MNAA fined them \$1M for opening late. President Kreulen stated the \$1M is still in dispute, and he will get that amount for the Board meeting. The legal team and concessions have been working on this. Commissioner Byrd asked if this same issue is affecting other restaurants through the airport. Mr. Johnson replied some of the sales on Concourse A and Concourse B have been below where they were last year, but this is the only area that is really being impacted by operations. President Kreulen stated since they have been opened we are at plus 80% right now and continue to knock it out, but we are not knocking it out in terms of the passengers in the Satellite Concourse.

Concourse A, Concourse B, Concourse C and Concourse D are busy and if the passenger volume does not drop as a whole we do not give them a break. MNAA clearly sees that they are not pushing, we do not have the air service to push the passengers through the Satellite Concourse right now. Chair Byrd asked which airlines are at Satellite Concourse. President Kreulen replied there are 8 gates out there, Contour, Spirit, and Allegiant. Mr. Josh Powell, AVP, Airline and Government Relations, stated there are 5 gates that are leased and 3 are common use. Spirit and Allegiant are the two main tenants. Chair Byrd asked if all gates are occupied and moving passengers. President Kreulen stated yes, on a regular basis, all 8 of those gates are being used and in fact Jet Blue is now going out there so where we have the ability to push additional flights out there that would be great, but one time Allegiant and Spirit each wanted half of the gates, but they have not brought the flights to turn or get more gates, it is a balancing act. Chair Byrd stated yet our customer satisfaction survey states that passengers are happy with the Satellite Concourse. President Kreulen stated the only thing that passengers are upset about occasionally are shuttle bus times or the electric shuttle buses are not running the air conditioner on full on hot days. Commissioner Farner asked how the reduction is calculated, proportional to the decline in the numbers. Mr. Johnson stated MNAA models the same relief effort that we did with the Fraport program so we went back and reviewed the methodology that we used for that and applied it to the Satellite Concourse. President Kreulen stated for example, let's say that we anticipate 2M passengers going through but we are only doing 70% of that, so 1.4M, so that is how it was modeled and we are giving them the relief with this minimum guarantee and once it goes back to 90, then we are back to the full amount. Commissioner Farner asked if it was in the original agreement. President Kreulen replied no, to treat Paradies the same as Fraport, we used the same model so that they could not argue that we were not being fair between the two companies. Commissioner Joslin stated he believes it is important as long as the tenant is going to benefit from this reduction. Chair Byrd stated and we are sure that there will be a passthrough of these savings.

Mr. Johnson recommended that the Finance Committee recommend to the Board of Commissioners that it approve the First Amendment to the Paradies Agreement and authorize the Chair and President & CEO to execute the Amendment.

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

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Commissioner Farner – Yes

The motion passed with a vote of 2 to 0.

VI. INFORMATION ITEMS

1. FY24 Air Service Incentive Plan Update

President Kreulen introduced Mr. Josh Powell, AVP, Arline & Government Relations, to brief the Committee on the FY24 Air Service Incentive Plan Update. Mr. Powell stated the Air Service Incentive Plan is funded at \$2M per year. That Incentive Plan is governed by MNAA Policy 61-001, Air Service Incentive Plan, effective February 21, 2024. Mr. Powell provided a chart showing the breakdown by carriers that received the incentive and which routes. The largest being British Airways London route, as well as the Flair Airlines Edmonton route, Air Canda Montreal route and the WestJet Vancouver route, with the total FY24 Incentive Fees expended from that account at \$903,607. It is important to note that the only one of these incentive agreements that is still active is the WestJet Vancouver route which expires on May 18, 2025. The opening balance was \$7,685,817, and with the removal of incentive fees, prior period adjustments, transfers and deposit into account and the interest, leaves our ending balance as of June 30, 2024 at \$8,690,590.

Commissioner Joslin asked if we need to be doing more to get more airlines in here, and if there is a shortfall here at the satellite, if we can we give more incentive to get them across the finish line. Mr. Powell replied that the MNAA incentive policy is controlled by FAA as far as what we are allowed to do and we have a very attractive incentive policy compared to our peers and even though the Satellite Concourse is not growing at the pace in which we want, our growth at the airport is far exceeding not only the industry average but our peer airport average as well. We do have a very attractive plan for attracting more service. There are some micro things going on over which carriers are winning and losing. Overall, we are doing very well. President Kreulen stated we have a small incentive for domestic, and carriers have to give us cities that we are not already going to, and on the international side we have several packages out there that we hope to hear back on in the very near future. President Kreulen asked Mr. Powell what he would say the annual burn would be for an international

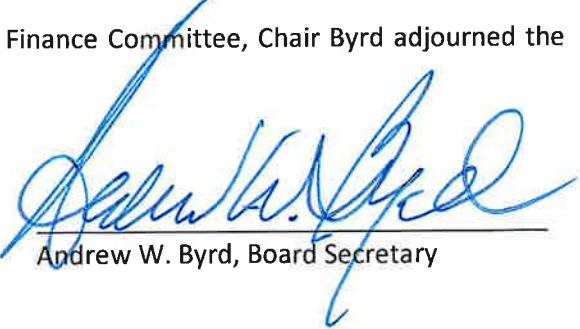
flight, just an average. Mr. Powell replied we have a couple different tiers in our incentive packages but our Transoceanic is our largest one and that would be any flights to Europe or Asia and that is our largest package and an annual burn rate for one of those is approximately \$1.25M to \$1.75M per year depending on the jet. The account balance of the \$8.7M is a healthy balance for us to be able to support what we are trying to achieve on the international front. President Kreulen asked if that \$1.25M to \$1.75M would be year around daily. Mr. Powell responded that range encompasses from seasonal less than daily to year round daily, so it covers the full gambit of what that looks like. Mr. Powell also reminded the Commissioners any international incentive package that we would enter into would come to the Board on an individual basis even though the policy is already approved, so we are able to review that package and approve at that time. President Kreulen stated if someone does select us and there is an announcement at some point, following that announcement we will bring back to the Finance Committee and Board a legal document that authorizes us to expend at a certain rate. Right now, we are sitting at \$8M+, you could land 4 and not worry about the money at this point, we could win a couple of them and not have a financial challenge to be able to support that.

Commissioner Granbery asked if the \$1.5M incentive is supplemented from the State and Metro. President Kreulen replied the \$1.5M is MNAA and the reason it is set up as it is, we manage this money and have to show the FAA how we manage it. Anything the city or state does is on top of that and we do not manage that money and we are not allowed to intermix it. It is a team work partnership. Chair Byrd asked who orchestrates the efforts to recruit international airlines, and if it is the states or us. President Kreulen replied we have air service consultants, two of them on the hook, and we get quarterly updates, between domestic and international. Mr. Powell is our primary lead in air service department and goes to air service conferences and introduces ourselves to airlines and try to sell them on either domestic or international service and once it warms up where we think we are in the finalist category then we reach out to the city and state and let them know that we think we have an opportunity to get X and see if they are willing to also put in. President Kreulen stated the Mayor and state leadership are helping us on our recruiting pitches once we get in the finals.

President Kreulen concluded the presentation of the informational items.

VII. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 10:02 a.m.



Andrew W. Byrd, Board Secretary