

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



Date: October 9, 2024

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:38 a.m.

Committee Members Present:

Andrew Byrd, Committee Chair; Glenda Glover, Committee Vice Chair; and Glenn Farner

Committee Members Absent:

Other Board Members Present:

Nancy Sullivan, Bobby Joslin, and Joycelyn Stevenson

MNAA Staff & Guests Present:

Doug Kreulen, Cindy Barnett, Lisa Lankford, Trish Saxman, Marge Basrai, Neale Bedrock, John Cooper, Adam Floyd, Eric Johnson, Roman Keselman, Carrie Logan, Rachel Moore, Ted Morrissey, Stacey Nickens, Josh Powell, Robert Ramsey, and Davita Taylor;
Cory Czyzewski, BofA Securities, Lauren Lowe, PFM

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 October 4, 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 September 11, 2024 Minutes of the Joint Meeting of the MNAA & MPC Finance Committees. Vice Chair Glover made a motion and Commissioner Farner seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Farner – Yes

The motion passed with a vote of 3 to 0.

IV. CHAIR'S REPORT

Chair Byrd had no Chair's report.

V. ITEMS FOR APPROVAL

1. Amended and Restated Note Purchase Agreement with Bank of America, N.A. (Finance)

MNAA Resolution 2024-09; Initial Resolution

MNAA Resolution 2024-10, Authorizing Resolution

President Kreulen introduced Marge Basrai, EVP, Chief Financial Officer, to brief the Committee on the Amended and Restated Note Purchase Agreement with Bank of America, N.A. ("BofA"). Ms. Basrai introduced Lauren Lowe with PFM, and Cory Czyzewski with BofA Securities. Ms. Basrai stated on January 7, 2019, MNAA entered into a new Note Purchase Agreement (NPA) with Bank of America (BofA) to provide short-term funding for MNAA's capital projects. Draws are expected to be refinanced with long-term bonds, and MNAA did that in 2019 and 2022. MNAA made a commitment amount of up to \$300 million for five years at variable interest rates using LIBOR (London Interbank Offered Rate) index.

On November 26, 2019, MNAA executed the First Amendment of the NPA with BofA and increased the commitment amount to \$400 million. At that point the BNA Vision was expanding, and we needed that extra \$100M to keep spending before we actually got to the bond market in 2019. MNAA added an accordion feature which set our initial commitment amount at \$100 million and gave the ability to increase/decrease the facility as needed in order to save on commitment fees. On December 1, 2021, MNAA executed the Second Amendment of the NPA with BofA, which reduced the commitment amount to \$300 million, removed the accordion feature due to pandemic volatility, and updated interest rate index to BSBY (Bloomberg Short-Term Bank Yield) due to LIBOR publication

ceasing on June 30, 2023. On December 20, 2023, MNAA executed the Third Amendment of the NPA with BofA, which extended maturity of the notes for a period not to exceed one year to allow additional time to negotiate a new NPA.

MNAA discussed our need for a new NPA with PFM, MNAA's financial advisors. Based on current market conditions (limited commercial banks willing to lend at the \$300M+ without other significant business relationships) and the excellent results of the current NPA and flexibility from BofA, PFM's recommendation was to negotiate directly with BofA for a new NPA. In August 2024 we completed negotiations for the Amended & Restated NPA with BofA for a three-year period. Ms. Basrai asked PFM to compare the proposed pricing and terms to other similar short-term financing programs that were recently completed (airports, higher education, and state entities). From their view, the proposed pricing/terms are comparable and in many cases favorable to other programs and recommended proceeding with the renewal with BofA.

Ms. Basrai presented a table with a comparison of the pricing/terms between the current NPA and the Amended & Restated NPA. The available Commitment will go back up to \$400M. It is a 3-year commitment period that will mature on or before November 5, 2027 (trying to close before 10/31; 11/5 is the backup date). BofA offered the accordion feature back. The Initial Commitment amount on day of closing will be \$200M. From there we can request increases to the Commitment amount in increments up to the \$400M. This will save us in unused commitment fees. These requests for increase up to \$400M is subject to approval from BofA. There is slight risk that we may not get up to the \$400M; however, we believe the risk is very low. During the pandemic they kept the commitment fully open even when they technically did not have to. In the event that something does not get approved we have cash that we can temporarily use to fund our construction and then go back to the market sooner than we anticipated. The current NPA uses BSBY as the interest rate index. That will be ceasing on November 15, 2024, so we are now using the Daily SOFR (Secured Overnight Financing Rate) as the index.

Ms. Basrai showed the comparable taxable and tax-exempt rates as of 9/23/24, which are just slightly higher due to some new banking regulations in early 2024. Ms. Basrai stated the items in red are what the actual interest rate will be using both of those indexes and the formula as of 9/23/24, which is the date the staff analysis was prepared and are the rates currently today. The current NPA tax-

exempt rate will be at 4.328%, and the Amended and Restated NPA would be at 4.434%, very minimal difference. Most of our projects and bonds are issued at tax-exempt, and the interest rate difference is very minimal. Interest rates did go up slightly, and there are some charges in the formula due to some banking regulations earlier in the year. The Commitment Fee we do pay is a fee on the unused portion of 50% of the commitment amount. If we have a \$200M commitment, and we have not used up to \$100M, we pay a commitment fee on that. The commitment fee is going up 11 bps (20 to 31 bps), however, with the accordion feature we can minimize the commitment amount to keep these fees down.

Commissioner Joslin asked where we were on the tax-exempt in 2019. Ms. Basrai stated it was down 2%, so more than doubled, but interest rates are much higher. As the Fed is starting to lower, the rates are coming back down. Chair Byrd asked when the annual fee is paid. Ms. Basrai responded it is paid monthly. Chair Byrd asked if the tax-exempt interest rates and the taxable interest rates are alternative rates. Ms. Basrai responded yes, most of our projects are considered tax-exempt projects. The parking garage that the hotel rents from us had to be issued taxable. It depends on whatever project we are drawing money on and how it is treated as tax-exempt or taxable. Most of our debt is tax-exempt. Chair Byrd asked if the tax-exempt interest rate is reset weekly or monthly. Ms. Lowe stated it resets monthly.

Vice Chair Glover asked what MNAA's exposure is in dollars. Ms. Basrai replied the only exposure could be that we have a \$300M commitment right now and asking for an initial commitment of \$200M, so there could be \$100M that the bank decides not to give to us, but that is not likely at all. MNAA has cash that can be used as backup. Vice Chair Glover asked the timeline, and to go over the accordion feature and why we got rid of it. Ms. Basrai responded in November 2019 we went up to the \$400M and they gave us an accordion feature that allowed us to start at the \$100M and increase as needed. Vice Chair Glover asked by any amount. Ms. Basrai replied yes, by any increment. MNAA never started using it, we had \$100M commitment and the pandemic happened and we had just gone to the bond market so we had construction funds to spend and we actually never needed to physically increase that commitment. BofA internally marked that \$400M for us so if we needed it, we would have it. As part of the pandemic this is something that went away and she wanted to make sure that we had that \$300M commitment because of the pandemic. When we came back for the amendment, we removed that part. Chair Byrd asked if the source of repayment is long-term bond.

Ms. Basrai replied yes. President Kreulen stated as long as this agreement is good; from 2024 - 2027, when Ms. Basrai goes to the bond market in 2025, she can pay that \$400M down and start over again. Commissioner Farner asked for a definition of commitment in the context of this. Ms. Basrai responded in this case, it is a legal commitment that the bank says when you sign the NPA they are committing to providing you a certain dollar amount for us to draw on.

Interruption by Unrecognized Speaker, Simon Haber, representing Tennessee Drivers Union

President Kreulen asked to not interrupt the meeting and we can explain all to him after the meeting.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it:

- 1) Approve MNAA Resolution No. 2024-09, Initial Resolution, pertaining to an additional issuance under the Authority's Amended and Restated NPA to finance a portion of the Authority's Capital Improvement Program not to exceed \$400 million; and
- 2) Approve MNAA Resolution 2024-10, Authorizing Resolution, for an Amended and Restated NPA to finance a portion of the Authority's Capital Improvement Program, to consolidate the NPAs into a single document, and establish an initial available commitment of \$200 million; and
- 3) Authorize the President and CEO to execute the Amended and Restated NPA with BofA

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

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Farner – Yes

The motion passed with a vote of 3 to 0.

2. Contract for Human Capital Management System (Finance)

President Kreulen introduced Randy Dorsten, AVP, Human Resources, to brief the Board on the Contract for Human Capital Management System. Mr. Dorsten stated this contract is for the replacement of the current UKG HCMS (Human Resources and Payroll System). This system helps us recruit, train, payroll, and benefits. MNAA has been on the UKG for approximately 20 years. UKG is planning to sunset their current system and move to a new system, so we decided to send out Request for Information (“RFI”) to look at new opportunities. Through the RFI, MNAA received responses from four different systems; of those systems two are on current Cooperative Contracts, ADP and Workday. We evaluated those systems, knowing that our current system will run out of contract in March 2026, with the idea that we would have a pretty extensive implementation time period. The Selection Committee reviewed and recommended that we go with ADP as a solution, with the cost for 5 years is approximately \$2.3M. For reference, if we stay with our current system, it would be a pretty comparable number, but do not know what the pricing would be for UKG’s new product.

Vice Chair Glover asked if the MNAA payroll is contracted out. President Kreulen replied no, and explained this is for a new software system. It takes approximately one year to get everything changed over. Chair Byrd asked what purpose this serves. Mr. Dorsten replied our Human Capital Management System has our payroll, benefits administration, recruiting, and learning management. Chair Byrd asked if it is an online system. Mr. Dorsten replied yes, cloud based. Vice Chair Glover asked if MNAA determined the one we had was insufficient. President Kreulen replied yes, we have had UKG for many years and the HR team performed benchmarking to determine what is best. Vice Chair Glover asked if there is a clause that will let us out of the contract in case we are not satisfied. Ms. Davita Taylor, VP, Procurement and Business Diversity, replied yes, we do. It is standard practice in all of our contracts, 30 days and may be up to 60 days. Commissioner Farner asked if it was fully vetted, the customer service portion. From his personal experience, the customer service was located overseas and became very difficult with state tax remissions and working out issues. Mr. Dorsten replied ADP now has a more local customer service with a point of contact in Nashville.

Mr. Dorsten requested the Finance Committee recommend to the Board of Commissioners that it accept the proposal by ADP for Workforce Now and authorize the Chair and President and CEO to execute the contract for \$2,300,000 NTE.

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

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Farner – Yes

The motion passed with a vote of 3 to 0.

VI. INFORMATION ITEMS

None.

VII. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 10:03 a.m.



Andrew W. Byrd, Board Secretary