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

November 13, 2024

BNA

Call to Order

November 13, 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, November 11, 2024, 9:00 pm

Approval of Minutes

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

October 9, 2024

Chair’s Report

Andrew Byrd

Finance Committee Chair

Items for Approval

November 13, 2024

- Customer Facility Charge ("CFC") Increase
  - MNAA Resolution 2024-08

Item for Approval

Marge Basrai, CPA, CGMA, C.M.
EVP, Chief Financial Officer

Background

- The Authority is authorized to impose rates & charges by its enabling statute, T.C.A. § 42-4-101, et seq.
  - T.C.A. § 52-4-107(10), the Authority has "the right and duty to establish and charge fees, rentals, rates and other charges, and collect revenues there from, not inconsistent with the rights of the holders of its bonds…."

- November 2007, the Board approved MNAA Resolution 2007-21 to authorize the imposition of a Customer Facility Charge ("CFC") on the customers of on-airport car rental companies in the amount of $4.00 per transaction day effective January 1, 2008
  - CFCs are to be used to pay or reimburse the Authority for the costs associated with the planning, design, construction, financing, and operation of the Consolidated Rental Car Facility ("CONRAC Facility")
  - Car rental companies collect the CFCs from customers and remit to MNAA monthly

Background

- September 2008, the Board approved MNAA Resolution 2008-15, which amended and restated MNAA Resolution 2007-21:
  - Clarified CFCs collected are the property of the Authority only and can be pledged as collateral for payment of debt incurred for the CONRAC Facility
  - Clarified that CFC proceeds can also be used to pay or reimburse the Authority for any costs related to the CONRAC Facility

- November 2009, the Board approved MNAA Resolution 2009-14, which amended MNAA Resolution 2008-15, to increase the amount of CFC from $4.00 per transaction day to $4.50 per transaction day effective November 18, 2009
  - To enhance the financial viability and provide additional funding for the financing of the CONRAC Facility

Background

- January 2010, MNAA issued $66.3M in Special Facility Revenue Bonds Series 2010, to finance the construction of the CONRAC Facility
  - CFC proceeds were pledged for the payment of and as collateral for the Series 2010 Bonds
- May 2018, MNAA issued $27.4M in Direct Placement CONRAC Refunding Series 2018 Bonds to SunTrust Bank
  - Issued to refund the 2010 Bonds (able to reduce the interest rate)
  - CFC proceeds are pledged for the payment of and as collateral for the Series 2018 Refunding Bonds
  - As of October 31, 2024, the outstanding amount on the bonds were $14.6M, which mature on July 1, 2028.

New Garage and Rental Car Complex – CFC Analysis

- MNAA is in the planning stages of a new Garage and Rental Car Complex
  - Preliminary estimates for a new CONRAC is between $564M-$663M

- MNAA tasked Landrum & Brown to conduct a preliminary CONRAC Affordability Analysis

- The following assumptions were made:
  - Three Traffic Projections:
    - Conservative – 3% annual enplanement growth
    - Baseline – annual growth of 590,000 enplanements (declining growth rate)
    - Moderate – 7% annual enplanement growth
  - CFC Rate remains at $4.50 per transaction day
  - CFCs will be needed to pay:
    - O&M Expenses and Debt on current CONRAC Facility
    - Planning, Design, O&M expenses and Debt on new CONRAC facility

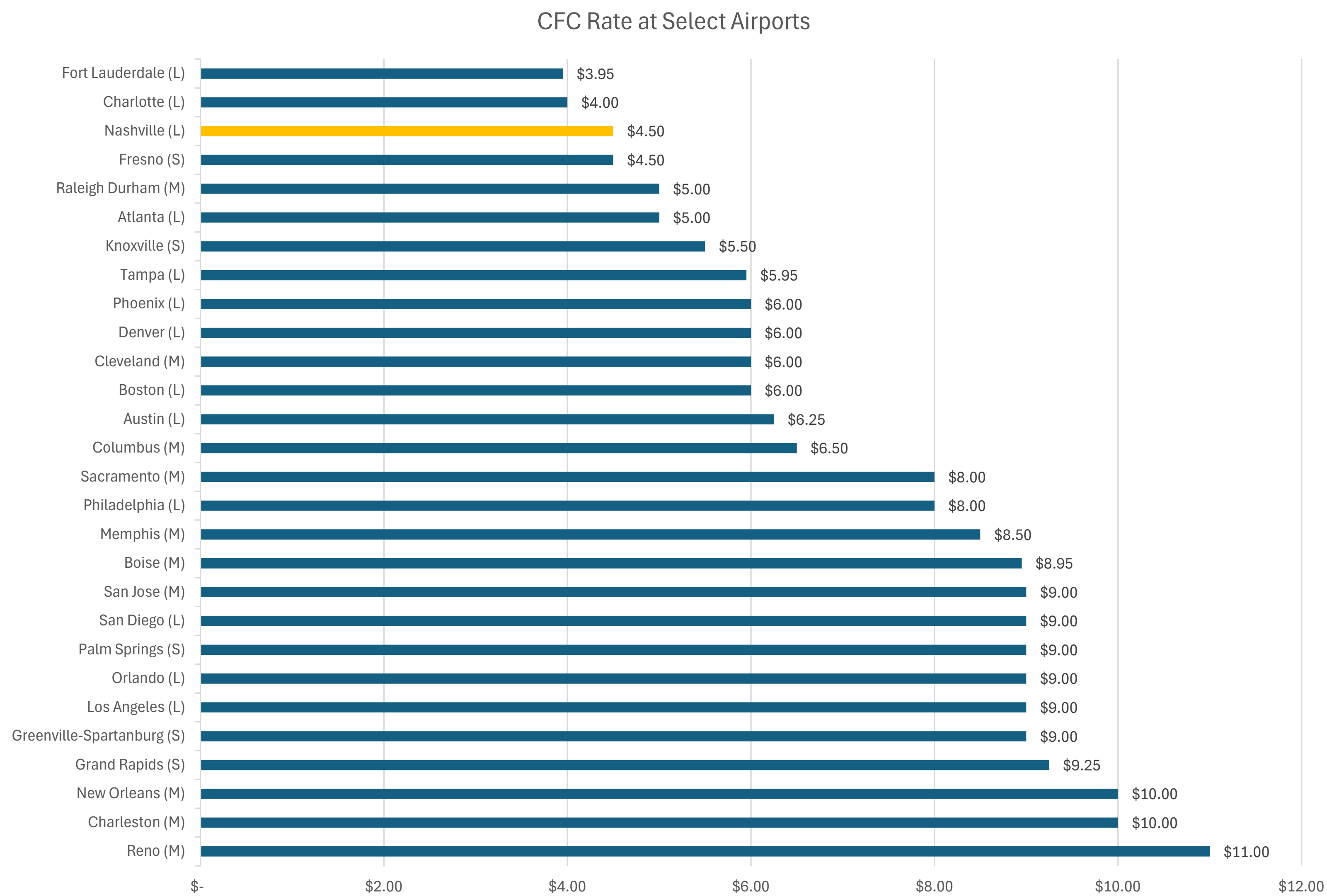
New Garage and Rental Car Complex – CFC Analysis

- Based on the assumptions, the total CFC Project funding available would be as follows:

Air Traffic Scenario	CFC Rate	Project Costs from Financing	Project Costs from CFC Cash	Total CFC Project Funding Available
Conservative	$4.50	$99.4M	$89.3M	**$188.7M**
Baseline	$4.50	$107.8M	$92.6M	**$200.4M**
Moderate	$4.50	$120.6M	$98.6M	**$219.2M**

- The funding availability range ($188.7M - $219.2M) is significantly under the projected estimates for the new CONRAC Facility ($564M - $663M)

- **An increase in the CFC rate is necessary to afford a new CONRAC Facility**



CFC Rates at Select Airports

- Provided by BofA Securities
- Rates effective for 2025
- BNA is at low end of range
- $9-$11 CFC rate is reasonable given current market

New Garage and Rental Car Complex – CFC Analysis

- MNAA asked Landrum & Brown to run a new affordability analysis using a $10.00 CFC rate effective January 1, 2025 (all other assumptions remain the same):

Air Traffic Scenario	CFC Rate	Project Costs from Financing	Project Costs from CFC Cash	Total CFC Project Funding Available
Conservative	$10.00	$230.2M	$167.0M	**$397.2M**
Baseline	$10.00	$249.0M	$173.9M	**$422.9M**
Moderate	$10.00	$280.2M	$183.1M	**$463.3M**

- The funding availability range ($397.2M - $463.3M) is over $200M more than the previous analysis, however, it is still less than the projected estimates for the new CONRAC Facility ($564M - $663M)
- MNAA may need to increase the CFC rate above $10.00 in the future, however it is still early in the planning process and more information is needed to make that determination

New Garage and Rental Car Complex

- Setting a CFC rate at $10.00 per transaction day now will allow time for:
  - Evaluation of impacts related to price elasticity
  - Evaluation of long-term rental car market demand
  - Flexibility in evaluating further increases based on actual traffic growth
  - Flexibility in design of CONRAC Facility to reduce project costs
  - Negotiations on a new CONRAC Agreement with the car rental companies

- Landrum & Brown also indicated the timing of the increase in the CFC rate has a significant impact on overall affordability:
  - If $10.00 rate became effective January 2026, the funding availability decreases by $20M

- MNAA and Landrum & Brown believe it is prudent to act timely and start the $10.00 CFC rate per transaction day as soon as possible

Staff Recommendation

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

- Approve MNAA Resolution No. 2024-08 to amend MNAA Resolution No. 2009-14 by increasing the Customer Facility Charge currently imposed on customers of on-airport car rental companies from $4.50 per transaction day to $10.00 per transaction day to fund costs associated with the current and future CONRAC Facility, effective on date of adoption

- Lease Agreement for JWN 2nd FBO Development
  - Atlantic Aviation Nashville LLC

Item for Approval

Adam C. Wolf C.M., ACE
AVP, John C. Tune Airport Manager

2nd John C. Tune Fixed Base Operator – Proposal

Atlantic Aviation Nashville LLC

- **Term**: 3-year construction term, 30-year initial term, and one 5-year renewal option
  - Triple Net Lease
  - Rent on Effective Date
- **Development Proposal:**
  - Overall Capital Investment at JWN is ~$66.7M
    - **Phase 1 - $35.6M (November 2027)**
      - New 7,500 sq ft terminal
      - New fuel farm – 60k gallon Jet A; 10k gallon AVGAS with self-serve fueling
      - New 38K sq ft hangar with 3800 sq/ft office space
      - New aircraft ramp/parking area
    - **Phase 2 - ~$31.1M**
      - Demolition of old terminal & fuel farm
      - Construction of two additional 30K sq ft hangars with 3K sq ft office space
- **Service:**
  - 24-hours / day; 365-days/year
  - Aircraft fueling, aircraft handling, aircraft storage, aircraft servicing, aircraft maintenance, crew transportation, disabled aircraft removal, passenger screening / handling, etc.
  - Penalties; $500/day service deficiencies, $1000/day failure to comply with applicable regulations

2nd JWN FBO: Atlantic Aviation Nashville LLC – Financials

Financial Impact:

- Develops all parcels identified in the RFP which maximizes MNAA's revenue
- Annual Base Rent of **$381K in Construction Term Year 1** increasing to **$1.3M in Year 1 (Nov 2027 - Nov2028)**
- Supplemental Rent of $2M in 2027
- In 2028 JWN estimates collecting **$5.6M** (Base Rent + Supplemental Rent)
  - Base Rent of $1.8M with 3% annual escalation and 10-year Fair Market Value (FMV) reset
  - Supplemental Rent of $3.8M with 3% annual escalation
- Overall revenue estimate to JWN of **$315.6 million** over the term of the lease
  - **Total Base Rent** over 38-year term = **$83.9M**
  - **Total Supplemental Rent** over 38-year term = **$231.7M**

JWN John C. Tune Airport

2nd JWN FBO: Atlantic Aviation – Staff Recommendation

Staff Recommendation:

- Staff requests the Finance Committee recommend to the Board of Commissioners that it:
  - Approve the terms negotiated between MNAA and Atlantic Aviation for the 2nd FBO at John C. Tune Airport; and
  - Authorize the Chair and President & CEO to execute a lease agreement between MNAA and Atlantic Aviation that is consistent with these terms, as well as materially consistent with the RFP and Atlantic Aviation Nashville LLC's proposal.

- Icelandair Incentive Agreement – Reykjavik
- Aer Lingus Incentive Agreement - Dublin

Items for Approval

Josh Powell, A.A.E.
AVP, Airline & Government Relations

Icelandair Air Service Incentive Agreement (Reykjavik)

Icelandair Service:

- **April 10, 2025**: Service to Reykjavik, 4x weekly initially (New Date)

Air Service Incentive Plan (ASIP) – Policy #61-001

- Per the Board of Commissioners approved ASIP, effective February 21, 2024, new scheduled seasonal Trans-Oceanic service, allows for three years of landing and facility fee abatement and marketing funds.
  - Year 1: 100% landing fee and facility fee abatement; $400,000 marketing funds
  - Years 2-3: 100% landing fee and facility fee abatement; $300,000 marketing funds / year

Proposed Incentive / Letter of Agreement (LOA) Terms:

- Term: 3 years from start of service (April 10, 2025 – April 9, 2028)
- Total estimated incentive value based on initial planned 4 flights/week = $1,945,219
  - $945,219 in landing fee and facility fee abatement
  - $1,000,000 in marketing funds
- Incentive variable based upon actual flight activity
  - Max amount = $2,654,134 (7 flights/week); Mid-range = $2,300,000 Recommended
  - Any amount exceeding $2,300,000 requires additional Board approval

- Staff requests the Finance Committee recommend to the Board of Commissioners that it:
  - Approve funding for the proposed marketing incentives and landing fee abatements, up to $2,300,000.
  - Authorize the Chair and President & CEO to execute the Letter of Agreement (LOA) by and between MNAA and Icelandair outlining the specific terms of the proposed incentive.

Staff Recommendation

NOTE:

- ASIP is funded through the NAE Incentive Account at $2M / year. Balance as of 9/30/2024 - $9.1M
- Other active Board approved incentives:
  - WestJet (Vancouver) – Max $140,000 remaining; expires 5/18/2025

Aer Lingus Air Service Incentive Agreement (Dublin)

Aer Lingus Service:

- April 12, 2025: Service to Dublin, 4x weekly initially

Air Service Incentive Plan (ASIP) – Policy #61-001

- Per the Board of Commissioners approved ASIP, effective February 21, 2024, new scheduled year-round Trans-Oceanic service, allows for two years of landing and facility fee abatement and marketing funds.
  - Years 1-2: 100% landing fee and facility fee abatement; $500,000 marketing funds / year
- Additionally, in recognition of the flight's ability to pre-clear U.S. Customs in Dublin, staff is requesting an additional $500,000 in marketing funds ($250,000 per year) to recognize the additional cost to Aer Lingus of customs fees in Dublin that would otherwise be abated as part of the incentive if they utilized the FIS (Customs) facilities at BNA.

Proposed Incentive / Letter of Agreement (LOA) Terms:

- Term: 2 years from start of service (April 12, 2025 – April 11, 2027)

- Total estimated incentive value based on initial planned 4 flights/week = $2,405,916
  - $905,916 in landing fee and facility fee abatement
  - $1,500,000 in marketing funds

- Incentive variable based upon actual flight activity
  - Max amount = $3,085,353 (7 flights/week); Mid-range = $2,750,000 Recommended
  - Any amount exceeding $2,750,000 requires additional Board approval

- Staff requests the Finance Committee recommend to the Board of Commissioners that it:
  - Approve funding for the proposed marketing incentives and landing fee abatements, up to $2,750,000.
  - Authorize the Chair and President & CEO to execute the Letter of Agreement (LOA) by and between MNAA and Aer Lingus outlining the specific terms of the proposed incentive.

Staff Recommendation

NOTE:

- ASIP is funded through the NAE Incentive Account at $2M / year. Balance as of 9/30/2024 - $9.1M
- Other active Board approved incentives:
  - WestJet (Vancouver) – Max $140,000 remaining; expires 5/18/2025

Information Items

November 13, 2024

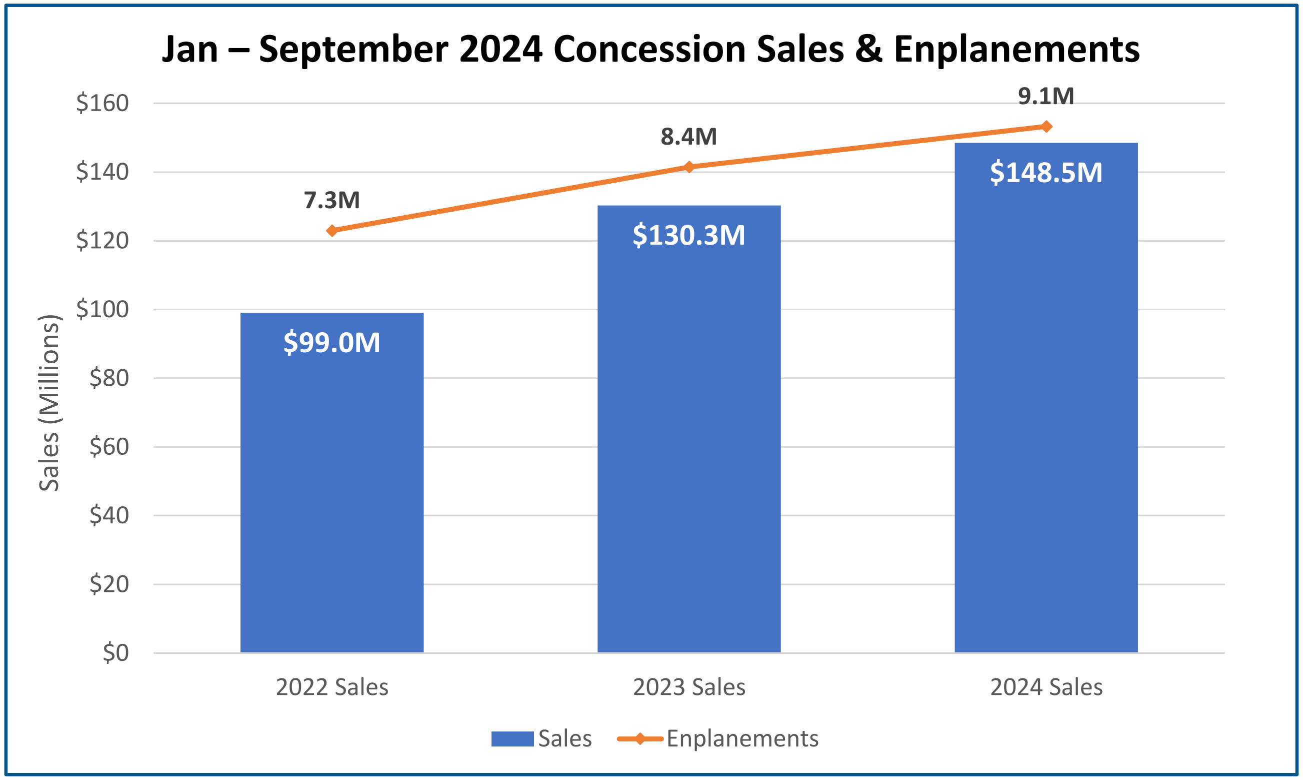
- BNA Concessions Program Update
  - Quarterly Sales Report, 2024 CYTD Q3
  - Concourse D Extension Update

Information Item

Eric Johnson

SVP, Chief Revenue Officer

2024 CYTD Q3 Sales are up 13.9% over 2023 CYTD Q3
(Enplanements were up 8.6%)



Includes Fraport Terminal and Paradies Satellite Concourse performance

2024 YTD Q3 Concession Sales

Fraport:

- Sales: $142.1M
- Sales/Enplanement: $15.54

Paradies (Satellite Concourse):

- Sales: $6.4M
- Sales/Enplanement: $7.70

- **Status of new Concourse D Extension locations**
  - 8 new concession locations
    - 5 Food & Beverage, 3 Retail
  - All locations met 30% design approval deadline
  - All locations have been submitted to Metro Code
    - 7 locations approved for permit

BNA Concessions Program Update

✓ 30% Design Approval Date:
  - 5/31/24

- Construction Start Date:
  - 3/4/25
- Tenant Opening Date:
  - 7/2/25

- Quarterly Retirement/OPEB/Treasury Investment Reports

Information Item

Kristy Bork, CPA, AAE
AVP, Finance

Retirement Plan

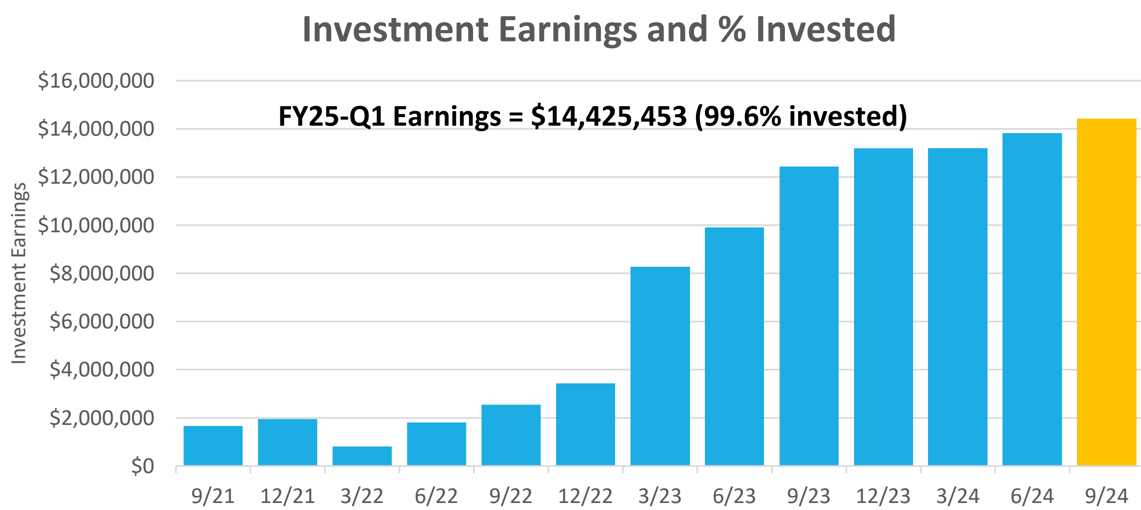
- **FY25-Q1 Market Value: $88.3M (+$3.5M)**
- Gross Return
  - FY25 Q1: 5.71%
    Net of fees 5.65%; Composite benchmark 6.07%

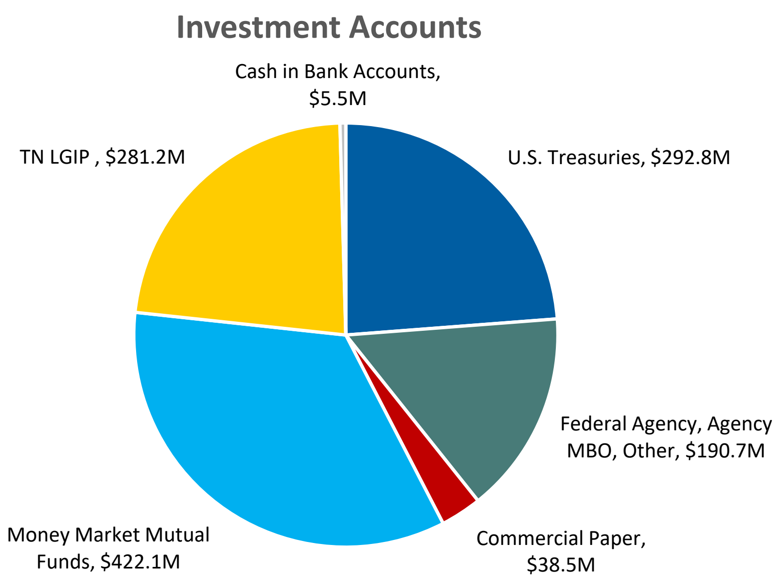
OPEB

- **FY25-Q1 Market Value $45.4M (+$2.2M)**
- Gross Return
  - *FY25 Q4: 5.74%*
    Net of fees 5.69%; Composite benchmark 6.26%

Quarterly Retirement/ OPEB Investment Report

- Quarter ending Sep 30, 2024





Quarterly Treasury Investment Report

Quarter ending September 30, 2024

- Total available funds: $1.230B
- Funds invested: 99.6%
- Investment portfolio in compliance and meeting policy objectives
- 1Q25 combined yield: 4.39%
- Total cash & investment earnings
  - 1Q25: $14,425,453
  - 1Q24: $12,439,216
  - 1Q25 had $5.5M more available funds than 1Q24

BNA

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

Meeting Adjourned