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

Date/Time:	Wednesday, March 12, 2025, at 9:40 a.m.
Place:	Nashville International Airport – Tennessee Board Room
Finance Committee Members:	Andrew Byrd, Committee Chair Dr. Glenda Glover, Committee Vice Chair Glenn Farner

I. CALL TO ORDER

II. PUBLIC COMMENTS

No requests for public comment received to date. Deadline is March 10, 2025 at 9:00 a.m.

III. APPROVAL OF MINUTES

February 12, 2025 Minutes of the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development Committees

IV. CHAIR'S REPORT

V. ITEMS FOR APPROVAL

1. Rental Car Service Site Lease Agreement (Avis/Budget/Payless, Sixt)
2. Long-Term Financing Underwriter Pool

VI. INFORMATION ITEMS

1. Capital Financing Strategy
2. MNAA Employee Compensation Study Update

VII. ADJOURN

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

BNA Nashville International Airport

Date: February 12, 2025 Time: 9:42 a.m.	Location: Metropolitan Nashville Airport Authority Tennessee Boardroom
Committee Members Present:	Andrew Byrd, Committee Chair; Glenda Glover, Committee Vice Chair; and Glenn Farner
Committee Members Absent:	None
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, Kristy Bork, John Cooper, Kristen Deuben, Chief Findlen, Adam Floyd, Eric Johnson, Lisa Leyva, Carrie Logan, Rachel Moore, Ted Morrissey, Stacey Nickens, Brandi Porter, and Robert Ramsey

I. CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development ("Finance") Committees to order at 9:42 a.m. pursuant to Public Notice dated February 7, 2025.

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 January 8, 2025 Minutes of the Joint Meeting of the MNAA & MPC Finance Committees. Commissioner Farner 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 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. None.

VI. INFORMATION ITEMS

1. Quarterly Retirement/OPEB/Treasury Investment Reports

President Kreulen introduced Kristy Bork, AVP, Finance, to brief the Commissioners on the Quarterly Retirement/OPEB/Treasury Investment Reports. Ms. Bork presented the 2nd Quarter of FY25 update for the quarter ended December 31, 2024. The Retirement Plan market value was $85.3M, which is a decrease of $3.0M over the prior quarter. The OPEB market value was $44.2M**,** which is a decrease of $1.2M over the prior quarter. MNAA did have negative returns for the fiscal quarter, but for the fiscal year, returns are up over 3% in both funds.

Ms. Bork reported the Quarterly Treasury Investment Report for the 2nd quarter of FY2025 MNAA had total available funds of $1.240B with 99.4% of those funds invested. We had $7M in DDA accounts. Total cash investment earnings for the quarter were $13,697,566.

2. BNA Concessions Program Update

President Kreulen introduced Lisa Leyva, VP, Concessions, to brief the Commissioners on the BNA Concessions Program Update. He stated Ms. Leyva is a new member to the MNAA Leadership team from Raleigh-Durham International Airport (RDU). Ms. Leyva stated she is happy to be part of the team. Ms. Levya stated she will give the quarterly sales report, the top reporting units for 2024 as well as progress on Concourse D Extension. Ms. Leyva reported that the year-end for 2024 Fraport

ended with $190.5M, which was $15.51 sales per enplanement. Paradies ended their year with $8.1M which worked out to $7.78 sales per enplanement. This is a total of $22.5M to MNAA and the 2024 year-end shows that sales growth of 8.38% trended along with enplanement growth of 7.9%. Ms. Leyva reported that there will be an Amendment to Paradies soon to help with the Satellite Concourse. The Paradies program is suffering and MNAA has seen a 3% decrease. President Kreulen stated he attended the ACI NA Conference and had the opportunity to talk with several large hub CEOs. The Paradies Amendment is a smart decision, it goes back to the health of Spirit Airlines, and Allegiant and if they can keep up with the pace. The Satellite Concourse is built for a lot more operations that are going through there. When MNAA closes Concourse A in July, we may make more use of the Satellite Concourse. To make sure the contractor and the minority subs are successful, we are going to look at right sizing the number of concessions open. As the volume increases the concessions are already there and can be re-opened accordingly.

Chair Byrd asked which one of the airlines is having the most impact concerning enplanements. President Kreulen replied all of the airlines that are out there. Contour is flying normal ops, but not a big aircraft. Spirit, Allegiant, and Jet Blue are all also out there. And our air service team moves a couple of more to use those gates, it is really about the turn of the gates that we need to achieve. They are not as robust as the main part of the airport, but without people and jets out there it is hard to keep concessions open. Other airports throughout the US are losing service, Spirit and Allegiant are adding flights here and we want them to use more flights and that is the biggest challenge. President Kreulen stated we push 2-3 million passengers a year through there we have to help those contractors survive.

Vice Chair Glover asked how January looks compared to last year. President Kreulen replied January is our lowest month for enplanements so it is all proportional to that. We should be heading back up to summer and most of the carriers that support the Satellite Concourse should be building through the summer time period and we should see a greater volume. Commissioner Byrd asked if there was a similar impact on the main terminal. President Kreulen replied no, the main terminal is growing and adding flights and we are seeing twice as much with the Fraport concessions and that is really the volume. Chair Byrd asked if the Fraport sales were $190M. Ms. Leyva confirmed $190M. Chair Byrd asked what sales per enplanement are. Ms. Leyva stated that is the average sales per enplaned passenger.

Commissioner Joslin asked if there are high-end restaurants at the Satellite Concourse. President Kreulen replied that Fat Bottom Brewery is high-end and will remain open at the Satellite Concourse. The coffee shop and retail space will close, Jimmy Johns and the TexMex will also close. As it grows, we will reopen those concessions. The entities at the Satellite Concourse are splitting the sales and they are all suffering so we are going to try to narrow it down, to give a better level of service.

Commissioner Granbery asked how many gates are currently in the Concourse A terminal. President Kreulen replied 6 gates now, going to 16 gates. Commissioner Granbery asked how many passengers. President Kreulen stated he would get those numbers. Commissioner Granbery asked when we will take those 6 gates offline, and what is the timeline to get the 16 gates built back. President Kreulen stated when we close the existing Concourse A on approximately July 3, 2025, it will open back up in July 2028. The main carrier on Concourse A is United and it will move to Concourse B and we will see sales go up in Concourse B. There will be no more Concourse A, the smaller jets will move to the Satellite Concourse, so they will see a bump in concessions.

Commissioner Sullivan asked what the plan is to open some of these concessions back in July. President Kreulen stated we are working on a plan and building a financial model and if they hit these passengers, then one concession will open, and then with another increase in passengers, another will open. We will have triggers that tell us how and when to open the concessions. Commissioner Sullivan asked how long will it take the concessions to open back up. President Kreulen stated not long. At this time, the concessions are working on the plans now, they can close any time because they have the gates that they close nightly but we are going to put up false walls so it does not look like closed stores. There are 3 gates on each end and 2 in the middle, so there will be first-class service with Fat Bottom Brewery and then some vending machines on the ends.

Chair Byrd asked if contractually Paradies is the obligor to us and pays us and then they subcontract to other users. President Kreulen replied yes, Paradies has 2 minority business partners, Amy Billings and EJ Odom, as well as the Paradies Corporation and they are all in on all 7 of those. Chair Byrd asked if they are the obligors on all 7. President Kreulen replied yes, and they have to pay their capital costs and employees, and the good news is that it is one big package and they are asking us for relief and we are helping them survive. MNAA has a consequential program stating once Paradies gets

back and starts opening based on the triggers, they will share more revenue to make up for the loss. In the end, they will be healthier and we will be healthier.

Chair Byrd stated Paradies is having a revenue shortfall at this point. President Kreulen replied over time if MNAA does not do something, they will be $20M down. Chair Byrd stated Paradies has paid for building out these restaurants so they have the big equipment and capital expenditures inside these restaurants and they are going to have to pay debt service and they have a drop in revenue and asking for help. President Kreulen stated that MNAA is being a good business partner by helping them. They will close, put the store in hibernation, and put up the false walls. There may be a door to go in and inspect for security purposes or water leaks, but all they will have to do is clean, turn on the lights, and take down the false wall. Chair Byrd asked if they would want to reopen the same restaurants. President Kreulen replied that would be their call and if they wanted to change it they would have to let us know and they would bear those costs. Vice Chair Glover stated we are not amending Fraport. President Kreulen replied right, Fraport is doing well.

Ms. Leyva reported the 2024 Top Performing Units overall are Ole Red, Evolve by Hudson and Tootsies. All 3 locations are doing really well. Ms. Leyva stated she would like to point out that Evolve, a retail location, is doing really well, they have great products as well as good sales associates. She presented a slide showing the top performers for food and beverage, news and gift, coffee and specialty retail.

Ms. Leyva reported that the Concourse D Extension has 8 new locations, 5 food and beverage and 3 retail. All permits have been received and MNAA gave Fraport a 30-day notice of turnover on January 30, 2025. All 8 pre-con meetings have been scheduled with 4 of them completed last week. MNAA has a construction start date of March 4, 2025 and tenant opening date of July 2, 2025. President Kreulen added that Concourse A has 6 gates out there today and 3 years later when it reopens there will be 16 gates. The MNAA Real Estate Staff is working on a concessions plan, how do we go out and get a company like Fraport or Paradies. When we jump instantaneously to 70 gates, there are more concessions needed. We will build out Concourse A with a couple of spaces not built out and we will have ideas of concepts to go in there and we can expand when we grow from 30 MAP to 35 MAP. Chair Byrd asked if MNAA is in discussion with American Airlines taking over a significant portion of Concourse A. President Kreulen replied Ms. Lisa Lankford, EVP, Chief Strategy Officer, Mr. Josh

Powell, AVP, Airline and Government Relations, and himself recently visited Southwest Airlines and American Airlines. At American Airlines the team laid out the plans the Board has approved and they endorsed MNAA's plan they plan to take 10 of those 16 gates so we have tenants for those already and United wants the others. Some of them are going to be Common Use Gates. We are still in negotiations with American Airlines, but the big news for MNAA is that their current lounge is 7,000 SF and we will have a new lounge on top of Concourse A food court which is 15,000 SF but could be 20,000 SF and they may want it all. We are making stops at each large carrier to make sure we understand and are meeting their needs.

President Kreulen concluded the presentation.

VII. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 10:06 a.m.

_____
Andrew W. Byrd, Board Secretary

STAFF ANALYSIS
Finance Committee

Date: March 12, 2025

Facility: Nashville International Airport

Subject: Rental Car Service Center Lease Agreement (Avis/Budget/Payless, Sixt)

I. Recommendation

Staff requests the Finance Committee recommend to the Board of Commissioners that it authorize the Chair and President and CEO to execute lease agreements between MNAA and Avis/Budget/Payless for Tract 1 and Sixt for Tract 2 of the Rental Car Service Site.

II. Analysis

A. Background

MNAA currently has rental car service site agreements for 5 parcels, representing 9 companies (Enterprise, Hertz and Avis). These contracts were initially executed in 1987, for a 15-year term, with two extensions of five years each and then going on a month-to-month basis in 2012. A Fair Market Value Assessment ("FMVA") was conducted by Airport Business Solutions ("ABS") in 2022; however, it was not acted upon because the scope of the appraisal only included airport comparisons and did not encompass local market conditions. In 2024, MNAA staff performed an internal analysis of local property values to better understand the current local Nashville market rates. In March 2024, ABS conducted another appraisal utilizing both airport and the local market rates, and the final appraisal was in line with the internal analysis.

MNAA staff reviewed the service site agreements and determined that new service site lease agreements are required with updated terms and conditions added, including prohibiting non-Airport Business, such as long-term storage of damaged vehicles and the rental, sale or subleasing of vehicles to be conducted at the rental car service sites. These changes result in a fee and rental structure that makes the airport as sustaining as possible, as required by FAA Grant Assurances.

In July 2024, staff presented the proposed rates and terms, along with the realigned locations of each of the rental car service sites. On July 17, 2024 the Board accepted the realignment and new lease terms based on FMV appraisal of the rental car service sites and authorized the Chair and President and CEO to execute lease agreements for each rental car service site within these. The approved terms are as follows.

- Lease Terms
    - Rates: Based on ABS FMV Appraisal
    - 3% annual escalation
    - Term: 5 years
    - Cancellation Clauses:

        - Operational Need (30-day written notice)
        - Convenience (180-day written notice)
    - Conditions: Non-Airport business cannot be conducted on premises

- Lease Rates

	Initial			Approved – Effective August 1, 2024			
	Area	**Average Rate**	**Annual Revenue**	**Reallocated Area**	**Average Combined Rate**	**Annual Revenue**	**Increase**
Avis/Budget/ Payless	349,000	$0.41	$ 143,200	178,000	$1.79	$ 318,376	$175,176
Enterprise/ National/ Alamo	388,000	$0.50	$ 193,365	300,000	$2.01	$ 604,019	$410,654
Hertz/Thrifty/ Dollar	305,000	$0.48	$ 146,750	215,000	$2.03	$ 435,427	$288,677
	1,042,000	**$0.46**	**$ 483,315**	**693,000**	**$1.96**	**$1,357,822**	**$874,507**

Rate table from July 2024 Board Presentation

Enterprise leases were executed on August 1, 2024 and Hertz leases were executed on September 1, 2024. Due to changes in MNAA airport operational need, the additional Avis/Budget service site location identified in July 2024 for MNAA parking will no longer be used for that purpose and re-leasing the property back to the Rental Car Agencies under the updated contract terms is the best use of the property until the site is needed for Terminal II construction.

By reducing non-airport operations, the site allocation for Avis/Budget can be reduced and the additional portion can be leased to the other Rental Car Agency Sixt. Sixt currently does not lease any service site space but has inquired to land availability for this use.

In December 2024 an additional FMV appraisal was conducted on the Avis/Budget location to ensure lease rate integrity so that it can be leased at the most current lease rates.

The FMVA assessment for the property ranged from:

- $1.75 psf for land
- $7.00 - $10.00 psf for building areas

Consistent with the prior appraisal, the benchmarks were:

Airport Benchmarks

- Piedmont Triad international (GSO)
- McGhee Tyson (TYS)
- Blue Grass (LEX)
- Raleigh-Durham International (RDU)
- Detroit Metropolitan (DTW)
- Birmingham Shuttlesworth International (BHM)
- Memphis International (MEM)
- Savanah-Hilton Head International (SAV)

- Louisville International (SDF)
- Minneapolis-St. Paul International (MSP)
- Tampa International (TPA)
- Pittsburg International (PIT)
- San Diego International (SAN)
- Washington Dulles International (IAD)

Local Property Benchmarks

- 2506 Elm Hill Pike
- 2842 Lebanon Pike
- 713 Ermac Drive
- 704-706 Ermac Drive
- 10 Bridgestone Park
- 101 Pitts Lane @ Old Hickory Blvd.
- 2535 Perimeter Place Drive
- 628 & 634 Ermac Drive
- 2331 Atrium Way

B. Impact/Findings

Lease Start Date:	April 1, 2025 pending negotiations
Term:	5 years
Lease Termination Date:	May 31, 2029, pending negotiations
Rates:	Based on ABS FMV Appraisal (average $2.24 psf)
Escalation:	3% annual escalation
Cancellation Clauses:	Operational Need (30-day written notice) Convenience (180-day written notice)
Conditions:	Non-Airport business cannot be conducted on premises

Revenue:

	Initial			Proposed – Year 1			
	Area	**Average Rate**	**Annual Revenue**	**Reallocated Area**	**Average Annual Rate**	**Annual Revenue**	**Increase**
Avis/Budget/ Payless	349,000	$0.41	$143,200	262,764	$2.20	$318,376	$433,597
Sixt	0	$0.00	$ 0	84,879	$2.29	$194,738	$194,738
	349,000	**$0.41**	**$143,200**	**347,643**	**$2.24**	**$771,535**	**$628,335**

Strategic Priorities

- Invest in BNA

- Plan for the Future

C. Options/Alternatives

The Board of Commissioners could decline to accept the proposed terms, and request that MNAA staff revise the terms of the future rental car agreements. If the terms are approved by the Board of Commissioners and not approved by the rental car company(s), the space would be competitively solicited.

STAFF ANALYSIS
Finance Committee

Date: March 12, 2025

Facility: MNAA

Subject: Long-Term Financing Underwriter Pool

I. Recommendation

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

1) approve the Long-Term Financing Underwriter Pool ("Pool") for the Authority for five years (2025-2030).

2) authorize the Chief Financial Officer and the financing team, with concurrence from the President & CEO, to select the team of Underwriters (Underwriter Syndicate) from the Pool for each bond issuance.

II. Analysis

A. Background

MNAA plans to issue long-term bonds as the main funding source for its large capital plan, which includes, but is not limited to, BNA Vision, New Horizon I, and New Horizon II. As part of this process, MNAA will use a qualified Underwriter Syndicate to assist with the issuance of these bonds. The Underwriter Syndicate purchases newly issued securities from the issuer and sell the securities to investors. The selected Underwriters will work cooperatively with the Authority and other finance team consultants (bond counsel, financial advisor, and airport consultant) on financing needs over five (5) years: 2025-2030. The Underwriters selected will be expected to provide all the services typically provided on the negotiated sale of airport revenue bonds and special facility revenue bonds, including the following:

1) Developing information for and presenting information to the Authority, rating agencies, and other parties as requested by the Authority financing team.
2) Implementing the marketing plan proposed by the firm with the approval of the Authority financing team.
3) Selling the Bonds with quality execution according to the expectations developed during pre-pricing discussions with the Authority financing team.
4) Providing timely feedback of orders and subscription levels on day(s) of pricing through i-Deal electronic order entry system or similar system used.
5) Coordinating the work of the underwriting team, including co-managers and a selling group (if desired by MNAA), and implementing the designation rules and allocation guidelines established by the Authority financing team.
6) Preparing a bond purchase agreement and other standard documentation, in concert with underwriters' counsel.

7) Providing market information to the Authority daily in the two weeks prior to the bond sale date and a preliminary scale one week prior to pricing, with updates daily.
8) Preparing a closing memorandum and closing the bonds on time.

These financial services fall under Section 1.3 of the Procurement Policy as "Exceptions to Policy" and are exempt from the requirements of the open, competitive process through the Procurement Department. However, to ensure due diligence, MNAA used PFM (MNAA's Financial Advisors) to issue a direct solicitation for Request for Qualifications ("RFQ") on our behalf. On December 18, 2024, MNAA sent an RFQ for Bond Underwriting Services to twenty-eight (28) banks, including National Firms, Regional/Local Firms, and MWBE/Veteran Owned Firms.

The RFQ process is intended to select a Pool of Underwriters that demonstrate strong airport experience along with local, regional and diversified experience. This Pool will consist of firms deemed the most (and best) qualified to serve as a Senior Managing Underwriter and/or as a Co-Manager for the period of five years (2025-2030). MNAA intends to use this qualified Pool to select the Underwriter Syndicate for each bond issuance during this timeframe.

The RFQ requested the following information:

1) Information on the Firm
2) Airport Underwriting Experience
    - In order to be considered for the senior managing underwriter pool, the firm must have served as a senior managing underwriter for at least one series of airport bonds of at least $200M between 1/1/22-1/1/25.
3) Personnel and Resources
4) Debt Structuring Considerations
5) Municipal Market and Airport/Airline Considerations

On January 23, 2025, twenty-four (24) responses were received:

14 National/Regional *(non-minority)*		**10 Minority/Disabled Veteran**	
BofA Securities*	Morgan Stanley*	Academy Securities	Rice Financial Products
FHN Financial Capital Markets	Piper Stanley*	AmeriVet Securities	Samuel A. Ramirez & Co., Inc.*
Fifth Third Securities	PNC Capital Markets	Bancroft Capital	Siebert Williams Shank & Co.*
Hilltop Securities	Raymond James*	Blaylock Van	
Huntington Securities	RBC*	Cabrera Capital Markets*	
Jefferies*	Stifel	Drexel Hamilton	
JP Morgan Securities*	Truist*	Loop Capital Markets*	

***** - *Met requirements to be considered for the Senior Managing Underwriter Pool (12)*

The review of the Statements of Qualifications was performed by Marge Basrai, MNAA Chief Financial Officer, Lauren Lowe (PFM Managing Director), Bill Case (PFM Managing Director), and Kevin McPeek (PFM Director).

Evaluation Process:

1. The Statement of Qualifications for the twelve firms that met the requirement to be considered for the Senior Managing Pool were reviewed and compared against each other on the following criteria:
    - Airport Experience - strength (both in number of issues and dollar volume) in airport financing
    - Personnel and Resources – strength and experience of team to be assigned to MNAA
    - Debt Structuring Considerations – thoroughness of response and provided useful market intel or structure ideas with the goal of achieving the lowest cost of capital
    - Municipal Market and Airport/Airline Considerations – thoroughness of response and provided relevant risks to consider in future financings
2. This evaluation resulted in six firms being considered the best qualified for the Senior Managing Pool.
3. The Statement of Qualifications for the twelve firms who did not meet the requirement to be considered for the Senior Managing Pool, plus the six firms who were not picked as the best qualified for the senior managing pool, were compared against each other on the following criteria:
    - Same four criteria as listed above in #1
    - Relevant regional and other diversified experience
    - First-Hand Experience – discussion of first-hand airport financing experience from either past MNAA bond issuances, or PFM led financings at other airports.
4. This evaluation resulted in four firms being considered the best qualified to serve in the Co-Managing Pool.

The following Long-Term Underwriting Pool is recommended:

6 Senior Managing Underwriters		4 Co-Managing Underwriters	
National (non-minority)	Minority	National/Regional (non-minority)	Minority/Disabled Veteran
BofA Securities	Loop Capital Markets	FHN Financial Capital Markets	Academy Securities
Jeffries	Samuel A. Ramirez & Co. Inc.	Morgan Stanley	Cabrera Capital Markets
JP Morgan Securities	Siebert Williams Shank & Co.		

B. Impact/Findings

The above table is the recommended Long-Term Underwriting Pool that will be effective for five years (2025-2030). For each bond financing transaction, it is our intent to select from this Pool the firms(s) who will participate and their respective role in the Underwriting Syndicate. For

each bond issue, the selection will be made through a Request for Proposal (RFP) process (conducted by PFM on our behalf) in which only the Pool will participate. The RFP questions will be focused on current market conditions and the impact on interest rates, debt structure, credit considerations, and all in cost of financing. Firms qualified as a Senior Managing Underwriter may serve as a Co-Manager, however, firms qualified as a Co-Manager cannot serve as a Senior Managing Underwriter. The CFO and other members of the financing team will review the RFP responses and select, with concurrence from the President and CEO, the Underwriting Syndicate for each bond transaction. For transactions similar to those currently expected to be undertaken by the Authority within the next five years, the Underwriting Syndicate typically consists of 1-2 Senior Managing Underwriters and 3-5 Co-Managers (depending on size of issuance).

The funding source for payment to the Underwriters are through bond proceeds as part of the Cost of Issuance funds.

C. Strategic Priorities

- Invest in BNA and/or JWN
- Plan for the Future

D. Options/Alternatives

Reject the staff selection and reissue the RFQ or select other firms to be in the pool.