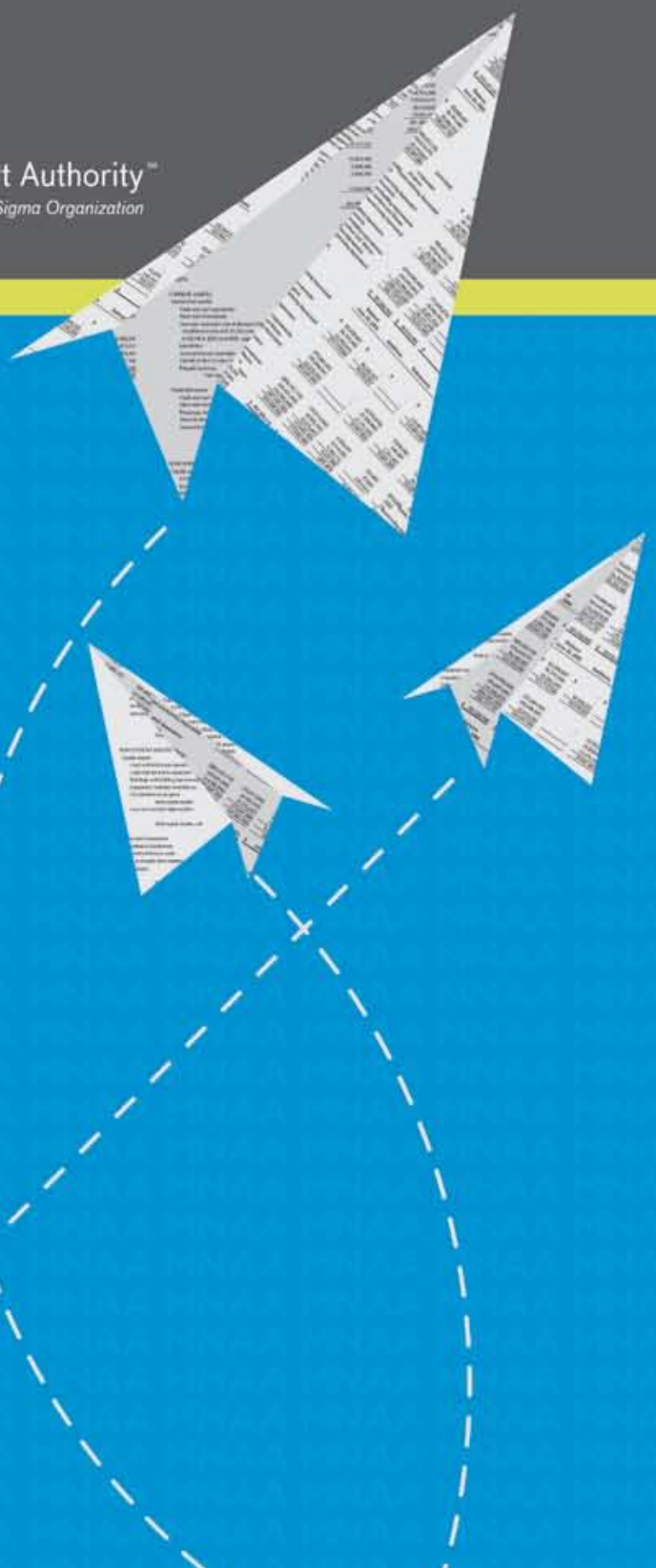


# 2009 Annual Report



Metropolitan Nashville Airport Authority™  
*A Six Sigma Organization*



**Fiscal Year 2009**  
(July 1, 2008 - June 30, 2009)

# 2009 Annual Report

## Executive Message

Fiscal year 2009 found the Metropolitan Nashville Airport Authority (MNA) feeling the effects of the global economic downturn. Though faced with complex times, the MNA still seeks ways to achieve sustainability and operational efficiency so we can continue to deliver the Nashville Airports Experience (NAE) to passengers, partners and employees.

Despite the economy, we are in a time of unprecedented construction activity at both Nashville International Airport (BNA) and John C. Tune Airport (JWN). These are necessary improvements, and they have been well-received. BNA is undergoing a renovation to its interior for the first time since the current terminal opened 22 years ago.

The highlights of our most recent fiscal year, which ended June 30, 2009, include operating revenue of \$80,252,000, a 5.2% increase over fiscal 2008. The Authority's operating revenue analysis for the most recent fiscal year was marked by a contribution of \$28,175,000 from parking; \$17,018,000 from signatory airline activity; \$10,077,000 from space rentals; \$16,559,000 from concessions; and \$8,423,000 from all other sources. Concessions, space rentals and other revenue represented \$35,059,000, or 43.7%, of

operating income in 2009. Operating expenses for fiscal 2009 were \$53,076,000, up 5.22% from \$50,444,000 in the prior fiscal year.

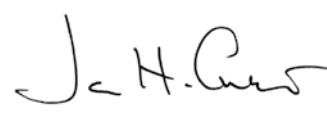
The cost for signatory airlines serving BNA in fiscal 2009 was \$4.45 per passenger, up from \$2.51 per passenger in the previous year. The cost per passenger is calculated by dividing total fees paid by scheduled airlines by the number of passengers boarded.

At fiscal year end 2009, BNA's operating income before depreciation was \$27,176,000.

The MNA is proud to be led by its Board of Commissioners, management team and 270 professionals, who all contribute to the success of the airports. The MNA not only serves as the governing body of BNA and JWN, a general aviation reliever airport, but also is a major economic provider for the region.



Raul L. Regalado, C.A.E.  
President and CEO



James H. Cheek, III  
Chairman





## About the MNAA

The MNAA was created in 1970 to direct the growth, operation and business activities of BNA and JWN. The MNAA is a quasi-governmental entity with funds for its operation and maintenance generated by airline carriers serving BNA and from passenger-supported concessions. Airport tenants and users, not local taxes, provide the funding necessary to develop, operate, maintain and improve airport facilities.

The MNAA is governed by a 10-member Board of Commissioners, which serves without compensation. Nine members of the Board are appointed by the mayor of Nashville, with the 10th member being the mayor. Commissioners are appointed for a term of four years. Appointments are staggered to provide for continuity of airport management and development.

The MNAA is responsible for maintaining its own aircraft rescue, firefighting and law enforcement; acquiring land; constructing airport facilities; issuing revenue bonds; and setting rates, charges and rentals for activities on airport properties. The MNAA seeks to accomplish its objectives by operating within a balanced annual budget approved by its Board of Commissioners.

The MNAA recognizes the vital role it plays as an economic driver of the region. It also understands its responsibility for moving forward with a master plan of expansion and improvements to meet the demands of a rapidly growing population in middle Tennessee, southern Kentucky and northern Alabama.

Nashville International Airport served 8.9 million passengers in FY09, operating an average of 384 daily flights to approximately 69 markets and 47 nonstop markets. Nashville International is utilized by 12 airlines and boasts 61 air carrier gates and up to 78 commuter aircraft parking positions. The

MNAA's two airports contribute \$3.74 billion in total economic activity, \$1.18 billion in wages and more than 39,700 jobs annually to the regional economy.

The many daily tasks the MNAA performs, combined with the efforts of our tenants and airline partners, provide the Nashville Airports Experience (NAE). The NAE captures the quality products, services and people that make our airports great places to be a partner, a passenger and an employee. The MNAA takes the mission of the NAE into the community, making a concerted effort to participate in regional chambers of commerce, business expos, industry conferences, and community events with the likes of the American Red Cross and Inglewood Elementary School, our PENCIL partner.

Many elements of Nashville International Airport's (BNA) recent terminal renovation project, as well as the airport's ongoing exemplary customer service, garnered top honors from Airport Revenue News, a leading concessions trade publication. BNA earned awards for the best concessions management team; airport with the best customer service; and airport with the most unique services, all in the medium airport division, in the Airport Revenue News 2009 Best Airport & Concession Awards.

## Ratings

On November 16, 2006, Standard & Poor's Ratings Services published an "A" rating on the Authority's airport revenue bonds. This rating was based on the Authority's continued enplanement growth, the airport's strong service-area economy, low cost structure, limited additional debt needs, and management's commitment to reducing its debt significantly by 2017. On December 3, 2004, Moody's Investors Service assigned a rating of "A2" with a stable outlook to the airport revenue bonds. It considered some of the same strengths that Standard & Poor's did when issuing its rating. These ratings were affirmed earlier this year as the Authority pursued several revenue bond refundings. A negative outlook comment was attached due specifically to a portion of the Authority's fixed-rate debt insured by one carrier. To address this matter, the Authority entered into an agreement with a financial institution to provide a \$15 million letter of credit to support meeting debt service obligations. However, it is not anticipated that this letter of credit will ever be drawn upon.

## Air Traffic


During fiscal year 2009, BNA processed 4,460,692 enplanements, an 8.6% decrease from 4,880,360 enplanements in FY 2008. This decrease came as no surprise as market trends began to decline across the nation.

Signatory carriers represented 85.6% of total enplanements during the year, up slightly from 84.3% in the prior year. Daily departures increased to 192 at the end of fiscal year 2009. Daily departures at the end of fiscal years 2008 and 2007 were 188 and 202, respectively.

The mix of nonsignatory carriers changed slightly during the year. This group, along with any charter operations, represented 14.4% of all enplanement activity during the year.

## Top 25 Origin & Destination Domestic Markets

*All Destinations Are Serviced With Nonstop Flights From BNA.*



Chicago, IL	Los Angeles, CA	Washington, DC
Orlando/Sanford, FL	Fort Lauderdale, FL	San Diego, CA
New York, NY/Newark, NJ	Philadelphia, PA	Cleveland, OH
Las Vegas, NV	Detroit, MI	Seattle/Tacoma, WA
Baltimore, MD	Phoenix/Mesa, AZ	San Antonio, TX
Houston, TX	New Orleans, LA	Austin, TX
Tampa/St. Petersburg, FL	Raleigh/Durham, NC	Providence, RI
Dallas/Ft. Worth, TX	Jacksonville, FL	
Denver, CO	Kansas City, MO	









## Investing for Our Partners and Customers

Maintaining its ongoing capital development program, the Authority received \$11,480,000 in passenger facility charges (PFCs) and \$20,940,000 in federal and state grants in FY09.

The largest portion of the Authority's capital investment program is the renovation of BNA's terminal facility, now 22 years old. During this renovation process, we have seen many modifications of terminal facilities and amenities. Further details of the terminal renovation program are included elsewhere in this report.

## Strategic Planning Benefits

The implementation of the MNAA's Long-term Strategic Business Plan has enabled us to realize the benefits of certain industry dynamics by optimizing our current assets and making judicious additions where needed. These dynamics include:

### Air cargo growth

Air traffic demand from North America/Asia and Inter-Asia will increase as our region matures in its role as a global manufacturing and consumer powerhouse. Current air cargo facilities at BNA, including Nashville Air Cargo (Westside), are well-positioned to accommodate increased cargo demands and meet the needs of the global market.

### Passenger and corporate aviation

Nashville International Airport should continue to experience growth in its operations. In addition to our investment in the terminal renovation at BNA, the MNAA is committed to meeting hangar and traffic needs at both BNA and JWN. This commitment also positions BNA to make up for potential losses of business class service to the general aviation market.

### BNA terminal renovation

The terminal renovation program is resulting in a positive transformation of BNA into an air service facility sharply focused on customer service. This past year, we have completed Phase I of the terminal renovation and launched Phase II. Changes are enabling BNA to handle the capacity needs for airport terminal operations, the demands of the traveler for increased in-terminal options and amenities, and the stringent requirements of air travel security.

Prior to the development of its Long-term Strategic Business Plan, the MNAA had concentrated primarily on financial performance. However, with the implementation of a Balanced Scorecard, performance measurements and benchmarks as part of its long-term planning process, the MNAA is now able to extend its perspective beyond financial results, adding nonfinancial performance measurements to support its strategic objectives.

As an organization pursuing performance excellence, the MNAA is proceeding along the journey with the assistance of the Tennessee Center for Performance Excellence (TNCPE). Six Sigma and Plan Do Check Act (PDCA) are the two continuous improvement methodologies the MNAA is utilizing along this journey. In addition, the MNAA is currently updating its process for strategic planning, allocating resources and budgeting.

As always, our Long-term Strategic Business Plan will be made resilient by the professionals of the MNAA. This dedicated team is committed to meeting the challenges of an ever-changing aviation industry so that our dynamic region benefits from the most efficient air transportation service possible.

We appreciate the consistent input from our constituencies in Nashville and the Mid-South. We extend our gratitude to these individuals and groups and promise to continue working to retain the trust and respect of the public we serve.



## BNA Terminal Renovations Phase I

There were a variety of milestones and events to highlight in fiscal year 2009, despite traffic declines and the overall contraction in the economy. Terminal Renovation Phase I and associated projects such as the flight information display system replacement, all part of the comprehensive terminal renovation program, were completed during the year for \$46,000,000, on time and under budget. The Authority began the ambitious multiyear, multiphase renovation program in October 2006. More than 30 new food, beverage and retail vendors now serve the public at BNA, along with new meetee-greeter areas, a consolidated security checkpoint with 12 screening lanes, and access to the checkpoint area through self-select lanes designated by signage that directs passengers based on their travel needs and knowledge (Expert, Casual and Family/Special Assistance).

Nashville International Airport also became the first airport location of Redbox, the fully automated DVD rental system. Efficient navigation from landside to airside and the availability of national and local concession brands all further enhanced the Nashville Airports Experience.

Runway 13-31 (the crosswind and longest runway at BNA) and Runway 2R-20L (the eastern-most runway that runs north/south) re-opened during the year after concrete pavement and joint repairs, safety area improvements, and taxiway work. These airfield projects represented most of the \$40,000,000 in land improvement projects capitalized during the year.

## Phase II

Just as these projects were wrapping up, others began. Design continued for renovation and replacement of restrooms, floor and wall coverings, HVAC units, airline gate hold rooms, and baggage claim under Terminal Renovation Phase II. A few of these construction elements were under way by the end of the fiscal year. Much-needed roof repairs continued under a multiphase

roof replacement program. In 2002, several explosive trace detection machines were installed in the ticketing lobby and the ticketing curbside. To accommodate this activity, the ticket counters in the lobby were moved out 11 feet, and various additions and alterations took place curbside. A new project for an in-line explosive detection system began this year and will remove the existing machines, restore lobby space, and install a new automated, sort-controlled, outbound baggage handling system with two separate, in-line screening matrices. This project has been anticipated since 2002 and is expected to be completed around the end of 2010 at a cost of \$32,000,000, funded primarily through federal and state grant dollars.

## Terminal Access Roadway Improvements

Outside the terminal, more activity took place. A project to improve navigation on the terminal ring road thoroughfare began during the year. The ring road surrounds the airport's short- and long-term parking lots and provides access to the terminal and access to the planned Consolidated Rental Car Facility. This \$15,000,000 phase of a more comprehensive Terminal Access Roadway Improvements (TARI) project will be completed in October 2009.





## Parking

BNA will open the former seasonal Overflow lot, east of Donelson Pike, permanently as Long Term B. The refurbished lot will include new signage and markings and offers the same services as the Long Term A lot, including emergency/information phones, dedicated shuttles, Express Parc and Frequent Parker access.

The entrance point to Long Term A and Short Term will move in FY10. Short Term parkers will stop at a second parking ticket dispenser to validate their parking ticket. Short Term parkers will insert the parking ticket received at the first ticket dispenser into the second ticket dispenser located at the Short Term garage.

The cell phone/waiting area will be relocated and double in size, giving drivers a free place to wait to pick up arriving passengers.

## Airfield

The American Recovery and Reinvestment Act of 2009 is funding the \$4,800,000 terminal apron rehabilitation and reconstruction project that includes milling and removal of existing pavement, 3.6 acres of apron reconstruction to concrete, apron lighting, signage, shoulder grading, pavement marking, and apron crack and trench drain repairs. Reconstruction of Runway 2L-20R began during the year and is expected to be operational by the end of calendar year 2010. Most of the 7,703-foot-long runway will be replaced, along with shoulder widening and installation of in-pavement lights and centerline lights on the 2L approach only.

## Traffic

Traffic declined during the year in every category. In 2009 there were 4,460,962 enplanements, down 8.6% from 4,880,360 the prior year and off 9.7% from 4,938,191 in 2007. This decline influenced parking and concession revenues, passenger facility charge collections, and other revenue and expense activity sensitive to passenger traffic. Aircraft operations declined 12.3% from 203,890 operations in 2008 to 178,731 in 2009. This downward trend began in 2007 when 217,561 operations occurred, resulting in a decrease of 17.8% from 2007 to 2009. Passenger aircraft market share was dominated by Southwest Airlines as it captured 52.5% of enplanement activity in 2009, compared to 50.7% in the prior year and 49.3% in 2007.

## Nashville Air Cargo

Benefiting from its central geographic location and easy access to three major interstates, the Nashville cargo facility at BNA provides a convenient service to freight forwarders, manufacturers, distributors and cargo carriers shipping goods into and out of the region. Like passenger activity, cargo activity also declined at an aggressive rate of 17.2% in 2009, down to 65,632 tons from 79,266 tons the prior year and off 12.4% since 2007, when there were 74,921 tons of cargo reported. China Airlines maintained a presence at BNA throughout the year but gave notice of its intention to suspend operations, and it will suspend service in the Nashville market shortly after year-end. Further declines in cargo traffic are expected in the coming year.





## Nonaviation Revenue and the MNAA Properties Corporation

The Authority relies on additional sources of nonaviation revenue to contribute to net assets. Concessions, space rentals, and other revenue represented \$35,059,000, or 43.7% of operating income, in 2009. This is less than 1% lower than the \$35,383,000, or 46.4% of operating income, in 2008 and is encouraging since the number of travelers at BNA declined during the year.

The transition to the new food and beverage, as well as news and gift concession programs, was completed and earned national recognition from industry media. Public response to the new restaurant mix was favorable with a 9.8% (\$251,000) revenue increase from those establishments. The increase over 2007 was 12.2%, or \$305,000. Concession revenue for news and gift shops increased 33.6%, or \$574,000, over the prior year. There was actually a fractional decline from 2007 to 2008 during the height of the construction. The number, variety and square footage dedicated to this type of revenue source proved very popular, as the results demonstrate. Car rental revenue struggled nationwide during the past two years as the economy contracted. At BNA the 13.4% decline of \$1,412,000 outpaced the passenger traffic decline. Over two years, a \$985,000, or a 9.7%, reduction in revenue was very similar to passenger activity.

The most dramatic declines brought on by the weak economy was that the main terminal nonsignatory rental revenue shrank to \$636,000 from \$1,709,000 in just one year, or 62.8%. This source of revenue was off 73.0% over two years as regional and other nonsignatory carriers vacated markets all over the country. This was part of the reason for the \$7,265,000 the signatory carriers paid late in the year to make up for the shortfall. The completion of a general aviation land use plan at BNA will provide guidance to staff in pursuing some additional sources of operating revenue, with several sites already identified for development or revitalization.

## Parking Revenues

The primary source of operating revenue continued to be parking lot revenue and declined by \$2,230,000, or 7.3%. Over the two-year period, however, revenue increased 1.4%, or \$380,000. Parking traffic declined in 2009 due to a combination of reduced passenger activity and the roadway improvements project previously mentioned. In addition to the impact on parking due to that project, the planned Consolidated Rental Car Facility would eliminate approximately 1,400 long-term parking spaces. All other lots, including the new \$4,100,000 employee parking lot, were fully operational when needed. The number of transactions in the short-term, long-term, economy, and overflow lots declined 13.9%, from 1,728,149 in 2008 to 1,488,071 in 2009.

## Customer Facility Charges

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge (CFC) to be used to pay, or to reimburse, the Authority for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the Consolidated Rental Car Facility, and other costs, fees and expenses that may be paid from CFC proceeds. The CFC is a \$4.00 per day transaction fee and is collected by the on-Airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has the right to pledge the CFC proceeds as collateral security for the payment of any debt obligations incurred by the Authority in connection with the planning, design, construction, financing, maintenance and operation of the rental car facility. CFCs are recorded as nonoperating revenue. CFC revenue during fiscal years 2009 and 2008 totaled \$7,648,876 and \$4,259,428, respectively. Restricted net assets relating to CFCs totaled \$5,756,087 and \$3,249,892 at June 30, 2009 and 2008, respectively, and are included in other restricted net assets in the statements of net assets. As of June 30, 2009, the rental car facility continued in the design phase.

## Performance Excellence Recognition

The MNAA continues to strive for performance excellence in all it does. This commitment to continuous improvement and, ultimately, performance excellence, provides the foundation for maintaining a sustainable organization. The MNAA's journey to performance excellence has yielded many positive outcomes in terms of defining and implementing processes that improve the Nashville Airports Experience for our passengers, partners and employees. In fiscal year 2009, the MNAA received the Level II recognition from the Tennessee Center for Performance Excellence (TNCPE). The combined effort of our 19 departments and their accomplishments garnered the Level II recognition. Our E<sup>3</sup>I values of Enterprising, Entertaining, Exercising and Intersecting drive the engine of this organization. The MNAA team is that engine, providing unmatched customer service, ethical standards, financial efficiency and innovative solutions to the airport environment and its customers.

In fiscal year 2010, the MNAA will strive for Level IV TNCPE recognition.

## Business Diversity Development

Participation levels of small, minority and woman-owned business enterprises (SMWBEs) in Metropolitan Nashville Airport Authority contracts have substantially increased over the past two years, including a fivefold increase in nonfederal construction project participation.

The data shows that MNAA spent \$3,502,147 with SMWBEs for nonfederal construction projects in 2009 – a 64% increase over the previous year (\$2,131,785) and a 443% increase over 2007 (\$644,343).

SMWBE contracts with MNAA in other areas have increased as well. For professional services and goods, the MNAA spent \$3,078,301 with SMWBEs in 2009 – 61% more than 2007 (\$1,915,358). For federal construction projects, the MNAA spent \$1,826,353 with disadvantaged business enterprises (DBEs) in 2009 – 82% more than 2007 (\$1,002,735).

## John C. Tune Airport

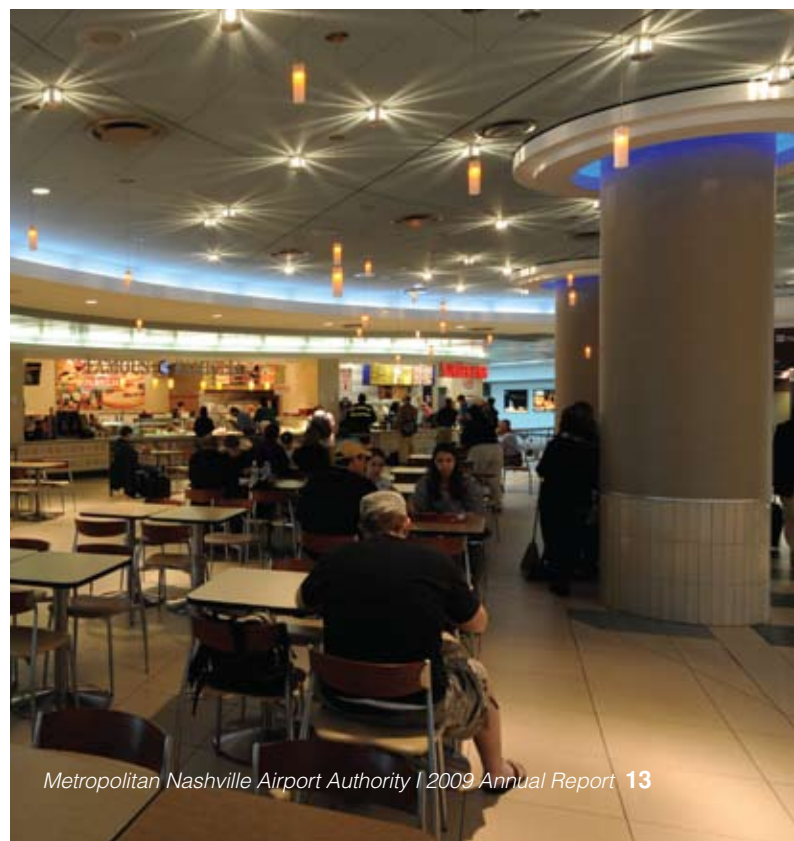
The lone runway at John C. Tune Airport, where approximately 170 customers have aircraft based, reopened in August after being closed in July for rehabilitation and repaving. In addition, a new hangar, ramp, roadway and entrance to the property were completed in 2009.

Fiscal year 2009 proved to bring the largest turnouts yet for our Saturday Fly-ins, with regular attendance from families and pilots from throughout middle Tennessee.

## Arts at the Airport

The Tennessee Arts Commission awarded BNA \$8,000 for the Flying Solo Series for FY10. This is the maximum amount an arts organization can receive in the funding category. Through this program the MNAA showcases the region's visual and performing arts through its Arts at the Airport program. The program presents works by local, regional and national artists for Nashville International and John C. Tune passengers and visitors. In addition to visual art, Arts at the Airport sponsors live music in BNA's terminal.

Arts at the Airport, a 501(c)(3) organization, receives funding for the visual arts from the MNAA and the Tennessee Arts Commission. Music performances are sponsored by the MNAA.

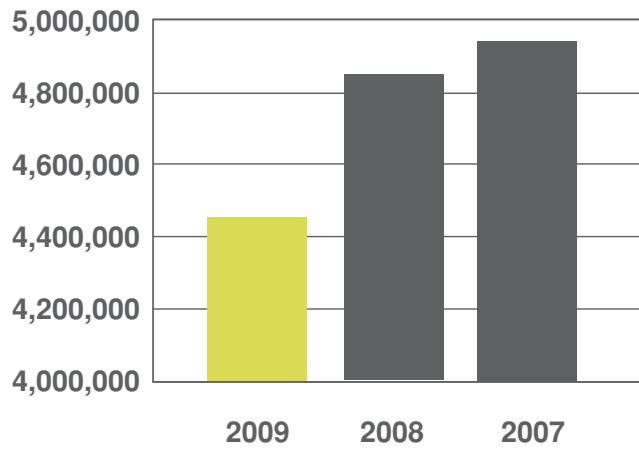




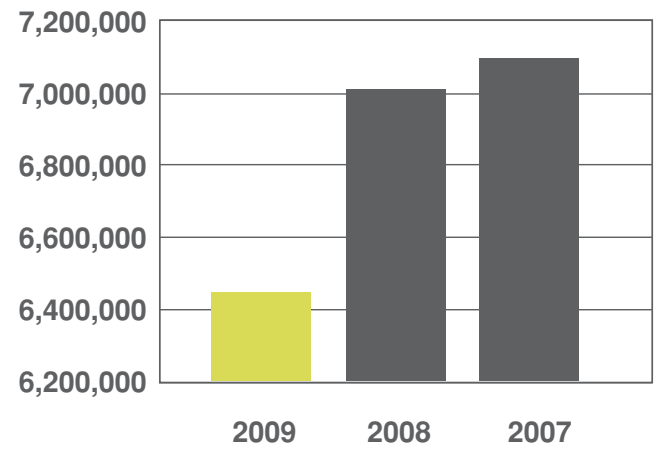
## Operating Activities

The following shows major indicators of airport activity during the past three years:

Enplanements

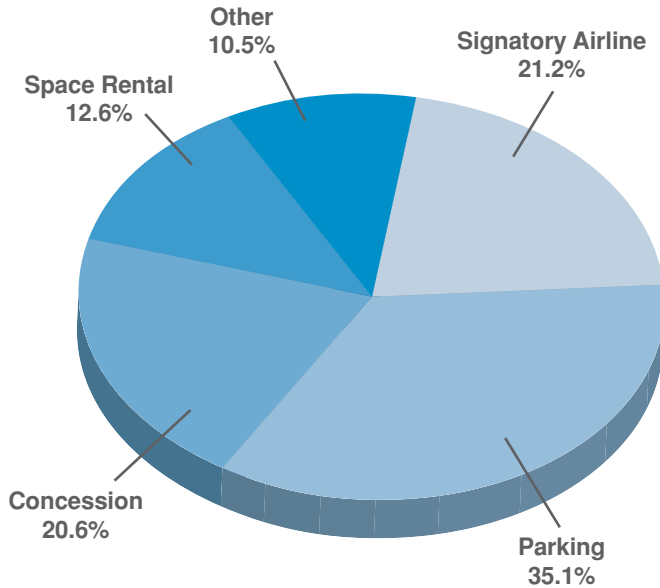


Aircraft Landed Weight (000)

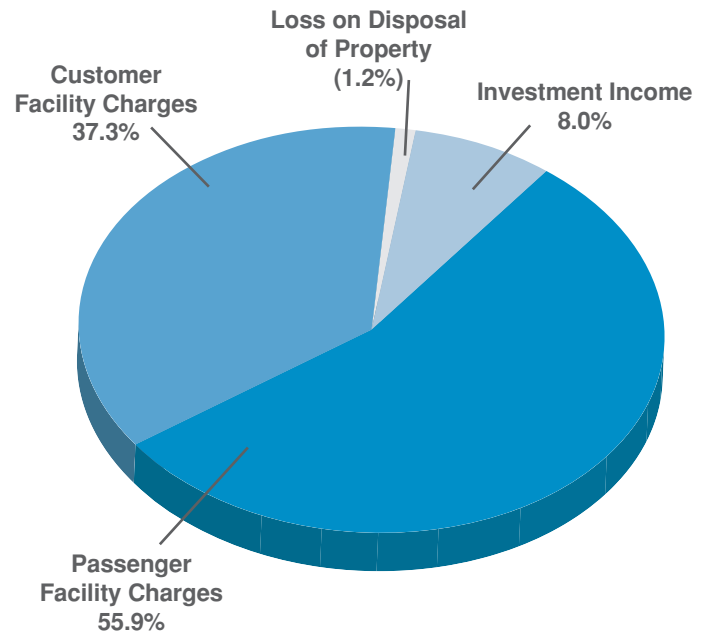


## Operating and Non-operating Revenues Highlights

2009 Operating Revenues

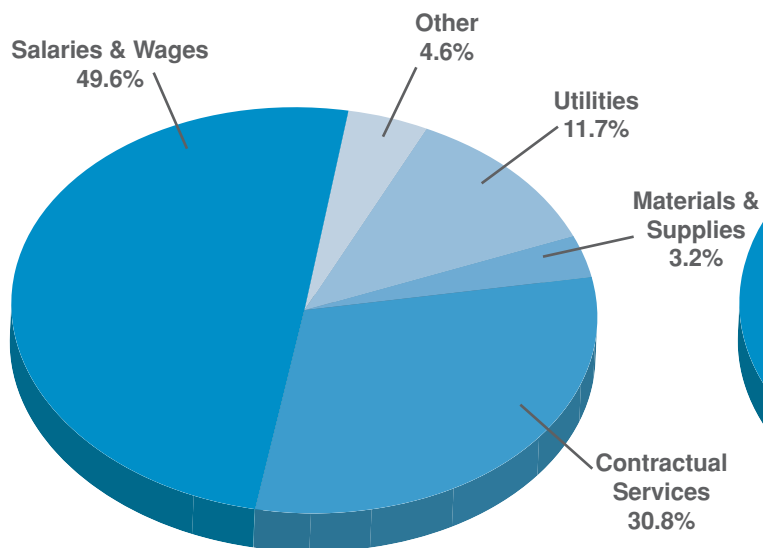


2009 Non-operating Revenues

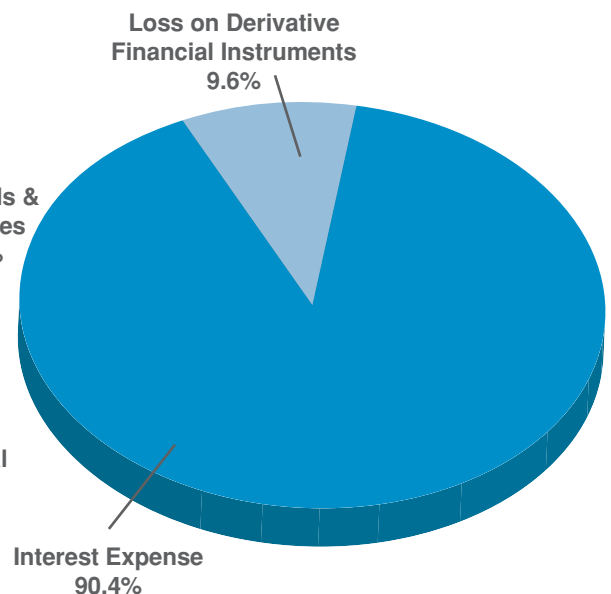


## Operating and Non-operating Expenses Highlights

2009 Operating Expenses



2009 Non-operating Expenses



## Board of Commissioners

### Chairman

James H. Cheek, III  
Bass, Berry & Sims, P.L.C.

### Vice Chairwoman

Juli H. Mosley, P.E.

### Secretary

Dr. A. Dexter Samuels  
Tennessee State University

### Commissioners

Jack O. Bovender, Jr.  
HCA Inc.

Karl F. Dean  
Mayor, Metropolitan Government of Nashville  
& Davidson County

Rod Essig  
Creative Artists Agency

Frank M. Garrison  
Overton Capital Management

Robert J. Joslin  
Joslin and Son Signs

Bill A. Martin  
Cushion Employer Services Corporation

Robert J. Walker  
Walker, Tipps & Malone

## Executive Staff

### Raul L. Regalado, C.A.E.

President & Chief Executive Officer

### Montford O. Burgess

Senior Vice President & Chief Operating Officer

### Robert Watson

Senior Vice President, Legal Affairs & Government Affairs,  
and Chief Legal Officer

### Kinney Baxter

Senior Vice President & Chief Engineer

### Stan Van Ostran

Vice President & Chief Financial Officer

### Vanessa Hickman

Vice President & Chief Information Officer

### Walt Matwijec

Assistant Vice President, Continuous Improvement

### John Howard

Assistant Vice President, Properties & Business  
Development

### Amy Armstrong

Assistant Vice President, Human Resources





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*A Six Sigma Organization*

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