

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



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Date: January 12, 2022 Place: Nashville International Airport Board Room  
Time: 9:30 a.m.  
Committee Members Present: Jimmy Granbery, Chairman; Andrew Byrd, Vice Chair; Joycelyn Stevenson; and Glenda Glover  
Committee Members Absent: NONE  
Others Present: Bill Freeman, Bobby Joslin, Nancy Sullivan; Doug Kreulen; Lisa Lankford, Neale Bedrock and Ginger Cork

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## I. Call to Order

Chairman Granbery called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (FINANCE) Committees to order at 10:34 a.m., pursuant to Public Notice dated January 7, 2022.

## II. Approval of Minutes

Commissioner Glover made a motion to approve the minutes of the December 8, 2021 Finance Committee Meeting, and Commissioner Stevenson seconded the motion. The motion carried by vote of 4 to 0.

## III. Chairman's Report

Chairman Granbery had no Chair's Report.

## IV. Items for Approval

Doug Kreulen, President and CEO, introduced Marge Basrai, EVP, Chief Financial Officer, to brief the committee on three budget items. The Amended FY22 BNA O&M Budget – Resolution #2022-02; Amended FY22 BNA Capital Budget – Resolution #2022-03; Amended FY22 JWN O&M Budget – Resolution #2022-04 for approval.

Ms. Basrai reviewed the FY22 BNA Enplanements and discussed tracking against the three forecasts. The budgeted forecast 5.5M; the moderate recovery 8.5M and aggressive recovery 10M. Our average has been between moderate and aggressive recovery. However, with the impact of covid and snow cancellations in

January, it has brought the trend slightly down below moderate for the month. For purposes of this budget amendment, we are using the moderate recovery of enplanements for projections.

Ms. Basrai briefed the Committee on Debt Service Coverage. Our senior bonds are kept at 1.5. Senior Subordinate is at 1.25. In the amended budget the metric is higher with Senior at 13.66 and Senior Subordinate at 4.59. The landing fee is at \$2.62 which is down from \$2.85 in the approved budget. The Cost per Enplanement (CPE) is \$7.03 which is down from \$10.42 in the approved budget.

Chairman Granbery asked what contributed to these two reductions. Ms. Basrai said it was driven by revenue and enplanement increases. Vice Chair Byrd asked if the number of enplanements we have affect our revenue. Ms. Basrai stated yes, it affects all our revenue -- parking, ground transportation, rental cars are based on the number of passengers you have.

Ms. Basrai continued to brief the Committee on budget adjustments. Using the new enplanement forecast raised enplanements to 8.5M. Revenues were increased based on new enplanements. Ms. Basrai met with departments to identify necessary changes to operating expenses based on enplanement increase, and re-evaluated the use of CARES/CRRSA funds to provide greater flexibility in the future:

<u>Use of CARES &amp; CRRSSA Act Funds:</u>	Original Plan	Amended Plan	Variance
	FY22	FY22	
Apply to Debt Service	\$ 22,173,029	\$ 13,578,138	\$ (8,594,891)
Apply to Debt Service in Lieu of PFC's	9,460,451	9,460,451	-
Apply to Offset Salary and/or Other Exp	2,026,934	2,026,935	1
	<u>\$ 33,660,414</u>	<u>\$ 25,065,524</u>	<u>\$ (8,594,890)</u>

As of 6/30/22, \$8.6M of CRRSA and \$56.4M of ARPA funds will still be available.

A. Amended FY22 BNA O&M Budget – Resolution #2022-02

Ms. Basrai briefed the Committee on the changes within the BNA O&M Budget.

**Operating Revenue**

MNAA has increased operating revenue by \$62.6M.

- I. Non-Airline Revenue is increasing by \$60.M. Parking increased \$44.3M as we saw an increase in enplanements and parking rate increases. Food / Retail concessions increased \$1M to adjust back to the MAG of \$11M. Rental car concessions increased by \$8.4M and Ground Transportation increased \$5.5M due to additional enplanements.
- II. Signatory Airline Revenue is increasing \$2.6M. This increase is baggage fees and loading

bridge fees. The new Maintenance Contract is \$450K and the baggage project cost increase is \$2.5M.

### **Operating Expenses**

Operating expenses are increasing \$12.7M. The two largest areas are salaries & benefits and contractual services.

- I. Salaries and Benefits increased \$1.2M for previous organizational changes made in March and October 2021 and request for new positions and upgrades of several current positions.
- II. Contractual services increased \$10.6M. These increases are:
  - \$1.6M for PMG contract to outsource management of concessions.
  - \$1.6M in credit card fees as a result of parking revenue increase.
  - \$2M in parking and valet fees due to new parking contract and the opening of surface parking lots earlier than originally anticipated.
  - \$2.4M in shuttle bus services for the increase in operations and drivers pay; purchase of 6 used shuttle buses.
  - \$800k in janitorial services due to increase in passenger traffic.
  - \$450k for the new baggage/loading bridge maintenance contract.
- III. Other expenses increased \$700k. This increase is in airline incentives for British Airways resuming flights in December 2021. Ms. Basrai noted that this will come in under with the recent British Airways announcement.

### **Net Non-Operating Income (Expense):**

The net non-operating income and expense that increased at \$5.6M. Due to the increase of enplanement from 5.5M to 8.5M we increased the Passenger Facility Charges (PFC) by \$11.4M. Customer Facility Charges (CFC) increased \$3M. Other non-operating revenue decreased \$8.7M. This is a decrease in grant revenue due to deferred use of CARES/CRRSA to future fiscal years.

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

1. Approve the proposed amended FY22 BNA operating budget, and
2. Authorize the Chair and President and CEO to execute MNAA Resolution No. 2022-02.

Vice Chair Byrd asked how the deferral of the CARES act money works. Ms. Basrai stated that she just doesn't use it until next year. MNAA is awarded money through CRRSA/CARES/ AARPA and it is at our discretion on how to use it and what year to use it in. We have four years to use the money and we submit invoices to the Federal Government, and we are reimbursed.

Vice Chair Byrd made a motion to approve as presented and Commissioner Glover seconded the motion. The motion carried by a 4 to 0. vote.

**B. Amended FY22 BNA Capital Budget – Resolution #2022-03**

Ms. Basrai briefed the Committee on the changes within the BNA Capital Budget.

In the FY22 BNA Capital Budget we had a project in the Terminal and Landslide Category with a cost of \$1,150,000 which was the refurbishment of baggage makeup carousel 1 & 2. After an analysis was conducted Southwest asked to increase the length of those carousels which will result in a more efficient bag room. The increase cost of this project is \$2.5M for a total amended cost of \$3,664,000. The funding source is 100% baggage fees from airlines.

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

1. Approve the proposed amended FY22-26 BNA Capital Improvement Plan, and
2. Approve the proposed amended FY22 BNA Capital Improvement Budget, and
3. Authorize the Chair and President and CEO to execute MNAA Resolution No. 2022-03.

Commissioner Stevenson made a motion to approve as presented and Vice Chair Byrd seconded the motion. The motion carried by a 4 to 0 vote.

**C. Amended FY22 JWN O&M Budget – Resolution #2022-04**

Ms. Basrai briefed the Committee on the changes within the JWN O&M Budget.

**Operating Revenue**

Operating revenue increased by \$425,000. \$363,000 is estimated for space rental and \$62,000 is estimated for fuel flowage fees.

### **Operating Expenses**

Operating expenses increased by \$408,000. The largest variances are in contract services for the following items.

- Airfield circulation simulation study - \$117k
- Overlay project - \$147k
- Analysis for a second FBO - \$24k
- Legal fees - \$100k

### **Non-operating revenue**

Non-operating revenue increased by \$382,000. This was increased due to additional insurance proceeds received for the tornado.

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

1. Approve the proposed amended FY22 JWN operating budget, and
2. Authorize the Chair and President and CEO to execute MNAA Resolution No. 2022-04.

Vice Chairman Byrd made a motion to approve as presented and Commissioner Stevenson seconded the motion. The motion carried by a 4 to 0 vote.

Chairman Granbery added that we will see a major increase at John C. Tune in years 2023 and 2024 when all the hangers and ground leases come online. Chairman Granbery said we have lots of good things happening at John C. Tune - we are working towards a new FBO lease in 3 or 4 years. Fuel Flow increases are coming in now, and we are down 60 or 70 hangers from pre tornado. The fuel flow right now is just transient, and it will be much more when all the hangers are complete.

## **V. Information Items**

- A. BNA Concessions Program Update (to include Satellite Concourse)

### **Main Terminal Concessions Program Update**

President Kreulen introduced Margaret McKeough, Principal, PMG, to give a status update on the 30 concessions locations scheduled for 2021. Ms. McKeough reported that all 30 locations were open for business in 2021. As we head into 2022, we are looking to open 17 locations and complete 3 general upgrades. Five of the twenty locations have opened before the deadline and those locations include Music Row Supply, Tennessee Tribune, Bongo Java, ChickFilA and Southernaire Market. Three additional locations are in construction – Ole Red, Opry Shop and C Triangle (terrazzo & ceiling tile replacement). The two other locations planned for construction are MEEL, January 17, 2022, and Hudson Non-Stop, January 30, 2022. There are 4 locations at risk for sublease execution date of January 20, 2022.

#### **Satellite Concourse Program Update**

President Kreulen introduced Michael Morford, Associate Principal, PMG, and gave an update on the Satellite Concessions. MNAA's goal is to execute a quality concessions program consistent with BNA Vision by the October 2023 opening date of the Satellite Concourse. In December 2021 we identified concession space allocations in the new concourse. For January 2022 we are preparing the RFP and lease agreement to compete this new business opportunity to operate and manage the Satellite Concessions program, which is leaning towards a Master Concessionaire agreement. Our next steps are to present proposed RFP business terms to Board of Commissioners in February 2022 and issue the RFP in April or May 2022. Review of proposals and Board approval of award recommendation is anticipated to happen between July to September of 2022.

Chairman Granbery inquired about the number of concession units that will be in the satellite concourse and President Kreulen responded with eight.

President Kreulen briefed the Committee on the shuttle solicitation and the concerns of supply chain and delivery; electric vs. CNG vs. diesel; lease vs. buy; and operation & maintenance of the shuttles. The tentative RFP release date is January 30, 2022. President Kreulen presented a graphic of the Satellite Concourse with the shuttle locations for pick up and drop off as well as concession areas.

These items were presented for informational purposes only, and no action was required.

#### **B. BNA Parking Rate Update**

President Kreulen briefed the Committee on parking rates. The economy lot (B & C) pre-pandemic rate was \$12, the current rate is \$15 and our new rate will be \$16. The garage rate pre-pandemic was \$24, the current rate is \$24 and our new rate will be \$26. The valet pre-pandemic rate was \$34, the current

rate is \$33 and our new rate will be \$36. Lot A pre-pandemic rate was \$18, the current rate is \$15 and our new rate will be \$18. The new rates are in-line with pre-pandemic rates adjusted for inflation at 6.9%. These rates will be reviewed a minimum of every 6 months, or by occupancy triggers. New parking rates will be implemented on February 1, 2022.

These items were presented for informational purposes only, and no action was required.

VI. Adjourn

There being no further business brought before the Finance Committee, Chairman Granbery adjourned the meeting at 11:08 a.m.

  
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Joycelyn Stevenson, Board Secretary