

# Minutes of the Joint Meeting of the MNAA and MPC Operations, Engineering & Strategic Planning Committees



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Date: May 11, 2022 Place: Nashville International Airport Board Room  
Time: 9:00 a.m.  
Committee Members Present: Bobby Joslin, Chairman; Nancy Sullivan, Vice Chair; and Andrew Byrd, Dr. Glenda Glover  
Committee Members Absent:  
Others Present: Bill Freeman; Joycelyn Stevenson; Jimmy Granbery; Doug Kreulen; Neale Bedrock; Lisa Lankford and Ginger Cork

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I. Call to Order

Chairman Joslin called the Joint Meeting of the MNAA and MPC Operations, Engineering & Strategic Planning (Operations) Committees to order at 9:00 a.m., pursuant to Public Notice dated May 6, 2022.

II. Approval of Minutes

Vice Chair Sullivan made a motion to approve the Minutes of the April 13, 2022 Operations Committee meeting and Commissioner Byrd seconded the motion. The motion carried by vote of 4 to 0.

III. Chairman's Report

Chairman Joslin did not have a Chairman's report. He welcomed Mr. Clay Paslay, Paslay Group.

IV. Items for Approval

Doug Kreulen, President and CEO, introduced Ms. Marge Basrai, EVP, Chief Financial Officer, and Ms. Traci Holton, VP, Chief Engineer and Deputy COO, to brief the Committee on Beyond Vision.

A. Beyond Vision Program, Schedule & Budget

**BNA Vision Background**

President Kreulen discussed the background of BNA Vision 1.0, 2.0 & Beyond Vision. In July 2016 Vision 1.0 was launched. In October 2020 the funding for Vision 2.0 was approved to include Concourse A Site Prep, Fill and Paving; R/W 2L/20R Environmental Assessment (EA), Preliminary Design & Property Acquisition and the Satellite Concourse. In October 2021 at the Board Retreat, the planning of Beyond

Vision took shape for Concourse D Extension; Baggage Handling System Improvements; Concourse A Replacement/Expansion and a new Air Freight Building. In November 2021 funding was approved for Beyond Vision Program Development. Board updates were provided in January and March 2022, and the Concourse A and Concourse D Study was briefed in April 2022. Approval of the Beyond Vision Program and to proceed with the design and construction of Concourse D Extension and Baggage Handling System Expansion is requested today.

President Kreulen reviewed slides that outlined gate shortfalls and why Beyond Vision is needed. At the October 2021 Board Retreat, the gate shortfall was estimated to start in 2029–2030-time frame, but with increased enplanements the strategic enplanement forecast shows the gate shortfall now begins in 2028-2029.

#### **Beyond Vision Program Development**

Ms. Holton briefed the Operations Committee on the Beyond Vision Program Development. The Beyond Vision scope includes Concourse D Extension; Concourse A Replacement/Expansion; Baggage Handling System Improvements; New Air Freight Building; and the Terminal Access Roadway Improvements (TARI) Phase 2 & 3 that were moved out of the Vision 1.0 budget. Ms. Holton also discussed the new Concourse A and Concourse D extension study that was completed by Holder/Corgan in April 2022. The study included 10% scoping documents, renderings, schedule, and cost. Ms. Holton added the finishes in Concourse D Extension will match existing D Concourse. Both concourses will include moving walkways, and the amenities in Concourse A (mother's room and service animal relief area) will match Concourse D.

Ms. Holton shared several renderings. The renderings included the exterior airfield view of Concourse D extension which has 5 domestic gates and will serve as an empty chair for Concourse A; the air freight functions will move to multipurpose building which allows us to not wait on the Donelson Pike relocation by TDOT. Other renderings included the interior connector view of Concourse D with moving walkways and electrochromic glass; the interior of Concourse D showing the finishes will match the existing Concourse D and lastly the exterior airfield view of the new Concourse A which will have a total of 16 gates, a concession node and moving walkways.

Ms. Holton reviewed the program schedule for Beyond Vision provided by Holder/Corgan and noted the time has extended more than originally thought. Assuming we come back to the Board in August 2022 with a design build contract for the extension of Concourse D, it would be mid to late 2025 for a

completion date. The Baggage Handling Improvements extend to the end of 2027. For Concourse A, there will be time for design bid build, which allows for a gap between the end of design and the start of construction. This also provides us with an off-ramp should we not be able to afford it, or something happens in the economy. President Kreulen added the reason the baggage handling takes 5 years is because we cannot shut down the existing baggage handling system and there are 8 different phases that must be sequenced. Ms. Holton added the Air Freight will start design in mid-2024 with a complete date in early 2027. Ms. Holton also added that we would be at GMP in late 2024 for Concourse D and Baggage Handling and we would know what those projects cost, and we will also be as aggressive as possible on these schedules.

Ms. Holton reviewed the Beyond Vision program costs with and the big changes being Concourse D, Concourse A, and the projected escalation. Holder/Corgan are projecting an additional 15% on top of the 25% already seen in 2022; 2023 is at 12%; 2024 is at 8%; 2025 is at 7%. The chart below outlines Vision 1.0, Vision 2.0 and Beyond Vision.

<b>Program</b>	<b>Program Cost</b>
Total Vision 1.0	1,305,008,000
Total Vision 2.0	229,500,000
<b>Total Vision 1.0 &amp; 2.0</b>	<b>\$1,534,508,000</b>

<b>Beyond Vision</b>	
Concourse D Extension	287,000,000
Concourse A Replacement/Expansion	855,000,000
Baggage Handling System	125,000,000
Air Freight Building	25,000,000
TARI Phase 2	50,000,000
TARI Phase 3	116,500,000
Beyond Vision Art	4,000,000
<b>Total Beyond Vision</b>	<b>\$1,462,500,000</b>
<b>Total Vision 1.0, 2.0 &amp; Beyond Vision</b>	<b>\$2,997,008,000</b>

President Kreulen added that the numbers being presented today are what we feel is the worst-case scenario with inflation factors calculated in. Our CFO, Ms. Basrai, ran the budget with the higher numbers, and she will discuss our ability to handle the cost. This includes almost \$200M in escalation – if economy recovers or we get out of the inflation area, theoretically we are going to come in under budget. Commissioner Glover asked about escalation. Ms. Holton stated it is basically the same thing

as inflation – construction and labor costs go up per year. If things go down in cost, our GMP will be under budget. Commissioner Granbery asked what portion of the Beyond Vision total amount is contingency. Ms. Holton stated there is about 20% contingency factored in. President Kreulen clarified additional questions from Commissioner Granbery. Commissioner Byrd asked what the impact to the numbers would be if we hit the off-ramp and decide to not move forward. President Kreulen stated the numbers would increase because at some point, the Authority would have to come back and finish wherever we stopped. He added there is no financial issue that would prevent us from doing Concourse D, the Baggage Handling System and then designing all the packages for Concourse A – if the economy went to back to 2020, we could decide to not build Concourse A or build half of Concourse A but anytime we delay, we know it's going to be more to start construction back up. The biggest challenge is today, every gate we have is rented and when we open up the 6 new gates in September 2023, all those gates are also rented. When we build Concourse D and add 5 gates, all those gates are already used because we must move all those from Concourse A to Concourse D, so we can close Concourse A. We do not get into the positive until we finish Concourse A. Should we have delays, we would essentially be slowing Nashville's growth because we have no more airline space until we get Concourse D built, Concourse A demoed and finished. Commissioner Byrd inquired if there is a timeframe on the payback on these expenditures. President Kreulen stated that Ms. Basrai is budgeting the first \$1.6B on 35-year bonds and the next one will be similar to that – we will definitely have a long-term mortgage to pay back. Commissioner Byrd asked if the payback will be through bond repayment and not through accelerated cash flow. President Kreulen stated we plan on a 35-year payback, but we could pay it off early if we exceed our growth and Ms. Basrai builds up the cash. If there is no need to build anything new, the CFO will always have the ability to pay off bonds early.

Chairman Joslin asked about the cost to fill in Concourse A. Ms. Holton stated the current budget is \$80M for the fill and pavement. Chairman Joslin asked if we could start paving the Concourse A ramp earlier. Ms. Holton stated that we want to complete the fill and we want the design team for Concourse A to be involved and set the elevation for Concourse A before we pave the ramp. It is all tied together with very minimal slope and it is a tight criterion with the apron. We need to be careful – if we can get the elevation set for the building and plan that ahead, we can go ahead with the paving ahead of Concourse A. The fill portion is scheduled to be complete in June 2023 and about 6 months to consolidate. Vice Chair Sullivan asked about the wall around the hole and if it was clay or rock. Ms. Holton stated there were no walls, it was wet area and so a lot of material is being removed and put

back - The base will be 2 feet of shot rock then fill with soil / rock mix and pack it all with 2 more feet of shot rock.

**Financial Feasibility**

Ms. Basrai briefed the Operations Committee on funding feasibility and explained how she reviewed the remaining costs for BNA Vision 1.0 and 2.0 to see how much we have remaining to bond fund. The total capital funding for Vision 1.0 and 2.0 is \$1.5B. We have funded a little over \$1B to date, with \$475.4M left to fund for Vision 1.0 and 2.0. We then added in \$241.1M for CIP projects, which are non-Vision projects which have already bond funded or ones we anticipate to bond fund due to the size. Examples of those non-Vision projects include Runway 2R/20L construction; reconstruction of Kilo West and Bravo South; Delta Sky Club; Concourse B & C Upgrades; Curbside Expansion; and dual Taxilanes that need to be built. \$52.1M has been funded to date leaving \$189M remaining to fund for other CIP expenses. The total capital funding for Beyond Vision and Other CIP projects costs are at \$1.7B with \$52.1M funded and \$1.65M left to fund.

Ms. Basrai reviewed and discussed the funding for Vision 1.0, 2.0, & Proposed Program as detailed in the graph below.

Program	Total Funding (millions)	Other Funds (BIL Entitlement)	Series 2022 Bonds	Series 2024 Bonds	Series 2026 Bonds
<b>BNA Vision 1.0</b>	<b>\$260.9</b>	\$0.0	\$260.9	\$0.0	\$0.0
<b>BNA Vision 2.0</b>	<b>\$214.5</b>	\$0.0	\$214.5	\$0.0	\$0.0
<b>Beyond Vision:</b>					
Concourse D Extension	\$287.0	\$0.0	\$0.0	\$287.0	\$0.0
Concourse A Replacement/Expansion	\$855.0	\$0.0	\$1.0	\$566.4	\$287.6
Baggage Handling System	\$125.0	\$0.0	\$0.0	\$87.9	\$37.1
Air Freight Building	\$25.0	\$0.0	\$0.0	\$25.0	\$0.0
TARI Phase 2	\$50.0	\$24.6	\$25.4	\$0.0	\$0.0
TARI Phase 3	\$116.5	\$17.9	\$0.0	\$75.9	\$22.7
Beyond Vision Art	\$4.0	\$0.0	\$0.0	\$2.7	\$1.3
<b>Total Beyond Vision</b>	<b>\$1,462.5</b>	\$42.5	\$26.4	\$1,044.9	\$348.7
<b>Other CIP</b>	<b>\$189.0</b>	\$17.9	\$24.4	\$91.6	\$55.1
<b>Total Capital Funding Requirements</b>	<b>\$2,126.9</b>	<b>\$60.4</b>	<b>\$526.2</b>	<b>\$1,136.5</b>	<b>\$403.8</b>

Ms. Basrai discussed the key assumptions in the forecast period FY24 through FY33 -- Enplaned passenger projections include three scenario forecasts (Moderate, Strategic, Aggressive) - the strategic forecast was used for analysis; the analysis does not include any assumed use of remaining ARPA, BIL (Discretionary) or State funds; the analysis uses rate-setting methodology allowable under Rates by Ordinance - similar landing fee and terminal apron fee methodology as current agreement and terminal rate methodology reverts to commercial compensatory (debt service included in rate calculation).

Ms. Basrai then reviewed the financial results as shown in the chart below with \$2.1B in bond funding using the strategic forecast showing where the cost per enplaned passenger is each year; the passenger airline Cost Per Enplanement (CPE); the Senior Debt Service Coverage (DSC) and the Senior and Subordinate DSC:

Key Metrics	Forecast (Fiscal Years Ending June 30)									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Enplaned Passengers ('000)	10,602	10,974	11,303	11,587	11,814	12,050	12,291	12,537	12,787	13,043
Growth	7.2%	3.5%	3.0%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Passenger Airline CPE	\$9.71	\$11.30	\$11.92	\$14.01	\$17.98	\$18.75	\$18.79	\$18.84	\$18.89	\$18.95
<u>Senior DSC</u>										
Net Revenues (Target 1.50x)	3.03	2.32	2.25	1.83	1.44	1.43	1.46	1.48	1.51	1.53
<u>Senior &amp; Subordinate DSC</u>										
Net Revenues (Target 1.25x)	1.88	1.55	1.55	1.40	1.20	1.21	1.23	1.25	1.27	1.29

Ms. Basrai explained the Senior DSC legal requirement is 1.25 times and our target is 1.50 times, and the Senior and Subordinate DSC legal requirement is 1.10 times and our target is 1.25 times. Given how these numbers look and our targets, we are slightly below for a few years starting in 2028.

Ms. Basrai stated the biggest item of concern is Concourse A - we can easily afford all the other components of Beyond Vision. Landrum Brown, our financial advisors, feel the program is generally affordable. MNAA has several tools to help fund this including Passenger Facility Charges (PFC's) and debt structure. Also, the amount of airline rentable space versus total rentable space was conservatively estimated. A small change upward in this makes the numbers better. If we had no tools, we would need to reduce costs by ~ \$130M to meet all the metrics. We'll be able to see over the next two years how passenger traffic is growing and will have more information on design of the concourses to further refine the assumptions in our model. If we find that it is not affordable when we get close to

Concourse A, we have an off-ramp and maybe we build half of it or maybe we wait. Ms. Basrai added that we are trying to build before we need all the gates so we can grow into our capital program.

President Kreulen added this also plan also has some other ultra conservative items – when you look on the growth rate, this year we will grow at 8% and the FAA average growth is 2 ½ to 3%. If we grow above the FAA average, our financial strength is that much stronger. Commissioner Byrd asked if we did an expected case. President Kreulen stated yes, and the expected case that we are working on with the airlines goes from 4 years of being in yellow to just one on the Senior DSC. Commissioner Byrd asked if the debt is fixed or floating, and Ms. Basrai explained all our debt was fixed and level debt. Commissioner Byrd also asked if we had any swap agreements and Ms. Basrai said no.

Chairman Joslin asked about the key assumptions regarding ARPA, BIL or State Funds, and approximately how much we have in ARPA. Ms. Basrai stated we have approximately \$47M left in ARPA that we will be using the first couple years to pay debt service and operating expenses in 2024 / 2025. We must spend it by then. She added that we have no idea if we will get the BIL discretionary. President Kreulen added that for every year for the next five years, there is \$1B that is competitively awarded and whatever that we are awarded, it will help us lower our debt requirement. With regard to our state funding, it has dropped from receiving \$6M to \$7M a year to about \$3M. Ms. Lisa Lankford, VP, Strategic Advisor to the President, has been lobbying and working with TACCA associates and this year we expect to get about \$35M from the State. We did not budget this money coming in to help us, which means we will not have to borrow as much money. We are trying to lock this in with the State Government as recurring funding for all the commercial service airports and general aviation airports – so both BNA and JWN will benefit. To be ultra conservative we did not include any of this money in the budget.

Chairman Joslin inquired about movement with respect to the PFC's. President Kreulen stated that we continue to lobby for it, but the airline lobby is still bigger than the airport lobby. Commissioner Byrd asked about BIL. President Kreulen stated it is the Bipartisan Infrastructure Bill that was passed by President Biden, and there are programs under BIL like the Airport Terminal Program (ATP) which we applied for. We reapply each year for these funds for the next 4 years in a row to help get money to pay for these projects.

Commissioner Glover asked how our financial statements look overall when you add in the borrowing, and if is this a straight-line amortization across the board or short-term changing every year. Ms. Basrai

stated when we looked at this it was a fixed level debt, and it will be the exact same amount. The interest and principal amortize over a 30 or 35-year period.

Commissioner Byrd asked if the airline contracts collateralize these bond obligations or is this a general obligation on the part of the airport authority itself. Ms. Basrai stated all of our airport revenue is what collateralizes our bonds, but the agreement sets the rates and charges. When we go to rating agencies to get our credit and underwriters sell our bonds, we have a signed agreement with the airlines to pay this debt.

Commissioner Byrd inquired if we assign the obligation to a trustee somewhere or is it held by us. Ms. Basrai stated the obligation is held by us.

Ms. Basrai then discussed the CPE comparisons for large hubs vs medium hub. The forecast for BNA is projected out to FY33 and others within the large hub comparisons are only out to FY24 or FY27. We are in the middle of other airports, but once their numbers inflate out to FY33, I think we would be on the lower end of the CPE. As you look at the medium hub, it looks like we are on the higher end for CPE but again, when the others inflate out to FY33, we will rank much lower.

### **CEO Recommendation**

President Kreulen briefed the Commissioners on the results of Beyond Vision. Opening the Satellite Concourse will allow us to get above the expected requirements on the strategic forecast of 53 gates. We then start construction on the extension of Concourse D that will net 5 gates at the end of 2025. After Concourse D opens, we will close Concourse A and lose 6 gates and we will have a little tight spot that will require some juggling of gates until Concourse A opens with 16 gates in late 2028. The plan will result in excess gates for 10-15 years.

Commissioner Stevenson asked about the juggling piece for now and then again in 2027. President Kreulen said that with the assistance of Mr. Robert Ramsey, EVP, Chief Operating Officer, and his AVP of Operations, Mr. Adam Floyd, and our IT department, we are converting 20 gates to be common use gates. In the past we had zero common use gates. Once a gate is converted to a common use gate, any airline can use it. In the future, all 69 of our gates will be common use gates.

Staff requested the Operations Committee recommend to the Board of Commissioners that it

1. approve the Beyond Vision Program – scope, schedule & budget; and



2. approve staff proceeding with the design and construction of Concourse D Extension and Baggage Handling System Expansion
  - Staff will seek Board approval at each stage/contract

Commissioner Glover made a motion to approve as presented and Commissioner Byrd seconded the motion. The motion passed with a vote of 4 to 0.

Following Approval Commissioner Freeman thanked Chairman Joslin and Commissioner Granbery for all that they do for each of their Committees.

Commissioner Granbery asked about the next step and costs. Ms. Holton stated we have 10% scoping documents that will be used as part of the procurement package to procure a progressive design build team for Concourse D. If this is approved at the Board next week, we intend to issue the RFP the end of May or first week of June. We would come back to the Board in August 2022 with CPMG1 for that contract. For the Baggage Handling System, we hope to have the package procured and come back to the Board in the November 2022 timeframe.

B. On Call Planning Professional Services Contract Amendment including Concourse D Extension EA

Ms. Holton briefed the Operations Committee on the Amendment for the On Call Planning Professional Services Contract including Concourse D Extension EA. In January 2022 Ricondo & Associates was awarded the contract to provide On Call Professional Services to assist the Strategic Planning group with medium and large planning tasks. This was a 1-year contract with a 4-year term and 1-year renewal options with a NTE \$450,000 per year. We have had 9 tasks since the start of this contact in January 2022 (related to both JWN and BNA) that have exhausted the \$450,000. Those tasks include Beyond Visions Strategic Plan Assistance; Satellite SRM Panel Facilitation; ALP SRM Panel Facilitation; JWN Apron Simulation; BNA Overlay Development; JWN Overlay Development; and BNA Satellite Line-of-Sight Study. We are coming back to the Committee to request an amendment for a \$1M NTE per year, with a contract start date of January 2022 ending January 2027. The anticipated future tasks requiring on call support include Supplemental Environmental Assessment for Concourse D Extension; BNA Apron Simulation; Implementation of BNA/JWN Overlay Zones; and BNA Curbside Expansion Study. Funding will be determined on task-by-task basis; 10% MBE and/or WBE.

Staff requested the Operations Committee recommend to the Board of Commissioners that it

1. authorize the Chair and President and CEO to execute an amendment to the On Call Planning Professional Services Contract with Ricondo & Associates.

Commissioner Byrd made a motion to approve as presented and Vice Chair Sullivan seconded the motion. The motion passed with a vote of 4 to 0.

V. Informational Items

President Kreulen introduced Mr. Jeff Roach, AVP, JWN Executive Director. Mr. Roach briefed the Committee on the following informational items.

1. JWN Update

JWN Hangar Construction

Mr. Roach provided an update on the JWN Hangar Construction. All plane port and hangar buildings have completed construction and been turned over to MNAA. The 90 units within the hangar buildings have all been selected by tenants and are moving forward in getting these units filled. The remaining schedule for the last three components in the southern area includes the laydown conversion to be completed by August 16, 2022; Taxiway R3 Apron Expansion to be completed by December 31, 2022 and the MX/Admin building to be completed by January 20, 2023.

JWN Operations

Mr. Roach provided an update on JWN Operations. We continue to see growth in our monthly operation trends. CY2019 had 86K annual operations, which is 7,167 a month. FY2022 is trending an average is 8,379 a month. In April 2022, the average was 9,892 which is an all-time high and a record day was set on April 28, 2022 with 585 operations in one day.

President Kreulen added that we will have a tour with the executives from Fraport Germany tomorrow morning and TDOT Aeronautics will tour BNA construction in the afternoon. TDOT Aeronautics will also tour all the JWN developments as well.

Commissioner Granbery asked how the enplanement numbers relate to fuel flow. Mr. Roach stated that JWN had a record month with fuel flow for April 2022.

Chairman Joslin inquired about the tower radar. Mr. Ramsay stated that we have submitted applications to the FAA and are working through the process with them. They have

acknowledged the need as a requirement for that tower as well as other federal contract towers that are looking to change design. We do not have a timeline for the funding, but we are working closely with the FAA. President Kreulen added that we have learned it is a lot less expensive than we previously budgeted.

This item was presented for informational purposes only, and no action was required.

VI. Adjourn

There being no further business before the Joint Committee of the MNAA and MPC Operations, Engineering and Strategic Planning Committees, Chairman Joslin adjourned the meeting at 9:58 a.m.



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Joycelyn Stevenson, Board Secretary