

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



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Date/Time: Wednesday, May 10, 2023, 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  
Jimmy Granbery

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I. CALL TO ORDER

II. APPROVAL OF MINUTES

[April 12, 2023 Minutes of the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development Committees](#)

III. CHAIR'S REPORT

IV. ITEMS FOR APPROVAL

None.

V. INFORMATION ITEMS

1. [BNA Concessions Program Update](#)
2. [Quarterly Retirement/OPEB/Treasury Investment Reports](#)

VI. ADJOURN

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



Date: April 12, 2023

Location: Metropolitan Nashville Airport Authority  
Tennessee Boardroom

Time: 9:09 AM

Committee Members Present: Andrew Byrd, Chair, Dr. Glenda Glover, Vice Chair, and Jimmy Granbery

Committee Members Absent: None

Others Present: Nancy Sullivan, Joycelyn Stevenson, Doug Kreulen, Neale Bedrock, Lisa Lankford, Rachel Moore, and Trish Saxman

## I. CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 9:09 AM pursuant to Public Notice dated April 7, 2023.

## II. APPROVAL OF MINUTES

Chair Byrd asked for a motion to approve the minutes of the March 8, 2023 Finance Committee Meeting and Commissioner Granbery made a motion and Vice Chair Glover seconded the motion. The motion carried by vote of 3 to 0.

## III. CHAIR'S REPORT

Chair Byrd stated that today was a big day, with the Committee reviewing several budget items. He noted the amazing growth of the airport. Chair Byrd thanked the staff for their good work and making all of it happen.

## IV. ITEMS FOR APPROVAL

### 1. Professional Services Contract for Public Relations Services

President Kreulen introduced Stacey Nickens, AVP, Corporate Communications, to brief the Committee on the Professional Services Contract for Public Relations Services. Ms. Nickens stated the contract is to perform public relations, marketing and advertising services at BNA, JWN and MPC. The

contract is with Finn Partners, Inc. and the term is for three years starting on July 1, 2023, with two one-year renewal options, and is for \$438K annually. Ms. Nickens recommended that the Finance Committee recommend to the Board of Commissioners that it approve the contract for public relations services and authorize the Chair and CEO to execute the professional services contract with Finn Partners, Inc. for \$438,000 annually.

Chair Byrd asked if it went out for bid. Ms. Nickens responded yes, five bids were received, three of which were deemed non-responsive by Business Diversity Department (“BDD”). The two responsive submittals were from Finn Partners, Inc. and Xenophon Strategies. Vice Chair Glover stated that she knows Finn Partners well and they are an excellent firm. Chair Byrd agreed stating his experience has been exactly the same; Finn is an excellent contact in the community, they know this area well, have been doing this job for a long time, and have a very deep strong team. President Kreulen stated Finn has a strong reputation and has worked with us before, and this partnership with Finn has given us access on a global scale now, especially as we look to Asia, Iceland and European destinations. This contract is going to be even more important to us over the next five years as Finn will help introduce us to or introduce these other airlines to Nashville. Vice Chair Glover asked what role Finn’s plays at BNA. Ms. Nickens replied they will assist us with our day-to-day communication efforts, advertising, graphics with our branding, bus wraps, and all other communications and messaging and also; they are able to get here in 45 minutes. Vice Chair Glover asked if Katie Seigenthaler is located in Chicago. Ms. Nickens replied yes, Ms. Seigenthaler is a partner with Finn Partners and is located in Chicago, though she is here often. Ms. Nickens introduced Ryan Witherall, a partner. Mr. Witherall stated their office is based here and has about 100 employees located in a hub in Southeast Nashville and Katy’s office is based in Chicago, but she is here quite often. President Kreulen stated they have been instrumental in helping the airport and staff deal with challenges on social media and especially with the public and The Tennessean on Christmas. President Kreulen stated that Finn Partners does a really good job of preparing us, and we are pretty happy to have them. Chair Byrd asked President Kreulen if he believes they will be able to help us internationally. President Kreulen replied yes, MNAA is pushing very hard for a second European destination, and MNAA expects to be hosting the First Lady of Iceland in May. We are trying to advertise a tour for her, and Finn has connections to the airlines that MNAA wants to come here, and so we believe this to be a double partnership.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion. The motion passed with a vote of 3 to 0.

## 2. WestJet Incentive Agreement - Vancouver

President Kreulen introduced Josh Powell, Director, Airline Affairs & Air Service Development, who briefed the Committee on the WestJet Incentive Agreement – Vancouver. Mr. Powell stated WestJet currently serves Toronto three times weekly and Calgary four times weekly from Nashville. This will be for new service to Vancouver, the first ever for Nashville, that will be two times weekly beginning May 19, 2023. The approved Air Service Incentive Plan (ASIP) for service to Canada for the minimum of two times weekly allows for 75% abatement landing fees as well as \$75K in reimbursable marketing funds for the first year and the second year is 50% abatement landing fees and \$25K marketing funds. The term of the incentive is two years from the date of service – May 19, 2023 through May 18, 2025. The total estimated incentive value based on the initial planned 2 flights/week is \$168k, of which \$68K is landing fee abatement and up to \$100K is marketing funds. The incentive is variable based on actual flight activity, with a maximum of 7 flights/week which would put it at \$339K. We are recommending a mid-range of \$254K for the Letter of Agreement (LOA) as a maximum amount, and any amount exceeding that will require additional Board approval.

Chair Byrd asked if one of the international gates will be utilized. Mr. Powell replied this is one of the cities in Canada that actually has pre-clearance, so passengers will pass through US Customs in Vancouver and will land as a domestic flight, and also depart as that.

Mr. Powell recommended the Finance Committee recommend to the Board of Commissioners to approve funding for the proposed marketing incentives and landing fee abatements, up to \$254K, and authorize the Chair and President & CEO to execute the Letter of Agreement by and between MNAA and WestJet outlining the specific terms of the proposed incentive.

Chair Byrd asked for a motion to approve as presented. Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. The motion passed with a vote of 3 to 0.

## 3. Adjustment to FY23 O&M BNA Budget – MNAA Resolution 2023-06

President Kreulen introduced Marge Basrai, EVP, Chief Financial Officer, who briefed the Committee on the FY23 O&M Budget Amendment. Ms. Basrai referenced a slide she presented at last month's Finance Committee on FY23 Enplanement Projections, showing FY22 Actual Enplanements were 9.2M. The Finance Team used a projection of 9.6M enplanements for the FY23 budget, and FY23 is now projected to

end between 10.3M and 10.8M enplanements. With those large variances in enplanements, Finance staff recommends a few budget adjustments for BNA. Finance staff reviewed all the operating expenses with various departments and adjusted the parking related expenses and utilities which are currently over budget.

Ms. Basrai stated all operating revenue is over budget because of the increase in enplanements. A budget adjustment is not required, but because we are going to do a parking related expense amendment, MNAA wanted to amend the parking revenue to cover that increase in expenses. Parking revenue is the biggest operating revenue that we are overbudget on right now. Passenger Facility Charges (PFCs) will also be adjusted due to the direct link to enplanements. MNAA adjusted use of our Federal Relief Funds with an increase of \$10M, so we will end up using \$27M in FY23 and still have \$37.9M to use in FY24 and FY25.

Chair Byrd asked what the total amount of the grant was. Ms. Lankford, VP, Strategic Advisor to the President, stated the federal relief grants totaled \$126M. President Kreulen stated it is a compilation of funds from CARES, CARRSSA and ARPA that we received from the past administrations to make it past the pandemic. Ms. Basrai stated one of the things President Kreulen asked the Finance Team to do this year is utilize the relief funds over a four year period and we started to maintain that.

Ms. Basrai stated under the budget approved last April and with the new amended budget the minimum Debt Service Coverage legal requirement is 1.25 for senior and 1.10 for senior/subordinate. MNAA tries to have 1.25 for a senior/subordinate and 1.5 for senior. Debts service coverage will be very strong - 11.96 for senior and 4.85 for senior/subordinate combined. The landing fee has not changed at \$2.83; we anticipate it may go down at year end true. The Cost Per Enplanement (CPE) will also go down to \$6.46.

Ms. Basrai provided the details of the Amended FY23 BNA O&M Budget. Operating Revenue increased \$18.7M all due to parking revenue based on the increase of passengers, the rate increase on March 1, 2023, plus the third garage opening on April 27, 2023. Operating Expenses increased by \$7.5M due to parking lot and valet operations increased \$1.3M, shuttle bus increased \$1.8M, credit card fees increased \$800k (more parking revenue equals more credit card fees), and utilities increased \$1.8M with higher rates and more usage with the Grand Lobby opening. The Net Non-Operating Income Expense increased use of Federal relief grants by \$10M and PFCs increased \$2.6M as a direct result of increased enplanements.

Ms. Basrai presented a summary of the Amended FY23 BNA O&M Budget: Total Operating Revenue \$226.1M; Total Operating Expense \$139.9M; and Income before Depreciation & Grants \$91.4M.

Vice Chair Glover asked if debt service coverage is expected to remain at the FY23 level. Ms. Basrai replied no, it is projected to go down over the next 8 years because we will keep adding debt. We still stay very strong, above the 1.5 and the 1.25, even when we get to FY30, we have \$3B in debt and will still be above our target, the 11.96 is higher than we forecasted in our Official Statement. President Kreulen stated the 10 year forecast that Ms. Basrai and the Finance Team put together show with conservative growth we are going to stay above the 1.5 and 1.25 which is the target on our evaluations, well above the requirement, and if we continue to grow like we have been greater than a very conservative estimate we will not have to worry about this. Commissioner Granbery asked regarding the Net Non-Operating Income expense, what the shift from -7.3 up to 5.2 is related to. Ms. Basrai replied that is from the increased Federal Relief Grants and PFCs. President Kreulen stated as the President he did not want to penalize the staff for going over budget.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed amended FY23 BNA Operating Budget and authorize the Chair and President & CEO to execute the MNAA Resolution No. 2023-06.

Chair Byrd asked for a motion to approve as presented. Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. The motion passed with a vote of 3 to 0.

4. Adjustment to FY23 O&M JWN Budget – MNAA Resolution 2023-07

Ms. Basrai briefed the Committee on the FY23 O&M JWN Budget adjustments. Ms. Basrai stated that last month she committed to evaluate the need for adjustments to the MPC and JWN budgets. We do not need to adjust MPC, but we need to make some small adjustments to the JWN FY23 O&M Budget. JWN's Operating Revenue increased by \$121K, including hangar rent increased \$62K and new tie-down areas being leased, reimbursable services increased \$38K, for auto fuel reimbursements not previously budgeted, and fuel flowage fees increased \$21K based on current activity. Operating Expenses increased \$128K, due to janitorial services increased \$26K for the new Air Traffic Control Tower (ATCT), electrical

supplies increased \$17K for lightning strike repairs, and utilities increased \$85K for higher rates and usage. Net Non-Operating Revenue increased \$94K with the use of JWN's remaining relief grants of \$274K.

Ms. Basrai presented a summary of the FY23 JWN O&M Budget: Total Operating Revenue \$1.8M; Total Operating Expense \$1.9M; and Income before Depreciation, Grants & Transfers from MNAA \$87K.

Commissioner Granbery asked if MNAA has issued the rent increase. Ms. Basrai replied that the letters for rent increases went out and are effective July 1, 2023. President Kreulen stated that 9.5% was inclusive in that. Chair Byrd asked if the fuel flowage expense generates revenue. Ms. Basrai replied, yes, 6 cents a gallon. President Kreulen stated at 6 cents a gallon it does not add up to much, but for being such great tenants, we give them a credit which keeps their hangar rates low. Chair Byrd asked if MNAA gets a similar fee at BNA. President Kreulen stated yes, we get a fuel flowage fee from the FBOs, and the State gets a jet fuel tax which is deposited into the Transportation Equity Fund ("TEF") used to fund airport improvements across the State. Chair Byrd asked if it goes directly to them. President Kreulen stated yes, it goes to the State and then the State divides that money to all 78 airports in Tennessee. Vice Chair Glover asked if we are budgeting a net loss on operations and if the non-revenue is going to balance it out. Ms. Basrai replied yes, in fact you really do not have an operating loss because those grants are used to pay operating expenses, but we have to treat relief grants as non-operating expenses and in FY24 we will not have an operating loss. Commissioner Granbery asked if the ground leases are paying rent yet. President Kreulen stated he will get a summary of what we are collecting each month.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed amended FY23 JWN Operating Budget and authorize the Chair and President & CEO to execute the MNAA Resolution No. 2023-07.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion. The motion passed with a vote of 3 to 0.

##### 5. Airline Use and Lease Agreement (AULA)

Ms. Basrai briefed the Committee on the Airline Use and Lease Agreement (AULA). Ms. Basrai introduced the AULA financial negotiation team, Dan Benzon, President of Benzon Aviation Consulting and Jeff

Schulthess, Vice President of Landrum & Brown. Ms. Basrai stated that when MNAA began negotiations in July of 2021, President Kreulen gave the Finance Team goals and objectives for the AULA. With the capital program, MNAA wanted to make sure that we could finalize the implementation of BNA Vision 1.0, implement BNA Vision 2.0 and New Horizon, and any other major capital projects that we need to do operationally. The operational goals are to maximize aircraft gate utilization, match terminal rates with level of service, and maintain flexibility for all airlines serving BNA. The financial goals are to maintain adequate debt service coverage and adequate liquidity, maintain competitive airline costs and maximize non-airline revenue opportunities.

Ms. Basrai went through the AULA timeline, starting with the negotiation of a 1-year extension in December 2021, which expires June 30, 2023. By October 2022 MNAA reached an agreement with the airlines on material elements of a new AULA. On October 17, 2022 Southwest signed a Memorandum of Understanding (MOU) on material terms and on October 19, 2021 the Board approved these terms for preparation of the FY24 Budget and Official Statement. By January 11, 2023, MNAA completed all negotiations with airlines and final legal reviews and airline comments received. By March 14, 2023, all airlines were sent the final AULA for signatures. MNAA received agreements back from Southwest and Delta which represent 63% of our landed weight. In May and June MNAA expects the remaining AULAs to come in, and expects delays with some airlines, like American Airlines, that only meet quarterly and may have to wait for approval. On July 1, 2023 MNAA will implement the FY24 airline rates and charges per the new AULA. In the event the airlines do not sign by June 30, 2023, they have two options - they can sign a Letter of Intent (LOI), or they can become a non-signatory airline which will be a 25% increase in their fees.

Ms. Basrai presented a table created by the Finance Team to show the comparison between the current AULA terms and the new AULA agreement. The term of the new AULA is 8 years with one 2-year mutual option. If Concourse A opening is delayed the 2-year option is automatically extended to June 30, 2033. MNAA wanted to make sure the agreement lasted two years when Concourse A opens. The Minimum Signatory Airline Commitment under the old agreement, required the airlines to commit to using one gate and ticket counter. Under the new agreement, passenger carriers must pay at least 1% of the total rates, charges, and fees paid by all Signatory Airlines and cargo carriers must pay at least 1% of annual landing fees paid by all Signatory Airlines. Landing Fee Methodology is a residual, consistent with the original AULA, so anything in the airfield cost center the airlines pay 100%.



Ms. Basrai stated the Terminal Rate Methodology is the biggest change in the AULA. Currently the Terminal Rate is a fixed rate, started at \$90 back in FY16 and went up 2.5 – 3% each year until the end of this year. If the actual calculated rate was more than that, MNAA paid the difference. MNAA is now going to a commercial compensatory that allows us to calculate the rental rate each year based on what the overall cost in the terminal actually is. The airlines pay based on the square footage they rent. Overall MNAA negotiated 50% airline rented space minimum, and if debt service coverage requirements of 1.50x and 1.25x are not met, MNAA can charge them up to 50% to meet those requirements, and MNAA can charge them in case of vacancy issues. Chair Byrd asked if they actually backed with debt service. Ms. Basrai replied yes, because they want the gates and the capital program and are willing to commit. President Kreulen stated we did a great job with the old agreement and with this new AULA we realized we are growing and on this one the airlines have adopted the whole 10 year plan because they know exactly how Nashville is planning to grow. Chair Byrd asked what the current fixed rate per square foot is. Ms. Basrai replied it is \$116.55 and when we get to FY24 it will be \$176, so the rental rate will go up. The Satellite Concourse Terminal Rate will receive a 2.5% discount from the main terminal rate.

Ms. Basrai stated the Debt Service Coverage is something new for the AULA. MNAA has rolling debt service coverage in all rate calculations and airline cost centers. Our legal debt requirement is 1.25 for senior and 1.10 for senior/subordinate combined. In the first year MNAA can add to the airline costs 25% of the annual senior debt service, and we take 10% of the senior/subordinate combined and charge 10% of that debt service and that also gets added on top of 100% annual debt service. We add to the airline cost and each year add incremental difference. So as the debt service goes up that difference gets added into their costs which helps MNAA maintain the legal requirements of our debt service.

Ms. Basrai stated that regarding revenue sharing under our old agreement, we had to pay both internal concession revenue share and share on the rental cars, which finally by FY18 dropped to 50% of in-terminal concessions. Our revenue sharing under the new agreement is based on weighting of three factors - our net remaining revenues, in-terminal concessions and fixed amount per enplaned passenger. It limits the amount of revenue the airlines get. The factors go down each year. It is 50% this year but by the end of the agreement, we are only using the data point at 25%.

President Kreulen thanked Ms. Basrai and the Board that now we have gone from sharing 100% to 50% and now we are headed down to 25%. President Kreulen stated that he believes that this is a really good deal for us. Chair Byrd asked if it drops over time. Ms. Basrai stated that it is probably annualized. Mr. Schulthess clarified that MNAA has to meet all financial obligations before you share, and make sure you are flush before sharing. Chair Byrd asked if we charge a concession percentage to each vendor. Ms. Basrai replied we have a contract with Fraport and based on sales, we receive a fixed percentage. President Kreulen stated we use some of that money to offset airline costs and we are sharing less to the airlines, so they have to be more efficient. Chair Byrd asked what Fraport's flat fee for renting these facilities is. Ms. Basrai stated it varies, some are fixed and some are percentages. MNAA receives 60% of what Fraport collects. We have a Minimum Annual Guarantee ("MAG") of \$11M right now, so we either collect the greater of \$11M or 60% of what Fraport collects. Commissioner Granbery asked that in the future, if we can compare FY23 and FY24 using actual dollars instead of percentages. President Kreulen stated yes, we can get that information and share updates.

O&M Reserve and R&R Reserve are established by our Bond ordinance as emergency reserve cash funds and MNAA must have 2 months of estimated O&M expenses and \$5M in our R&R fund. The new AULA increases from 2 to 3 months over four years and the R&R Reserve Fund will increase from \$5M to \$19M over four years. The amortization for cash funded projects is new for AULA and is the ability to amortize the cost of any capital projects as cash fund into the rates and charges over the life of that asset. MNAA has not been able to do that before, and now we will be able to cash fund some of our projects and this will allow us to pass those rates and charges. We can amortize miscellaneous capital projects up to \$1M annually and each year that minimum goes up 3%. We have also committed to paying \$50-75M based on enplanements of MNAA cash on defined capital projects that the airlines would have to pay for. This would include items in the terminal, the Concourse D extension, Concourse A, baggage, if we put some of our \$75M they will let us amortize it and they will pay us back through the life of that asset, and there is no limit on it, so it does not go into that \$1M. Commissioner Granbery asked if there is imputed interest on that. Ms. Basrai replied yes. Chair Byrd asked if this cash expenditure is non-bond financed. Ms. Basrai replied yes, and they will pay us back with interest.

Ms. Basrai stated the Reliever Airport Contribution is \$500K starting in FY24 with a 3% escalator each subsequent fiscal year. The Capital Improvements Majority-In-Interest ("MII") Review is where MNAA must provide the airlines with notice of capital projects in the airfield cost center only. They pay 100% of projects of any cost of airfield so they have an MII review process. The MII has stayed in the current AULA

and no other review process was added. Under the current agreement, there is Positive MII, meaning we present the capital project and cannot go forward until they approve it. In the new AULA we went to negative MII, which means we present it, and we can do the project unless the airlines disapprove. Some projects in the airfield that are right now below \$50K do not go through that process, and in the new AULA that exemption is up to \$2M.

Ms. Basrai stated Preferential Use Gate Utilization is one of the goals we have discussed to use our current gates more efficiently. Under the current agreement, they had to have 4 daily turns, and in the 1-year extension it went up to 5.75 in FY23. Under the new AULA the airlines will have to meet 6 daily turns or have 900 aircraft scheduled seats daily on that gate.

Ms. Basrai stated the At Risk Gate is a new category that is entered in the new AULA. If an airline has more scheduled flights that they have lease gate capacity for, and we have gates available for rent, they can lease that gate as an “at risk” preferential gate. If they do not meet the 6 turns a day or 900 seats, we are only required to give them 30-day notice and then we can take that gate back and give it to another airline to utilize that gate. Under the old agreement, it could take 4-5 months to get the gate back. Vice Chair Glover asked if airlines could give 30-day notice to MNAA. Mr. Benzon explained MNAA provides the notice to them, and we get the revenue. Ms. Basrai stated the Reserved Common Use Gates is a new addition to the AULA where MNAA will reserve an estimated five gates for common use.

Ms. Basrai stated that the new AULA meets MNAA’s key goals and objects: Allows implementation of BNA Vision, New Horizon, and other major projects to meet operational demand: increased aircraft gate utilization to use our assets more efficiently; maintains flexibility to accommodate changing needs/ business models of all airlines serving BNA; maintains strong financial metrics – debt service coverage, liquidity.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the new Signatory Airline Use and Lease Agreement (AULA) and authorize the Chair and President and CEO to execute the AULA with each Signatory Airline.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion. The motion passed with a vote of 3 to 0.

Chair Byrd pointed out the Finance Team has done a phenomenal job – and the amount of effort that all of the MNAA team put into this is amazing. Chair Byrd thanked the MNAA team.

#### FY24 BNA Budget Summary Metrics

Ms. Basrai stated she used the AULA terms to build out the six FY24 budgets up for approval. Ms. Basrai presented the BNA FY24 Enplanement Forecasts, established in February 2023, - moderate is 10.97M, strategic is 11.29M and the aggressive is 11.6M. The moderate and the adjusted forecast are shown on the graph, and we budgeted using the moderate forecast of 10.97M enplanements. Again, we could come in over that and have to come in mid-year and make another adjustment. The CEO gave guidance to the Financial Team to accomplish the following: Ensure we can make all required debt service payments; meet both Board required debt service coverage and days cash on hand metrics to maintain our credit ratings; minimize financial impact to our business partners to enhance future air service; and stay within the 2022 Official Statement's operating expense guideline for projected enplanement levels: \$165.3M.

The Finance team focused on the Operating Expense Target based on forecast of where enplanements were for FY25 enplanements. The Federal Relief Funds total award for BNA was \$126.5M of CARES, CRRSAA and ARPA. Ms. Basrai presented a chart showing how the funds were spent between debt service and operating expenses. We will have \$37.9M at the end of FY23 to use for FY24 and FY25. For FY24 we budgeted use of \$31.4M for debt service which leaves \$6.6M remaining of ARPA funds to use in the first few months of FY25. The deadline to spend ARPA is December 2025. Vice Chair Glover asked if there is talk about extending when the deadline for using the funds. Ms. Basrai replied as of now it is December 2025 and President Kreulen stated we have not seen any changes since they started. Commissioner Granbery asked what the reserves will be at the end of FY23. President Kreulen replied that the Finance Team is working on this, but with the caveat that when we started the old agreement in 2015, we were at \$0, after they pursued their budget reconciliation it will go from \$0 in the NAE account to \$260M. We could survive if there was another pandemic and the Federal Government did not provide relief, theoretically we would be able to cover ourselves. Residual agreements can make airport executives very lazy and too comfortable, but when you get to the compensatory side, you must operate as a business. We have grown up over the last 9 years and this agreement will take us to 8-10 more years. We have been wise at what we have been doing.

Ms. Basrai presented the FY24 BNA Budget Summary Metrics. Debt Service Coverage is 9.99 for senior coverage and 6.40 senior/subordinate coverage. All debt issued so far is all coming online. Landing Fee will go up to \$2.88, and Cost Per Enplanement (CPE) will go up \$8.94. Days Cash on Hand, calculated using 4 main reserve cash accounts, NAE, Revenue Fund, O&M Fund and R&R Fund, is at 829 days, above our target. Metrics are all strong and when you compare those metrics against where we thought we would be our Official Statement that we took to the Bond market in December, all of these numbers are better. Chair Byrd asked how much cash is free and clear from bond security requirements. Ms. Basrai replied all of this is unrestricted cash. President Kreulen stated on the \$8.94 CPE that went up that the 10-year forecast that locked in our bond rating, our CPE went from \$6.46 to \$1600. Our financial planning and strength are why the airlines want to sign up in Nashville and stay - it is very cost efficient, and we meet our long term intent of the Board to be an efficient airport.

President Kreulen stated for approval, Ms. Basrai can go through each item and the Finance Committee approve individually or we can go through every item and have the Finance Committee approve six all at once. Chair Byrd asked if we are approving an overview of what the Board will approve next week. President Kreulen stated yes, the Board will approve all of the budgets at next week's Board meeting.

6. FY24 O&M BNA Budget and MNAA Resolution 2023-02

Ms. Basrai stated the FY24 BNA O&M Budget Operating Revenue increased \$56.3M. The FY23 numbers are issued in the current amended budget. The two main categories of Operating Revenue are Non-Airline Revenue and Signatory Airline Revenue. Non-Airline Revenue increased \$24.4M due to parking increased \$8.5M with high enplanements, the parking rate increase on March 1, 2023 and additional capacity from the third garage opening in April; Concessions increased \$13.6M with food and retail concessions at \$5.2M, rental car concessions \$4.6M and TNC (Uber and Lyft) at \$2.4M; and space rent also increased \$3M with higher non-signatory per use fees and increased rental rates of new space being leased.

Ms. Basrai stated the Signatory Airline Revenue increased \$31.9M, and main terminal rent increased \$17M due to an increase in rates from \$116.55 to \$173.84 per square foot under the new methodology in the AULA and increase in leased space, including the Satellite Concourse which will open in October. Baggage fees increased \$8.7M to cover capital and maintenance costs of the baggage handling system, with the majority of the increase due to the increase in terminal rental rates allocated to the baggage area, and

other costs that can now be allocated to the various cost centers (O&M reserve and R&R contribution) that were not allowed under the prior agreement. Landing Fees increased \$7.7M due to the rate increase from \$2.83 to \$2.88 and higher forecasted landed weights.

Ms. Basrai stated the Operating Expenses increased \$26M. Salaries and Benefits increased \$5M with 57 new positions (from 380 to 437 official positions) and a cost of living adjustment. Contractual services increased \$17.5M with shuttle bus services increasing \$7.2M with new electric shuttle services for the Satellite and new landside contract for shuttles; janitorial services increased \$3.9M with contract escalation and new service for Grand Hall, new Garage and Satellite Concourse; and security services increased \$1.2M with additional hours for ground traffic officers. Credit card fees increased \$1.5M due to the increase in parking revenue. Software contracts increased \$1.1M with increases in cost and quantity of various contracts. Materials and supplies increased \$2.8M due to \$1.5M in minor equipment, radios, uniforms for new and existing employees; \$400K in baggage system and jet bridge supplies due to increased operations and janitorial supplies; \$250K due to increase in passengers and new openings (Grand Hall and Satellite Concourse). Building maintenance supplies increased \$400K due to maintaining increased facilities. Utilities increased \$1M with higher rates and additional usage related to openings of Grand Hall, new Garage and Satellite Concourse.

Ms. Basrai stated the Net Non-Operating Income/(Expense) increased to \$11.8M with interest income increased \$9.4M due to increase in cash balance in December 2022 from the bond issuance and the anticipated increase in interest rates; increased Passenger Facility Charges (PFCs) of \$2.5M and Customer Facility Charges (CFCs) of \$1.2M due to additional enplaned passengers; federal relief grants (CARES/CRRSSA/ARPA) increased \$4.3M based off the anticipated use of federal grants for current and future needs; Bond issuance costs decreased \$4.0M due to no anticipated bond issuance in FY24; and interest expense increased \$9.8M due to having a full year of interest expense from 2022 bonds in FY24.

Ms. Basrai presented a summary of the FY24 BNA O&M Budget: Total Operating Revenue \$282.3M; Total Operating Expense \$165.9M; and Income before Depreciation & Grants \$133.4M.

Ms. Basrai asked the Commissioners if they wished she present the FY24 O&M Budget for approval now or wait until end and approve all budgets at once. All Commissioners agreed to approve all budgets at one time.

7. FY24 Capital BNA Budget and MNAA Resolution 2023-03

Ms. Basrai stated the FY24 BNA Capital Improvement Budget is \$188.6M and the FY24-FY28 Capital Improvement Plan is a five year capital plan and is \$1.6B and the future years are reevaluated each year. The major FY24 projects are a new parking revenue control system, apron dual taxilanes, Concourse A expansion design, and Phase 1 of Part 139 improvements on airfield. FY24 funding is \$139M bond funded, \$13.4M Federal, and the balance is Authority Fund, Airline Fund and CFC's. Each individual project will be approved. The CIP approval does not mean you are approving these projects, as all large projects will come back to the Board for approval. Chair Byrd stated it is a good idea for the Board to be aware of the money and nature of expenditures.

8. FY24 O&M JWN Budget and MNAA Resolution 2023-04

Ms. Basrai stated the FY24 JWN O&M Budget's Operating Revenue will increase \$582K, with land rental increased \$456K due to the execution of the new north development leases, and hangar rent increased \$159k due to the rent increase effective June 1, 2023 and offset by a \$33K reduction for reimbursable expenses (remove 1-time exp) for FY24. Operating Expenses increased to \$327K, which includes salaries and benefits increase of \$261K from the cost of living adjustments and also adding the salary of the Operations Director who was moved to JWN in FY23. Contractual services decreased \$130K due to legal services, completion of the overlay study and removal of the temporary office trailers. Materials and supplies decreased \$13K due to removal of lightning strike expenses from FY23. Utilities increased \$66K to accommodate for the new Administrative Building and additional hangars, along with the sharp increase in utility rates. Other operating expenses increased \$143K due to the allocation of BNA administrative expenses (\$110k), property insurance (\$23k), and higher vehicle fuel costs (\$13k).

Ms. Basrai stated that the FY24 JWN O&M Budget decreased \$185K with federal relief grants receipts decreased \$250K, used all JWN relief funds by end of FY23 and State grant revenue increased \$19K with anticipated state grant for equipment.

Ms. Basrai presented a summary of the FY24 JWN O&M Budget: Total Operating Revenue \$2.3M; Total Operating Expense \$2.3M; and Income before Depreciation & Grants \$157K.

President Kreulen stated Mayor Cooper had asked if BNA subsidizes JWN and the answer is no. With the business deals we have been making lately, JWN is breaking even and performing well.

9. FY24 JWN Capital Budget and MNAA Resolution 2023-05

Ms. Basrai stated the FY24 JWN Capital Improvement Budget and FY24-FY28 Capital Improvement Plan is a five year capital plan and is \$58.1M. The total FY24 CIP is \$42.4M. The major FY24 projects are placeholders for MNPD and TBI Hangars at \$21M each and the resurfacing of Airport Drive at \$250K. Commissioner Granbery stated that he thinks that \$21M seems enormous and that another group is building on two pads and their total project is \$15M and it is twice the size. Mr. Ramsey explained it may be soft cost and different build out, such as armories, locker rooms, and many other activities associated with MNPD other than standard build. President Kreulen stated it is a placeholder, and Chief Drake at MNPD and Mayor Cooper will have to approve the design so that the hangar meets their requirements and budget. MNAA will advise them if the design is reasonable to their needs.

10. FY24 MPC O&M Budget and MPC Resolution 2023-01

Ms. Basrai stated the FY24 MPC O&M Budget increased \$244K for space rent per lease agreements and the transfer of Air Freight tenants to the Multi-Purpose Building ("MPB") in December 2023 for the extension of Concourse D. Operating Expenses increased \$581K due to contractual services increasing \$374K for a new janitorial services contract for \$250K and tenant improvements with 13 expected tenant turnovers at \$87K. Material & supplies increased \$19K, due to more janitorial and HVAC supplies. Utilities increased \$174K with higher rates and more usage for new tenants in MPB. Other Operating Expenses increased \$14K primarily for higher insurance premiums. Non-Operating Revenue increased \$126K due to increased interest rates and higher cash balances.

Ms. Basrai presented a summary of the FY24 MPC O&M Budget: Total Operating Revenue \$3.7M; Total Operating Expense \$2M; and Income before Depreciation & Grants \$1.9M.



#### 11. FY24 MPC Capital Budget and MPC Resolution 2023-02

Ms. Basrai stated the MPC Special Projects Budget & FY24-FY28 Special Projects Plan is \$2.58M. All the CIP Projects are related to the International Plaza (“IP”) building. MNAA contracted with a consultant to perform appraisal/evaluation of the IP building to assess the value and major CIP projects needed to keep building in working order. While no final determination has been made regarding the building (sell, demolish), there are tenants in the building and some projects are needed to ensure the building is safe and in good working order. FY24 major projects include: Replace Electrical Distribution Switchgear \$1.035M; Replace boilers \$150K; Roof repairs and roof condition assessment study \$200K. MPC’s only funding source is their cash balance – which is \$8.6M. Chair Byrd asked what MPC owns. Ms. Kristen Deuben, VP, Finance, replied MPC owns the IP building, the Multipurpose Building and a tire shop. Ms. Basrai stated it is a legal nonprofit, under a separate legal entity. President Kreulen replied that in terms of the prior residual agreement, the Airport Authority created this other corporation and the proceeds of MPC were not shared with the airlines.

#### FY24 BNA , JWN and MPC O&M and CIP Budget Approvals

Ms. Basrai requested the Finance Committee to recommend to the MNAA Board of Commissioners and MPC Board of Directors to approve the proposed budgets and authorize the Chair and President & CEO to execute the following resolutions:

- FY24 BNA O&M Budget, **MNAA Resolution #2023-02**
- FY24 BNA Capital Improvements Budget & FY24-28 Capital Improvements Plan, **MNAA Resolution #2023-03**
- FY24 JWN O&M Budget, **MNAA Resolution #2023-04**
- FY24 JWN Capital Improvements Budget & FY24-28 Capital Improvements Plan, **MNAA Resolution #2023-05**
- FY24 MPC O&M Budget, **MPC Resolution #2023-01**
- FY24 MPC Special Projects Budget & FY24-28 Special Projects Plan, **MPC Resolution #2023-02**

V. INFORMATION ITEMS

1. BNA Concessions Program Update

President Kreulen introduced Colleen Von Hoene, Associate Principal, Paslay Group, to brief the Committee on concessions activity. Ms. Von Hoene stated there are 15 locations scheduled to open in September 2023, with 14 of those locations approved to Code, and most are waiting to pick up their permit. Approval of Amendment 8 to the Fraport Lease and Amendment 1 to the CRDC Sublease has been moved to May 2023. The Paradies Satellite Concourse has 7 locations scheduled to open October 2023 and all 7 are under review of construction drawings.

VI. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 10:34 AM.

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Andrew W. Byrd, Board Secretary

# STAFF ANALYSIS

## Finance Committee (Information Only)

Date: May 10, 2023  
Facility: Nashville International Airport  
Subject: FY2023 – 3<sup>rd</sup> Quarter – MNAA Employee Retirement Plan and Other Post-Employment Benefits (OPEB) Investment Report

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### I. Reports

Attached is the Performance Report prepared by Principal for the 3<sup>rd</sup> Quarter of FY2023. The Principal report covers the period from January 1, 2023 through March 31, 2023.

### II. Analysis

#### A. **Summary**

##### MNAA Retirement Plan

The quarter (three months) total portfolio return gross of fees was 4.96% compared to the designated Composite Benchmark of 4.76%. The three-month total portfolio return net of fees was 4.91%.

The fiscal year-to-date (nine months) total portfolio return gross of fees was 6.00% compared to the designated Composite Benchmark of 5.41%. The year-to-date total portfolio return net of fees was 5.83%.

##### Asset Allocation Summaries – Retirement Plan

Principal resets the asset allocations mid-month. As a result, market fluctuations may result in month-end allocations being temporarily and slightly outside of the limits established in the policy. On the next month's reset date, Principal brings all asset classes back into compliance with the stated policy. All exceptions occurring during any quarter are reviewed by the Retirement Committee and additional action is taken, if needed.

As of January 31, 2023, all asset classes are in compliance with the Retirement Plan Investment Policy 41-011, effective July 22, 2021.

**Pension - Asset Allocation as of 1/31/2023 (based on market values)**

Category	Balance	Allocation*	Policy dated 7/22/21 Changes implemented 7/31/21 - Present Min-Target-Max	Compliance	Max Allocation	Allocation Variance
Cash and Cash Equivalents	\$ 2,352,859.29	3.00%	0%-3%-100%	Yes	100.00%	97.00%
Bonds and Notes	\$ 36,245,205.51	46.22%	0%-47%-57%	Yes	57.00%	10.78%
Equities - Large Cap <sup>(a)</sup>	\$ 6,320,660.62	8.06%	0%-8%-10.40%	Yes	10.40%	2.34%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 8,353,502.95	10.65%	0%-10.5%-17.40%	Yes	17.40%	6.75%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 6,356,808.92	8.11%	0%-8%-10.40%	Yes	10.40%	2.29%
Equities - Mid Cap <sup>(a)</sup>	\$ 5,633,392.77	7.18%	0%-7.00%-9.10%	Yes	9.10%	1.92%
Equities - Small Cap <sup>(a)</sup>	\$ 3,217,913.70	4.10%	0%-4.00%-5.20%	Yes	5.20%	1.10%
Equities - International <sup>(a)</sup>	\$ 9,933,037.91	12.67%	0%-12.50%-16.10%	Yes	16.10%	3.43%
<b>Total</b>	<b>\$ 78,413,381.67</b>	<b>100.00%</b>				
(a) Total Equities	\$ 39,815,316.87	50.78%	0%-50%-60%	Yes	60.00%	9.22%

\*Total Allocation Percentage may not equal 100% due to rounding

As of February 28, 2023, all asset classes are in compliance with the Retirement Plan Investment Policy 41-011, effective July 22, 2021.

**Pension - Asset Allocation as of 2/28/2023**

Category	Balance	Allocation*	Policy dated 7/22/21 Changes implemented 7/31/21 - Present Min-Target-Max	Compliance	Max Allocation	Allocation Variance
Cash and Cash Equivalents	\$ 2,055,925.08	2.70%	0%-3%-100%	Yes	100.00%	97.30%
Bonds and Notes	\$ 36,245,292.41	47.61%	0%-47%-57%	Yes	57.00%	9.39%
Equities - Large Cap <sup>(a)</sup>	\$ 6,088,914.15	8.00%	0%-8%-10.40%	Yes	10.40%	2.40%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 7,820,239.96	10.27%	0%-10.5%-17.40%	Yes	17.40%	7.13%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 6,004,628.74	7.89%	0%-8%-10.40%	Yes	10.40%	2.51%
Equities - Mid Cap <sup>(a)</sup>	\$ 5,270,111.31	6.92%	0%-7.00%-9.10%	Yes	9.10%	2.18%
Equities - Small Cap <sup>(a)</sup>	\$ 3,010,750.59	3.95%	0%-4.00%-5.20%	Yes	5.20%	1.25%
Equities - International <sup>(a)</sup>	\$ 9,639,300.70	12.66%	0%-12.50%-16.10%	Yes	16.10%	3.44%
<b>Total</b>	<b>\$ 76,135,162.94</b>	<b>100.00%</b>				
(a) Total Equities	\$ 37,833,945.45	49.69%	0%-50%-60%	Yes	60.00%	10.31%

\*Total Allocation Percentage may not equal 100% due to rounding

As of March 31, 2023, all asset classes are in compliance with the Retirement Plan Investment Policy 41-011, effective July 22, 2021.

**Pension - Asset Allocation as of 3/31/2023 (based on market values)**

Category	Balance	Allocation*	Policy dated 7/22/21 Changes implemented 7/31/21 - Present Min-Target-Max	Compliance	Max Allocation	Allocation Variance
Cash and Cash Equivalents	\$ 2,220,554.59	2.87%	0%-3%-100%	Yes	100.00%	97.13%
Bonds and Notes	\$ 35,518,825.73	45.96%	0%-47%-57%	Yes	57.00%	11.04%
Equities - Large Cap <sup>(a)</sup>	\$ 6,203,772.48	8.03%	0%-8%-10.40%	Yes	10.40%	2.37%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 8,302,100.76	10.74%	0%-10.5%-17.40%	Yes	17.40%	6.66%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 6,443,115.00	8.34%	0%-8%-10.40%	Yes	10.40%	2.06%
Equities - Mid Cap <sup>(a)</sup>	\$ 5,493,282.46	7.11%	0%-7.00%-9.10%	Yes	9.10%	1.99%
Equities - Small Cap <sup>(a)</sup>	\$ 3,104,714.15	4.02%	0%-4.00%-5.20%	Yes	5.20%	1.18%
Equities - International <sup>(a)</sup>	\$ 10,001,672.57	12.94%	0%-12.50%-16.10%	Yes	16.10%	3.16%
<b>Total</b>	<b>\$ 77,288,037.74</b>	<b>100.00%</b>				
(a) Total Equities	\$ 39,548,657.42	51.17%	0%-50%-60%	Yes	60.00%	8.83%

\*Total Allocation Percentage may not equal 100% due to rounding

## Asset Valuation Summaries – Retirement Plan

Below are the Asset Valuation Summaries for the third quarter of fiscal year 2023.

### **Asset Valuation Summary – MNAA**

Month	Cost	Market	Unrealized Gain/Loss
1/31/2023	\$ 68,768,568.45	\$ 78,413,381.67	\$ 9,644,813.22
2/28/2023	\$ 69,093,423.01	\$ 76,135,162.94	\$ 7,041,739.93
3/31/2023	\$ 68,687,928.52	\$ 77,288,037.74	\$ 8,600,109.22

## Reconciliation Summary – Retirement Plan

Below is the Pension Reconciliation Summary for the third quarter of fiscal year 2023.

### **Pension Summary 3rd QTR FY 2023 – MNAA (market value)**

	1/31/2023	2/28/2023	3/31/2023	3Q FY-to-Date
Beginning Market Value	74,720,689.69	78,413,381.67	76,135,162.94	74,720,689.69
Total Cash Receipts	33,177.40	34,776.97	40,763.04	108,717.41
Realized Gain/(Loss)	103,247.84	694,245.25	(47,156.46)	750,336.63
Total Cash Disbursements	(431,563.37)	(404,167.66)	(399,101.07)	(1,234,832.10)
Change in Fair Market Value	3,987,830.11	(2,603,073.29)	1,558,369.29	2,943,126.11
Ending Market Value	78,413,381.67	76,135,162.94	77,288,037.74	77,288,037.74

## MNAA OPEB

The quarter (three months) total portfolio return gross of fees was 5.48% compared to the designated Composite Benchmark of 5.74%. The three-month total portfolio return net of fees was 5.43%.

The fiscal year-to-date (six months) total portfolio return gross of fees was 7.06% compared to the designated Composite Benchmark of 6.72%. The year-to-date total portfolio return net of fees was 6.90%.

## Asset Allocation Summaries – OPEB

Principal resets the asset allocations mid-month. As a result, market fluctuations may result in month-end allocations being temporarily and slightly outside of the limits established in the policy. On the next month's reset date, Principal brings all asset classes back into compliance with the stated policy. All exceptions occurring during any quarter are reviewed by the Retirement Committee and additional action is taken, if needed.

As of January 31, 2023, all asset classes are in compliance with the Retirement Plan Investment Policy, 41-011, effective July 22, 2021.

**OPEB - Asset Allocation as of 1/31/2023** (based on market values)

Category	Balance	Allocation*	Policy dated 7/22/21 Changes implemented 7/31/21 - Present Min-Target-Max	Compliance	Max Allocation	Allocation Variance
Cash and Cash Equivalents	\$ 955,099.61	2.47%	0%-3%-100%	Yes	100.00%	97.53%
Bonds and Notes	\$ 14,043,587.38	36.32%	0%-37%-42%	Yes	42.00%	5.68%
Equities - Large Cap Value <sup>(a)</sup>	\$ 3,748,141.20	9.69%	0%-9.6%-10.80%	Yes	10.80%	1.11%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 4,984,339.51	12.89%	0%-12.60%-14.20%	Yes	14.20%	1.31%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 3,822,891.77	9.89%	0%-9.60%-10.80%	Yes	10.80%	0.91%
Equities - Mid Cap <sup>(a)</sup>	\$ 3,335,750.13	8.63%	0%-8.40%-9.50%	Yes	9.50%	0.87%
Equities - Small Cap <sup>(a)</sup>	\$ 1,903,146.49	4.92%	0%-4.80%-5.40%	Yes	5.40%	0.48%
Equities - International <sup>(a)</sup>	\$ 5,870,603.52	15.18%	0%-15%-16.80%	Yes	16.80%	1.62%
Total	\$ 38,663,559.61	100.00%				
(a) Total Equities	\$ 23,664,872.62	61.21%	0%-60%-65%	Yes	65.00%	3.79%

\*Total Allocation Percentage may not equal 100% due to rounding

As of February 28, 2023, all asset classes are in compliance with the Retirement Plan Investment Policy, 41-011, effective July 22, 2021.

**OPEB - Asset Allocation as of 2/28/2023** (based on market values)

Category	Balance	Allocation*	Policy dated 7/22/21 Changes implemented 7/31/21 - Present Min-Target-Max	Compliance	Max Allocation	Allocation Variance
Cash and Cash Equivalents	\$ 986,691.47	2.62%	0%-3%-100%	Yes	100.00%	97.38%
Bonds and Notes	\$ 14,180,485.00	37.67%	0%-37%-42%	Yes	42.00%	4.33%
Equities - Large Cap Value <sup>(a)</sup>	\$ 3,610,065.04	9.59%	0%-9.6%-10.80%	Yes	10.80%	1.21%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 4,656,801.73	12.37%	0%-12.60%-14.20%	Yes	14.20%	1.83%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 3,553,143.36	9.44%	0%-9.60%-10.80%	Yes	10.80%	1.36%
Equities - Mid Cap <sup>(a)</sup>	\$ 3,138,029.20	8.34%	0%-8.40%-9.50%	Yes	9.50%	1.16%
Equities - Small Cap <sup>(a)</sup>	\$ 1,821,274.39	4.84%	0%-4.80%-5.40%	Yes	5.40%	0.56%
Equities - International <sup>(a)</sup>	\$ 5,696,723.15	15.13%	0%-15%-16.80%	Yes	16.80%	1.67%
Total	\$ 37,643,213.34	100.00%				
(a) Total Equities	\$ 22,476,036.87	59.71%	0%-60%-65%	Yes	65.00%	5.29%

\*Total Allocation Percentage may not equal 100% due to rounding

As of March 31, 2023, all asset classes are in compliance with the Retirement Plan Investment Policy, 41-011, effective July 22, 2021.

**OPEB - Asset Allocation as of 3/31/2023** (based on market values)

Category	Balance	Allocation*	Policy dated 7/22/21 Changes implemented 7/31/21 - Present Min-Target-Max	Compliance	Max Allocation	Allocation Variance
Cash and Cash Equivalents	\$ 1,154,479.67	3.01%	0%-3%-100%	Yes	100.00%	96.99%
Bonds and Notes	\$ 13,781,252.33	35.96%	0%-37%-42%	Yes	42.00%	6.04%
Equities - Large Cap Value <sup>(a)</sup>	\$ 3,676,731.74	9.59%	0%-9.6%-10.80%	Yes	10.80%	1.21%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 4,923,132.20	12.84%	0%-12.60%-14.20%	Yes	14.20%	1.36%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 3,808,144.00	9.94%	0%-9.60%-10.80%	Yes	10.80%	0.86%
Equities - Mid Cap <sup>(a)</sup>	\$ 3,257,139.44	8.50%	0%-8.40%-9.50%	Yes	9.50%	1.00%
Equities - Small Cap <sup>(a)</sup>	\$ 1,817,084.28	4.74%	0%-4.80%-5.40%	Yes	5.40%	0.66%
Equities - International <sup>(a)</sup>	\$ 5,910,981.04	15.42%	0%-15%-16.80%	Yes	16.80%	1.38%
Total	\$ 38,328,944.70	100.00%				
(a) Total Equities	\$ 23,393,212.70	61.03%	0%-60%-65%	Yes	65.00%	3.97%

\*Total Allocation Percentage may not equal 100% due to rounding

### Asset Valuation Summaries - OPEB

Below are the Asset Valuation Summaries for the third quarter of fiscal year 2023.

### Asset Valuation Summary – OPEB

Month	Cost	Market	Unrealized Gain/Loss
1/31/2023	\$ 38,533,281.10	\$ 38,663,559.61	\$ 130,278.51
2/28/2023	\$ 38,103,612.49	\$ 37,643,213.34	\$ (460,399.15)
3/31/2023	\$ 38,040,967.45	\$ 38,328,944.70	\$ 287,977.25

### Reconciliation Summary - OPEB

Below is the OPEB Reconciliation Summary for the third quarter of fiscal year 2023.

### OPEB Summary 3<sup>RD</sup> QTR FY 2023 – MNAA (market value)

	1/31/2023	2/29/2023	3/31/2023	3Q FY-to-Date
Beginning Market Value	36,706,403.26	38,663,559.61	37,643,213.34	36,706,403.26
Total Cash Receipts	34,789.74	34,642.08	81,477.61	150,909.43
Realized Gain/(Loss)	(22,237.22)	(387,728.47)	(102,458.02)	(512,423.71)
Total Cash Disbursements	(220,182.40)	(76,582.22)	(41,664.63)	(338,429.25)
Change in Fair Market Value	2,164,786.23	(590,677.66)	748,376.40	2,322,484.97
Ending Balance	38,663,559.61	37,643,213.34	38,328,944.70	38,328,944.70

#### **B. Impact/Findings**

No action is required by the Finance Committee as this staff analysis is presented for informational purposes.

#### **C. Strategic Priorities**

- Supports the strategic priority of investing assets in the Pension and OPEB plans without undue risk while focusing on the total growth of capital and capital preservation while protecting against negative results.
- Invest in BNA/JWN
- Plan for the Future
- Prepare for the Unexpected

# STAFF ANALYSIS

## Finance Committee (Information Only)

Date: May 10, 2023  
 Facility: Nashville International Airport  
 Subject: FY 2023 – 3<sup>rd</sup> Quarter – Treasury Investment Report (03/31/2023)

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### I. Reports

The following Treasury Investment Report covers the period from 01/01/2023 through 03/31/2023.

### II. Analysis

#### A. Summary

For FY 2023, the focus remains on minimizing cash in Demand Deposit Bank accounts. MNAA invests excess cash in authorized investments to maximize interest earnings. Funds are invested by MNAA Staff as well as by PFM Asset Management LLC (“PFMAM”). MNAA staff invests funds primarily in Treasury Money Market Funds and TN LGIP. PFMAM invests funds on MNAA’s behalf in the MNAA Operating CORE Portfolio, the MNAA Common Debt Service Reserve Portfolio, the MNAA 2019A&B Construction Funds Portfolio, the MNAA 2019A&B Capitalized Interest Portfolio, the MNAA 2022A&B Construction Funds Portfolio, and the MNAA 2022A&B Capitalized Interest Portfolio.

The asset allocation for cash and investments (not including accrued interest) at the Authority for the quarters ending December 31, 2022, and March 31, 2023, was as follows:

	<u>12/31/2022</u>	<u>3/31/2023</u>	<u>\$ Change</u>	<u>% Change</u>
U.S. Treasuries	\$517,807,610	544,679,970	\$26,872,360	5.19%
Federal Agency	\$113,563,149	63,826,551	(49,736,598)	-43.80%
Agency Mortgage-Backed Securities	\$18,791,937	20,417,257	\$1,625,320	8.65%
Certificates of Deposit	\$1,002,996	1,002,996	\$0	0.00%
Commercial Paper	\$147,924,888	165,228,989	\$17,304,101	11.70%
Money Market Mutual Funds	\$171,505,793	271,336,820	\$99,831,027	58.21%
Tennessee Local Government Investment Pool	\$139,296,523	152,714,148	\$13,417,625	9.63%
Cash in Demand Deposit Accounts	\$8,312,827	7,002,112	(\$1,310,715)	-15.77%
Investments in Transit	\$153,836,575	-	(\$153,836,575)	NA
Total Funds as of 12/31/2022	<u>\$1,272,042,298</u>	<u>1,226,208,843</u>	<u>(45,833,455)</u>	<u>33.81%</u>



The listing of accounts on March 31, 2023, is shown in Attachment 1, which also shows the ending balances for each month in the quarter. PFMAM's Investment Performance Review Report for the quarter ended March 31, 2023, is also attached. Note the difference between these reports is due to Attachment 1 reporting investments at cost and the PFMAM report showing market values.

During March 2023, the financial markets took a hit due to certain bank failures. To understand our risks, management reached out or was contacted by our banking partners. Based on these conversations, correspondence provided by our banking and investment institutions, and our own research, management does not believe there is a risk of exposure or loss within our treasury and investment pools. Management continues to monitor the markets and our investments to ensure compliance with our investment policy and to ensure our risk of losses are mitigated appropriately.

PFMAM portfolio yields for the quarter were 3.23% for the CORE Portfolio, 2.82% for the 2019A&B Construction Funds Portfolio, 2.04% for the Common Debt Service Reserve Portfolio (DSR), 1.71% for the 2019A&B Capitalized Interest Portfolio, 4.66% for the 2022A&B Capitalized Interest Portfolio, and 4.79% for the 2022A&B Construction Funds Portfolio.

The PFMAM CORE Portfolio benchmark yield, the ICE BofAML 1-3 Year U.S. Treasury Index Benchmark, was 4.43%. The PFMAM Common DSR, Construction Funds, and CAP-I benchmark, the ICE BofAML 3mo T-Bill, was 4.77%. The MNAA managed funds yield was 4.43% as compared to the benchmark S&P Rated GIP All Index yield of 4.35%. The combined yield for the MNAA managed and PFMAM Managed Portfolios was 3.90%.

The benchmarks on the investments with PFMAM are outperforming actual yields due to large increases in treasury rates in the last 12 months. The rate for a 1-year treasury note is up approximately 295 bps (basis points) between 3/31/2022 to 3/31/2023 which is a similar increase in yields we've seen in our CORE portfolio performance over the past year. The CORE portfolio yield at 3/31/2022 was 0.59% compared to the 3/31/2023 yield of 3.23%, an increase of 264 bps. As investments mature we continue to reinvest at higher yields to continue to maximize our returns.

The Authority earned a total of \$8,274,769 on cash and investments for 3Q FY 2023. In comparison, the income received on cash and investments for the 3<sup>rd</sup> quarter ended March 31, 2022, was \$812,502. Total available funds for the third quarter of 2023 were \$1,226M vs \$796M for third quarter 2022 (\$430M more).

## **B. Investment Program Review**

- DDA cash in 3Q FY 2023 was 0.6% of total cash, which outperforms our goal to minimize cash in Demand Deposit Accounts to no more than 8% of total funds.
- As of 3Q FY 2023, per the investment policy, the investment portfolio complies and is meeting the investment policy objectives in all areas.

## **C. Impact/Findings**

No action is required by the Finance Committee as this staff analysis is presented for informational purposes.

**D. Strategic Priorities**

- Supports the strategic priority of maximizing financial assets while protecting invested principal and minimizing uninvested cash
- Invest in BNA/JWN
- Plan for the Future
- Prepare for the Unexpected

**Attachments:**

Attachment 1 - Listing of accounts and month-end balances for January 2023, February 2023, and March 2023

Attachment 2 – PFMAM Investment Performance Review as of March 31, 2023

MNAA  
Cash and Investment Balances 3Q23

Bank	AccountName	Cash Balances as of 1/31/2023	% of Total Cash	Monthly Interest earned	Cash Balances as of 2/28/2023	% of Total Cash	Monthly Interest earned	Cash Balances as of 3/31/2023	% of Total Cash	Monthly Interest earned
TRUIST	Tune Operation	55,910.64	0%	3.41	400,068.01	0%	1.42	267,932.30	0%	2.50
TRUIST	Operating Fund	259,111.49	0%	4.79	69,280.16	0%	5.07	13,237.81	0%	6.68
TRUIST	Capital Improvement	9,328.43	0%	0.08	9,328.43	0%	0.07	9,328.58	0%	0.08
TRUIST	Revenue Account	1,644,176.07	0%	-	2,142,212.45	0%	-	405,992.01	0%	-
TRUIST	PFC Revenue	1,396,315.63	0%	4.95	2,187,139.67	0%	2.39	195,847.53	0%	1.40
TRUIST	Benefit Bd Fund	22,344.77	0%	-	22,381.04	0%	-	22,456.29	0%	-
TRUIST	Parking Account	1,000.17	0%	0.01	1,000.18	0%	0.01	-	0%	-
TRUIST	Payroll	8,174.69	0%	0.73	4,925.36	0%	0.67	1,176.32	0%	0.96
TRUIST	Parking Credit Card Account	1.25	0%	-	1.25	0%	-	-	0%	-
TRUIST	Cargo Account	136.87	0%	-	136.87	0%	-	-	0%	-
TRUIST	John C. Tune Airport CPR	-	0%	-	-	0%	-	-	0%	-
TRUIST	Operating Fd CPR	-	0%	-	-	0%	-	-	0%	-
TRUIST	CON Discretionary CPR	-	0%	-	-	0%	-	-	0%	-
TRUIST	International Plaza CPR Acct	-	0%	-	-	0%	-	-	0%	-
TRUIST	MP Building CPR Acct	-	0%	-	-	0%	-	-	0%	-
TRUIST	MPC Holdings CPR	-	0%	-	-	0%	-	-	0%	-
TRUIST	CIP - Construction Payment ZBA	-	0%	-	-	0%	-	-	0%	-
TRUIST	Arts at the Airport	34,638.57	0%	0.29	63,112.90	0%	0.41	62,983.34	0%	0.54
TRUIST	MPC Holdings LLC	108.80	0%	-	229.80	0%	-	99.90	0%	-
TRUIST	MNAA Properties Corp (Parent)	18,761.18	0%	0.16	18,761.18	0%	0.14	18,761.48	0%	0.16
TRUIST	MPC Global Tire	5,511.17	0%	-	9,716.48	0%	-	13,913.85	0%	-
TRUIST	International Plaza Operating Acct	104,363.33	0%	1.32	144,892.07	0%	0.70	73,910.62	0%	0.53
TRUIST	MP Building Operating Acct	25,143.03	0%	0.63	70,000.31	0%	0.61	140,041.98	0%	0.19
TRUIST	CON CFC Operating Acct	1,141,792.50	0%	7.34	1,011,886.99	0%	4.09	1,002,834.05	0%	5.16
TRUIST	MNAA DOJ	442,401.01	0%	1.72	444,791.45	0%	3.39	450,738.16	0%	3.81
TRUIST	CONRAC Discretionary Account	186.48	0%	-	429.38	0%	-	171.38	0%	-
TRUIST	CONRAC Excess CFC	460.80	0%	-	549.72	0%	-	93.42	0%	0.37
TRUIST	Joint Marketing Fund	2,121,049.11	0%	17.98	2,121,026.48	0%	16.27	2,121,006.49	0%	18.01
TRUIST	AVI Revenue	-	0%	-	1,071.33	0%	-	-	0%	-
TRUIST	Employee Flex Spending	7,192.61	0%	0.06	7,192.67	0%	0.06	-	0%	-
TRUIST	DEA - State	537,017.51	0%	4.73	527,891.57	0%	4.06	218,183.15	0%	3.19
TRUIST	P-Card Payables (Boost)	-	0%	-	-	0%	-	-	0%	-
TRUIST	1% ARTS Fund	1,030.90	0%	-	918.03	0%	-	805.14	0%	-
TRUIST	Authority Facility Investment Fund	6,303.59	0%	0.06	3,167.03	0%	0.10	587.75	0%	0.01
TRUIST	NAE Cash Reserve Fund	22.08	0%	-	22.08	0%	-	22.08	0%	-
TRUIST	Airline Facility Investment Fund	115,792.50	0%	1.42	1,382.44	0%	0.24	1,010.15	0%	0.01
TRUIST	Renewal & Replacement (R&R) Fund	342.26	0%	-	342.26	0%	-	-	0%	-
TRUIST	Construction Payment Account	63,226.66	0%	6.87	27,677.20	0%	17.21	6,979.39	0%	21.79
TRUIST	Operation & Maintenance (O&M) Reserve Fund	375.76	0%	-	375.76	0%	-	-	0%	-
TRUIST	NAE Fund	-	0%	-	-	0%	-	-	0%	-
TRUIST	DPS Seized Funds	1,608,705.26	0%	13.66	1,696,705.04	0%	17.21	1,697,728.46	0%	14.42
TRUIST	Parking Valet CC Account	-	0%	-	-	0%	-	-	0%	-
TRUIST	Parking Valet Account	-	0%	-	-	0%	-	-	0%	-
TRUIST	Parking Rev Credit Card Account	-	0%	-	-	0%	-	-	0%	-
TRUIST	Parking Rev Account	34,056.00	0%	-	3,084,367.35	0%	-	276,270.28	0%	-
TRUIST	<b>Truist Bank Cash Balances</b>	<b>9,664,981.12</b>	<b>1%</b>	<b>70.21</b>	<b>14,072,982.94</b>	<b>1%</b>	<b>74.12</b>	<b>7,002,111.91</b>	<b>1%</b>	<b>79.81</b>
US Bank	Series 2010/2018 Rental Payment Fund CP SWEEP	-	0%	-	-	0%	-	42.30	0%	-
US Bank	Series 2010/2018 Bond Fund Interest Account CP SW	60,392.26	0%	1.54	120,784.45	0%	0.32	181,176.64	0%	0.46
US Bank	Series 2010/2018 Bond Fund Serial Bond Principal CF	1,890,654.65	0%	6.79	2,160,719.13	0%	7.96	2,430,783.61	0%	8.36
US Bank	Series 2010/2018 Bond Reserve Fund CP SWEEP	2,119,777.31	0%	9.13	2,119,786.44	0%	9.13	2,119,794.68	0%	8.24
US Bank	Series 2010/2018 Coverage Fund CP SWEEP	992,871.52	0%	4.27	992,871.52	0%	4.28	992,871.52	0%	3.86
US Bank	Series 2010/2018 Operation & Maintenance Reserve F	915,098.00	0%	3.94	915,098.00	0%	3.94	915,098.00	0%	3.56
US Bank	Series 2010/2018 Renewal & Replacement Fund CP S	3,351,566.92	0%	14.43	3,351,566.92	0%	14.43	3,351,566.92	0%	13.03
US Bank	Series 2010/2018 Discretionary Fund Major Maintenanc	3,351,566.92	0%	14.43	3,351,566.92	0%	14.43	3,351,566.92	0%	13.03
US Bank	Series Excess CFC Funds	-	0%	-	-	0%	-	-	0%	-
US Bank	2003B P & I (Pd BNA; Mat 7/1/33)	513,837.95	0%	2.86	626,856.91	0%	1.96	739,876.10	0%	2.19
US Bank	2019 A Debt Service Account	1,008,751.77	0%	24.19	2,038,237.73	0%	2.96	3,056,722.38	0%	5.65
US Bank	2019 B Debt Service Account	2,698,042.35	0%	63.63	5,364,754.22	0%	7.87	8,042,478.14	1%	14.92
US Bank	2015 A Debt Service Account	1,657,871.89	0%	12.54	2,166,961.03	0%	6.14	2,676,052.32	0%	7.29
US Bank	2015 B Debt Service Account	1,917,445.76	0%	14.55	2,519,741.83	0%	7.07	3,122,039.29	0%	8.46
US Bank	MNAA AIRPORT IMP BDS SRS 2022A	224,420.00	0%	-	903,080.25	0%	0.25	1,354,622.22	0%	1.97
US Bank	MNAA AIRPORT IMP BDS SRS 2022B	140,895.00	0%	-	5,050,482.16	0%	0.16	7,575,732.81	1%	9.65
US Bank	<b>US Bank Cash Balances</b>	<b>20,843,192.30</b>	<b>2%</b>	<b>172.30</b>	<b>31,682,507.51</b>	<b>3%</b>	<b>80.90</b>	<b>39,910,423.85</b>	<b>3%</b>	<b>100.67</b>
Goldman	1% Arts Fund GS 465	194,817.70	0%	691.13	195,481.02	0%	663.32	196,236.58	0%	755.56
Goldman	Airline Facility Investment Fund GS 465	0.15	0%	-	0.15	0%	-	0.15	0%	-
Goldman	Authority Facility Investment Fund GS 465	21,517,269.64	2%	77,032.57	20,806,393.81	2%	71,624.17	20,093,334.79	2%	78,440.98
Goldman	Conrac Excess CFC GS 465	26,349,036.42	2%	93,149.89	27,251,818.17	2%	92,281.75	28,040,614.62	2%	107,796.45
Goldman	NAE Cash Reserve GS 465	4,203,284.60	0%	14,911.63	4,217,596.05	0%	14,311.45	4,233,897.46	0%	16,301.41
Goldman	Nashville Airport Experience GS 465	4,542,490.07	0%	16,114.95	4,557,956.43	0%	15,466.36	4,575,573.41	0%	17,616.98
Goldman	PFC Revenue GS 465	14,489,128.85	1%	46,785.33	15,889,802.38	1%	53,673.53	18,114,365.90	1%	69,263.52
Goldman	Revenue Account GS 465	78,234,159.67	6%	272,368.59	75,998,434.52	6%	264,274.85	79,981,330.36	7%	312,101.84
Goldman	Sr Debt Construction Funds GS 465	-	0%	-	-	0%	-	-	0%	-
Goldman	Sub Debt Construction Funds GS 465	11,012,725.38	1%	27,957.50	6,526,439.52	1%	26,437.92	18,964,899.47	2%	42,430.74
Goldman	NAE Cash Reserve GS 468	364,148.39	0%	1,290.51	365,387.92	0%	1,239.53	366,792.77	0%	1,404.85
Goldman	<b>Goldman Sachs Investment Balances</b>	<b>160,907,060.87</b>	<b>13%</b>	<b>550,302.10</b>	<b>155,809,309.97</b>	<b>13%</b>	<b>539,972.88</b>	<b>174,567,045.51</b>	<b>14%</b>	<b>646,112.33</b>
TN LGIP	LGIP - Tune	2,666,734.21	0%	6,761.46	2,283,802.27	0%	8,899.48	2,649,901.64	0%	10,364.04
TN LGIP	LGIP - PFC	4,947,369.20	0%	17,793.73	6,748,799.24	1%	18,430.04	10,114,117.76	1%	29,318.52
TN LGIP	LGIP - Revenue	77,526,570.05	6%	283,556.54	76,414,552.71	6%	268,274.14	77,514,097.27	6%	303,337.78
TN LGIP	LGIP - Nashville Airport Experience	2,623,437.38	0%	8,456.43	2,698,197.50	0%	8,918.51	2,780,779.91	0%	10,450.00
TN LGIP	LGIP - Renewal and Replacement	2,164.67	0%	7.79	2,172.16	0%	7.49	2,180.72	0%	8.56
TN LGIP	LGIP - Operations & Maintenance	1,873,950.82	0%	4,589.25	2,189,413.39	0%	6,518.57	2,507,024.75	0%	8,667.36
TN LGIP	LGIP - Airline Facility	9,089,829.19	1%	27,626.53	9,807,875.65	1%	31,473.46	10,265,838.80	1%	38,390.15
TN LGIP	LGIP - Authority Facility	16,817,121.20	1%	56,769.12	17,381,981.94	1%	58,183.74	17,957,171.00	1%	68,512.06
TN LGIP	LGIP - NAE Cash Reserve	4,065,075.57	0%	14,620.47	4,079,133.24	0%	14,057.67	4,095,208.36	0%	16,075.12
TN LGIP	LGIP - Capital Improvement	4,129,387.79	0%	14,851.77	4,143,667.86	0%	14,280.07	4,159,997.30	0%	16,329.44
TN LGIP	LGIP - CONRAC Excess CFC	7,081,362.88	1%	26,351.15	6,979,090.92	1%	24,472.81	6,879,833.37	1%	27,487.22
TN LGIP	LGIP - Multi-Purpose Building	2,043,264.09	0%	7,169.58	2,047,567.70	0%	7,063.20	2,143,224.20	0%	8,416.09
TN LGIP	LGIP - MPC Global Tire	421,306.73	0%	1,190.42	422,763.67	0%	1,456.94	424,429.70	0%	1,666.03
TN LGIP	LGIP - International Plaza Building	8,300,727.35	1%	29,555.16	8,454,981.28	1%	29,162.28	8,643,703.06	1%	33,985.14
TN LGIP	LGIP - CONRAC Discretionary	2,577,575.94	0%	9,340.13	2,576,488.37	0%	8,912.43	2,576,640.57	0%	10,152.20
TN LGIP	<b>TN LGIP BALANCE</b>	<b>144,185,877.07</b>	<b>12%</b>	<b>508,639.53</b>	<b>146,230,487.90</b>	<b>12%</b>	<b>500,110.83</b>	<b>152,714,148.41</b>	<b>12%</b>	<b>583,160.51</b>
CDARS	CITIZENS BANK CDARS - PFC	1,002,996.18	0%	-	1,002,996.18	0%	-	1,002,996.18	0%	-
CDARS	<b>CITIZENS BANK CDARS BALANCE</b>	<b>1,002,996.18</b>	<b>0%</b>	<b>-</b>	<b>1,002,996.18</b>	<b>0%</b>	<b>-</b>	<b>1,002,996.18</b>	<b>0%</b>	<b>-</b>
PFMAM	PFMAM CORE Portfolio	275,673,490.76	22%	443,094.34	275,894,809.89	22%	225,909.15	276,662,262.07	23%	785,260.61
PFMAM	PFMAM COMMON DEBT RESERVE Portfolio	129,517,915.08	10%	1,118,556.70	129,518,227.29	10%	312.21	129,518,565.86	11%	338.57
PFMAM	PFMAM 2019 A&B CAP I Portfolio	12,657,057.42	1%	27,436.99	11,287,827.79	1%	56,041.03	9,910,059.52	1%	30,531.21
PFMAM	PFMAM 2019A&B Construction Portfolio	43,346,247.41	3%	424,066.57	33,886,907.26	3%	181,625.91	8,820,059.04	1%	101,588.78
PFMAM	PFMAM 2022A&B CAP I Portfolio	44,523,647.41	4%	80,112.71	39,367,479.97	3%	66,764.56	36,790,879.58	3%	34,865.61
PFMAM	PFMAM 2022A&B Construction Portfolio	408,713,933.85	33%	597,270.73	400,263,498.13	32%	365,485.87	389,310,290.93	32%	406,631.68
PFMAM	<b>PFM EON Investment Balance</b>	<b>914,432,291.93</b>	<b>73%</b>	<b>2,690,538.04</b>	<b>890,218,750.33</b>	<b>72%</b>	<b>896,138.73</b>	<b>851,012,117.00</b>	<b>69%</b>	<b>1,359,216.46</b>
	<b>Total MNAA Cash/Cash Equivalents in all categories</b>	<b>1,251,036,399.47</b>	<b>100%</b>	<b>3,749,722.18</b>	<b>1,239,017,034.83</b>	<b>100%</b>	<b>1,936,377.46</b>	<b>1,226,208,842.86</b>	<b>100%</b>	<b>2,588,669.78</b>
	<b>Total Interest Received for Q3 2023</b>									<b>8,274,769.42</b>



# METROPOLITAN NASHVILLE AIRPORT AUTHORITY

## Investment Performance Review For the Quarter Ended March 31, 2023

### Client Management Team

Scott Sweeten, BCM, CFS, Sr. Managing Consultant  
Richard Pengelly, CFA, CIMA, CTP, Managing Director  
Sean Gannon, Senior Managing Consultant

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**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**

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## Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Lingering inflation that remains well above the Fed's long-term inflation target
  - ▶ A labor market showing the first signs of moderation
  - ▶ Greater economic uncertainty following the surprise failure of Silicon Valley Bank and Signature Bank

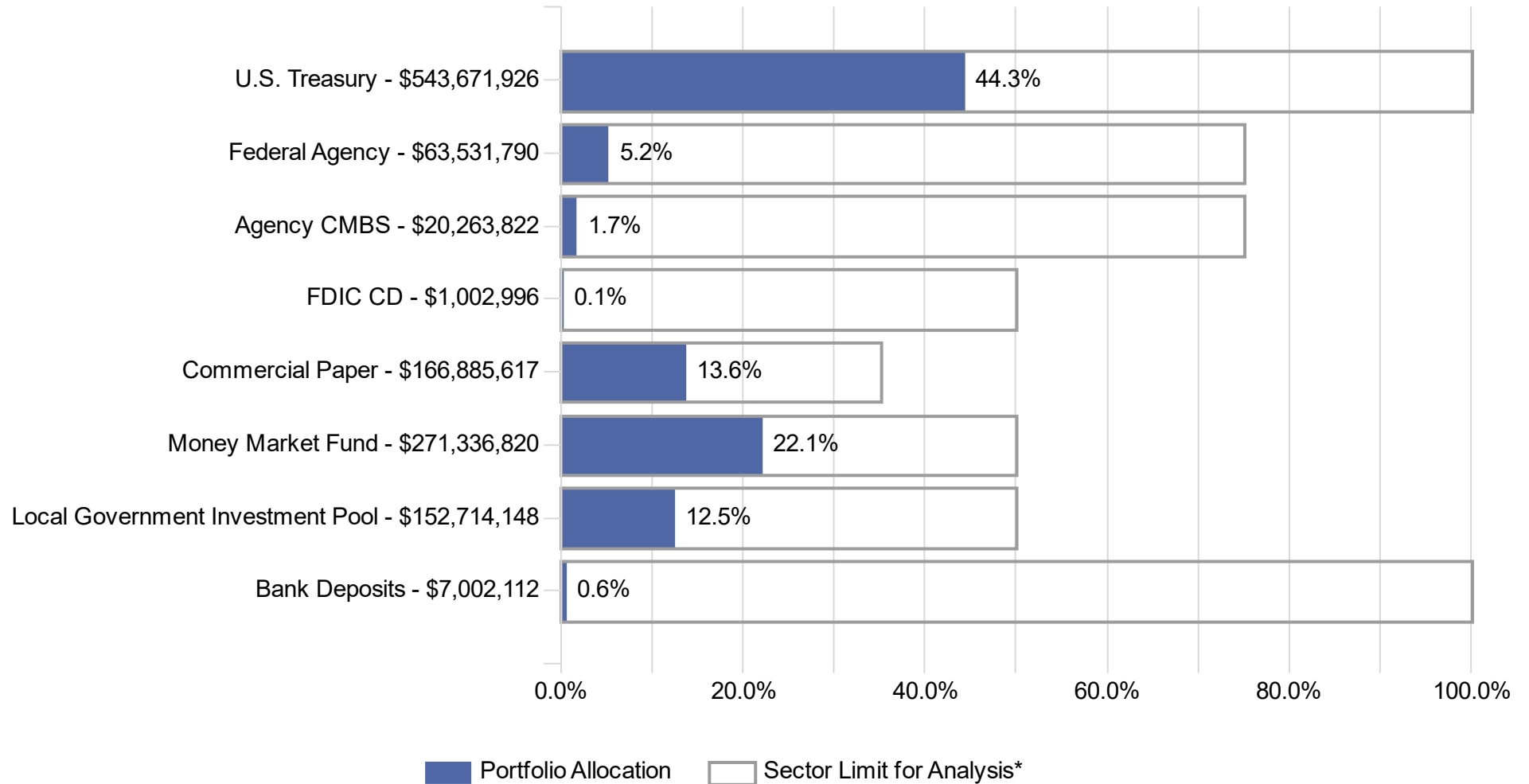


- ▶ Fed policy tightening may be nearly complete
  - ▶ The most recent FOMC statement noted that “some additional policy firming may be appropriate,” but the need for more rate hikes has become less clear
  - ▶ Although the Fed acknowledged the impact of the recent bank failures, their March updated Summary of Economic Projections were little changed from December
  - ▶ The Fed has maintained that they will keep rates elevated for some time, but the market is pricing in rate cuts beginning mid-year



- ▶ Bond markets saw unprecedented volatility in March
  - ▶ In a classic “flight to quality,” Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8 to under 4.00% on March 17
  - ▶ The curve inversion from 3 months to 10 years reached the deepest levels in over 40 years
  - ▶ Credit yield spreads widened, especially those on banks, but not nearly to levels seen during the global financial crisis

### Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

\*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>72.1%</b>	
UNITED STATES TREASURY	72.1%	AA / Aaa / AAA
<b>Federal Agency</b>	<b>8.4%</b>	
FANNIE MAE	2.7%	AA / Aaa / AAA
FEDERAL HOME LOAN BANKS	3.6%	AA / Aa / NR
FREDDIE MAC	2.1%	AA / Aaa / AAA
<b>Agency CMBS</b>	<b>2.7%</b>	
FANNIE MAE	0.3%	AA / Aaa / AAA
FREDDIE MAC	2.4%	AA / Aaa / AAA
<b>Commercial Paper</b>	<b>16.8%</b>	
CHARIOT FUNDING LLC	1.1%	A / Aa / AA
ING GROEP NV	1.6%	A / Aa / NR
LIBERTY STREET FUNDING LLC	0.2%	A / Aa / NR
LMA AMERICAS LLC	1.8%	A / Aa / AA
MANHATTAN ASSET FUNDING CO LLC	0.1%	A / Aa / NR
MITSUBISHI UFJ FINANCIAL GROUP INC	1.9%	A / Aa / A
NATIXIS NY BRANCH	1.8%	A / Aa / AA
OLD LINE FUNDING LLC	2.9%	AA / Aa / AA
RABOBANK NEDERLAND	1.0%	A / Aa / AA
SHEFFIELD RECEIVABLES	1.6%	A / Aa / A
TORONTO-DOMINION BANK	2.8%	AA / Aa / NR
<b>Total</b>	<b>100.0%</b>	

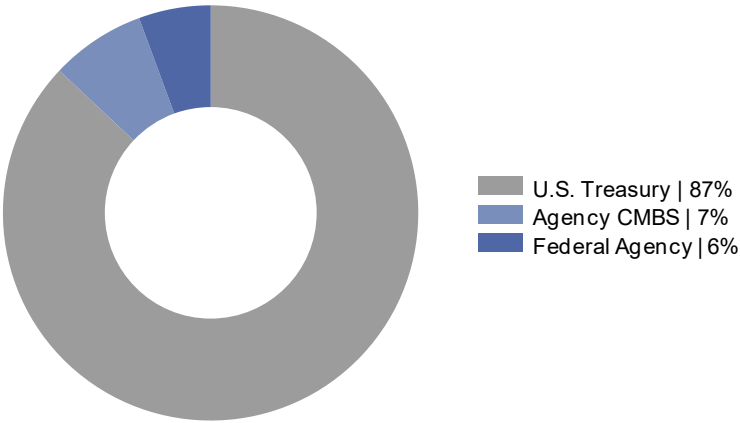
Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

### Portfolio Snapshot - MNAA OPERATING CORE PORTFOLIO<sup>1</sup>

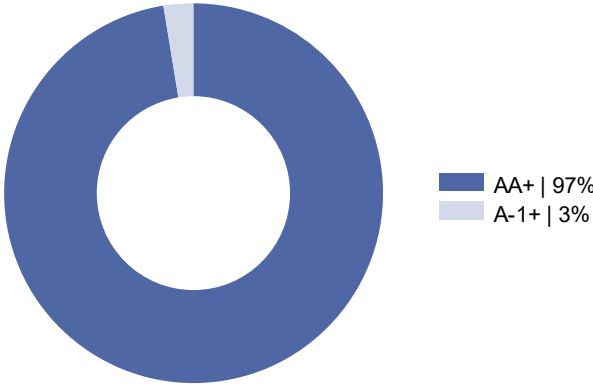
#### Portfolio Statistics

<b>Total Market Value</b>	\$275,039,257.02
<i>Securities Sub-Total</i>	\$272,631,238.65
<i>Accrued Interest</i>	\$1,467,629.80
<i>Cash</i>	\$940,388.57
<b>Portfolio Effective Duration</b>	1.70 years
<b>Benchmark Effective Duration</b>	1.75 years
<b>Yield At Cost</b>	3.23%
<b>Yield At Market</b>	4.28%
<b>Portfolio Credit Quality</b>	AA

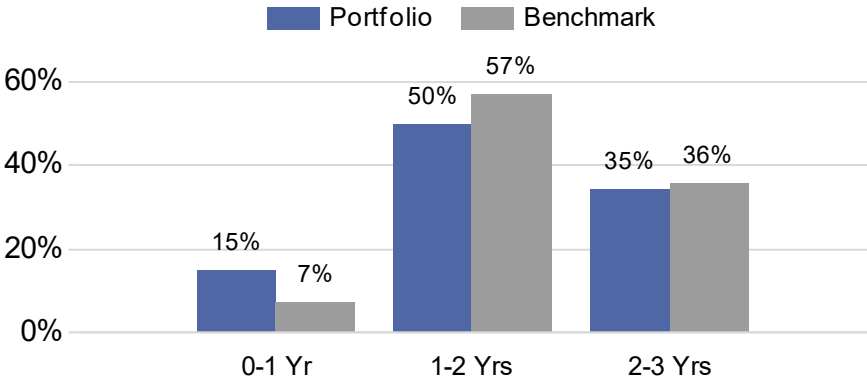
#### Sector Allocation



#### Credit Quality - S&P



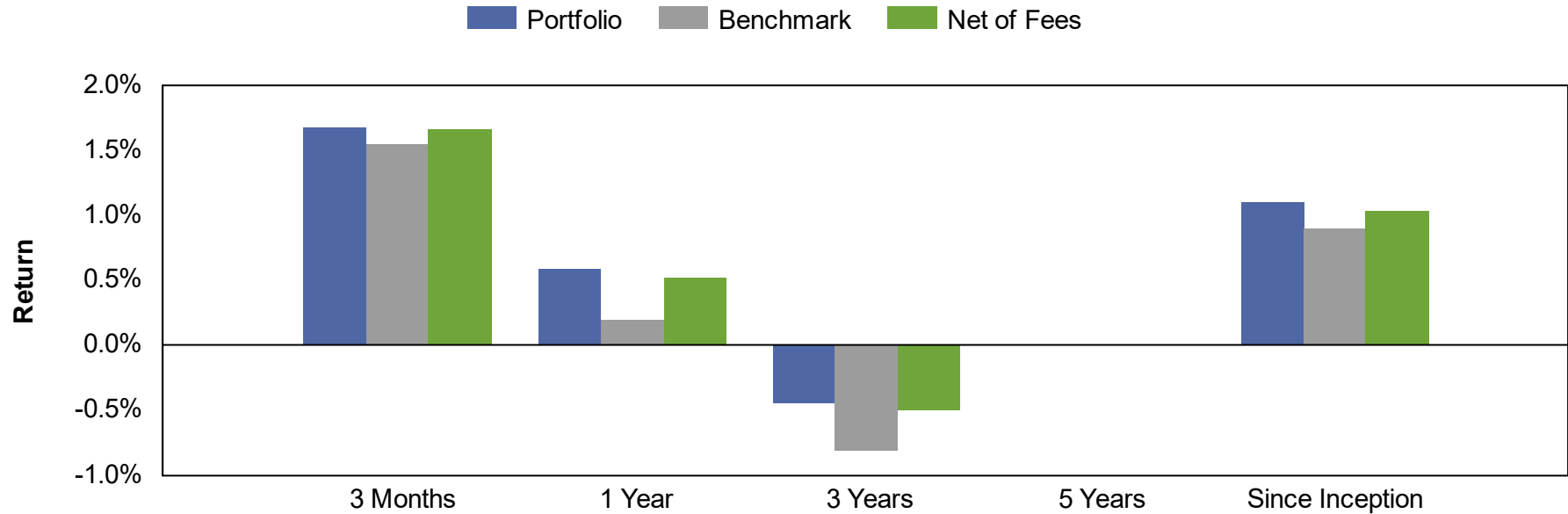
#### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.



### Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$1,657,508	\$3,608,995	\$6,911,774	-	\$9,702,903
Change in Market Value	\$2,874,898	\$159,404	(\$6,137,649)	-	(\$1,361,133)
<b>Total Dollar Return</b>	<b>\$4,532,406</b>	<b>\$3,768,399</b>	<b>\$774,125</b>	<b>-</b>	<b>\$8,341,770</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	1.68%	0.59%	-0.44%	-	1.11%
Benchmark <sup>4</sup>	1.55%	0.20%	-0.81%	-	0.90%
<b>Basis Point Fee</b>	<b>0.02%</b>	<b>0.06%</b>	<b>0.06%</b>	<b>-</b>	<b>0.07%</b>
<b>Net of Fee Return</b>	<b>1.66%</b>	<b>0.52%</b>	<b>-0.50%</b>	<b>-</b>	<b>1.04%</b>

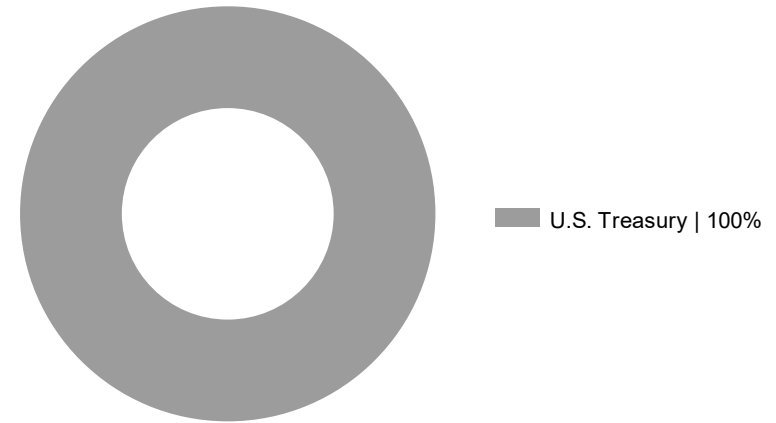
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2018.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.  
 4. The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.

## Portfolio Snapshot - MNA 2019A&B CONSTRUCTION FUNDS<sup>1</sup>

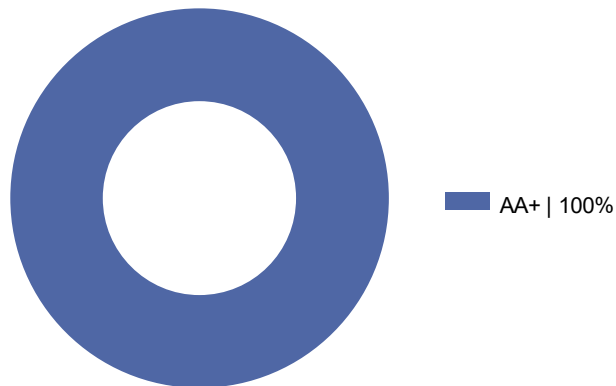
### Portfolio Statistics

<b>Total Market Value</b>	\$8,945,240.99
<i>Securities Sub-Total</i>	\$8,940,148.55
<i>Accrued Interest</i>	\$5,091.61
<i>Cash</i>	\$0.83
<b>Portfolio Effective Duration</b>	0.32 years
<b>Benchmark Effective Duration</b>	0.14 years
<b>Yield At Cost</b>	2.82%
<b>Yield At Market</b>	4.49%
<b>Portfolio Credit Quality</b>	AA

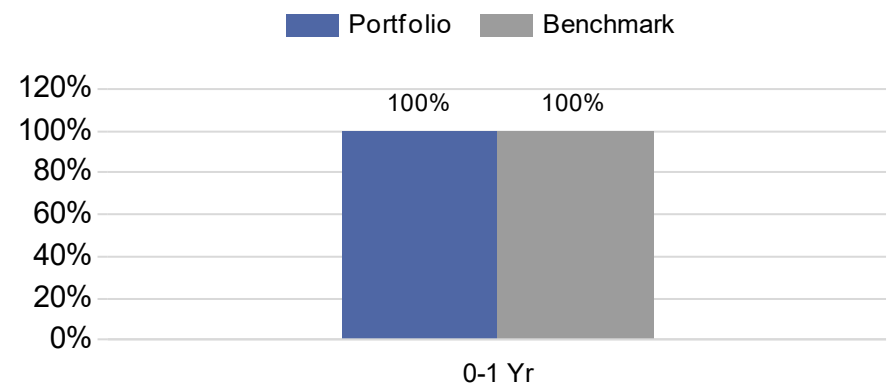
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



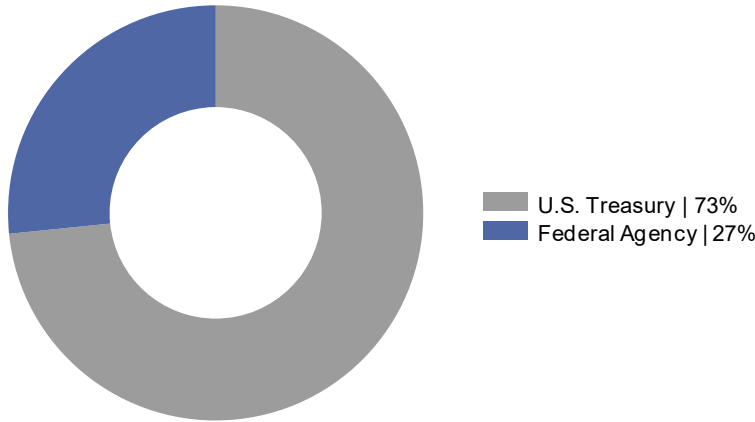
1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofAML 3 Month U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

### Portfolio Snapshot - MNAA COMMON DSRF<sup>1</sup>

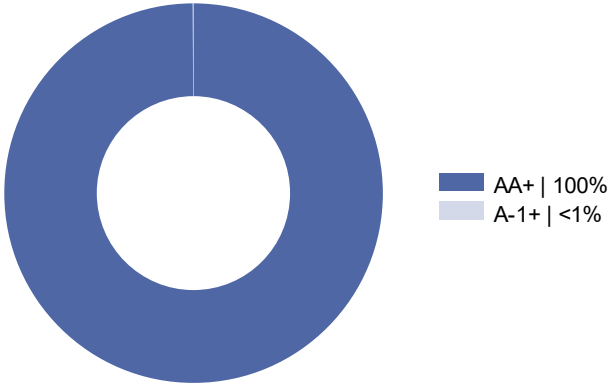
#### Portfolio Statistics

<b>Total Market Value</b>	\$127,289,867.85
<i>Securities Sub-Total</i>	\$126,764,703.90
<i>Accrued Interest</i>	\$521,550.05
<i>Cash</i>	\$3,613.90
<b>Portfolio Effective Duration</b>	1.60 years
<b>Benchmark Effective Duration</b>	0.14 years
<b>Yield At Cost</b>	2.04%
<b>Yield At Market</b>	4.33%
<b>Portfolio Credit Quality</b>	AA

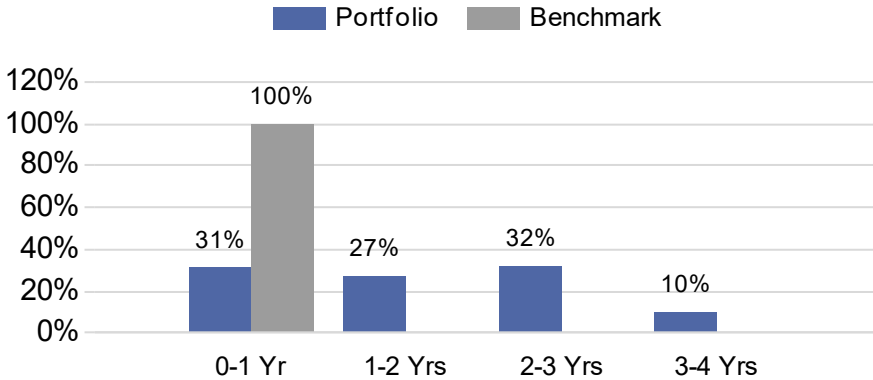
#### Sector Allocation



#### Credit Quality - S&P



#### Duration Distribution



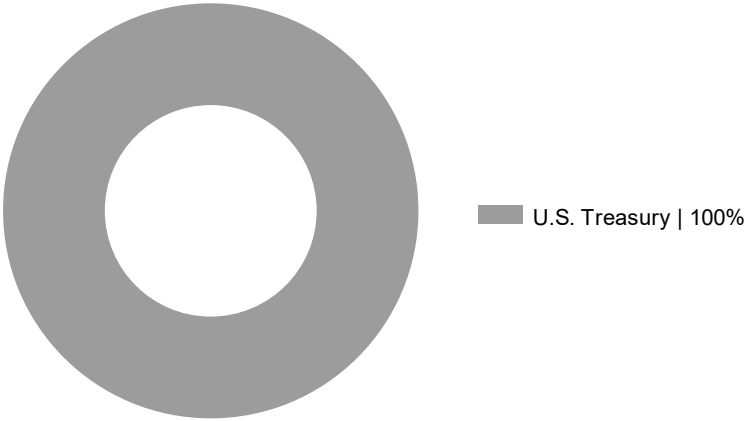
1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofAML 3 Month U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

### Portfolio Snapshot - MNA 2019A&B CAP-I FUNDS<sup>1</sup>

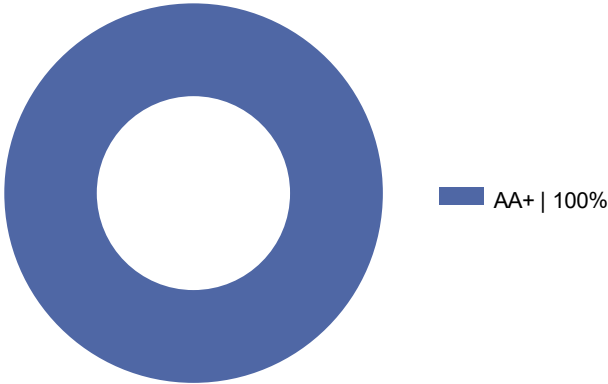
#### Portfolio Statistics

<b>Total Market Value</b>	\$9,811,202.40
<i>Securities Sub-Total</i>	\$5,416,843.75
<i>Accrued Interest</i>	\$33,535.12
<i>Cash</i>	\$4,360,823.53
<b>Portfolio Effective Duration</b>	0.31 years
<b>Benchmark Effective Duration</b>	0.14 years
<b>Yield At Cost</b>	1.71%
<b>Yield At Market</b>	4.75%
<b>Portfolio Credit Quality</b>	AA

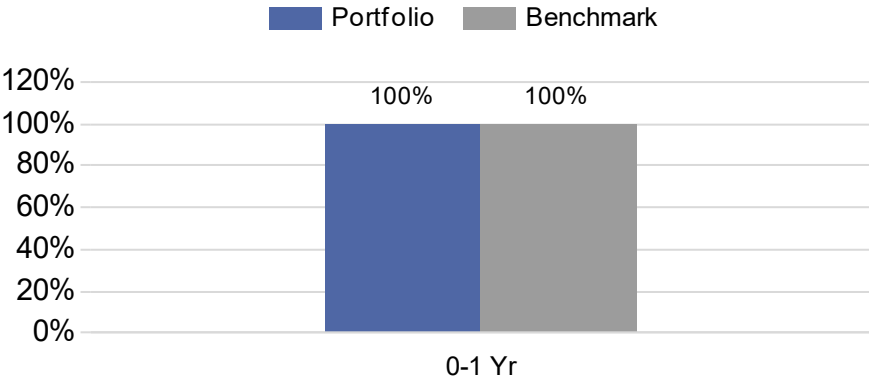
#### Sector Allocation



#### Credit Quality - S&P



#### Duration Distribution



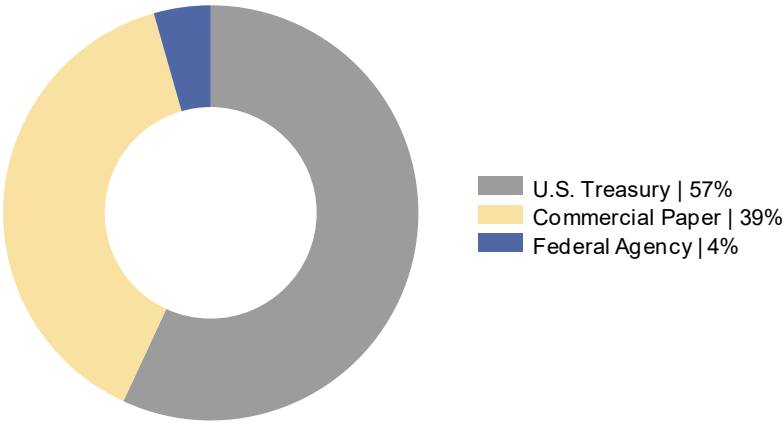
1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofAML 3 Month U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

### Portfolio Snapshot - MNAA SERIES 2022 REVENUE BONDS<sup>1</sup>

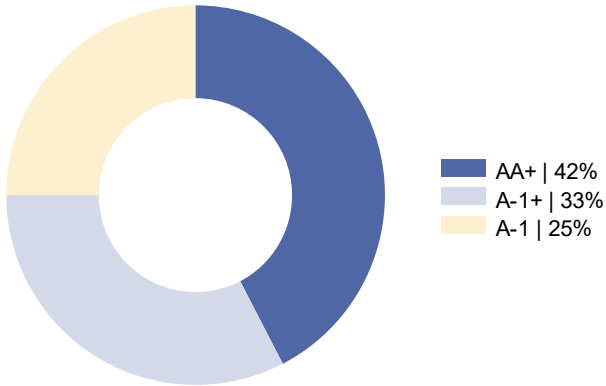
#### Portfolio Statistics

<b>Total Market Value</b>	\$392,923,668.99
<i>Securities Sub-Total</i>	\$302,245,904.15
<i>Accrued Interest</i>	\$84,970.35
<i>Cash</i>	\$90,592,794.49
<b>Portfolio Effective Duration</b>	0.52 years
<b>Yield At Cost</b>	4.79%
<b>Yield At Market</b>	4.81%
<b>Portfolio Credit Quality</b>	AA

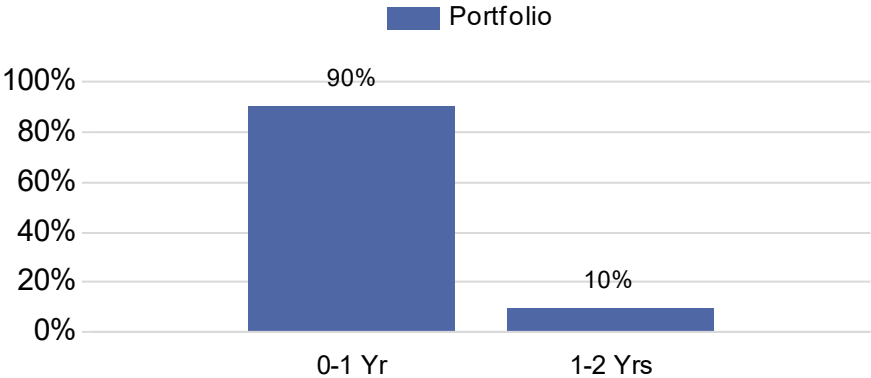
#### Sector Allocation



#### Credit Quality - S&P



#### Duration Distribution



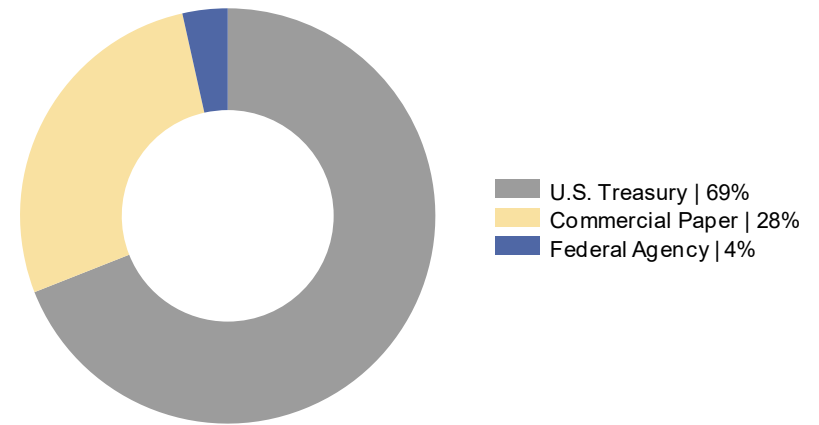
1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

## Portfolio Snapshot - MNAA SERIES 2022 CAP I<sup>1</sup>

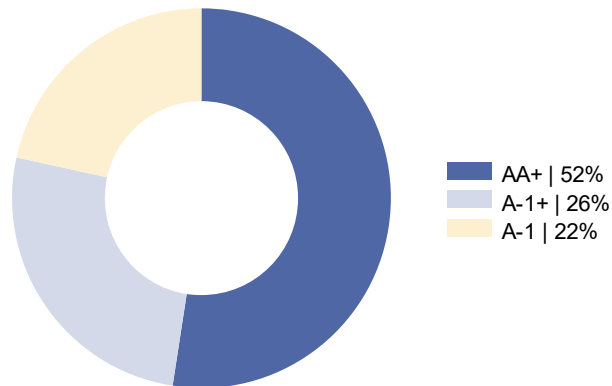
### Portfolio Statistics

<b>Total Market Value</b>	\$37,203,268.05
<i>Securities Sub-Total</i>	\$36,283,027.02
<i>Accrued Interest</i>	\$48,088.07
<i>Cash</i>	\$872,152.96
<b>Portfolio Effective Duration</b>	0.81 years
<b>Yield At Cost</b>	4.66%
<b>Yield At Market</b>	4.58%
<b>Portfolio Credit Quality</b>	AA

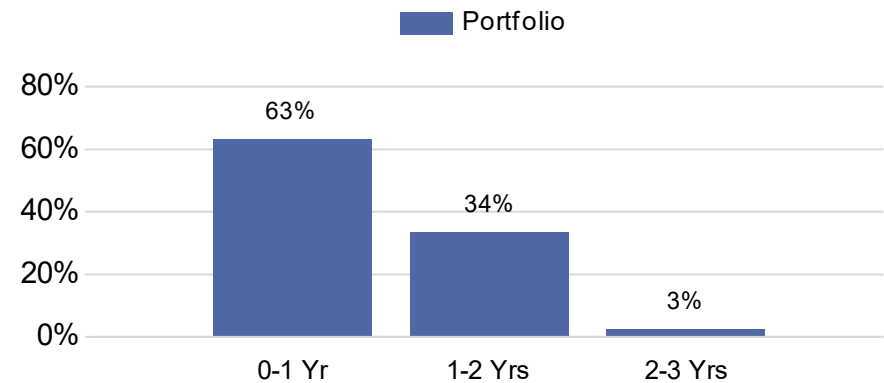
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

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- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.



## Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

## Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.