

Minutes of the MNAA Management, Audit & Compliance Committee



Date: July 12, 2023

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:53 a.m.

Committee Members Present:

Jimmy Granbery, Committee Chair; Masami Tyson,
Committee Vice Chair; Bobby Joslin

Committee Members Absent:

Jack Johnson

Others Present:

Tony Giarratana, Stuart McWhorter

MNAA Staff Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford, Trish Saxman
Marge Basrai, Kristy Bork, Chris Davidson, David Griswold,
Traci Holton, Ijeoma Ike, Carrie Logan, Rachel Moore,
Ted Morrissey, Stacey Nickens, Robert Ramsey and Davita
Taylor

I. CALL TO ORDER

Chair Granbery called the meeting of the MNAA Management Committee to order at 9:53 a.m. pursuant to Public Notice dated July 7, 2023.

II. APPROVAL OF MINUTES

Chair Granbery stated there was no meeting in June.

III. PUBLIC COMMENTS

Chair Granbery stated there were no public comment requests received.

IV. CHAIR'S REPORT

Chair Granbery welcomed Vice Chair Tyson and told her that the members were glad to have her on the Management Committee. He said that there is a lot to decipher, a lot to learn, and the staff will always give you more information if needed. All projects have a strategic purpose, such as the construction of the Satellite Concourse, moving Donelson Pike, tearing down Concourse A instead of adding to it. There is always a back story and explanations which the staff can provide. He also mentioned that President

Kreulen and staff would be happy to provide tours. He encouraged the members to tour the International Arrivals Facility ("IAF"), to understand why it is important to separate the international and domestic passengers. President Kreulen also welcomed Vice Chair Tyson.

Chair Granbery explained the Committees structure and informed the members that all Commissioners can sit in and participate in discussions during Committee meetings. He stated that he and Commissioner Joslin are happy about the post-tornado development at JWN , including the new facilities, control tower and the construction of the 10 new hangars. He mentioned that one of the other revenue sources is the percentage of fuel sales.

Commissioner McWhorter asked if MNAA tracks current and projected sales tax revenues. President Kreulen stated that staff, specifically Lisa Lankford, Chief Strategy Officer, runs those calculations through an economic impact analysis which shows the amount of taxes. An updated Economic Impact Study is planned this fiscal year. MNAA generates over \$500M, with almost \$400M to the state and the remainder to the city. Chair Granbery asked when the last study was conducted. Ms. Lankford stated it was based on 2019 data and released in 2020. President Kreulen added that there are 78 airports in the State of Tennessee: 5 commercial and 73 general aviation. The state's most recent report in 2020 reflected that those 78 airports generate \$20.6B. BNA and JWN together generate \$10B of that amount. MNAA's airports generate 49% of all revenue produced by commercial service and general aviation airports. Commissioner Granbery asked President Kreulen to please explain his role and position with all the airports. President Kreulen informed the Board that he was elected as President of Tennessee Association of Air Carrier Airports ("TAACA") and represents the five primary commercial service airports of Tennessee when he goes to Cordell Hall. The other CEOs may join him but on the commercial side he and Ms. Lankford will visit the capital or Cordell Hall.

Commissioner Joslin asked how many people are on the waiting list for a JWN hangar. To be placed on the waiting list, a deposit must be tendered, along with a tail number. President Kreulen replied that a concern after the tornado was whether the tenants would return. 91 airplanes were destroyed, and the tenants had to find new airplanes and new homes while we rebuilt.

V. ITEMS FOR APPROVAL

There were no items scheduled for approval.

VI. INFORMATION ITEMS

1. FY24 Strategic Goals and Objectives

President Kreulen presented the FY24 Strategic Goals and explained there are three priorities: Invest in BNA/JWN, Plan for the Future and Prepare for the Unexpected. Performance is evaluated twice a year. This October at the Board Retreat, the staff's progress towards these goals will be assessed. The Board Retreat is held in October in order to prepare for the development of next year's budget beginning in December. The Board instructs the staff where it needs to place additional emphasis and from those directives, staff creates action items and builds budgets. The staff is always concerned about the scores on these; however, these are our stretch goals that make us bigger and better.

President Kreulen stated enplanement projections are our biggest challenge and is where the Board really helps staff focus. In 2020 during the pandemic, MNAA hired a top-notch economist and aviation forecaster who predicted that coming out of the pandemic, BNA would be lucky to get back to 5.5M enplanements. MNAA budgeted off of the 5.5M enplanements. By the end of the fiscal year, BNA was carrying 9.2M enplanements and that is how it became number 1 in the United States of the top 50 airports in recovery. Looking at this year, MNAA staff started out with a budget of 9.6M, midway through the year, staff realized that BNA would exceed that number and readjusted its budget for 10.3M. On June 30th BNA reached 22M passengers, which includes 11M getting on and 11M getting off the jets. The average U.S. airport has grown between 2.5-3% per year. BNA, including during the pandemic years, has averaged 10% growth per year for past the 10 years. The FY24 budget was based on 11M enplanements, and BNA is already there, so a readjustment is needed. Staff is now looking at 12.2M, but that assumes BNA's growth does not slow down. MNAA developed three different models to consider. President Kreulen shared that when staff is more conservative, we tend to be wrong. Staff has created charts that track enplanements, we do it by day, week, and month to see our averages. This really drives MNAA's revenue which includes parking, concessions and landing fees.

President Kreulen stated that one of the key indicators is the 2020 master plan versus actual and projected enplanements. At the end of this fiscal year 2024, BNA will be bigger than the old master plan projected that it would be in 2037, which means BNA is 13 years ahead of schedule. Right now, we are at 22M passengers, and building New Horizon to accommodate 35M passengers. The question for the Board and staff now becomes what forecast to use. Staff will ask the Commissioners to start thinking about the siting of the next terminal, connecting this terminal with one that goes across or South of Donelson, figuring out how to run power, utilities and creating another space for the next

35M passengers. MNAA plans to bring on industry experts that can help it figure out how to build it. The help of the Commissioners is necessary. Commissioner Giarratana asked if it is all right to discuss this topic out in the community. President Kreulen replied, yes and that he does it when he is out. President Kreulen stated in 2017 when the city wanted transit, MNAA spent an extra \$5M on the garage to hold two trains, anticipating what might happen in the future in terms of growth.

Chair Granbery stated we cannot wait on the others and so we built the Satellite Concourse and are extending Concourse D, which allows for the expansion of Concourse A. MNAA also plans to do an environmental study for a runway extension. President Kreulen agreed, and stated staff has requested FAA's permission to do an environmental study on the runway that to get us North and South into the wind to Asia. The study will take a couple of years to complete, following the conclusion of which, construction can begin. But a lot must happen before that happens. Chair Granbery asked President Kreulen to share with the Board a breakdown of where BNA passengers come from. President Kreulen replied that MNAA's air service consultants track BNA passengers by zip code—where they buy the ticket and where they are going. A similar analysis is performed for international passengers as well. BNA has 22M passengers, divided in half is 11M passengers departing. Of that 11M, 30% are from Davidson County, and 70% of the passengers come from counties and states that surround Davidson County. He shared that 3M of the 11M come from Kentucky and Alabama. BNA has 99 nonstop flights today and a little over 600 commercial jets in and out each day. Memphis has less than 40 nonstop flights. Passengers drive here because they do not want to change flights. The future challenge is the Master Plan Update planned for FY25 CIP and our current strategic studies that will inform future Board decisions and CIP. Vice Chair Tyson asked if enplanements are the number of flights. President Kreulen replied that enplanements are the number of passengers getting on departing flights. BNA tracks passengers and the number of seats. BNA averages about 92% full on our jets and airlines keep requesting more jets.

2. CEO FY23 Performance Evaluation Inputs

President Kreulen stated the CEO FY23 Performance Evaluation Inputs are new and were done by the previous CEO. He presented a table showing what was approved by the Board a year ago, because they wanted it to be data driven. KPI evaluation criteria is 50% financial and 50% operational. Operating revenue and expenses account for 25%, and measures of fiscal responsibility and strength account for 25%. Operational performance is based on 50% overall airport satisfaction and 50% performance on the strategic goals. President Kreulen presented preliminary numbers and stated the

final document will be provided once the external audit is complete in September. Through May the expenses are \$113M and we are really solid on covering for the debt and days cash on hand. Scores will be provided from the CFO and CSO.

For the CEO's FY24 Performance Evaluation KPIs, the budget is to get to \$288M operating revenue. President Kreulen explained the KPI's were set so that if he gets to budget it would be 90% eligibility if he exceeds by 5% it would be 100% eligibility. The Board is allowed to change or modify. Chair Granbery asked if he would provide the Board with his most recently executed contract, which President Kreulen agreed to do. He shared that the contract is 18 pages long. Last year the Board gave him a 3-year contract, and there are two more years remaining. Commissioner McWhorter asked if compensation was what the Management Committee decides today. President Kreulen replied whatever Management Committee does regarding CEO compensation, Ms. Basrai budgets and will execute based on what the Board decides.

3. Executive Session

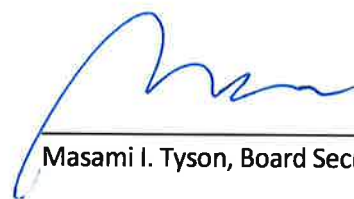
Chair Granbery asked for a motion to suspend the public portion of this meeting to enter into executive session to discuss Authority litigation. Following the executive session, he stated, the public portion of the meeting would resume. Vice Chair Tyson made a motion to enter executive session and Chair Granbery seconded the motion.

The Committee entered into Executive Session at 10:20 and the Executive Session concluded at 11:12.

At the end of the Executive Session, Chair Granbery asked for a motion to exit the executive session and return to the public portion of the meeting. Commissioner Joslin made a motion to exit executive session and Vice Chair Tyson seconded the motion.

VII. ADJOURN

There being no further business brought before the Management Committee, Chair Stevenson adjourned the meeting at 11:12 AM.



Masami I. Tyson, Board Secretary