



Meeting of the MNAA Management, Audit & Compliance (“Management”) Committee

November 8, 2023



Call to Order

November 8, 2023

Approval of Minutes

Meeting of the MNAA Management, Audit & Compliance (“Management”) Committee

October 11, 2023

Public Comment

Tennessee Code Annotated, Title 8, Chapter 44, Part 1

MNAA Policy ID: 33-007, Public Comment Policy, effective July 13, 2023

No Public Comment Requests Received by Monday, November 6, 2023 @ 9 pm

Chair's Report

Joycelyn Stevenson

Management Committee Chair

Executive Session

November 8, 2023

Review of July – October Board Actions

November 8, 2023

- 1 CEO Employment Agreement (September)
- 2 CEO FY24 Performance Evaluation Key Performance Indicators (KPI's) (September)

Review of July – October Board Actions (Management Committee)

Douglas E. Kreulen, A.A.E.
President and CEO

- Revisions to the CEO's employment contract:
 - Employment term (12/31/26);
 - Renewal/non-renewal terms (12 months);
 - Compensation strategy/benchmarking (annually);
 - Adjustment to 2026 special cash incentive; and
- Increase CEO's annual base salary to \$600,000, effective September 1, 2023
 - CEO ineligible for COLA
 - Succession plan and annual benchmarking required
- Authorize Chair to execute amendment to existing CEO contract, consistent with above terms.
- **Review & Approval:** The Chair and the Management Committee recommended approval to the full Board on September 20, 2023. The Board of Commissioners voted 6 to 0 to approve.

① CEO Employment Agreement

② CEO FY24 Performance Evaluation KPI's

KPI Evaluation Criteria	90% Eligibility	100% Eligibility	110%+ Eligibility
Financial (50%)			
Operating Income (BNA+JWN+MPC) (25%)			
Operating Revenue	Meets budget: \$288.4M	5% over budget: \$302.8M	10% over budget: \$317.2M
Operating Expense	Meets budget: \$170.2M	5% under budget: \$161.7M	10% under budget: \$153.2M
Fiscal Responsibility / Strength (25%)			
Senior Debt Coverage	1.25%	1.3% - 1.5%	Greater than 1.5%
Sr/Subordinate Debt Coverage	1.10%	1.2% - 1.25%	Greater than 1.25%
Days Cash on Hand	500 days (OS)	550 - 650 day (Policy)	Greater than 650 days
Pension Funding	80% - 89%	90% - 100%	Greater than 100%
OPEB Funding	80% - 89%	90% - 100%	Greater than 100%
Operational (50%)			
Overall Airport Satisfaction (25%)	80% - 84% top 2 box	85% - 90% top 2 box	Greater than 90% top 2 box
Strategic Goals (25%)			
Invest in BNA/JWN	Meets expectations: 70% - 79%	Exceeds expectations: 80% - 90%	Outstanding: Greater than 90%
Plan for the Future			
Prepare for the Unexpected			

Review & Approval: Staff and the Management Committee recommended approval to the full Board on September 20, 2023. The Board of Commissioners voted 6 to 0 to approve the CEO FY24 Key Performance Indicators.

Items for Approval

November 8, 2023 - None

Information Items

November 8, 2023

- FY23 Payment Card Industry (PCI) Audit Update
- FY23 External Audit Update

Information Items

Lisa Lankford, A.A.E.
Deputy CEO & Chief Strategy Officer

- Payment Card Industry (PCI) Data Security Standard (DSS) Compliance Assessment
 - Security standard for organizations that handle branded payment cards
 - Applies to companies of any size that store, process or transmit cardholder data
- MNAA 1st became PCI DSS compliant in FY19
- Assessment performed by Plante Moran June 2023 – October 2023
 - Validated Secure System Configurations
 - Validated PCI Scope and Segmentation
 - Standardized Policies and Procedures
 - Clean Vulnerability Scans
 - Passing Penetration Test
- Assessment resulted in a compliant Attestation of Compliance (AOC)

FY23 Payment Card Industry (PCI) Audit Update



- Three FY23 audits performed by Plante Moran
 - June – October 2023
- 1. **Financial Statement Audit**
 - Independent Auditors’ Report – Unmodified Opinion
 - No issues identified in risk assessment
- 2. **Single Audit**
 - 1 major programs subject to audit as “major” program
 - Airport Improvement Program (AIP) ~\$25 million
 - Independent Auditors’ Report – Unmodified Opinion
 - No instances of non-compliance or deficiencies in internal control identified
- 3. **Passenger Facility Charge (PFC) Compliance Audit**
 - Independent Auditors’ Report – Unmodified Opinion
 - No instances of non-compliance or deficiencies in internal control identified

FY23 External Audit Update

- Ali Hajazi, Partner, Plante Moran will provide detailed report at November Board
 - Opinion letter dated October 11, 2023 in Committee packet

- 2023 Board Retreat Review

Information Item

Douglas E. Kreulen, A.A.E.
President and CEO

- JWN Development
 - Existing FBO
 - North Development
 - 2nd FBO
 - Midfield Development
 - South Development
 - Westside Development
- BNA Overview
 - Today (Data)
 - Tomorrow (Destinations)
- Financial Strength
- Key Processors
- Capital Needs
 - New Horizon Projects & Adjustments
 - Results of Ongoing Studies

2023 Board Retreat Review

- October 18, 2023

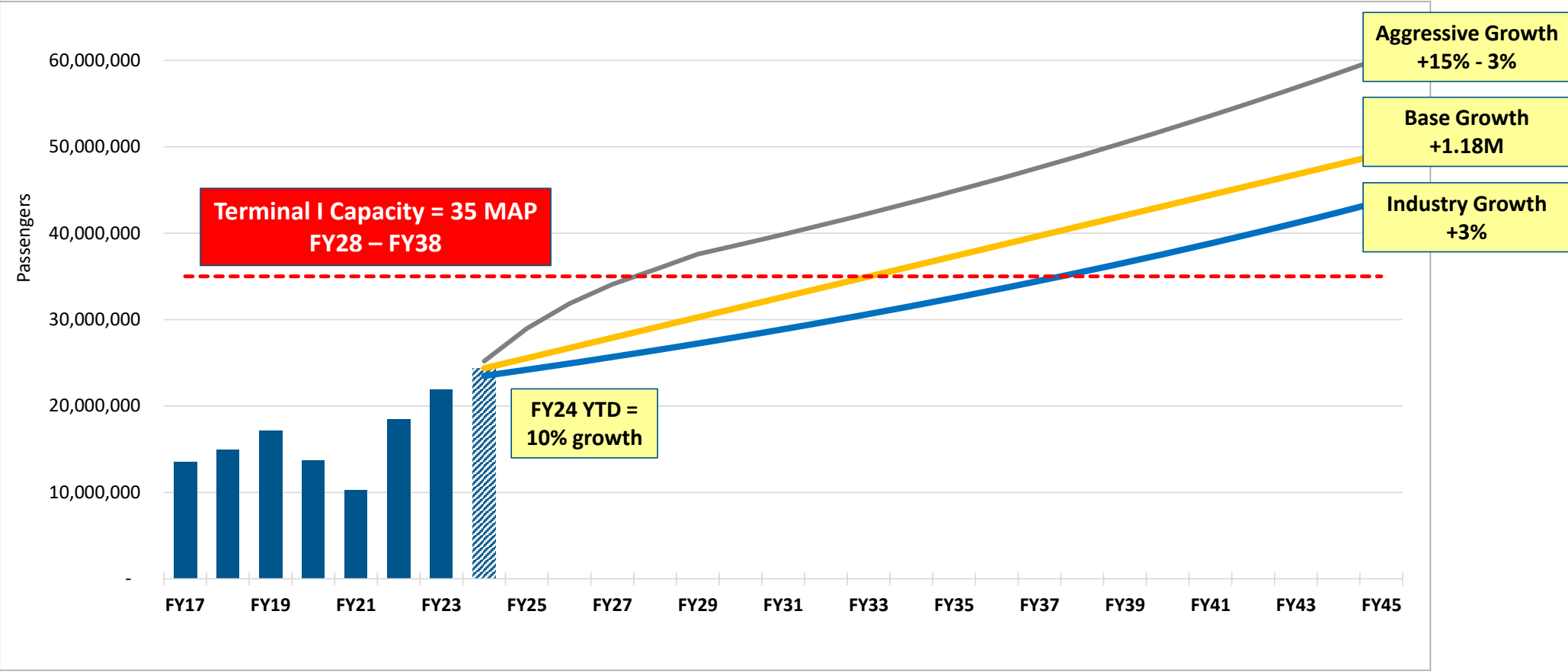
John C. Tune Development

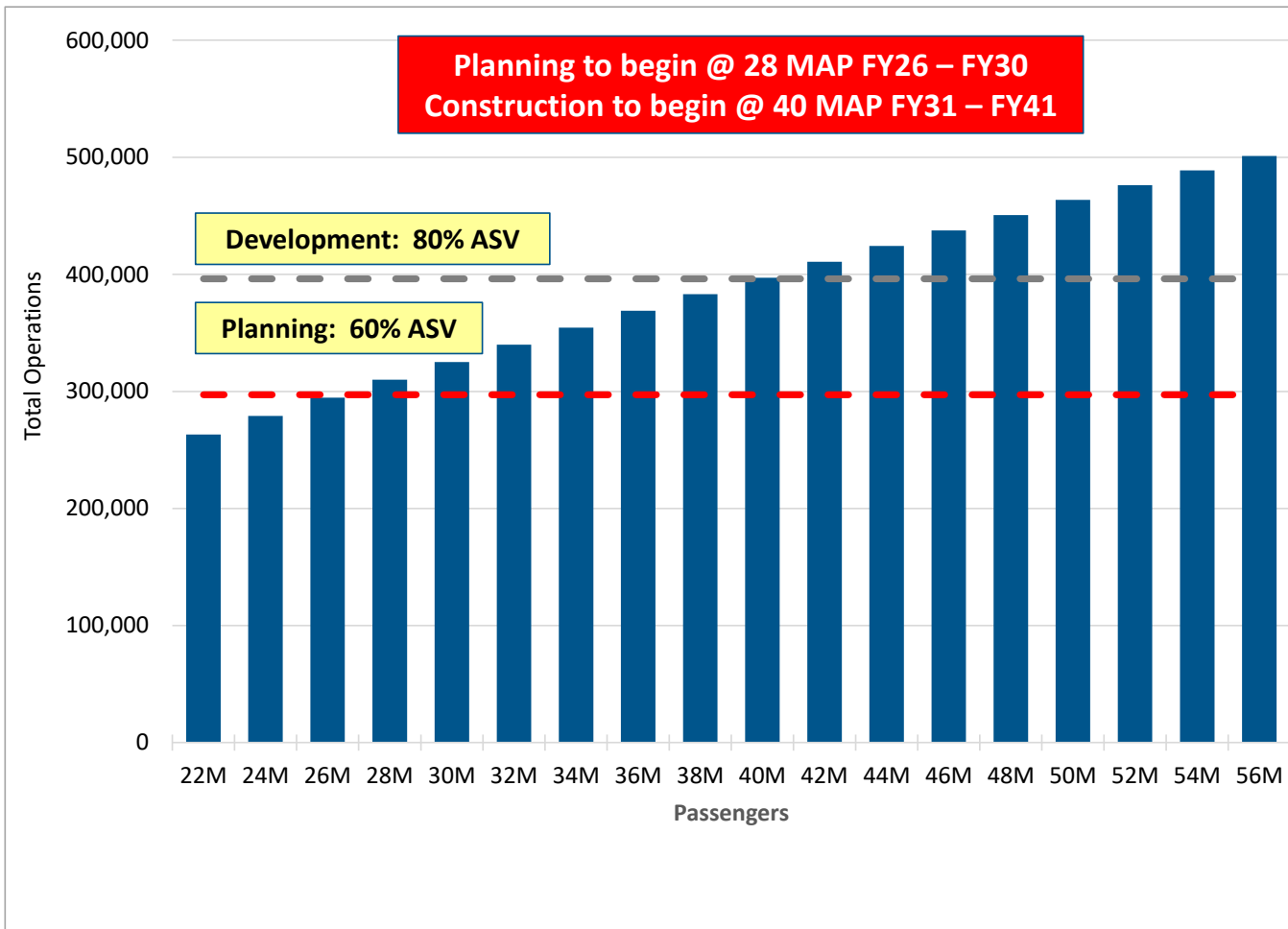


BNA Overview

Data and Destinations

BNA Passenger Forecast: Annual Scenarios





Runway System Capacity

- Annual Service Volume (ASV)
 - 495,300 operations
 - 52% - 257,000 (today)
 - 60% - 297,180
 - 80% - 396,240
- FAA Order 5090.5
 - Congested: 50% ASV
 - Planning: 60% ASV
 - Development: 80% ASV

Domestic Outlook

BNA Service, Sep 2023



Source: Innovata Schedules, via Cirium.

- 95-99 nonstops (winter – summer)
 - Large Hub Median: 127 nonstops
 - 566 – 600 daily scheduled operations
 - ~ 700 - 800 total operations
- Service to 68 of top 75 domestic markets
 - 42 Portland (93,607 annual)
 - 62 Honolulu (51,705)
 - 63 Buffalo (46,464)
 - 64 Albuquerque (44,308)
 - 71 West Palm Beach (39,427)
 - 72 El Paso (39,367)
 - 73 Reno (37,649)

International Air Service

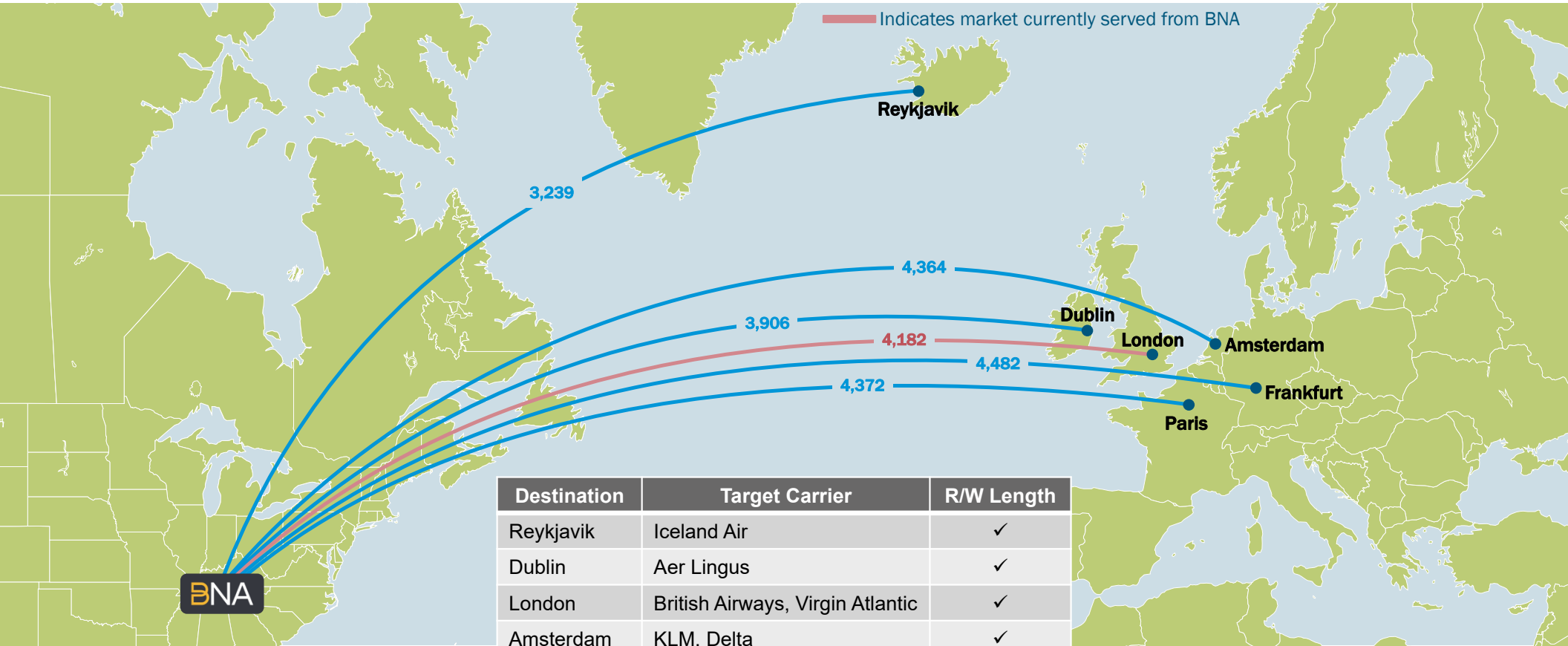
Taking a Global Perspective ...betting on both Nashville & Tennessee

International Air Service: Europe / Asia



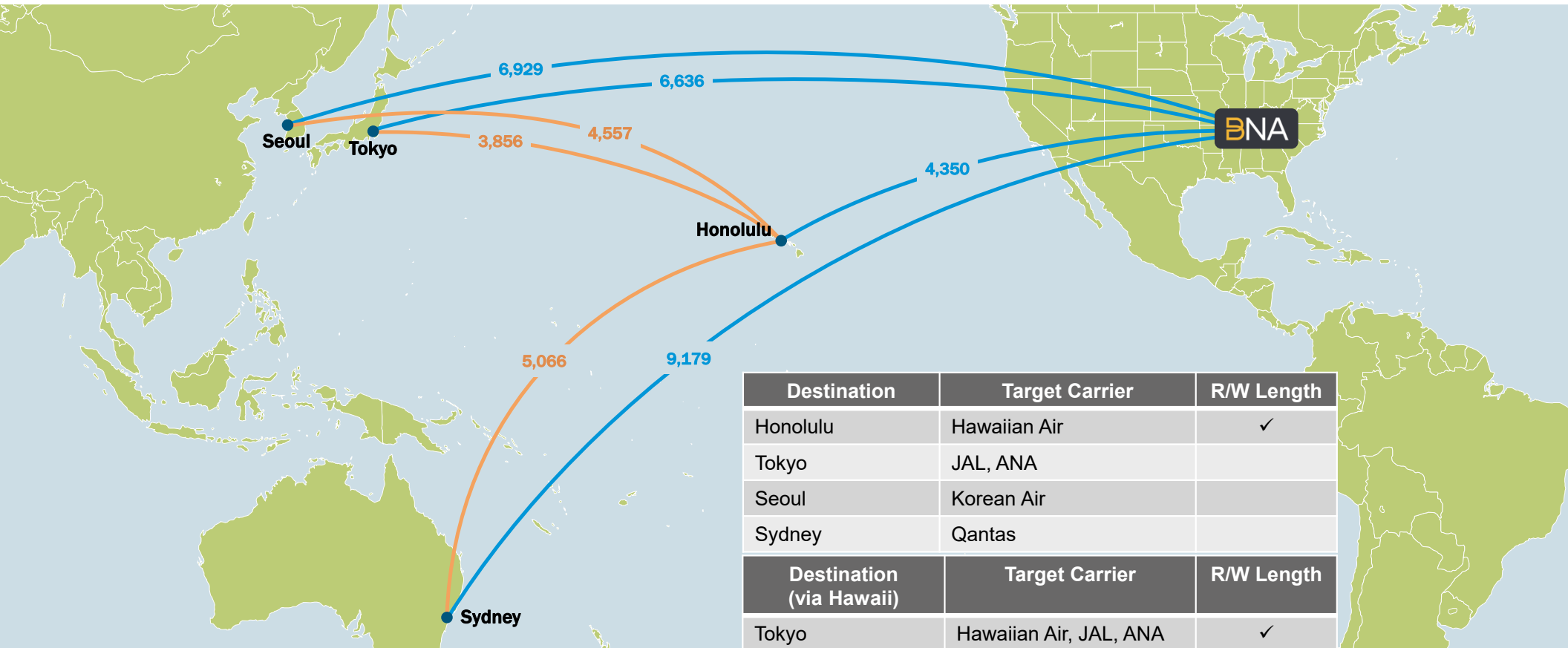
Note: Not actual flight paths

International Air Service: Europe



Note: Not actual flight paths

International Air Service: Asia



Destination	Target Carrier	R/W Length
Honolulu	Hawaiian Air	✓
Tokyo	JAL, ANA	
Seoul	Korean Air	
Sydney	Qantas	
Destination (via Hawaii)	Target Carrier	R/W Length
Tokyo	Hawaiian Air, JAL, ANA	✓
Seoul	Hawaiian Air, Korean Air	✓
Sydney	Hawaiian Air, Qantas	✓

Note: Not actual flight paths

<u>Airline</u>	<u>Region</u>
1) All Nippon Airways (ANA)	Asia – Japan
2) Japan Airlines (JAL)	Asia – Japan
3) Turkish Airlines	Europe/Asia – Turkey
4) Discover Airlines	Europe – Germany
5) Condor Airlines	Europe – Germany
6) Lufthansa	Europe – Germany
7) Air France	Europe – France
8) Icelandair	Europe – Iceland
9) Aer Lingus	Europe – Ireland
10) British Airways*	Europe – England
11) Flair Airlines*	North America – Canada
12) VivaAeroBus*	North America – Mexico
13) Copa Airlines	Central America – Panama
14) Hawaiian Airlines	U.S.
15) Breeze	U.S.

*Existing service

World Routes 2023 Update

- October 15 – 17, 2023
- Istanbul, Turkey

Opportunity

FY24

FY25-FY26

Beyond FY26

Financial Strength

Growing Revenue, Controlling Expenses, Maintaining Debt Service Coverage

Capital Funding Requirements: **Vision 1.0, 2.0, & New Horizon**

Program	Total Project Cost (millions)	Project Costs Funded to Date	Remaining Costs to be Funded	Other Funding	Series 2025 Bonds	Series 2027 Bonds
BNA Vision 1.0	\$1,305.0	\$1,272.4	\$32.6	\$0	\$32.6	\$0
BNA Vision 2.0	\$229.5	\$229.5	\$0.0	\$0	\$0	\$0
New Horizon:						
Baggage Handling System Improv	\$125.0	\$28.3	\$96.7	\$75.0	\$21.7	\$0
Concourse D Extension	\$287.0	\$107.8	\$179.2	\$35.0	\$144.2	\$0
Concourse A Reconstruction	\$855.0	\$0.0	\$855.0	\$0	\$151.5	\$703.5
Air Freight Building	\$25.0	\$0.0	\$25.0	\$0	\$0	\$25.0
TARI – Phase II & III	\$166.5	\$0.0	\$166.5	\$56.2	\$40.2	\$70.1
New Horizon Art Fund	\$4.0	\$0.0	\$4.0	\$0	\$0	\$4.0
Total New Horizon	\$1,462.5	\$136.1	\$1,326.4	\$166.2	\$357.6	\$802.6
Other CIP	\$288.2	\$132.2	\$156.0	\$17.9	\$111.5	\$26.6
Total Capital Funding Requirements	\$3,285.2	\$1,770.2	\$1,515.0	\$184.1	\$501.7	\$829.2

Financial Forecast Key Assumptions: FY24 through FY33

- Enplaned passenger projections – five scenarios
 - Scenario 1: Hybrid – 15%, 15%, 10%, 7%, 5%, 5%, 3%
 - Scenario 2-5: Annual growth rates – 3%, 7%, 10%, 15%
- Assumptions:
 - Capital Funding of \$3.3B included in financial model
 - Passenger Facility Charge (PFC) rate remains at \$4.50
 - PFC's applied to debt service are limited to annual collections
 - New Airline Use and Lease Agreement (AULA) terms and conditions used
 - Expiration of AULA 6/30/33 (assumed 2-year option exercised)

Financial Results: \$3.3B Capital Funding – Scenario 1 (Hybrid)

Key Metrics	Revised	Forecast (Fiscal Years Ending June 30)								
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Enplaned Passengers ('000)	12,620	14,512	15,964	17,081	17,935	18,832	19,397	19,979	20,578	21,196
<i>Growth</i>	15.0%	15.0%	10.0%	7.0%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%
Passenger Airline Cost per Enplaned Passenger (CPE)	\$8.73	\$9.36	\$11.21	\$11.11	\$11.87	\$12.83	\$13.46	\$13.40	\$13.61	\$13.66
<u>Senior Debt Service Coverage (DSC)</u>										
Net Revenues (Target 1.50x)	6.79	5.99	3.38	3.51	3.28	2.72	2.44	2.52	2.61	2.69
<u>Senior & Subordinate DSC</u>										
Net Revenues (Target 1.25x)	3.23	2.99	2.34	2.46	2.38	2.12	1.96	2.02	2.08	2.14
Days Cash on Hand* (Target 550-650)	807	846	917	1,014	1,094	1,170	1,258	1,326	1,382	1,441
NAE Cash Balance ('000)	\$353.4	\$428.5	\$496.4	\$580.2	\$681.5	\$797.2	\$909.0	\$1,025.9	\$1,148.2	\$1,276.0

DSC Legal Requirements: Senior 1.25x; Senior & Subordinate 1.10x

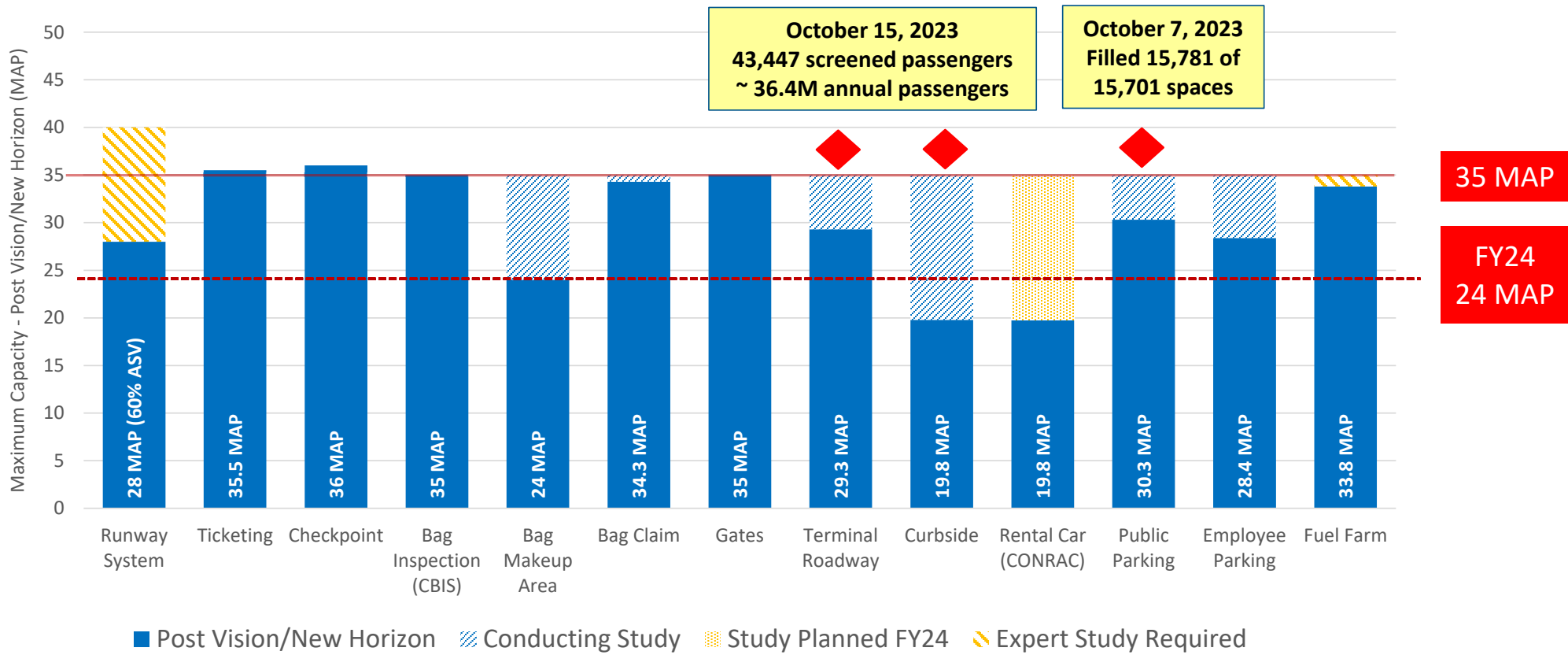
* Estimated based on FYE O&M Reserve Fund, R&R Fund, NAE Funds, and annual operating expenses

- CFO Assessment...We're strong
 - Monitoring all possible outcomes...must know timing and costs
- CEO Assessment and Debt Capacity

BNA Key Processors

Analysis of Terminal Capacity and Constraints

Terminal Area Complex: 35 Million Annual Passengers (MAP)



Includes additional capacity from Vision & New Horizon

New Horizon Projects & Adjustments



- Schedule: FY23 – FY25
- New Horizon Budget: \$287M
- 5 Gates (+ 2 potential)
- Empty Chair for A
- Air Freight Functions to Multipurpose Building
 - New Air Freight and Multi-Purpose Building after Donelson Pike Relocation

Concourse D Extension

1. GMP Board Approval
November 2023
2. Construction Completion Date
July 2, 2025



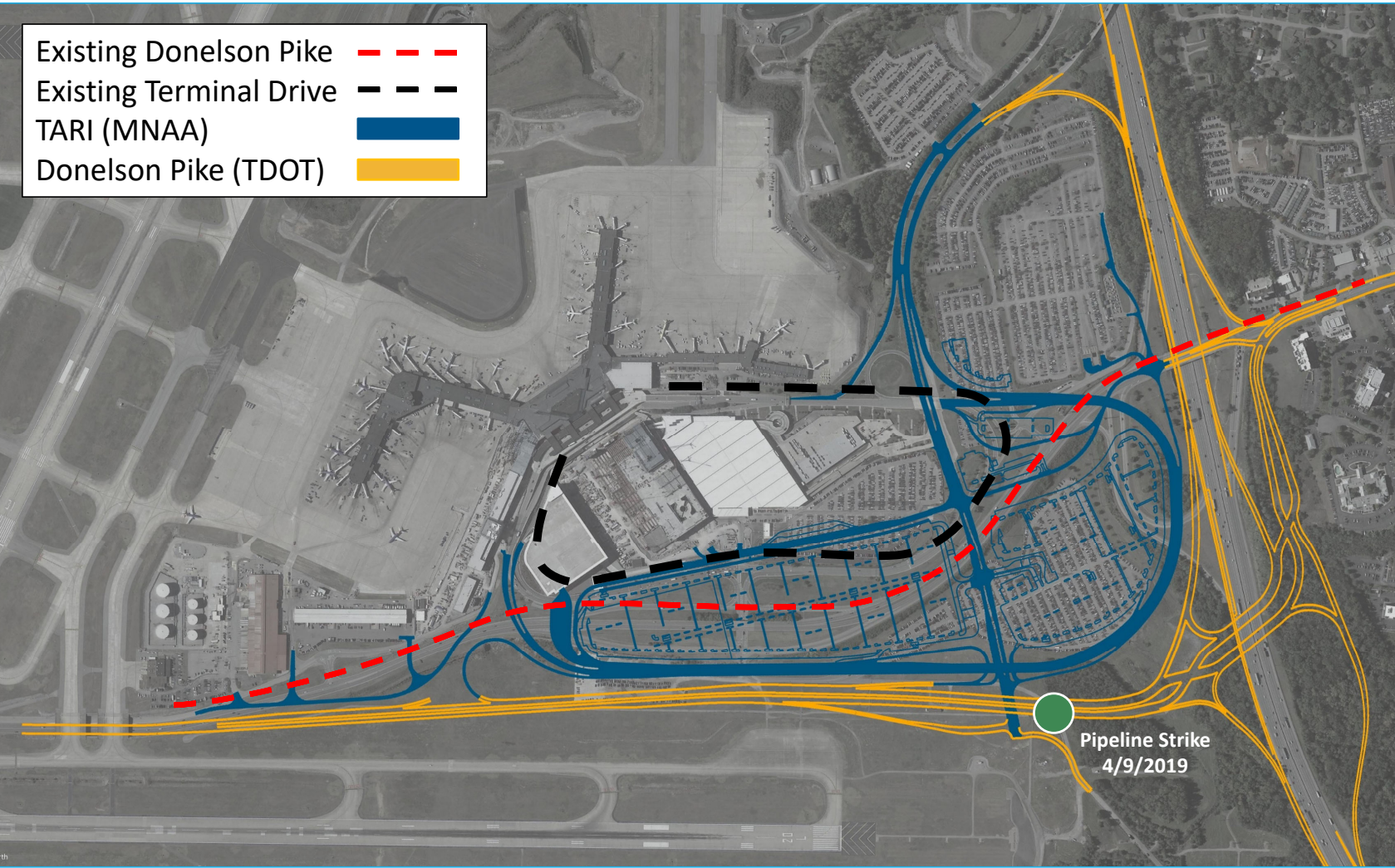
- Schedule: FY24 – FY28
- New Horizon Budget: \$855M
- Total 16 Gates (net 10)
- Concession Node
- Moving Walkways
- Fill Underway

New Concourse A

1. Design: Oct 2023 – July 2025
 - October Board Design Approved
2. Demo: July 2025* – October 2025
3. Construction: October 2025 – July 2028
 - Construction Manager at Risk RFP
 - Concourse D Extension empty chair
 - Single Phase Project

**Demo start date dependent upon completion of Concourse D Extension (Complete July 2, 2025)*

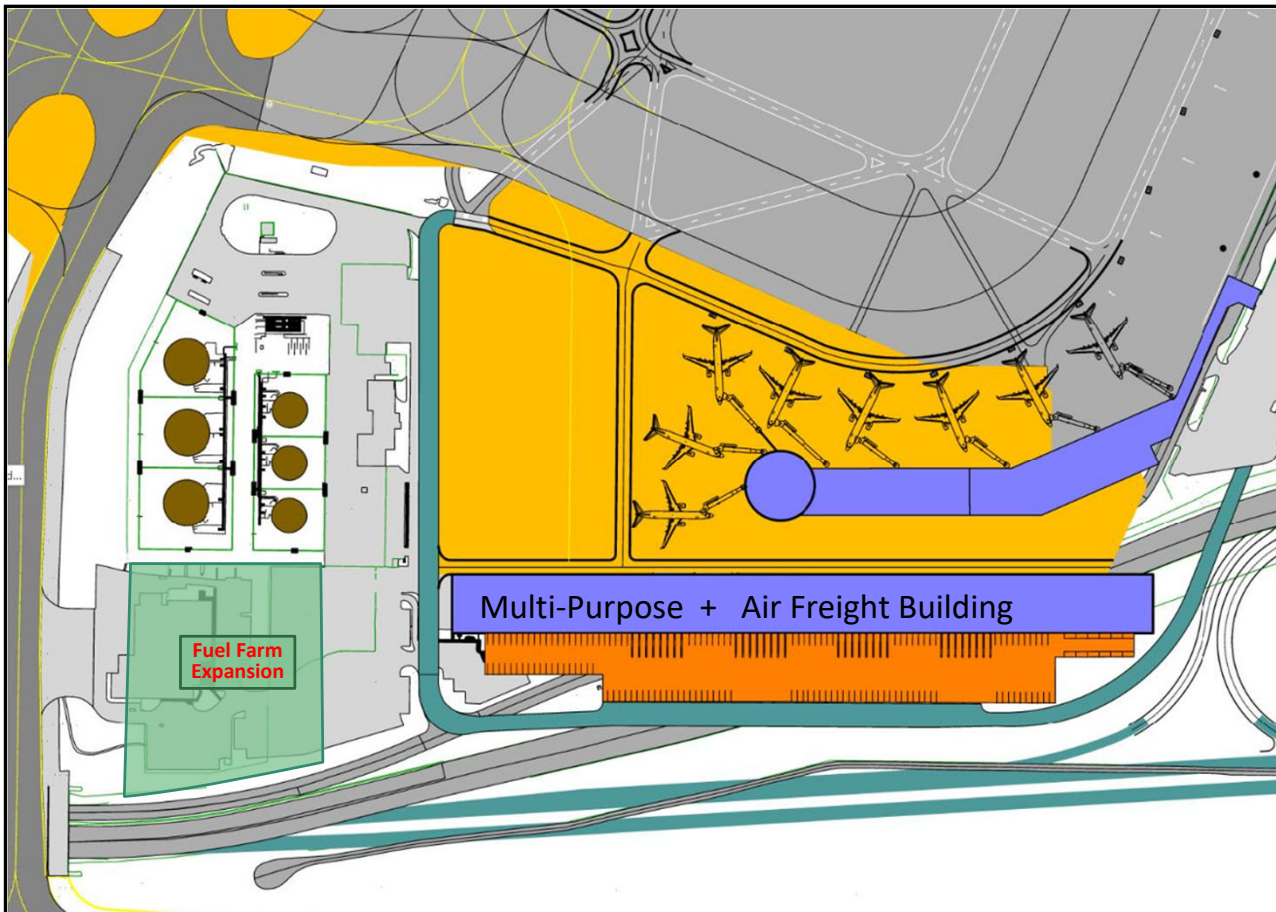
Existing Donelson Pike	---
Existing Terminal Drive	---
TARI (MNA)	█
Donelson Pike (TDOT)	█



TDOT Acceleration

- Delayed due to litigation
- Schedule:
 - Design: Feb 2024 – Mar 2025
 - Construction: Jun 2026 – Dec 2028
- Challenges:
 - TDOT schedule
 - Roadway capacity
 - Funding acceleration

TARI: Terminal Access Roadway Improvements



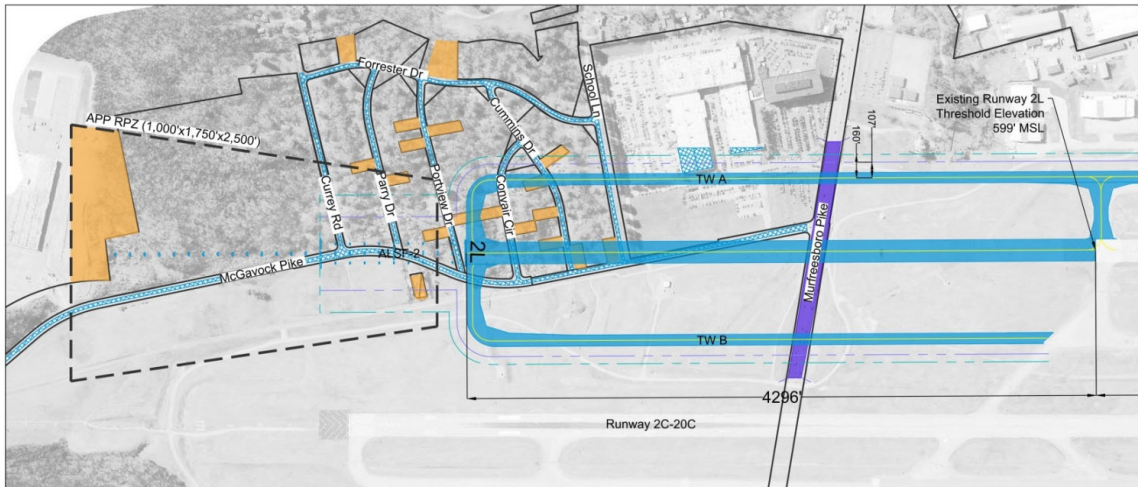
Expansion of Air Freight (+ Multi-Purpose Bldg)

- Allows us to:
 - Increase Apron Area (add 2 gates)
 - Enhance vehicle deliveries
 - Enlarge distribution center
 - Expand Fuel Farm
 - After relocation of ARFF
- Cost: \$25M increasing to ~ \$125M+
 - Tripled square footage
 - Roads, ramps & gates
 - International cargo/kitchen

Results of Ongoing Studies

Extension, Terminal II, Central Ramp + Critical Requirements

- ✓ Execute MOU 9/5/23
- ✓ Advertise RFQ (EIS) 9/25/23
- Intent to Award 11/22/23
- Board Approval (NTE) 12/20/23
- Runway Length Justification/Agency Review Jan 2024 – Mar 2024
- FAA Notice of Intent Mar 2024
- Record of Decision April 2026



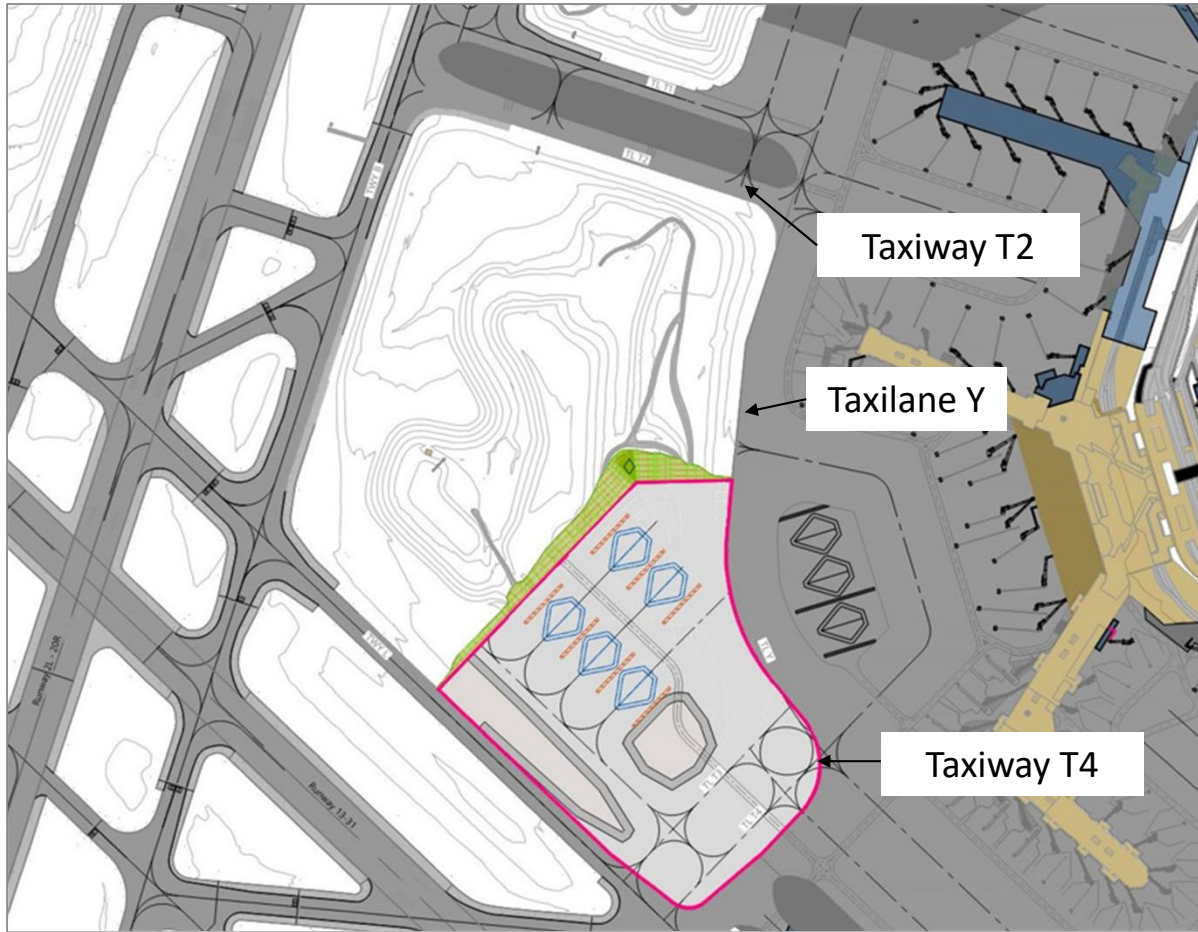
Runway 2L Extension EIS

- Consultant: TBD
- FY24 – FY26
- Fully dependent upon FAA leading process

- 4 Phase Approach
 - Phase I: Reduce from 6 to 2-3 potential sites (12/1/2023)
 - Phase II: Advance preferred sites (12/31/2023)
 - Phase III: Detailed examination of preferred site, including legal & financial analysis (6/30/2024)
 - Phase IV: Program-wide financial feasibility, implementation requirements and strategy (10/1/2024)
- Terminal II Organization Chart
 - Program Manager (Steve Martin, PG)
 - Area Leads
- Next Steps
 - Finalize the SPS scope and budget; Issue NTP
 - Confirm organization
 - Confirm SPS/staff meeting cadence
 - CEO/Board updates (quarterly)

Terminal II Site Selection

- Consultant
 - Strategic Planning Services, Inc. (SPS)
- Project Management
 - Paslay Group
 - Steve Martin



Central Ramp

- Consultant: Ricondo
 - On-Call Planning Services
- Scope:
 - Approx. 3.2M CY of Fill Required
 - Includes relocation of T2 for Group V separation
- Timeline:
 - Planning/Programming: Oct 2023
 - Environmental: Jan 24 – Jun 27
 - Design: Jun 24 – Jun 27
 - Construction: Jun 25 – Jan 31

Critical Requirements

Infrastructure (New Horizon)

- | | |
|-------------------------------------|---|
| 1) Terminal Roadways & Curbside | Shortage today (InterVISTAS)* |
| 2) Public Parking | Shortage on peak days (Ricondo)* |
| 3) Employee Parking | Shortage coming with growth (MNAA staff)* |
| 4) Central Receiving & Distribution | Additional gates (TBD) |
| 5) Central Ramp Expansion | Southwest build-up (Ricondo)* |

Justification

Infrastructure (Terminal II)

- | | |
|---|---|
| 1) Runway 2L Extension & Property Acquisition | Asia Service (TBD) |
| 2) Terminal II Siting | Growth beyond 35M (SPS)* |
| 3) Rental Car | Shortage today / study required (SPS) |
| 4) New ARFF Station x 2 | FAR Part 139 timing requirement |
| 5) Relocated/expanded Fuel Farm | Doubling of operations (600 to 1,000 flights/day) |
| 6) 5th Runway Complex & Property Acquisition | Congestion and/or Asia service |

Justification

*Studies ongoing 43



Meeting of the MNAA Management, Audit & Compliance (“Management”) Committee

Meeting Adjourned