

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



Date/Time: Wednesday, March 13, 2024, at 10:00 a.m.

Place: Nashville International Airport – Tennessee Board Room

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

I. CALL TO ORDER

II. PUBLIC COMMENTS

No requests for public comment received to date. Deadline is March 11, 2024 at 9 p.m.

III. APPROVAL OF MINUTES

February 14, 2024 Minutes of the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development Committees

IV. CHAIR'S REPORT

V. ITEMS FOR APPROVAL

1. FY24 BNA O&M Budget Amendment, MNAA Resolution #2024-01
2. FY24 BNA CIP Budget Amendment, MNAA Resolution #2024-02
3. FY24 JWN O&M Budget Amendment, MNAA Resolution #2024-03

VI. INFORMATION ITEMS

1. None

VII. ADJOURN

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



Date: February 14, 2023

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 10:10 a.m.

Committee Members Present:

Andrew Byrd, Committee Chair; Glenda Glover,
Committee Vice Chair, Jimmy Granbery

Committee Members Absent:

None

Others Board Members Present:

Joycelyn Stevenson, Bobby Joslin, Bill Freeman, and Nancy
Sullivan

MNAA Staff & Guests Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford, Trish Saxman
Marge Basrai, Kristy Bork, Kristen Deuben, Adam Floyd,
Carrie Logan, Rachel Moore, Ted Morrissey, Olivia Parven,
Josh Powell, Robert Ramsey, and Colleen Von Hoene

1. CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 10:10 a.m. pursuant to Public Notice dated February 9, 2024.

2. PUBLIC COMMENTS

Chair Byrd stated there were no public comment requests received.

3. APPROVAL OF MINUTES

Chair Byrd asked for a motion to approve the December 13, 2023 Minutes of the Joint Meeting of the MNAA & MPC Finance, Diversity & Workforce Development ("Finance") Committees. Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

The motion was passed with a vote of 3 to 0.

4. CHAIR'S REPORT

Chair Byrd had no Chair's report.

5. ITEMS FOR APPROVAL

1. Amendment to Air Service Incentive Policy

President Kreulen introduced Josh Powell, AVP, Airline Affairs and Air Service Development, to brief the Commissioners on the Amendment to Air Service Incentive Policy ("ASIP"). Mr. Powell stated the ASIP helps BNA remain competitive with other US airports trying to attract additional non-stop international/domestic service. On December 7, 2023, the FAA released the following notice: "FAA Policy Regarding Air Carrier Incentive Program." The proposed amendment implements this directive, allowing the airport authority to take advantage of a key change regarding seasonal incentives by adding an optional third year to the program. If this amendment is approved, the effective period of the amended ASIP will be 2/21/2024 through 12/31/2025. All proposed marketing incentives and landing fee and facility abatements that involve international service does require MNAA to obtain Board approval of that Letter of Agreement with that carrier.

Mr. Powell stated there was no change to the policy for Year-Round Service. The new Seasonal Service MNAA did take advantage of adding a third year and increasing the Landing Fee & Facility Fee Abatement for Transoceanic flights to 100% as well as adjusting the marketing funds. As a reminder this is funded at \$2M per year and the balance of that fund as of February 5, 2024, was \$8.28M. Chair Byrd asked if there is 100% abatement of the Landing and Facility Fees for Years 1, 2, 3, and marketing incentives up to \$400K for Year 1 and up to \$300K for Year 2 and 3. Also, if this is for new airlines looking at coming, and if this concerns anybody with air service here or just international airlines. Mr. Powell replied correct, and it is not just new airlines, it goes for new markets. For example, if Air France were to fly to Paris, they could take advantage of this incentive, but also if Delta, who is an existing airline and was the first airline to make the decision to fly to Paris, they could take advantage of this incentive as well. It is route specific, not necessarily just new airlines.

Vice Chair Glover stated the new market, new service schedule, and the incentives are really good. She asked if MNAA haggling about 100% abatement. Mr. Powell asked if Vice Chair Glover was talking about the types of markets. Vice Chair Glover replied, yes, new service. Mr. Powell replied, yes, there are 3 different tiers of incentives: (1) Domestic tiers (there is no abatement on Facility or Landing Fees); (2) Other Americas, that would include Canada, Caribbean, South America; and (3) Trans-Oceanic, which includes Hawaii, Europe, Asia or any of those types of service. The only change to the abatement was the tier that MNAA is having the hardest time getting additional service to, which is Trans-Oceanic, and that is why that tier has the best incentive.

Mr. Powell requested the Finance Committee recommend to the Board of Commissioners that it approve the Air Service Incentive Policy (ASIP) and authorize the Chair, President & CEO to execute the policy.

Chair Byrd asked for a motion to approve as presented. Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

The motion was passed with a vote of 3 to 0.

2. FAA Contract Weather Observer (CWO) Lease Agreements

President Kreulen introduced Carrie Logan, VP, Deputy General Counsel, to brief the Commissioners on the FAA Contract Weather Observer (“CWO”) Lease Agreements. Ms. Logan stated there are two Agreements for approval. The FAA CWO occupies Suite 110 at the Harvey P. Gassaway Building. The FAA CWO provides critical operational data 24/7 to the air traffic control tower. When leasing to the Federal government, we are subject to their lease terms and their timelines. This lease expired September 30, 2017, and between then and now MNAA has diligently pursued a new lease with the FAA. During that time the FAA has changed the form of the lease several times, as shown in the timeline. FAA’s latest proposal that they have agreed to is 2 separate documents: (1) the Lease Agreement that extends the lease that expired September 30, 2017 to September 17, 2022; and (2) a new lease that the FAA has requested to be back dated to October 1, 2022 for a 10-year term through September 30, 2032. The space is very small. The 2 documents cover both the term and the

rent, there is very little rent escalation in the supplemental lease agreement, and a fixed term of October 1, 2022 through September 30, 2032 is determined by the FAA.

Ms. Logan requested the Finance Committee recommend to the Board of Commissioners that it approve the terms negotiated between MNAA and the Department of Transportation Federal Aviation Administration (FAA) and authorize the Chair and President & CEO to execute the Supplemental Agreement No. 3 and the New Lease Agreement with the FAA, consistent with these terms.

Commissioner Granbery asked where this building is located, and if it is in the middle of one of the proposed options for the Terminal II site why MNAA is extending the least out to 2032. Ms. Logan responded that they are one of the many tenants that will have to be relocated depending on where Terminal II goes. President Kreulen replied that the whole area – Atlanta, Signature, Southwest—may have to be moved. Commissioner Granbery asked if the Authority could get a termination agreement based on Terminal II. President Kreulen replied that the Authority probably could, but we could find another small space to put them in.

Chair Byrd asked for a motion to approve as presented. Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

The motion was passed with a vote of 3 to 0.

3. Subleases for Concourse D Extension Concessions (7)

President Kreulen introduced Coleen Von Hoene, Associate Principal, Paslay Group. Ms. Von Hoene stated there are 7 subleases for new Concourse D extension concession program. Ms. Von Hoene reminded the Committee that MNAA provided Fraport the rights to develop the future Concourse D extension concession program in Amendment 8 to the Fraport Concessions Agreement. Fraport has negotiated 7 subleases for 8 concession locations, which are scheduled to open in July 2025. The sublease terms extend beyond the expiration of the Fraport Agreement and MNAA is therefore a party to the subleases and consent to the sublease terms. Ms. Von Hoene presented a diagram of

the Concourse D extension concession locations with 5 food and beverage and 3 retail locations. The 7 subleases proposed for Concourse D extension include: Dalmation Creative Agency, Inc., already an existing tenant will operate 3rd & Broadway; 3BG, LLC with two locations Sandella's Flatbread Café and Flytes – Virtual Dining Hall; Newslink of Nashville, LLC operates The Castle; ASG Nashville, LLC, also an existing tenant, operates New Heights Cantina & Tacqueria; Daniel Diamond, LLC operates Daniel X Diamond; Nashville Tracis JV operates Nashville Tracks by Hudson; and, Air Ventures Nashville, LLC, another existing tenant, operates Martini which will be in the center of the record node with coffee in the morning and a martini bar the rest of the day.

Ms. Von Hoene requested the Finance Committee recommend to the Board of Commissioners that it approve the 7 subleases for 8 locations in the future Concourse D extension and authorize the Chair and President & CEO to execute the subleases.

Chair Byrd asked if there is a process in which MNAA reviews these types of tenants to make sure they are the tenants MNAA wants, from a marketing commercial standpoint. Ms. Von Hoene replied, yes. Fraport as the developer under their contract will actually go out and find the tenants. Fraport went through an RFP process, a public solicitation process, generating interest in the program, and then they selected who they evaluated as the best and most advantageous concession locations and operators for BNA. Fraport then brought these concepts to MNAA for approval. MNAA does have the ultimate right to approve those concepts before Fraport goes out and negotiates the terms. Chair Byrd stated these tenants will be here a long time and MNAA has a lot of commercial ventures and MNAA has to decide if we are getting the right mix here and he stated that he believes that MNAA does. President Kreulen stated Fraport came to us with approximately 20 different concepts and based on the 95 BNA already has, MNAA chose these 7 in terms of investments, returns and mix.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion. Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

The motion was passed with a vote of 3 to 0.

4. Amendment 9 to Fraport Concessions Agreement (Exhibit G Updates)

Ms. Von Hoene briefed the Commissioners on Amendment 9 to the Fraport Concessions Agreement. Amendment 8, which was approved in June 2023, gave Fraport the opportunity to go out and lease this space in the Concourse D Extension. A preliminary Exhibit G outlined key delivery dates, and this particular Amendment will update that Exhibit G which outlines specific tenants, specific locations and then keeps those delivery dates. It also provides an extension of the deadline for expenditure of the \$13M Contractor Capital Investment Obligation to allow for the completion of projects that could not be completed by the original contract deadline of July 31, 2023. Under this Amendment Fraport will have until May 31, 2024 and submit proof of payment by July 30, 2024.

President Kreulen stated this Amendment is necessary because it integrates the subleases the Board just recommended for approved into a document that MNAA can track

Ms. Von Hoene requested the Finance Committee recommend to the Board of Commissioners that it approve Amendment 9 to the Fraport Concessions Agreement and authorize the Chair and President & CEO to execute the amendment.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion. Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

The motion was passed with a vote of 3 to 0.

5. Amendment 2 to Boingo Concession Agreement

Ms. Von Hoene briefed the Commissioners on Amendment 2 to the existing Boingo Concession Agreement. Since 2010, MNAA has provided Cellular Distributed Antenna System (DAS) and Wi-Fi services for the public through a concessions contract with Boingo, which expires February 28, 2024. MNAA received revenue of \$180,259 in 2023. At the end of the contract the non-proprietary equipment and infrastructure reverts to MNAA ownership. In order to figure out what the next steps were, MNAA retained a technical consultant to conduct industry research and identify airport business models to determine best approach. The technical consultant identified the following 3 models; 1) Airport owned infrastructure, management and maintained by third-party contractor; 2)

Cell carrier owned and managed infrastructure; and 3) Third-party owned and managed infrastructure (current Boingo model). Chair Byrd restated the contract expiration date for clarification. Ms. Von Hoene confirmed the date and added that there are a couple of components that are proprietary to Boingo and those will not revert to MNAA ownership. The technical consultant recommended MNAA utilize the model providing for direct airport-owned infrastructure, utilizing a third-party contractor to manage and maintain. This structure provides MNAA the ultimate control and coordination expansion of DAS/Wi-Fi infrastructure with future MNAA facility development to meet passenger growth needs; estimated to increase MNAA gross revenue through direct contracts and cell carriers, eliminating sharing revenues with a third-party Concessionaire; and capital contribution can be negotiated with cell carriers and used to fund future capital investment. In order to facilitate transition to this new business model, Boingo is asking for an extension of the existing contract to the end of 2024. We are proceeding with all the steps in the process to have enough time to complete the transition.

Vice Chair Glover asked for the term of the contract. Ms. Von Hoene replied it would be from February 29, 2024 until no later than December 31, 2024. Commissioner Joslin asked why MNAA waited so long before this contract is ending to add another 8-10 months. Ms. Von Hoene replied that MNAA has been looking at this for almost a year, and more questions and also more opportunities were raised, as more research was conducted. The easiest option is to rebid the same contract that MNAA has, but there are issues associated with how much control MNAA has to make sure the facility expansion meets its needs. MNAA concluded several months ago that the best way to go to get control of its own destiny, was to do this different business model. Commissioner Joslin asked if there were problems with Boingo in the past. President Kreulen replied before Boingo, BNA was rated as having the worst in Wi-Fi and when MNAA got the Boingo contract, BNA shot up and is now rated pretty high. BNA is now at around 80% passenger satisfaction. The Board at that time challenged the staff to be number 1 in Wi-Fi and now BNA is in the top 5. President Kreulen stated getting to this point has been a long negotiation – Boingo has control and did not want MNAA to go to this new model. The staff informed Boingo that we are going to this model, and in the end will have more control and higher revenue. This has built up over the Vision expansion. When the Grand Hall was built, Boingo wanted to extend the term of their contract for Wi-Fi. We did not give additional term on their contract, so MNAA had to buy the equipment. In the end Boingo convinced MNAA this is the right way to do it. MNAA will be back in control, increase revenue, and the service should improve. Chair Byrd asked if it is still good for passengers. President Kreulen replied yes, the

passengers may have to watch a 30- second video to get the first hour free, or the passenger can buy super-fast speed option for approximately \$7.95. President Kreulen reported that this was the same at other airports where he has recently traveled. Chair Byrd asked if selling ads is where Boingo makes their money, to which. President Kreulen replied, yes.

Ms. Von Hoene requested the Finance Committee recommend to the Board of Commissioners that it approve Amendment 2 to the Boingo Concession Agreement and authorize the Chair and President & CEO to execute the amendment.

Chair Byrd asked for a motion to approve as presented. Commissioner Granbery made a motion and Vice Chair Glover seconded the motion. Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

Commissioner Granbery – Yes

The motion was passed with a vote of 3 to 0.

6. INFORMATION ITEMS

1. BNA Concessions Program Update (Quarterly Update, Sales Report and BNA Passport Update)

Ms. Von Hoene gave the Committee an update on the BNA Concessions Program. Ms. Von Hoene reported there are still two concessions locations that Fraport is still working on: Prince's Hot Chicken and Half Moon Empanadas. They are progressing as they should be and are expected to open in April 2024. At the end of December at the Paradies Satellite Concourse Concessions opened the last concession, Fat Bottom Brewery, on December 21, 2023. All 7 satellite concessions are now opened.

Ms. Von Hoene reported that the 2023 Fraport Concessions Annual Sales were 27% above 2022, exceeding the enplanement growth of 14%. There is not a lot of data on the Satellite Concourse yet because it has only been open for a month. There were \$176M in sales for calendar year 2023, equivalent to \$15.36 sales per enplanement. Commissioner Granbery stated most retailers would be satisfied with those numbers. Ms. Von Hoene stated revenue to MNAA for the same period was \$18M which is a 35% increase over 2022. Part of that increase is due to the fact that in Amendment 8 to the Fraport Concessions Agreement the revenue share for MNAA was changed.

Ms. Von Hoene provided a list of the top performers. Evolve still remains the top in News & Gifts; Ole Red is top in Full Service F&B; Chick-fil-A is top for Quick Service F&B; True to TN is top in Specialty; and Starbucks is top in Coffee. Vice Chair Glover stated Starbucks was not top a month ago. Ms. Von Hoene replied this is not annual sales, this is based on average monthly sales, but 8th and Roast is close to Starbucks. President Kreulen replied there are two 8th and Roast locations, and if you combine them, they are bigger than Starbucks.

Ms. Von Hoene provided an update on the BNA Passport Program which will offer non-ticketed passengers with access past security.

MNAA is awaiting TSA's execution of the Airport Security Program ("ASP") Amendment. Once TSA signs that document, MNAA will be able to do its last end-to-end business process test. When that test is completed, a press release and social media posts will be issued, and then the BNA PASSport will be launched on MNAA's website. President Kreulen stated he met with Steve Wood, TSA, Federal Security Director for Tennessee, on two other security issues and did not get to discuss the BNA PASSport Program, so he will get with him to discuss this item.

Board Chair Stevenson asked how this program will work. Ms. Von Hoene explained that the non-traveling public will be able to click on a link posted on MNAA's website, which will take them to Airline Choice, the company that does the vetting through the TSA No Fly List. TSA determines whether the applicant is approved. Approved visitors are provided an email with a QR code, via Airline Choice. TSA will confirm the identity of the person with the QR code by conducting an ID check at the customer information desk on the ground transportation level, and then that person will proceed with the QR code and the documentation from the information desk to the security checkpoint.

Board Chair Stevenson asked if the application could be done over the phone. Ms. Von Hoene replied yes, you can do it on your phone. Commissioner Granbery asked if passengers' TSA Pre Check applies. Mr. Ramsey replied, no. Vice Chair Glover asked how long the QR code is good for. Ms. Von Hoene replied it is good for one day. Commissioner Granbery stated a Board member does not have to have it; you can go through with your badge. President Kreulen stated yes, but only if you have completed the annual SIDA testing. Chair Byrd asked if any other airports that have implemented this and if it has had adverse passenger customer experiences resulting from allowing 3rd parties into this process. Ms. Von Hoene replied that has not been uncovered in

research. President Kreulen replied it is not a money maker, which is what we thought it would be, but it does give people that do not fly a chance to shop and have dinner and lunch at BNA. President Kreulen stated you must sign up at least 24 hours in advance and as of right now there is a limit of 75 people, but one can come back and complete the form again for the next time they want to come to BNA. It is a very easy form, President Kreulen said. Chair Byrd asked for confirmation that it is limited to 75 people. President Kreulen replied yes, and staff is not certain how big it will get. Commissioner Granbery stated Tampa and Pittsburgh, two of the big airports that have a visitor pass program, do not have the music opportunities that BNA has so it might be a real game changer to support our vendors and give them more business. Ms. Von Hoene stated Orlando airport just opened a program.

2. FY24 BNA and JWN O&M Budget Updates

President Kreulen introduced Ms. Marge Basrai, EVP, Chief Financial Officer, to provide an update on the FY24 BNA and JWN O&M Budgets. The staff will come to the Board next month to ask for adjustments to these two items on the O&M side. Starting with the BNA O&M Budget, enplanements are 8% above FY24 budget; and operating revenues are \$7.3M above budget as of December 31, 2023. Concessions, concessions storage space rental, and other revenues are above budget. Signatory Airline and parking revenues are below budget. MNAA will have to do an increase to landing fees for airline reimbursement of the virtual tower construction costs, as the airlines will be paying for it and it will be added to their landing fees. Parking right now is slightly below budget. We did have a shift in passenger behavior, with a little less in the valet, moving down to the garage and moving down to some of the economy lots. Staff is monitoring that and watching behavior and the effect of the new short-term rates before determining if an adjustment is needed.

Chair Byrd asked how the 30-minute parking is working out. Ms. Basrai replied BNA is getting a lot of transactions. President Kreulen replied people are taking advantage of it and it keeps them off the road and keeps them from circulating. President Kreulen stated January and February are our lowest level of passenger activity, and when he spoke with Mayor O'Connell last week, he liked that MNAA participated in his holiday press conference. He may ask MNAA to participate in his spring break news release on March 8, 2023. Obviously for that reason he is focused on Davidson County, and MNAA is focused on Tennessee, so spring break for us is March 1st to end of March. The biggest day will be March 16th with so many counties' schools out all at once. May and June will be MNAA's

biggest months. There are a lot of things that are going to be done between now and summer break and hopefully Ms. Basrai is correct that we hit our budget for parking because that is 1/3 of our revenue and MNAA is only a little below budget.

Ms. Basrai moved on to BNA FY24 Operating Expenses. The Operating Expenses are \$9M below budget; however, amendments may be required based on MNAA's forecast projections which indicate MNAA is going to eat into all or even more than the \$9M variance that it has. There are 52 additional positions that were authorized during this year that were not part of the budget, promotions were made during the year, and we did a big adjustment to DPS step chart which increased a majority of DPS's salaries. Those were not budgeted and those things there will eat up almost all of MNAA's salaries and benefits that were under the budgeted amount that we have.

Ms. Basrai then moved on to the Satellite Concourse Operating Expenses. The Satellite opened at the end of October and when MNAA did the budget, all of new expenses for operating the satellite were spread across 12 months. Therefore, in the budget numbers, the Board will see Satellite numbers starting from July, but we do not see actual expenses hitting the Satellite until November. So, it reflects that we are under budget, but we are not because we are now incurring more expenses than what we budgeted because of how we smoothed out the budget, she said. Also with the Satellite, the budgeted operating expenses were MNAA's best estimates, and staff is monitoring actuals over the past month or two to see if the estimates will come close. We were not really sure what the utility expenses would be, Ms. Basrai said, and made our best estimates.

Ms. Basrai stated MNAA budgets each year for our basic operations and then contingency funds are used throughout the year for one-time items or other items that come up that were not anticipated before the budget. About \$4-\$6M of contingency funds have already been allocated. There are some items that have come up throughout the year in order to make things operationally better such as Mitigation of Roadway and Curbside congestion; Nashville Conference Sponsorships (AAAE, AMAC) which are coming in above budget; the consultant for the Wi-Fi DAS Transition; Fall/Spring breaks valet parking surges; Employee parking expansion because of the Southwest crew base, Re-striping in the parking lots; and homeless mitigation. Additionally, the snow event in January cost about \$3.9M, which most will be covered by the airlines.

Ms. Basrai stated that JWN FY24 O&M Budget, as of December 31, 2023, had revenues about \$273K above budget and expenses about \$5K above budget. The monthly financials are being monitored; however, amendments may be required. For Operating Revenue, there are 3 leases (5 parcels) that were signed after the budget was approved, so those will be added to the budget. There have been some Operating Expenses that were not in the budget, such as the additional studies that were conducted for Taxiway Bravo and the 2nd FBO, equipment repairs and maintenance/ administration building set up.

Ms. Basrai stated the next steps are to continue to monitor the financials and enplanements and see where January ends up on both, and then identify any additional expenses that may come up until the end of this fiscal year. Staff will come back next month with any of those budget amendments for additional approvals.

Commissioner Granbery asked what the cost was for the snow event at JWN. Mr. Ramsey stated probably in the amount of several hundred thousand dollars. Commissioner Freeman asked what the homeless mitigation is. President Kreulen replied we have 4,600 acres and just as you see it happening around town, people will set up homeless camps, and we have to remove them from airport property for security purposes. In the last several months, MNAA has had to spend \$250K cleaning up the human waste, drug paraphernalia, and other things they leave behind. It is very expensive clean up that area. MNAA also has to add more fencing to keep people out and repair fencing. Commissioner Sullivan asked if the area is secured. President Kreulen stated we do not have 100% of MNAA land fenced.. MNAA has increased patrolling in certain areas due to security concerns.

3. Quarterly Retirement/OPEB/Treasury Investment Reports

President Kreulen introduced Ms. Kristy Bork, AVP, Finance, to provide an update on the Quarterly Retirement/OPEB/Treasury Investments Reports. Ms. Bork reported that the FY24 Q2 Retirement Plan market value was \$81.4M, which is an increase of \$5.6M over the prior quarter with a gross return for the quarter being at 9.1% and year to date is 5.54%. The OPEB market value was \$41M which is an increase of \$3.2M over the prior quarter with a gross return for the quarter of 9.50% and year to date is 5.87%. For the MNAA Quarterly Treasury Investment Report for the quarter ending December 31, 2023, MNAA had total available funds of \$1.229B with 99.6% of the funds invested. The earnings for FY24 Q2 were \$13.2M with a combined yield of 4.86% for all of our investment

sources. Ms. Bork explained that this is probably a high mark for MNAA, and that the rates are expected to come down as a lot of people have heard. It was a great quarter overall.

7. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 10:55 a.m.

Andrew W. Byrd, Board Secretary

STAFF ANALYSIS

Finance Committee

Date: March 13, 2024
Facility: Nashville International Airport (BNA)
Subject: MNAA Resolution 2024-01
FY24 BNA Amended Operating Budget

I. Recommendation

Staff requests that the Finance Committee recommend to the Board of Commissioners that it:

- 1) approve the proposed amended operating budget for Nashville International Airport (BNA) for fiscal year 2024 (FY24); and
- 2) authorize the Chair and President & CEO to execute MNAA Resolution No. 2024-01.

II. Analysis

A. Background

Pursuant to the 3rd and Amended & Restated Bylaws of the Board of Commissioners of MNAA (Bylaws), Section 4.3.2, the President & CEO must submit the operating budget to the Board for approval at least 60 days prior to the beginning of the fiscal year. Requests for additional appropriations shall be submitted to the Board for approval.

On April 19, 2023, the Board of Commissioners approved the FY24 BNA Operating Budget. Since that time, enplanements have outpaced the budgeted amount, which has resulted in several adjustments that need to be made.

MNAA uses three enplanement forecasts to monitor growth at BNA: "Moderate Forecast", "Strategic Forecast", and an "Aggressive Forecast". Enplanement numbers for the three forecasts were created in January 2023 for FY24 (see column titled "Approved FY24" in the table on page 2). The Board of Commissioners approved the FY24 BNA Operating Budget in April 2023 based on 10,973,500 enplanements, which was the "Moderate Forecast". After the budget was approved, BNA continued to monitor passenger enplanement levels and compared them against the forecast. Since enplanements were outpacing the forecast by a significant amount, MNAA revised the three forecasts in July 2023. See column titled "Amended FY24" in the table on page 2 for the new forecasted enplanements:

Enplanements	Approved FY24	Amended FY24
Moderate Forecast	10,973,500	11,743,700
Strategic Forecast	11,290,200	12,182,400
Aggressive Forecast	10,800,000	12,621,500

MNAA management decided that the new FY24 enplanement target would be 11,743,700 (moderate forecast at a 7% increase) and would be the basis for the FY24 amended budget.

The following items were evaluated to update the FY24 operating budget:

- Reviewed BNA’s operating revenues and expenses from the December 31, 2023 financial statements and compared actual versus budget to look at trends:
 - Certain revenues and expenses were increased to reflect the new projected enplanement levels.
 - Increased landing fees to airlines due to the Virtual Ramp Tower project being requested (and paid for) by the airlines.
- Finance also reviewed additional budget requests from departments to identify any other necessary changes, as well as any other circumstance that would impact the budget (i.e., January 2024 snow/weather event).

Finance also re-evaluated the use of the relief grants (CRRSSA/ARPA) and determined that no changes needed to be made. Below indicates how the relief grants are being used in FY24:

Use of CRRSSA & ARPA Funds:	FY24
Apply to Debt Service	\$ 31,369,043
Apply to Offset Salary and/or Other Expenses	-
	\$ 31,369,043

The application of these relief funds was incorporated into the amended FY24 financial rate and charges model, as well as the adjustments from the amended BNA CIP Budget for the projects funded from the Authority and Airline Facility Funds. The financial rate model projections (original versus amended budget) are shown on page 3:

**Nashville International Airport
Revenue and Expenses (Rate Model Based)
For the year ending June 30, 2024**

	FY24 - Original 10.97M Enplanements	FY24 - Amended 11.74M Enplanements
Operating Revenues:		
Signatory Airlines	96,550,734	102,405,092
Parking	101,814,581	101,814,581
Concessions	60,992,158	65,492,158
Space Rental	17,156,652	18,756,652
Other	5,793,559	7,383,359
Total Operating Revenues	282,307,684	295,851,842
Operating Expenses:		
Salaries and Benefits	57,356,768	57,356,768
Contractual Services	82,181,933	87,861,040
Materials and Supplies	8,202,443	9,789,925
Utilities	9,083,730	9,083,730
Other	9,045,459	9,423,697
Total Operating Expenses	165,870,333	173,515,160
Other Rate Model Exp/Rev:		
Total Debt Service - Bonds	90,564,717	90,564,717
Less: Debt paid by Cap Int	(19,969,532)	(19,969,532)
Less: Debt paid by PFCs	(18,898,675)	(18,898,675)
Less: Debt paid by Federal Relief Grants	(31,369,043)	(31,369,043)
Less: Operating Exp paid by Federal Relief Grants	-	-
Short Term Credit Facility Interest Expense	2,972,768	2,972,768
Operations & Maintenance Fund	8,312,232	9,563,050
Renewal & Replacement Fund	1,250,000	1,250,000
Airline Facility Fund	13,466,535	18,142,055
Authority/Amortization Facility Fund	20,473,465	25,231,921
NAE (Airline Incentive) Fund	2,000,000	2,000,000
Additional Pension/OPEB Contribution	-	-
Interest Income Transferred to Revenue Fund	(8,781,100)	(8,781,100)
Less: Budgeted Exp Excluded from Rate Model	(2,540,975)	(1,451,768)
Other Non Budgeted Rev Included in Rate Model	(2,425,920)	(2,845,631)
Total Net Other Expenses	55,054,472	66,408,762
Net Income (Deposit to NAE)	61,382,879	55,927,920

Using this new forecast, the GAAP (Generally Accepted Accounting Principles) based amended budget for FY24 was prepared. The summary is shown below:

BNA Summary (\$000)	APPROVED BUDGET 2024	AMENDED BUDGET 2024	
Non-Airline Revenue	185,757	193,447	①
Signatory Airline Revenue	96,551	102,405	②
Total Operating Revenue	282,308	295,852	
Operating Expense	(165,870)	(173,515)	③
Net Non-Operating Income	17,030	16,683	④
Income before Depreciation & Grants	133,468	139,020	

① Non-Airline revenue increased by \$7.7M:

- Food/retail concessions increased \$2.5M due to an increase in enplanements; and a change in the contract with Fraport approved in June 2023, in which MNAA receives a higher percentage of sublessee rent (70% from 60%).
- TNC (Uber & Lyft) was increased by \$1M due to higher enplanements.
- Rental car concessions revenue increased by \$1M due to an increase in deplanements.
- Space rental increased \$1.6M mainly due to more concession storage space being leased in the terminal.
- Non-signatory landing fee increased \$1.6M. The non-signatory landing fee was increased due to the following: higher airfield expenses (i.e. snow event), additional airfield project costs (i.e. virtual ramp tower), and an increase in non-signatory landed weights over the budgeted amount.

② Signatory Airline Revenue increased \$5.8M due to increased landing fee - higher airfield expenses (i.e. snow event), additional airfield project costs (i.e. virtual ramp tower), and an increase in signatory landed weights over the budgeted amount.

③ Operating Expenses increased \$7.6M:

- Contractual Services increased \$5.7M:
 - BNA incurred \$2.1M of snow removal services related to the 8-day snow/weather event that occurred in January 2024.
 - Parking lot operations increased \$1.3M due to more demand (higher enplanements), along with higher valet labor costs for both hours and pay rates.
 - Concessions contract services increased by \$1M due to an extension of time using our concession consultants (Paslay Group); and assistance from an expert to help guide us as we convert our wireless service from our current provider to a new airport owned model.

- Additional professional services increased by \$800K for services such as: assistance with establishing an SMS system, support control for the virtual ramp, additional security services for the new cell lot and Genesco, compensation study, and a study for phasing of the central ramp.
- Repairs & maintenance increased \$500K for unanticipated expenses related to homeless mitigation and restriping of BNA roads.
- Materials and Supplies increased \$1.6M:
 - BNA incurred \$731K of snow removal supplies such as salt and deicing fluid related to the 8-day snow/weather event that occurred in January 2024.
 - Small tools and minor equipment increased \$350K for the purchase of new tasers. Public Safety was informed that the taser manufacturer would no longer support the existing equipment, so new equipment will need to be purchased.
 - Gas and diesel fuel budget of \$507K was reclassified to materials and supplies from other operating expenses to better align the budget to how the expenses are reported in the Annual Comprehensive Annual Report (“ACFR”).
- Other Operating expenses increased by \$378K:
 - Travel/Training increased \$288K:
 - Additional staff professional development \$176K - MNAA hosted four AAAE classes for employees to become Certified Members.
 - \$112K was incurred for the snow/weather event in January 2024 related to food and hotel rooms for staff that were on-call during the event.
 - Airport promotion increased by \$250K for additional expenses expected for hosting the AAAE Annual Conference.
 - Intercompany revenue/expense increased by \$347K due to reclassing these budget amounts to align how these are reported in the ACFR.
 - Gas and Diesel budget of (\$507K) was reclassified from other operating expenses to material and supplies to better align the budget to how the expenses are reported in the ACFR.

④ Net Non-Operating Income decreased \$347K due to reclass of intercompany revenue/expense to align the budget with how these are reported in the ACFR.

B. Strategic Priorities

- Invest in MNAA
- Plan for the Future
- Prepare for the Unexpected

C. Options/Alternatives

Revise the FY24 Operating Budget by adding or reducing revenue and expense items.

STAFF ANALYSIS

Finance Committee

Date: March 13, 2024

Facility: Nashville International Airport (BNA)

Subject: MNAA Resolution 2024-02
FY24 BNA Amended Capital Improvements Budget and FY24-28 Amended Capital Improvement Plan

I. Recommendation

Staff requests that the Finance Committee recommend to the Board of Commissioners that it:

- 1) approve the proposed amended FY24-FY28 BNA Capital Improvements Plan; and
- 2) approve the proposed amended FY24 BNA Capital Improvements Budget; and
- 3) authorize MNAA to accept the grant(s) from the Federal Aviation Administration (FAA) for Federally funded projects and from the State of Tennessee for state funded projects, and to designate the President & CEO, or delegate, as the authorized representative of the Authority; and
- 4) authorize the Chair and President & CEO to execute MNAA Resolution No. 2024-02.

II. Analysis

A. Background

Staff annually presents a five-year capital improvements plan and the forthcoming year capital improvements budget for approval by the Board of Commissioners.

Pursuant to the 3rd and Amended & Restated Bylaws of the Board of Commissioners of MNAA (Bylaws), Section 4.3.3, a capital improvements budget shall be prepared annually for a 5-year period and submitted to the Board for approval at least 60 days prior to the beginning of the Authority's fiscal year. Requests for additional appropriations shall be submitted to the Board for approval.

On April 19, 2023, the Board of Commissioners approved the FY24-FY28 BNA Capital Improvements Plan and the FY24 BNA Capital Improvements Budget. Since that time, there have been items identified on the FY24 BNA Capital Improvements Budget that require adjustment. The proposed amended BNA Capital Improvements Budget for FY24 is \$155,025,537, reflecting a decrease of \$33,539,463 in project costs.

The changes to the FY24 BNA Capital Improvements Budget by project are as follows:

Project	Approved FY24 BNA CIP	Amended FY24 BNA CIP	Change	Reason for Change
New Parking Bridging Documents Terminal Loop Parking/GT/Bridging Study	\$ 10,000,000 -	\$ - 2,000,000	\$ (10,000,000) 2,000,000	Reduce/Modify scope and adjust project title
Virtual Ramp Control Tower	-	14,318,200	14,318,200	Add virtual ramp control service for BNA ramp
Restriping for Discrete/Lot A/Employee Lot	-	2,100,000	2,100,000	Project to increase parking spaces in current lots
Future RON/Deicing Ramp Plan	-	1,750,000	1,750,000	Phase I to add aircraft parking and deicing positions
2nd Terminal Siting Study	3,000,000	4,158,456	1,158,456	Add project manager to scope to assist MNAA
Apron Dual Taxilanes	70,000,000	-	(70,000,000)	Removed - study determined not needed at this time
Concourse A Recon/Expansion - Design	30,000,000	50,000,000	20,000,000	Additional design cost to match approved contract
Reconstruct Bravo/Kilo Inter. - Construction	13,100,000	16,483,881	3,383,881	Additional cost added due to bids received
K9 Kennel in ARFF	550,000	50,000	(500,000)	Reduced scope to only add additional fencing
Concourse B&C Upgrades	-	2,000,000	2,000,000	Additional cost added to prior year project due to bids received
New Friction Tester w/ Vehicle (Airfield)	-	250,000	250,000	Correction of error - vehicle was in CIP, however, cost was not in total
Total Change			\$ (33,539,463)	

Based on the above changes, the amended BNA Capital Improvements Plan for FY24-FY28 is summarized below:

BNA Summary:	2024	2025	2026	2027	2028	TOTAL
Terminal & Landside	\$ 90,958,456	\$ 881,860,000	\$ 31,000,000	\$ 207,500,000	\$ 500,000	\$ 1,211,818,456
Vehicles & Equipment	5,715,000	9,465,000	1,280,000	735,000	735,000	17,930,000
Airside Improvements	58,352,081	90,815,000	124,007,450	70,268,364	36,062,754	379,505,649
Total	\$ 155,025,537	\$ 982,140,000	\$ 156,287,450	\$ 278,503,364	\$ 37,297,754	\$ 1,609,254,105

Funding Allocation:	2024	2025	2026	2027	2028	TOTAL
MNAA Authority Fund	\$ 24,381,921	\$ 10,561,400	\$ 5,206,050	\$ 1,895,364	\$ 1,326,754	\$ 43,371,489
MNAA Amortization Fund	2,600,000	2,300,000	-	3,500,000	-	8,400,000
MNAA Airline Fund	28,880,705	18,123,600	27,521,400	13,458,000	5,536,000	93,519,705
Federal (Entitlement)	5,955,911	3,670,000	-	8,401,000	5,000,000	23,026,911
Federal (Discretionary)	6,407,000	10,000,000	32,746,124	15,000,000	17,500,000	81,653,124
Federal (BIL)	-	-	35,757,752	-	-	35,757,752
Bond Funded	84,500,000	937,050,000	54,621,124	35,899,000	7,500,000	1,119,570,124
Customer Facilities Charges	2,300,000	-	-	200,000,000	-	202,300,000
Other	-	435,000	435,000	350,000	435,000	1,655,000
Total	\$ 155,025,537	\$ 982,140,000	\$ 156,287,450	\$ 278,503,364	\$ 37,297,754	\$ 1,609,254,105

All projects are contingent upon the approval and availability of the various funding sources. The projects programmed for FY24, and their anticipated funding sources are shown in the attached Capital Improvements Plan. The projects and costs shown for FY25-FY28 are a planning tool and are only estimates at this time. They will be updated annually and presented to the Board.

B. Strategic Priorities

- Invest in MNAA
- Plan for the Future
- Prepare for the Unexpected

C. Options/Alternatives

Revise the amended FY24 Capital Improvements Budget by adding or omitting projects from the proposed capital budget.

Attachment: FY2024-2028 BNA Amended Capital Improvements Plan

STAFF ANALYSIS

Finance Committee

Date: March 13, 2024
 Facility: John C. Tune Airport (JWN)
 Subject: MNAA Resolution 2024-03
 FY24 JWN Amended Operating Budget

I. Recommendation

Staff requests that the Finance Committee recommend to the Board of Commissioners that it:

- 1) approve the amended operating budget for John C. Tune Airport (JWN) for fiscal year 2024 (FY24); and
- 2) authorize the Chair and President & CEO to execute MNAA Resolution No. 2024-03.

II. Analysis

A. Background

Pursuant to the 3rd and Amended & Restated Bylaws of the Board of Commissioners of MNAA (Bylaws), Section 4.3.2, the President & CEO must submit the operating budget to the Board for approval at least 60 days prior to the beginning of the fiscal year. Requests for additional appropriations shall be submitted to the Board for approval.

On April 19, 2023, the Board of Commissioners approved the FY24 JWN Operating Budget. Since that time, there have been several adjustments identified that need to be made to the budget.

The proposed JWN amended Operating Budget for FY24 is summarized below:

	APPROVED BUDGET 2024	AMENDED BUDGET 2024	
JWN Summary			
Operating Revenue	\$ 2,384,000	\$ 2,804,000	①
Operating Expense	(2,303,000)	(2,457,000)	②
Non-Operating Revenue	76,000	76,000	
Income before Depreciation, Grants, and Transfers from MNAA	\$ 157,000	\$ 423,000	

① Budgeted operating revenue increased by \$420,000 due to the execution of three additional North Development leases (5 parcels).

② Budgeted operating expenses increased by \$154,000:

- Overtime increased by \$13,000 due to the 8-day weather event that occurred in January of this year.
- Contract services increased by \$110,000:
 - Taxiway Bravo study - \$27K
 - Unanticipated tractor repair - \$13K
 - Unanticipated repairs for hangar damage - \$6K
 - Outside consultant to advised on the 2nd FBO process - \$64K.
- Material and supplies increased \$31,000:
 - New administration/maintenance building set-up - \$10K
 - Snow removal supplies from January weather event - \$21K.

B. Strategic Priorities

- Invest in MNAA
- Plan for the Future
- Prepare for the Unexpected

C. Options/Alternatives

Revise the FY24 Operating Budget by adding or reducing revenue and expense items.