

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



Date: March 13, 2024

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:33 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, and Nancy Sullivan

MNAA Staff & Guests Present:

Doug Kreulen, Neale Bedrock, Lisa Lankford, Trish Saxman
Marge Basrai, Chris Davidson, Kristen Deuben, Adam Floyd,
Traci Holton, Ijeoma Ike, Eric Johnson, Carrie Logan, Rachel
Moore, Stacey Nickens, Josh Powell, Robert Ramsey, and
Davita Taylor

1. CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 9:33 a.m. pursuant to Public Notice dated March 8, 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 February 14, 2024 Minutes of the Joint Meeting of the MNAA & MPC Finance, Diversity & Workforce Development (“Finance”) Committees. 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. CHAIR'S REPORT

Chair Byrd had no Chair's report.

5. ITEMS FOR APPROVAL

1. FY24 BNA O&M Budget Amendment, MNAA Resolution #2024-01

President Kreulen introduced Ms. Marge Basrai, EVP, Chief Financial Officer, to brief the Commissioners on the amended budget and resolutions. Ms. Basrai presented the FY24 BNA Passenger chart that is provided every month at the Board meetings. Ms. Basrai stated when the FY24 budget was brought to the Board for approval in April 2023, it was based on 21.9M passengers, but by June 2023, total passengers were already pretty close to that number. We knew we were not going to grow 0% in FY24, so we revised our passenger forecast to a moderate, strategic and aggressive forecast of 7%, 11% and 15% increase. MNAA chose the moderate forecast of 7% for our new passenger forecast for FY24, which was 23.48M passengers. To date we are averaging about 8% growth over the prior year, which is close to the 7% that we are using in the budget. Right now, our current year-end projection using an 8% growth for the remainder of fiscal year, is 23.6M to 23.8M passengers. Even though we updated this passenger forecast in July we never made any budget changes to our financial numbers. We usually wait until mid-year to see how passenger traffic is going and how our budget to actuals is tracking.

Ms. Basrai stated MNAA is adjusting the BNA O&M budget based on the new passenger forecast and a few other things that have happened. MNAA ran all of those proposed amendments through our rates and charges model to update the metrics that we follow when we do these budgets. Ms. Basrai presented a table with these metrics, showing where they were at the original budget in April 2023, and the highlighting what the new amended BNA budget metrics will be. The first metric, Debt Service Coverage, is how many times the airport can pay its annual debt service using the net revenues generated. The Minimum Debt service Coverage the Board approved in the Debt Management Policy is 1.5X for our senior lien debt; and 1.25X for our senior/subordinate lien debt combined. Our Debt Service Coverage has actually gone up from our previous budget. For the senior lien debt is 11.18X and senior/subordinate combined is 6.95X. The Landing Fee will go up from \$2.88

to \$3.13 annually over the year, because we did add some costs to the airline costs centers that resulted in an increase in Landing Fees. Cost per Enplanement will go up slightly from \$8.95 to \$9.05.

Ms. Basrai stated the O&M Budget adjustments will increase Operating Revenue by \$13.5M. Two main categories of Operating Revenue are Non-Airline Revenue and Signatory Airline Revenue. In the first category, Non-Airline Revenue, MNAA is increasing concessions by \$4.5M which includes food and retail, transportation network companies ("TNC") and rental cars. The majority of that is due to higher enplanements, however, in June 2023 MNAA did an amendment to the Fraport agreement which gave us an additional 10% of the rent that Fraport receives. MNAA is increasing space rent by \$1.6M for additional concessions storage space that is being rented, and increasing Non-signatory landing fees by \$1.6M for the snow event in January, virtual ramp tower construction that the airlines requested and are agreeing to pay for, and increase in landed weights from non-signatory airlines. Ms. Basrai stated the Signatory Airline Revenue is increasing by \$5.8M due to increased landing fee from the snow event, virtual ramp tower and increase in landed weights from signatory airlines.

Ms. Basrai stated the Operating Expenses increased \$7.6M. Contractual services increased \$5.7M, including snow removal services, which increased by \$2.1M, parking lot operations increased \$1.3M due to more demand and higher valet labor costs, and the concessions contract with Paslay increased \$1M with a plan to in-source that group again and waiting for CRO to start at MNAA to hire his own staff. Initially, only 6 months were budgeted for that contract. Other expenses increased \$1.3M which included additional security, several studies, homeless mitigation, and restriping of roads.

Ms. Basrai reported Materials and Supplies increased \$1.6M for the snow removal supplies incurred in January, new tasers, and budget reclass of gas/diesel from other operating expenses to materials and supplies. MNAA is making some corrections and based on how things are actually reported in the financial statements, we are moving the budget so it mirrors the financial statements. Other Operating Expenses increased \$378K with additional travel/training, additional expenses for conference sponsorships and another reclass of intercompany revenue/expense and gas/diesel. The Net Non-Operating Revenue/Expense decreased \$347K which is the reclass of the intercompany revenue/expenses. Ms. Basrai presented a summary slide of all the adjusted budgets showing all the changes together - Total Operating Revenue \$295.8M; Total Operating Expense \$173.5M; Net Income before Depreciation and Grants \$139M.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed amended FY24 BNA operating budget and authorize the Chair, President and CEO to execute MNAA Resolution No. 2024-01.

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.

Vice Chair Granbery congratulated Ms. Basrai.

2. FY24 BNA CIP Budget Amendment, MNAA Resolution #2024-02

Ms. Basrai presented a slide showing the FY24 BNA CIP Budget Amendment additions and reductions. The original budget was \$188.5M, and the amended budget is \$155M with overall reduction of \$33.5M. Additions to the FY24 CIP Budget include: Concourse A (Design) \$20M, increase in additional design cost to match contract; Virtual Ramp Control Tower \$14.3M, new project with the landing fee increase passed onto the airlines to start covering that contract; and Reconstruction Bravo/Kilo Intersection \$3.4M added cost due to bids; and Restriping Discrete/Lot A/Employee Lot \$2.1M, new project that Mr. Ramsey presented in the Operations Committee Meeting. Ms. Basrai reported the top reductions items include: Apron Dual Taxilanes for T1 and T2 - \$70M, did a study and it is not needed at this time, so prioritizing another project for FY25; and Parking Study/Bridging Documents -\$8M reducing and modifying the scope, as new public parking garage will not be needed as quickly as initially thought.

Chair Byrd asked Ms. Basrai to briefly discuss Apron dual taxilanes so the Commissioners can understand the scope of that change. President Kreulen replied the Ms. Basrai, Chair Byrd and he had a review yesterday and discussed this issue to make sure Commissioners are familiar. To get out of the North ramp, there are two taxiways, T1 and T2, and we believed we were going to need to widen those sooner rather than later to get larger aircraft off those two taxiways. After meeting with the airlines, Southwest and other airlines asked MNAA to build a central ramp that allows them to do

Remain Over Night (“RON”) parking or do deicing in that area. MNAA thinks in terms of priorities the dual lane taxiway shifted down, and as Ms. Basrai stated we plan to put in \$150M for the central ramp to do a better job of handling unannounced planes that spend the night or deice during winter weather. MNAA thinks this is the right decision at this time.

Commissioner Granbury asked about Concourse A design, schedule, and how the fill on the Concourse A ramp is settling. Mr. Ramsey reported that settlement had consolidated faster than anticipated but it is slowing down at this point, and estimates it is a month or two faster than previously predicted. Commissioner Granbery thanked Mr. Ramsey.

Ms. Basrai presented a summary of the FY24 BNA Amended Capital Improvement Budget and 4-year Capital Improvements Plan and noted the only change is in the FY24 CIP total which is now \$155M bringing the total 5-year CIP to \$1.6B.

Mr. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed amended FY24-FY28 BNA Capital Improvement Plan and approve the amended FY24 BNA Capital Improvement Budget and authorize MNAA to accept all grant(s) from the Federal Aviation Administration (FAA) and from the State of Tennessee, and designate the Chair, President and CEO to execute MNAA Resolution No. 2024-02.

Chair Byrd asked Ms. Basrai to briefly talk about FY25 CIP and the \$881M planned for terminal and landside. Ms. Basrai replied as of now FY25 is Concourse A construction. Chair Byrd replied thank you.

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.

3. FY24 JWN O&M Budget Amendment, MNAA Resolution #2024-03

Ms. Basrai presented the Amendment for FY24 JWN O&M Budget. Operating Revenue increased \$420K due to execution of three North Development leases (5 parcels) after the budget was approved. Operating Expenses increased by \$154K, due to salaries and benefits increased \$13K for overtime for the January snow event; Contractual Services increased \$110K for Taxiway Bravo, the 2nd FBO studies, and equipment (tractor)/hangar repairs; and Materials & Supplies increased \$31K for snow removal supplies for the snow event and \$21K for new administrative maintenance building set-up. Ms. Basrai presented a summary of the adjusted budget for FY24 JWN O&M Budget. Total Operating Revenue is \$2.8M and Total Operating Expenses are \$2.5M with net income before depreciation and grants and transfers \$423K.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed amended FY24 JWN operating budget and authorize the Chair, President and CEO to execute MNAA Resolution No. 2024-03.

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.

6. INFORMATION ITEMS

1. None.

7. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 9:51 a.m.



Andrew W. Byrd, Board Secretary