

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



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Date/Time: Wednesday, May 8, 2024, at 9:20 a.m.

Place: Nashville International Airport – Tennessee Board Room

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

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I. CALL TO ORDER

II. PUBLIC COMMENTS

No requests for public comment received to date. Deadline is May 6, 2024 at 9 p.m.

III. APPROVAL OF MINUTES

[April 10, 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. [First Amendment to MNPD Lease Agreement](#)
2. [Amendment to IT Staffing Services Purchase Order \(PO\)](#)
3. [Sublease Amendments for Fraport Concession Subtenants](#)

VI. INFORMATION ITEMS

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

VII. ADJOURN

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



Date: April 10, 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, 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, Davita  
Taylor, Colleen Von Hoene, and Steve Martin

## 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 April 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 March 13, 2024 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 acknowledged Commissioner Freeman's resignation from the MNAA Board after 8 years of service as Chair and Commissioner. He thanked Commissioner Freeman and expressed that he will be greatly missed.

5. ITEMS FOR APPROVAL

1. FY25 BNA O&M Budget, MNAA Resolution #2024-04

President Kreulen stated there are 6 budgets for approval and introduced Ms. Marge Basrai, EVP, Chief Financial Officer, to brief the Commissioners on the budgets and resolutions. Ms. Basrai presented the BNA FY25 Passenger Projections stating the FY24 Initial Budget was approved in April 2023 at 21.94M passengers and the FY24 Amended Budget is projected to be at 23.6M – 23.8M. The FY25 Projected (Moderate) is at 24.74M passengers. BNA uses a moderate 5% growth, strategic 7% growth and aggressive 9% growth for FY25. For budget purposes we use the 5% moderate, which will get us to 24.75M passengers. Vice Chair Glover asked if the 5% projections are over the 21.9M. Ms. Basrai replied yes, it is over what we initially projected for FY24. Chair Byrd asked if this is for the time period beginning July 1, 2024 until June 30, 2025, to which Ms. Basrai replied, yes.

President Kreulen stated on June 30, 2024, we will be somewhere between 23.6M and 23.8M passengers and next year's budget is based on going 5% above that. Ms. Basrai stated we have used the moderate projection in the past and if actuals differ, we amend the budget, as we did for the FY24 budget. Commissioner Granbery asked if the moderate was chosen due to the construction. Commissioner Granbery stated that we do not have all the gates in place, so we are going to err on the side of the moderate projection. Ms. Basrai replied that we try to err on the side of caution, but we have been seeing growth slow. We are only at 7-8% this year versus where we were, and with the airlines not getting all the planes they want and the growth that they want in the next year not as high as they originally projected, we are just trying to be conservative. This conservative projection is still high as compared to standard airport growth. Commissioner Granbery stated that rationale made sense.

Ms. Basrai presented a summary of the FY25 BNA Relief Funds, which shows how we have spent the Covid relief funds since FY20. BNA has always used these funds for operating expenses and debt service. The total award was \$126.5M, of which \$55M of CARES was spent by June 30, 2022, CRRSAA funds of \$15.2M was spent by June 30, 2023 and ARPA funds of \$56.4M was spent in FY23. MNAA is anticipating using \$31.4M by the end of FY24 and we are budgeting to use the remaining ARPA funds in FY25 which will leave a zero by the end of FY25. Vice Chair Glover asked if this was a no cost extension or if the original expiration date was summer of 2025. Ms. Basrai replied it is the summer of 2025, a four-year expiration date of the ARPA funds, which MNAA will have spent in the first couple of months of FY25. Chair Byrd stated to him this represents a lot of Federal money hitting the table which has benefited this airport and allowed an enormous amount of debt service over the four years and that money is basically gone now, and now we will have to buckle down and focus on our own cash flow.

Ms. Basrai presented a summary of the FY24 BNA Budget Metrics, comparing the proposed FY25 budget versus the FY24 Amended Budget metrics. This chart shows our Debt Service coverage requirements and our legal requirements versus what is highlighted in red, which is our debt management policy requirements and that is what we focus on because that is what we work with our rating agencies to maintain our credit ratings. The Senior debt service coverage for FY25 is 5.34 and the estimated Senior/Subordinate debt service coverage is 3.11, which is very strong. There is a big decrease from the amended budget and a good portion of that reason is the Federal Relief Funds, which we were using in FY24. MNAA used about \$31M in FY24 and only \$6.6M in FY25 per our bond ordinance. We can use those relief funds as revenue, therefore showing as revenue in our calculations and bringing us back down to what our normal debt service coverage would be. Additionally, we are using less capitalized interest to pay some of our debt service. As you are constructing a project, you can use capitalized interest to pay debt service and once that project is complete you will have to use your own money to pay for debt service. So those two reasons are why you start seeing the coverage dramatically decreasing but all of these metrics are higher and better than what we had forecasted in FY25 in our last bond official statement in 2022. Ms. Basrai stated the Signatory Landing Fees are going up to \$3.75 and the Cost per Enplanement to \$10.39. The Days Cash on Hand Board requirement is 550 – 650 and using our 4 largest reserve accounts as of March 21<sup>st</sup>, we have 896 Days Cash on Hand. Ms. Basrai stated all of our metrics are within what our requirements are and are better than what we showed in our last Official Statement (“OS”). Chair Byrd stated that to him that means you had an enormous amount of Federal money that allowed

our Senior Debt Coverage to be 11 times and that is rapidly moving behind us and really as a statistic and figure, it is way too high for what we are really going to do. That 3.11 times is much more illustrative of the debt service coverage of what we will have going forward, and that is something for everyone to be aware of. President Kreulen stated Ms. Basrai has a 10-year model that we run based on what is coming up, and that is why we want to finalize the New Horizon numbers and make sure it stays above what we promised the rating agencies and what we committed to the Board. Chair Byrd stated we are in pretty good shape, but certainly lower than some of the prior illustrative figures and we need to keep that in the back of our mind.

Ms. Basrai reported the FY25 BNA O&M Budget Operating Revenue increased \$45.8M over FY24. BNA has two categories of Operating Revenue: Non-Airline Revenue and Signatory Airline Revenue. Non-Airline Revenue is increasing \$23.6M; parking is increasing \$11.8M due to increase in passengers and full year effect of parking rate increase on December 1, 2023; concessions are increasing \$10.2M with increase in passengers, food & retail up \$6.6M, rental car up \$1.2M and TNCs (Uber and Lyft) up \$2.4M. Space Rent and Other Operating Revenue increased a total of \$1.6M with higher non-signatory per use fees and increased rental rates. Signatory Airline Revenue will increase \$22.2M. Our Airline Use and Lease Agreement (“AULA”) provides a methodology for charging the airline rates and charges based on operating expenses, debt service, and capital requirements. For FY25, the AULA rate model calculated the following increases: Main terminal rent increased \$8.2M, due to increase in the main terminal rate of 7.5% and increase in both rentable and leased space; Baggage fees increased \$2.6M to cover capital and maintenance costs of the baggage handling system; Landing fees increased \$11.1M due to the rate increase from \$3.13 to \$3.75 and higher forecasted landed weights; and Passenger Boarding Bridges revenue increased \$300K due to adding 4 new bridges during FY24.

Ms. Basrai stated the FY25 BNA O&M Budget Operating Expenses increased \$22.2M. Salaries and benefits increased \$15.6M, due to adding 22 new FY25 positions, 16 contractors converted to full time MNAA staff, adding 48 additional positions mid-FY24 which were vacant in FY14, and increase in benefit rates and cost of living adjustments. Ms. Basrai stated that Contractual Services increased \$6.4M. Shuttle bus services increased \$6.4M for full year impact for new Landside and Satellite shuttle contract and adding additional routes for Landside due to Roadway construction. Janitorial services increased \$1M for full year of services for Grand Hall and Satellite Concourse and contract escalation. Elevator/Escalator Maintenance Services increased \$1.5M with increased service levels,

warranties expiring, and increased contractor presence for repairs. Contract Services decreased \$300K resulting from increases of \$3.6M for staffing of new virtual control ramp tower and \$1M for Passenger Boarding Bridges (“PBB”) and Baggage Handling System (“BHS”) maintenance costs; offset by \$4.85M reductions for FY24 snow removal, 16 contract staff positions converted to full time MNAA staff and concession contract costs.

Vice Chair Glover asked about the salaries and benefits that increased, and if there was a salary adjustment or cost of living only. Ms. Basrai replied as of now, it is the cost of living, and there is an RFP out for a compensation survey. Vice Chair Glover asked if the salary increases are effective July 1, 2024. President Kreulen replied that the cost of living will be implemented at the start of the new fiscal year. When he took over in 2017, there had not been a compensation survey done in 8 years prior to that and at that time the Board recommendation was to do a compensation survey every 3 - 5 years. The survey we are doing now is as the result of 2 years, and adjustments will be made based on the study’s recommendations. Vice Chair Glover asked if it would be retroactive to July 1, 2025. President Kreulen replied we look at it and determine whether or not it is retroactive, and we have to see the compensation study data first. President Kreulen stated we have done some where we did a cost-of-living adjustment and then did a compensation study and decided that new compensation study will take effect on 1<sup>st</sup> of October. Depending on where we are at in the year sometimes, we draw a line of where we are going to make a new compensation versus retroactive compensation. Vice Chair Glover stated her thought was if new salaries are effective July 1 of the new fiscal year, it may be a good idea to make it retroactive. President Kreulen stated it really depends on when we get the data. We had to go back and negotiate this RFP because we want more data. He answers to that every quarter to the employees and he gives them an update and he does not think anyone ever thinks we have not done the right thing. Vice Chair Glover asked if the employee morale is pretty good. President Kreulen replied that one of the things that the Board evaluates him on is the results of the employee survey and we provide those results to the Board. Customer service wise we are scoring 92 – 93% and on the employee side we are at 4.1 - 4.2 out of 5. Vice Chair Glover asked if African Americans employees are paid the same. President Kreulen replied 100%, MNAA makes sure there is no disparity between race or sex. The scope of the compensation survey includes that analysis, and the Affirmative Action Plan will be briefed in the next month to the Commissioners, which also makes sure that we are doing the right thing. Board Chair Stevenson asked how many companies submitted responses to the RFP, and if there is a criteria that is used to determine which group’s data you will use versus another. President Kreulen stated he will get the exact numbers; we

have a concern if we only get one or two bids. President Kreulen stated that we go out and advertise nationally and then asked Ms. Davita Taylor, VP Procurement and Business Diversity, if she knows how many we are at now. Ms. Taylor responded there were 5 – 7 that responded and we have short-listed it to 2. President Kreulen stated that is important to get that variety and to make sure.

Ms. Basrai stated that the rest of Operating Expenses, materials and supplies decreased \$400K due to a \$250K decrease in equipment, radios, uniforms for new and existing employees, and a \$1M decrease for one-time expenses added in FY24 mid-year adjustment for snow supplies and tasers, offset by janitorial and maintenance supplies and IT hardware increases of \$850K. Utilities decreased \$600K, based on estimated rate increases offset by reduced usage as projected in FY24. Other Operating expenses increased by \$1.M for special events increased \$600K due to hosting the Airport Minority Advisor Council (“AMAC”) Conference; anticipated property insurance increase of \$550K due to expensed increase in rates; advertising increased \$350K due to website refresh and terminal advertising; staff travel and training increased \$300K due to increase in number of employees; all offset by \$700K decrease due to reclassification of expenses to non-operating income. Vice Chair Glover asked if the increase in the property insurance is because of expansion , and stated it seems quite high. Ms. Basrai replied that the rate increase we think we will get is very mild, and this will be for the new construction program. Ms. Kristen Deuben, VP Deputy CFO, will be coming back in June to brief the insurance increase.

Ms. Basrai reported the FY25 BNA O&M Budget Net Non-Operating income decreased \$11.7M. The Covid grant relief fund is decreasing \$24.8M. MNAA used \$31.4M in FY24 and will use remaining available funds of \$6.6M in FY25; Interest income increased \$11M due to increase in cash balances and the projected increases in interest rates compared to FY24 rates; Increase Passenger Facility Charges (PFCs) of \$3.1M; Customer Facility Charges (CFCs) of \$3.5M due to additional passengers; Bond issuance costs increased \$3M due to potential bond insurance at end of FY25; Interest expenses increased \$2.4M due to anticipate higher balance on short-term credit facility and Inter-company expenses increased \$700K due to reclass from other operating expenses.

Ms. Basrai summarized the FY25 BNA O&M Budget stating the Total Operating Revenue is \$341.7M; Total Operating Expenses \$195.7M; Income before Depreciation & Grants \$150.9M for the budget period July 1, 2024 – June 30, 2024.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed FY24 BNA operating budget and authorize the chair and President & CEO to execute MNAA Resolution No. 2024-04.

Vice Chair Glover stated she appreciates the very good detail and Ms. Basrai did a great job. Chair Byrd asked that as we look at this Income before Depreciation & Grants and look at this \$150M, if this is before Debt Service Amortization and before Interest Payments and Amortization of the debt itself and stated he believes the debt service amortization interest currently runs \$90M. Ms. Basrai replied no, the Income before Depreciation & Grants does include interest, but it does not include principal payments and FY25, the principal payment is \$16.7M. Chair Byrd asked if the interest payment is included in the total operating expenses. Ms. Basrai stated it is included in the Net Non-Operating Income. Chair Byrd asked what the total debt service for FY25 will be. Ms. Basrai stated \$101M is the actual gross debt service, but interest and expenses is in this number, \$4,938, so this \$150.9M of income before depreciation and grants already includes interest and expenses taken out of it, just not our principal payment. Chair Byrd stated he just wanted to point it out because he wants the people to know what the cash flow of our business looks like.

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. FY25 BNA Capital Improvements Budget & FY25-29 Capital Improvements Plan, MNAA Resolution #2024-05

Ms. Basrai summarized the FY25 BNA Capital Improvement Budget & FY25-FY29 Capital Improvement Plan stating the total FY25 CIP Budget is \$1.27B, total 5-year CIP is \$2.15B. Major FY25 projects include the construction of Concourse A Expansion \$798.5M; TARI Phase II and III \$166.5M for roadway construction; and Central Apron Parking Expansion Phase I \$154.3M, for filling the hole and more airplane parking and deicing. The projects that are programmed for FY26 through FY29 are for planning purposes only and are estimates at this time, updates will be made throughout the year and we will come back for FY26 budget and with the next fiscal year estimates. Ms. Basrai stated



FY25 funding: \$1.15B bond funded; \$71.9M Federal; and Remaining is Authority Fund, Airline Fund, and CFC's. Ms. Basrai stated as a reminder that each individual project will be approved and the approval of the CIP doesn't mean you are approving these projects and we will come back to the Board for approval once they have contracts.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed FY25-FY29 BNA Capital Improvement Plan, and approve the proposed FY25 BNA Capital Improvement Budget, and authorize MNAA to apply for and accept all grant(s) from the Federal Aviation Administration (FAA) and from the State of Tennessee, and designate the President & CEO, or designee, as the authorized representative of the Authority, and authorize the Chair and President & CEO to execute MNAA Resolution No. 2024-05.

Vice Chair Glover stated we are approving the budget for the 5-year period and asked if we going to approve every year. Ms. Basrai responded yes, you are approving the 5-year plan, FY25 is the big budget and anything in there is included in all of our budgets and estimates. Commissioner Granbery stated we took TARI Phase 2 and 3 out of the original Vision budget and moved it forward and asked what number we took out and added back in. Ms. Basrai replied \$166M is what we moved over from the original BNA Vision into the New Horizon, and the numbers are not final. Commissioner Granbery replied he understood and stated it will be adjusted once you get your final numbers and he was hoping it was much lower. Commissioner Granbery asked regarding the grants, if there are any projections or if that is an as needed and comes and goes each year. President Kreulen replied yes, we provide the FAA with this 5-year plan and ask for money that will probably not come but we break it down by all the different criteria. When we ask for discretionary grants from the FAA, we may be asking for \$60M, but whether there is anything left for us to get anything. The Federal Government looks at a 5-year plan, the state government looks at the following year. Chair Byrd stated basically we are looking at the money that has been allocated for FY25, looking at the Concourse A expansion and filling in this gigantic hole for Southwest and other plane parking and the plan is to be undertaken this year and the other items are simply projections with respect to capital expenditures and Concourse D has that already been funded. President Kreulen replied yes, last year. Chair Byrd stated the money is going into Concourse D, Concourse A, and TARI Phase 2 and 3, and basically money going into a BHS which will be major improvements but this year is just FY25 set in concrete with our approval. President Kreulen replied as provided in the previous chart we will come back to the Board because we think the \$166M for TARI may be a little low, and the BHS that you previously approved

for \$125M last year is also low, so we will come back once we complete that chart and adjust, but for right now this is our best estimate for FY25 is \$1.27B.

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. FY25 JWN O&M Budget, MNAA Resolution #2024-06

Ms. Basrai presented the FY25 JWN O&M Budget stating the Operating Revenue increased \$207K over FY24. Increases include: Land rental (\$132K) & Hangar Rent (31K) increased \$163K due to full year of North Side Development Leases and rent increase effective 7/1/24; Flowage Fees increased \$13K due to increase in aviation fuel sales; Reimbursable Expenses increased \$31K due to increase in reimbursable auto and equipment fuel expenses. Operating Expenses decreased \$161K. Decreases include: Salaries & benefits decreased (\$30K); Contractual services decreased (\$98K) Materials & supplies decreased \$3k; Utilities increased \$9K; and Other operating expenses decreased \$39K. Non-Operating Revenue increased \$102K, due to increased interest income.

Ms. Basrai summarized the FY25 JWN O&M Budget stating the Total Operating Revenue is \$3M, Total Operating Expense is \$2.3M, Income before Depreciation, Grants and Transfers from MNAA \$893K for the budget period July 1, 2024 through June 30, 2025.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed FY25 JWN O&M Budget and authorize the Chair and President & CEO to execute MNAA Resolution No. 2024-06.

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. FY25 JWN Capital Improvement Budget & FY25-29 Capital Improvement Plan, MNAA Resolution #2024-07

Ms. Basrai presented the FY25 JWN Summary of the 5-year CIP – Total FY25 CIP is \$930K; Total 5-year CIP \$17.4M; Major FY25 projects include resurfacing the parking lot \$400K and Airport Drive \$530K; total \$930K JWN funding. Each individual project will be approved, and the approval of the CIP doesn't mean the Board is approving these projects.

Ms. Basrai requested the Finance Committee recommend to the Board of Commissioners that it approve the proposed FY25-FY29 JWN Capital Improvement Plan, and approve the proposed FY25 JWN Capital Improvement Budget, and authorize MNAA to apply for and accept all grant(s) from the Federal Aviation Administration (FAA) and from the State of Tennessee, and designate the President & CEO, or designee, as the authorized representative of the Authority, and authorize the Chair and President & CEO to execute MNAA Resolution No. 2024-07.

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.

5. FY25 MPC O&M Budget, MNAA Resolution #2024-01

Ms. Basrai presented the FY25 MPC O&M Budget and stated the Operating Revenue increased \$1.6M with increase in rent per lease agreements, full year effect of transfer of Air Freight tenants to the MPB (Dec 2023) for the extension of Concourse D. The Operating expenses increased \$164K due to Contractual services increased \$75K; Contract services – real estate consultant/broker \$50K; Maintenance Contracts \$21K (fire protection, pest control, escalator/elevator); Security Services - \$4K for contractual increases; Material & Supplies increased \$8K – more janitorial and HVAC supplies; Utilities \$73K – higher rates and more usage for new tenants in MPB; Other Operating Exp - \$8K primarily for higher insurance premiums. Non-

Operating Income increased \$17K with majority of the increase being interest income in cash balances and anticipated interest rates, which are offset by increases in intercompany expenses.

Ms. Basrai provided a Summary of the FY25 O&M budget for MPC stating the Total Operating Revenue is \$5.3M; Total Operating Expense \$1.8M; Income before Depreciation \$3.4M.

Ms. Basrai requested the MPC Finance Committee recommend to the MPC Board of Directors approve the proposed FY25 MPC operating budget and authorize the Chair and President & CEO to execute MPC 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.

6. FY25 MPC CIP Budget, MNAA Resolution #2024-02

Ms. Basrai presented the FY25 MPC 5-year CIP Budget at \$1.1M. MNAA is studying the west side of BNA for future development, which may include the International Plaza Building (“IPB”). While no decision has been made on the future of the IPB, the building is occupied by tenants and some projects are needed to ensure the building is safe and in general working order. The only projects scheduled currently in FY25 for IPB are : 1) Roof replacement \$1M, and 2) Demo of old café in building. The only funding source for MPC is their cash balance, which is \$11M.

Ms. Basrai requested the MPC Finance Committee recommend to the MPC Board of Directors approve the proposed FY25-FY29 MPC Special Projects Plan, and approve the proposed FY25 MPC Special Projects Budget, and authorize MNAA to apply for and accept all grant(s) from the Federal Aviation Administration (FAA) and from the State of Tennessee, and designate the President & CEO, or designee, as the authorized representative of the Authority, and authorize the Chair and President & CEO to execute MPC Resolution No. 2024-02.

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.

Commissioner Granbery asked President Kreulen when MNAA plans to tear down the Gold Building. President Kreulen replied that the long-range plan, for Terminal II, the Gold Building is in area 6, we have about 75 acres right now in the center of it that may be used for future Southwest technical operations facility. We have been structuring the leases in that building to expire in the 2029 time period and as MNAA decides what needs to be moved over to that side of the airport, we can take down that building that time period. Commissioner Granbery asked if the million-dollar roof is a 5-year roof or 10-year roof. President Kreulen replied, it is a 5-year roof based on the demo side of the house. To Ms. Basrai's point if you go up close to the building, some of the gold window panes have leaks and we are replacing on a case by case basis and when it came up several years ago, it was a \$6M quote to change out all of the windows and the Board decided it was not a wise investment since we plan to tear down the building in a few years, so what do we have to do to keep it alive. President Kreulen stated he will verify if it is a 5 year or 10-year roof. President Kreulen stated last year or year before we have gone in and replaced the HVAC system to keep it going.

Commissioner Granbery asked regarding JWN, when will Metro make a decision on the lease. President Kreulen replied soon, the Real Estate team is working with Metro Council and their legal department and in the next month or two Metro will vote on it or it will go back on the street. President Kreulen stated one thing Metro did notify our team is somebody is asking for a rent study to compare with the other corporate hangars.

## 6. INFORMATION ITEMS

1. None.

7. ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 10:19 a.m.

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Andrew W. Byrd, Board Secretary

# STAFF ANALYSIS

## Finance Committee

Date: May 8, 2024

Facility: North Development Parcel 10 at John C. Tune Airport

Subject: Metropolitan Nashville Police Department (MNP) First Amendment to Lease Agreement

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### I. Recommendation

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

- 1) approve the First Amendment to the lease agreement with MNP.
- 2) authorize the Chair and President and CEO to execute the First Amendment.

### II. Analysis

#### A. Background

On December 22, 2022, the MNAA and the Metropolitan Government of Nashville and Davidson County (the "Tenant") entered into a Lease Agreement for 0.84 acres or 36,624 square feet of unimproved land at JWN, also known as Parcel 10, wherein MNAA is responsible for the design and construction of a hangar for MNP and Tenant is responsible for reimbursing MNAA for the cost of the design and construction through Supplemental Rent.

The tenant has the right to terminate the Lease within 60 days from the date they were notified of the Supplemental Rent, no later than June 23, 2024.

#### B. Amendment Terms

1. The Effective date of the proposed amendment is July 1<sup>st</sup>, 2024, and Tenant will pay \$66,746.54 in Supplemental Rent monthly, or \$800,958.48 annually, to reimburse MNAA for the design and construction of the hangar.
2. Domestic water submeter will be installed to measure the consumption of water by the Tenant and the usage will be billed by MNAA.
3. MNAA grants the Tenant an access easement in, to, and across the drainage culvert located between the access road known as Tune Airport Drive and the Premises for the purpose of vehicular access for ingress and egress to and from the Premises.

**C. Impact/Findings**

This amendment will provide MNAA with a continued revenue source, which is currently \$83,367 annually, and a new asset that will vest in approximately 29 years.

**D. Strategic Priorities**

- Invest in JWN
- Plan for the future

**E. Options/Alternatives**

The Finance Committee could decline to recommend approval of the proposed First Amendment, which would prohibit MNAA from constructing the Tenant's hangar and being reimbursed for the construction.



# STAFF ANALYSIS

## Finance Committee

Date: May 08, 2024  
Facility: Nashville International Airport and John C. Tune Airport  
Subject: Amendment to IT Staffing Services Purchase Order (PO)

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### I. Recommendation

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

- 1) Authorize the President and CEO to execute an Amendment to the IT Staffing Services, transferring \$600,000 from the IT O&M budget to pay for 13 personnel procured through Innova, for 24/7 Common Use IT Services Team. The PO value increased of \$1,000,000. Project complete.

### II. Analysis

#### A. **Background**

A Request For Proposal (“RFP”) was issued on December 8, 2021, for staffing services for direct staffing placement services and temporary staffing placement services for executive, professional, and specialty positions. Seven companies (Accendi Group, ADK, AIC – now known as Innova, Atlas Management, CI2, InfoWay Solutions, and Recruiting Sources International) were awarded contracts for the above services. The contracts were to be used across MNAA, with a total cost of \$250,000. A second purchase order to Innova in the amount of \$400,000 was created in November 2023 to support Information Technology (“IT”) in its IT Terminal Operations Team by adding staff augmentation to their team.

It was recently determined that the staff augmentation requirements will exceed the planned cost for IT services by \$600,000. This amount should resolve any outstanding balances to Innova.

The contract has been utilized to complete the following tasks:

- Assistance with sourcing candidates for hard to fill roles within IT
- Provide augmented staff with the IT support area

The Innova team was instrumental in helping MNAA’s needs. Many of the long-term staff augmentation members have been converted into MNAA employees.

#### **Impact/Findings –**

MNAA SMWBE Participation Level:	0% MBE and/or WBE
Contractor SMWBE Participation Level:	0% MBE and WBE
Contract Start Date:	March 15, 2022

Duration of Contract:	1 year, with 2 one-year renewal options
Contract Completion Date:	March 15, 2025, with 2 renewal options
Initial Contract Cost	\$0 (Indefinite Delivery Indefinite Qty (“IDIQ”))
Innova IT Contract/PO Addition	\$600,000/year
Proposed Additional IT PO Increase	<u>\$1,000,000</u>
Funding Source:	Determined on a task-by-task basis

**B. Strategic Priorities**

- Invest in BNA/JWN
- Plan for the Future
- Prepare for the Unexpected

**C. Options/Alternatives**

**Do Nothing:** The “Do Nothing” option will result in inability to pay for outstanding balances for staff augmentation.

## STAFF ANALYSIS

### Finance Committee

Date: May 8, 2024  
Facility: Nashville International Airport  
Subject: Sublease Amendments for Fraport Subtenants

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#### **Recommendation**

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

- 1) approve amendments to six subleases between Fraport and the following entities:
  - a. SNA Nashville, LLC: Amendment 1
  - b. Tennessee F&B, LLC: Amendment 3
  - c. Transfare II, LLC: Amendment 3
  - d. Music City Retailers JV: Amendment 5
  - e. Host TRA Nashville FB III, LLC: Amendment 3
  - f. Ferncroft Airport, LLC: Amendment 2
  
- 2) authorize the Chair and President & CEO to execute the sublease amendments.

#### **Analysis**

##### **A. Background**

MNAA has a Lease and Concession Agreement (Agreement) with Fraport, Tennessee, Inc. (Fraport) to develop and manage a terminal-wide concessions program. The term of the agreement commenced on February 1, 2019, and expires on January 31, 2029. MNAA must become a party to subleases that extend beyond the January 31, 2029 expiration date of the Fraport Lease and Concession Agreement, so that all rights and obligations of the subleases attorn to MNAA at the expiration of Fraport's Agreement.

All of the proposed sublease amendments contain minor modifications to the sublease terms. As MNAA is a party to the subleases, the amendments require approval by the Board of Commissioners. Key areas of change include the following:

- Common Area Maintenance ("CAM") fees
- Grease Trap Maintenance fees
- Operating Hours

Specific changes to each sublease and the impacted concession locations are identified below:

Tenant	Locations	Change To Sublease Terms
SNA Nashville, LLC	ACME, Slim & Huskey’s, Hattie B’s	Deletes CAM fee, revises Grease Trap Maintenance provision to require fee
Tennessee F&B, LLC	TN Moonshine Bar, Bongo Java, Southern Steak & Oyster, Half Moon Empanadas	Deletes CAM fee, revises Grease Trap Maintenance provision to require fee
Transfare II, LLC	Burger King	Deletes CAM fee, revises Grease Trap Maintenance provision to require fee
Music City Retailers JV	Donelson Emporium	Deletes CAM fee
Host TRN Nashville FB III, LLC	Starbucks, Shake Shack, Pharmacy Burger	Adds CAM fee, revises Grease Trap Maintenance provision to require fee
Ferncroft Airport, LLC	Music City Shop, Kitty Hawk	Aligns operating hours for adjacent units

**B. Impact/Findings**

These amendments are housekeeping changes.

**C. Strategic Priorities**

- Invest in BNA
- Plan for the Future

**D. Options/Alternatives**

The Finance Committee could decline to recommend approval of the above sublease amendments.

# STAFF ANALYSIS

## Finance Committee (Information Only)

Date: May 8, 2024  
Facility: Nashville International Airport  
Subject: FY2024 – 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 FY2024. The Principal report covers the period from January 1, 2024 through March 31, 2024.

### II. Analysis

#### A. Summary

##### MNAA Retirement Plan

The quarter (three months) total portfolio return gross of fees was 4.19% compared to the designated Composite Benchmark of 3.86%. The three-month total portfolio return net of fees was 4.14%.

The fiscal year-to-date (nine months) total portfolio return gross of fees was 9.96% compared to the designated Composite Benchmark of 9.54%. The year-to-date total portfolio return net of fees was 9.80%.

##### 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, 2024, all asset classes are in compliance with the Retirement Plan Investment Policy 41-011, effective July 22, 2021.

**Pension - Asset Allocation as of 1/31/2024 (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	\$ 2,110,795.71	2.61%	0%-3%-100%	Yes	100.00%	97.39%
Bonds and Notes	\$ 38,094,309.25	47.03%	0%-47%-57%	Yes	57.00%	9.97%
Equities - Large Cap <sup>(a)</sup>	\$ 6,656,312.98	8.22%	0%-8%-10.40%	Yes	10.40%	2.18%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 8,564,304.53	10.57%	0%-10.5%-17.40%	Yes	17.40%	6.83%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 6,555,862.88	8.09%	0%-8%-10.40%	Yes	10.40%	2.31%
Equities - Mid Cap <sup>(a)</sup>	\$ 5,617,435.15	6.93%	0%-7.00%-9.10%	Yes	9.10%	2.17%
Equities - Small Cap <sup>(a)</sup>	\$ 3,199,490.45	3.95%	0%-4.00%-5.20%	Yes	5.20%	1.25%
Equities - International <sup>(a)</sup>	\$ 10,203,906.20	12.60%	0%-12.50%-16.10%	Yes	16.10%	3.50%
<b>Total</b>	<b>\$ 81,002,417.15</b>	<b>100.00%</b>				
(a) Total Equities	\$ 40,797,312.19	50.37%	0%-50%-60%	Yes	60.00%	9.63%

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

As of February 29, 2024, all asset classes are in compliance with the Retirement Plan Investment Policy 41-011, effective July 22, 2021.

**Pension - Asset Allocation as of 2/29/2024 (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	\$ 2,325,521.00	2.84%	0%-3%-100%	Yes	100.00%	97.16%
Bonds and Notes	\$ 38,300,839.13	46.72%	0%-47%-57%	Yes	57.00%	10.28%
Equities - Large Cap <sup>(a)</sup>	\$ 6,648,781.78	8.11%	0%-8%-10.40%	Yes	10.40%	2.29%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 8,666,485.85	10.57%	0%-10.5%-17.40%	Yes	17.40%	6.83%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 6,596,350.09	8.05%	0%-8%-10.40%	Yes	10.40%	2.35%
Equities - Mid Cap <sup>(a)</sup>	\$ 5,773,561.53	7.04%	0%-7.00%-9.10%	Yes	9.10%	2.06%
Equities - Small Cap <sup>(a)</sup>	\$ 3,270,489.82	3.99%	0%-4.00%-5.20%	Yes	5.20%	1.21%
Equities - International <sup>(a)</sup>	\$ 10,390,353.07	12.68%	0%-12.50%-16.10%	Yes	16.10%	3.42%
<b>Total</b>	<b>\$ 81,972,382.27</b>	<b>100.00%</b>				
(a) Total Equities	\$ 41,346,022.14	50.44%	0%-50%-60%	Yes	60.00%	9.56%

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

As of March 31, 2024, all asset classes are in compliance with the Retirement Plan Investment Policy 41-011, effective July 22, 2021.

**Pension - Asset Allocation as of 3/31/2024 (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	\$ 2,274,571.78	2.73%	0%-3%-100%	Yes	100.00%	97.27%
Bonds and Notes	\$ 38,660,618.52	46.33%	0%-47%-57%	Yes	57.00%	10.67%
Equities - Large Cap <sup>(a)</sup>	\$ 6,972,375.57	8.36%	0%-8%-10.40%	Yes	10.40%	2.04%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 8,845,069.61	10.60%	0%-10.5%-17.40%	Yes	17.40%	6.80%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 6,738,036.60	8.07%	0%-8%-10.40%	Yes	10.40%	2.33%
Equities - Mid Cap <sup>(a)</sup>	\$ 5,984,163.94	7.17%	0%-7.00%-9.10%	Yes	9.10%	1.93%
Equities - Small Cap <sup>(a)</sup>	\$ 3,387,025.87	4.06%	0%-4.00%-5.20%	Yes	5.20%	1.14%
Equities - International <sup>(a)</sup>	\$ 10,588,836.87	12.69%	0%-12.50%-16.10%	Yes	16.10%	3.41%
<b>Total</b>	<b>\$ 83,450,698.76</b>	<b>100.00%</b>				
(a) Total Equities	\$ 42,515,508.46	50.95%	0%-50%-60%	Yes	60.00%	9.05%

\*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 2024.

### Asset Valuation Summary Pension Plan

Month	Cost	Market	Unrealized Gain/Loss
1/31/2024	\$ 67,804,578.26	\$ 81,002,417.15	\$ 13,197,838.89
2/29/2024	\$ 67,959,688.95	\$ 81,972,382.27	\$ 14,012,693.32
3/31/2024	\$ 67,752,050.87	\$ 83,450,698.76	\$ 15,698,647.89

### Reconciliation Summary – Retirement Plan

Below is the Pension Reconciliation Summary for the third quarter of fiscal year 2024.

### Pension Summary 3<sup>rd</sup> QTR FY 2024 (market value)

	1/31/2024	2/29/2024	3/31/2024	3Q FY-to-Date
Beginning Market Value	81,355,600.43	81,002,417.15	81,972,382.27	81,355,600.43
Total Cash Receipts	44,716.35	44,288.20	46,301.18	135,305.73
Realized Gain/(Loss)	150,832.37	535,708.98	159,372.28	845,913.63
Total Cash Disbursements	(441,222.83)	(424,886.49)	(413,311.54)	(1,279,420.86)
Change in Fair Market Value	(107,509.17)	814,854.43	1,685,954.57	2,393,299.83
Ending Market Value	81,002,417.15	81,972,382.27	83,450,698.76	83,450,698.76

### MNAA OPEB

The quarter (three months) total portfolio return gross of fees was 5.10% compared to the designated Composite Benchmark of 4.91%. The three-month total portfolio return net of fees was 5.06%.

The fiscal year-to-date (nine months) total portfolio return gross of fees was 11.27% compared to the designated Composite Benchmark of 11.33%. The year-to-date total portfolio return net of fees was 11.11%.

### 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, 2024, all asset classes are in compliance with the Retirement Plan Investment Policy, 41-011, effective July 22, 2021.

**OPEB - Asset Allocation as of 1/31/2024** (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	\$ 1,130,932.97	2.76%	0%-3%-100%	Yes	100.00%	97.24%
Bonds and Notes	\$ 15,177,039.08	37.03%	0%-37%-42%	Yes	42.00%	4.97%
Equities - Large Cap Value <sup>(a)</sup>	\$ 3,958,309.34	9.66%	0%-9.6%-10.80%	Yes	10.80%	1.14%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 5,196,046.14	12.68%	0%-12.60%-14.20%	Yes	14.20%	1.52%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 3,976,943.28	9.70%	0%-9.60%-10.80%	Yes	10.80%	1.10%
Equities - Mid Cap <sup>(a)</sup>	\$ 3,437,026.74	8.39%	0%-8.40%-9.50%	Yes	9.50%	1.11%
Equities - Small Cap <sup>(a)</sup>	\$ 1,926,627.02	4.70%	0%-4.80%-5.40%	Yes	5.40%	0.70%
Equities - International <sup>(a)</sup>	\$ 6,178,138.04	15.08%	0%-15%-16.80%	Yes	16.80%	1.72%
<b>Total</b>	<b>\$ 40,981,062.61</b>	<b>100.00%</b>				
(a) Total Equities	\$ 24,673,090.56	60.21%	0%-60%-65%	Yes	65.00%	4.79%

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

As of February 29, 2024, all asset classes are in compliance with the Retirement Plan Investment Policy, 41-011, effective July 22, 2021.

**OPEB - Asset Allocation as of 2/29/2024** (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	\$ 1,088,819.10	2.60%	0%-3%-100%	Yes	100.00%	97.40%
Bonds and Notes	\$ 15,379,410.52	36.77%	0%-37%-42%	Yes	42.00%	5.23%
Equities - Large Cap Value <sup>(a)</sup>	\$ 4,097,935.10	9.80%	0%-9.6%-10.80%	Yes	10.80%	1.00%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 5,301,921.83	12.68%	0%-12.60%-14.20%	Yes	14.20%	1.52%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 4,033,502.40	9.64%	0%-9.60%-10.80%	Yes	10.80%	1.16%
Equities - Mid Cap <sup>(a)</sup>	\$ 3,531,559.01	8.44%	0%-8.40%-9.50%	Yes	9.50%	1.06%
Equities - Small Cap <sup>(a)</sup>	\$ 2,025,752.34	4.84%	0%-4.80%-5.40%	Yes	5.40%	0.56%
Equities - International <sup>(a)</sup>	\$ 6,367,254.03	15.22%	0%-15%-16.80%	Yes	16.80%	1.58%
<b>Total</b>	<b>\$ 41,826,154.33</b>	<b>100.00%</b>				
(a) Total Equities	\$ 25,357,924.71	60.63%	0%-60%-65%	Yes	65.00%	4.37%

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

As of March 31, 2024, all asset classes are in compliance with the Retirement Plan Investment Policy, 41-011, effective July 22, 2021.

**OPEB - Asset Allocation as of 3/31/2024** (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	\$ 1,144,851.53	2.67%	0%-3%-100%	Yes	100.00%	97.33%
Bonds and Notes	\$ 15,719,531.21	36.69%	0%-37%-42%	Yes	42.00%	5.31%
Equities - Large Cap Value <sup>(a)</sup>	\$ 4,184,760.65	9.77%	0%-9.6%-10.80%	Yes	10.80%	1.03%
Equities - S&P 500 Funds <sup>(a)</sup>	\$ 5,472,368.81	12.77%	0%-12.60%-14.20%	Yes	14.20%	1.43%
Equities - Large Cap Growth <sup>(a)</sup>	\$ 4,118,610.33	9.61%	0%-9.60%-10.80%	Yes	10.80%	1.19%
Equities - Mid Cap <sup>(a)</sup>	\$ 3,681,146.40	8.59%	0%-8.40%-9.50%	Yes	9.50%	0.91%
Equities - Small Cap <sup>(a)</sup>	\$ 2,095,820.51	4.89%	0%-4.80%-5.40%	Yes	5.40%	0.51%
Equities - International <sup>(a)</sup>	\$ 6,432,127.65	15.01%	0%-15%-16.80%	Yes	16.80%	1.79%
<b>Total</b>	<b>\$ 42,849,217.09</b>	<b>100.00%</b>				
(a) Total Equities	\$ 25,984,834.35	60.64%	0%-60%-65%	Yes	65.00%	4.36%

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



Asset Valuation Summaries - OPEB

Below are the Asset Valuation Summaries for the second quarter of fiscal year 2024.

**Asset Valuation Summary OPEB**

Month	Cost	Market	Unrealized Gain/Loss
1/31/2024	\$ 38,907,266.37	\$ 40,981,062.61	\$ 2,073,796.24
2/29/2024	\$ 38,988,483.69	\$ 41,826,154.33	\$ 2,837,670.64
3/31/2024	\$ 39,094,504.81	\$ 42,849,217.09	\$ 3,754,712.28

Reconciliation Summary - OPEB

Below is the OPEB Reconciliation Summary for the second quarter of fiscal year 2024.

**OPEB Summary 3<sup>rd</sup> QTR FY 2024 (market value)**

	1/31/2024	2/29/2024	3/31/2024	3Q FY-to-Date
Beginning Market Value	41,018,600.67	40,981,062.61	41,826,154.33	41,018,600.67
Total Cash Receipts	45,611.60	47,029.99	119,853.99	212,495.58
Realized Gain/(Loss)	71,261.99	144,851.36	51,186.64	267,299.99
Total Cash Disbursements	(83,108.88)	(110,664.03)	(65,019.51)	(258,792.42)
Change in Fair Market Value	(71,302.77)	763,874.40	917,041.64	1,609,613.27
Ending Balance	40,981,062.61	41,826,154.33	42,849,217.09	42,849,217.09

**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 8, 2024  
 Facility: Nashville International Airport  
 Subject: FY 2024 – 3<sup>rd</sup> Quarter – Treasury Investment Report (March 31, 2024)

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### I. Reports

The following Treasury Investment Report covers the period from January 1, 2024 through March 31, 2024.

### II. Analysis

#### A. Summary

For FY 2024, 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 2022A&B Construction Funds Portfolio, and the MNAA 2022A&B Capitalized Interest Portfolio.

The fund allocation for cash and investments (not including accrued interest) at the Authority for the quarters ending December 31, 2023, and March 31, 2024, was as follows:

	12/31/2023	3/31/2024	\$ Change	% Change
NAE Fund	\$ 203,702,685	\$ 314,825,423	\$ 111,122,738	54.55%
Operating Cash	239,797,806	149,758,112	(90,039,694)	-37.55%
Construction Accounts	342,346,608	305,869,598	(36,477,010)	-10.65%
Debt Service Accounts	198,687,677	177,302,895	(21,384,782)	-10.76%
PFC Accounts	175,966,364	183,800,492	7,834,128	4.45%
CONRAC Accounts	68,884,725	72,354,387	3,469,662	5.04%
<b>Total Funds</b>	<b>\$ 1,229,385,865</b>	<b>\$ 1,203,910,907</b>	<b>\$ (25,474,958)</b>	<b>-2.07%</b>

The asset allocation for cash and investments (not including accrued interest) at the Authority for the quarters ending December 31, 2023, and March 31, 2024, was as follows:

	<u>12/31/2023</u>	<u>3/31/2024</u>	<u>\$ Change</u>	<u>% Change</u>
U.S. Treasuries	\$ 372,339,736	\$ 320,311,833	\$ (52,027,903)	-13.97%
Federal Agency	142,061,971	146,640,814	4,578,843	3.22%
Agency Mortgage-Backed Securities	24,733,024	24,486,271	(246,753)	-1.00%
Certificates of Deposit	1,006,804	1,006,804	-	0.00%
Commercial Paper	130,221,755	112,393,637	(17,828,118)	-13.69%
Money Market Mutual Funds	323,777,914	342,113,224	18,335,310	5.66%
Tennessee Local Government Investment Pool	229,747,577	250,325,228	20,577,651	8.96%
Cash in Demand Deposit Accounts	5,497,084	6,633,096	1,136,012	20.67%
Total Funds	<u>\$ 1,229,385,865</u>	<u>\$ 1,203,910,907</u>	<u>\$ (25,474,958)</u>	<u>-2.07%</u>

The listing of accounts on March 31, 2024, 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, 2024, is also attached. Note the difference between these reports is due to Attachment 1 reporting investments on an accrual basis and the PFMAM report showing market values.

PFMAM portfolio yields for the quarter were 4.16% for the CORE Portfolio, 3.26% for the Common Debt Service Reserve Portfolio (DSR), 4.36% for the 2022A&B Capitalized Interest Portfolio, and 5.34% 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 4.56%. The PFMAM Common DSR, Construction Funds, and CAP-I benchmark, the ICE BofAML 3mo T-Bill, was 5.30%. The MNAA managed funds yield was 5.27% as compared to the benchmark S&P Rated GIP All Index yield of 5.35%. The combined yield for the MNAA managed and PFMAM Managed Portfolios was 5.02%.

As staff has noted in previous quarterly results, actual yields on the investments with PFMAM are underperforming to the benchmarks due to increases in interest rates, and we expected the gaps between the benchmarks and actual yields to close. Although there is still some underperformance, we are starting to see actual yields closer to our benchmarks. Last quarter we expected to start seeing a cooling of interest rate hikes by the Federal Reserve and expected yields to decrease<sup>1</sup> approximately 89 to 108bps in the next 12 months. However, as inflation remains higher than expected, the Federal Reserve has not cut interest rates as quickly as was expected. Staff will continue to monitor interest rate changes and try to maximize our returns.

The Authority earned a total of \$13,185,202 on cash and investments for the third quarter of FY 2024. In comparison, the income received on cash and investments for the third quarter ended March 31, 2023, was \$8,274,769. Total available funds for the third quarter of 2024 were \$1.20B vs \$1.22B for third quarter 2023 (\$22M less).

<sup>1</sup> Source: Bloomberg, as of December 2023.

## **B. Investment Program Review**

- DDA cash in 3Q FY 2024 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 2024, 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 2024, February 2024, and March 2024

Attachment 2 – PFMAM Investment Performance Review as of March 31, 2024