



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

---

August 14, 2024

# Call to Order

---

August 14, 2024

# Public Comment

---

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

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

No Public Comment Requests Received by Monday, August 12, 2024, 9:00 pm

# Approval of Minutes

---

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

July 10, 2024

# Chair's Report

---

Nancy Sullivan, P.E.

Management Committee Chair

# Items for Approval

---

August 14, 2024 – None

# Information Items

---

August 14, 2024

- FY24 CEO Performance Key Performance Indicators (KPIs)
- FY25 Strategic Goals
- FY25 CEO KPIs
- CEO Compensation Benchmarking

## Information Items

---

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



# FY24 CEO Key Performance Indicator's

KPI Evaluation Criteria	90% Eligibility	100% Eligibility	110%+ Eligibility	Actual	Results
<b>Financial (50%)</b>				<b>Financial</b>	
<b>Operating Income (BNA+JWN+MPC) (25%)</b>				<u>Pending Year-End Close</u>	
Operating Revenue	Meets budget: \$302.4M	5% over budget: \$317.5M	10% over budget: \$332.6M	8/12/24 Finance > \$302.4M	90% +
Operating Expense	Meets budget: \$178.0M	5% under budget: \$169.1M	10% under budget: \$160.2M	8/12/24 Finance < \$178.0M	90% +
<b>Fiscal Responsibility / Strength (25%)</b>					
Senior Debt Coverage	1.25	1.3 - 1.5	Greater than 1.5	April 2024 Budget Approval - 11.8	110%
Sr/Subordinate Debt Coverage	1.1	1.2 - 1.25	Greater than 1.25	April 2024 Budget Approval - 6.95	110%
Days Cash on Hand	500 days (OS)	550 - 650 day (Policy)	Greater than 650 days	April 2024 Budget Approval - 896	110%
Pension Funding	80% - 89%	90% - 100%	Greater than 100%	June 2024 USI FYE Report - 95%	100%
OPEB Funding	80% - 89%	90% - 100%	Greater than 100%	June 2024 USI FYE Report - 169%	110%
<b>Operational (50%)</b>				<b>Operational</b>	
<b>Overall Airport Satisfaction (25%)</b>				<u>June 2024 Survey</u>	
	80% - 84% top 2 box	85% - 90% top 2 box	Greater than 90% top 2 box	92%	110%
<b>Strategic Goals (25%)</b>				<u>June 2024 Final Results</u>	
Invest in BNA/JWN	Meets expectations: 70% - 79%	Exceeds expectations: 80% - 90%	Outstanding: Greater than 90%	86.4%	100%
Plan for the Future					
Prepare for the Unexpected					
				<b>Total</b>	<b>102.0% +</b>

CFO Input

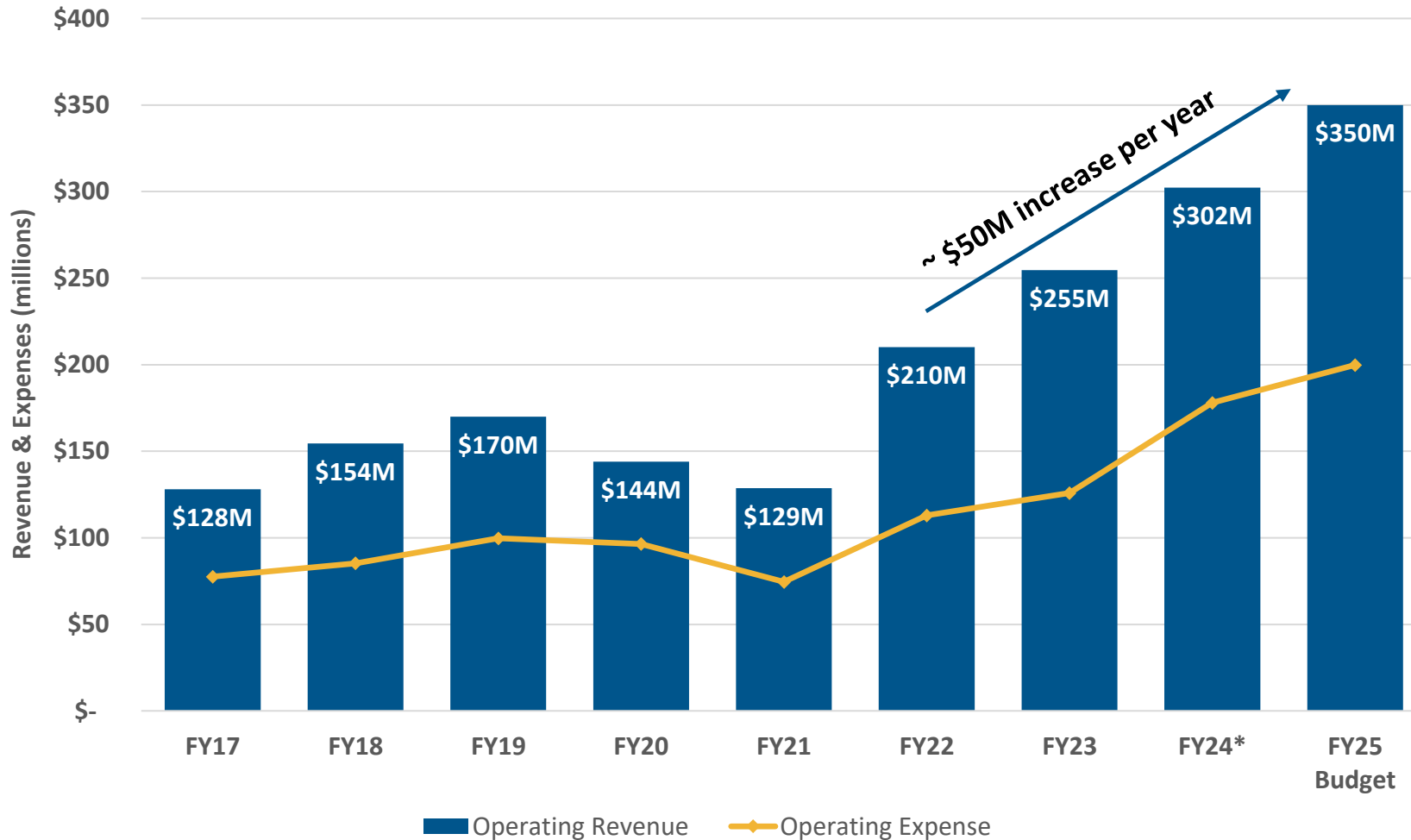
CSO Input

# FY24 CEO Key Performance Indicators

---

Financial Performance

# MNAA Operating Revenue & Expenses

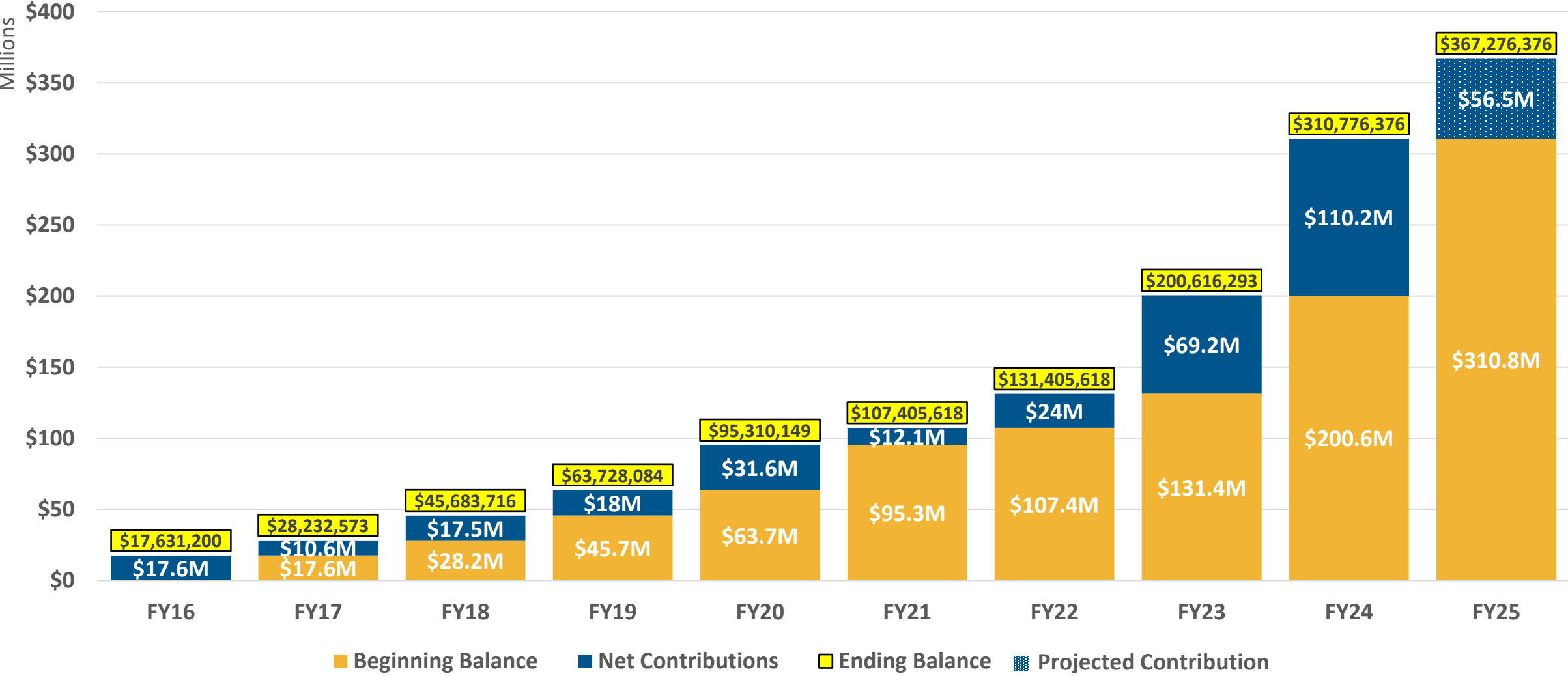


# Revenue & Expenses

- ~ \$50M Increase per Year
  - FY23: +\$45M
  - FY24: +\$47M
  - FY25: +\$48M

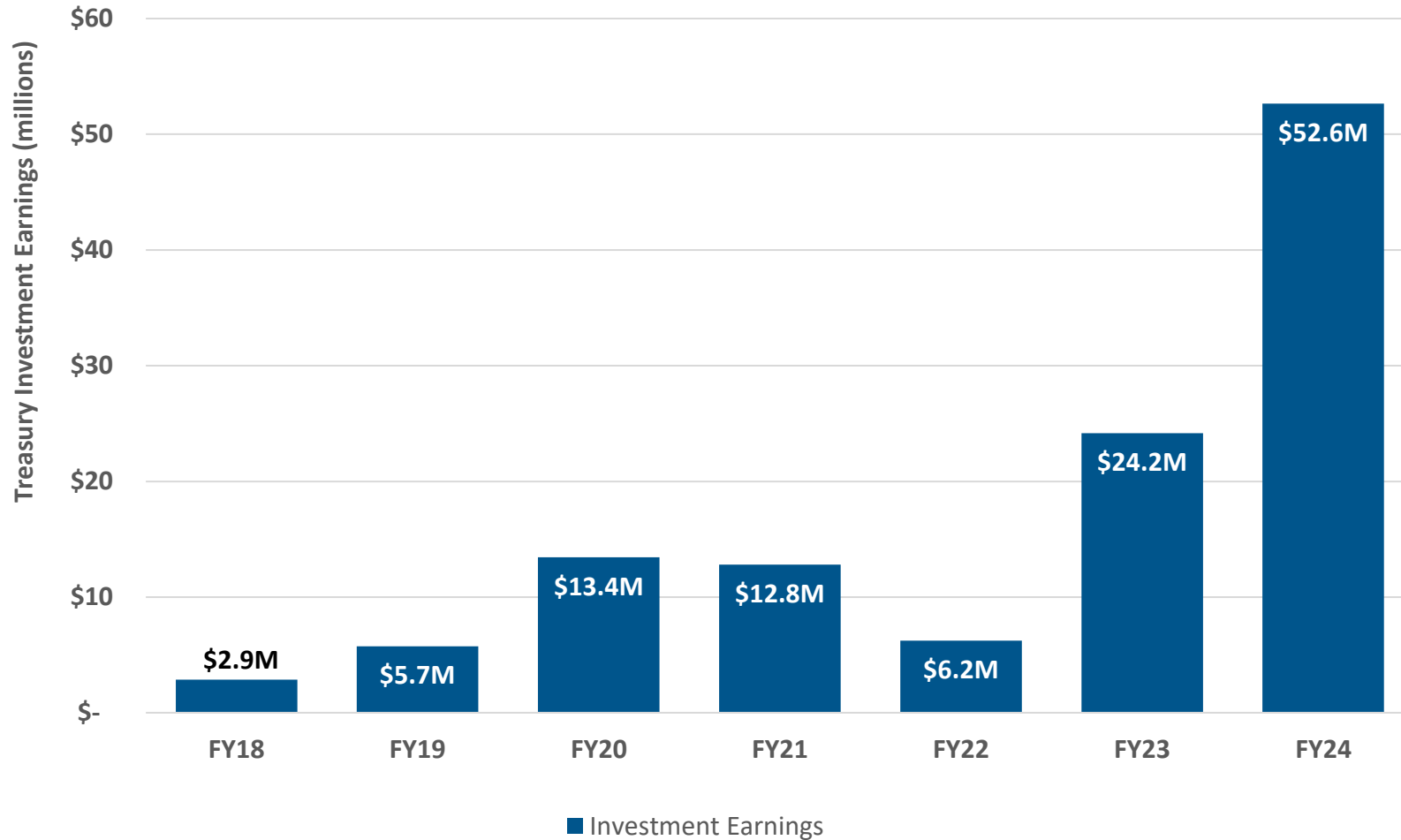
\* FY24 Revenue will be > \$302.4M – pending year-end close

# NAE Fund (Cash Reserve) Balance



Source: Finance NAE Reserve History  
 FY24 Projected Contribution Planned to Deposit 1/15/25

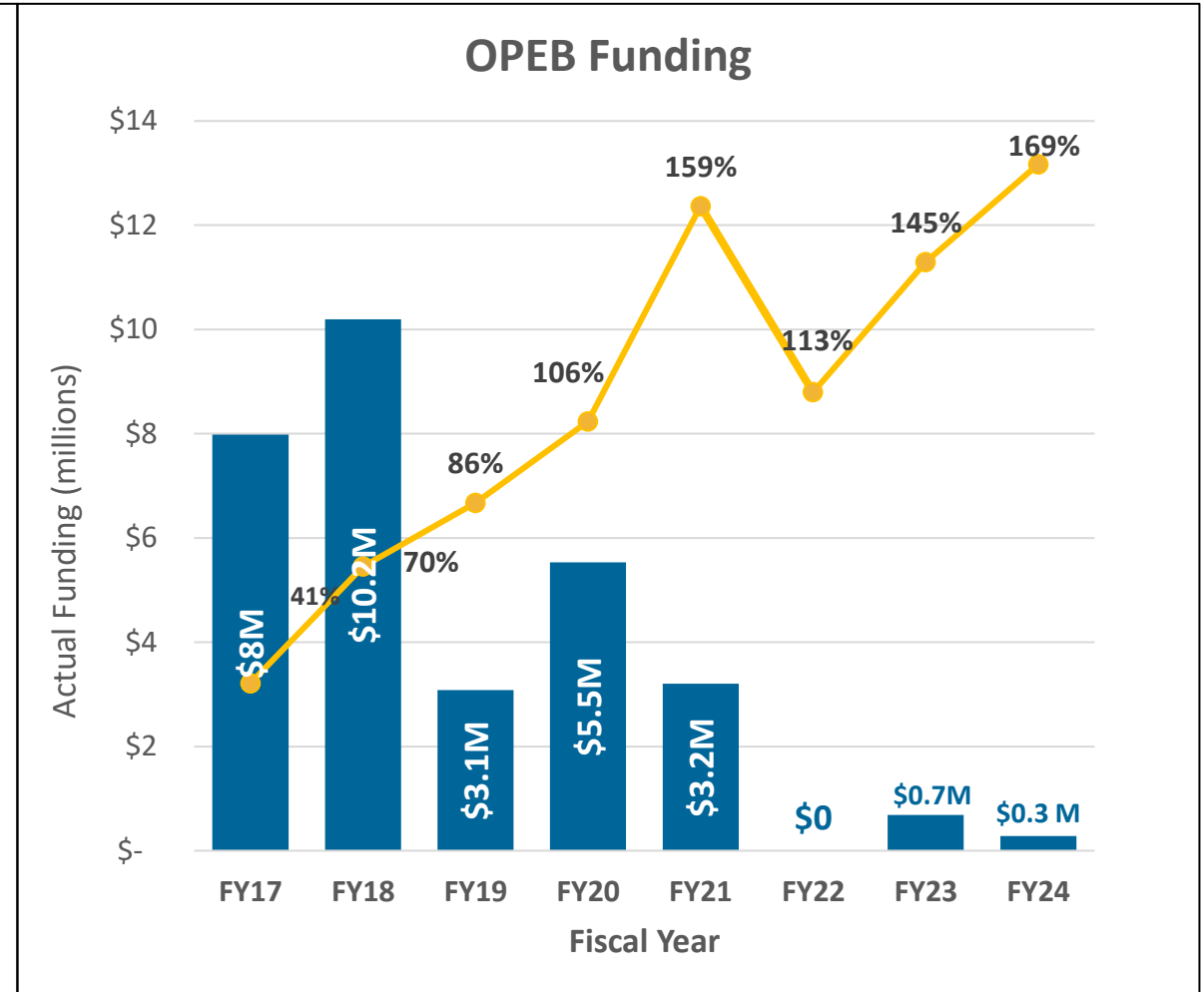
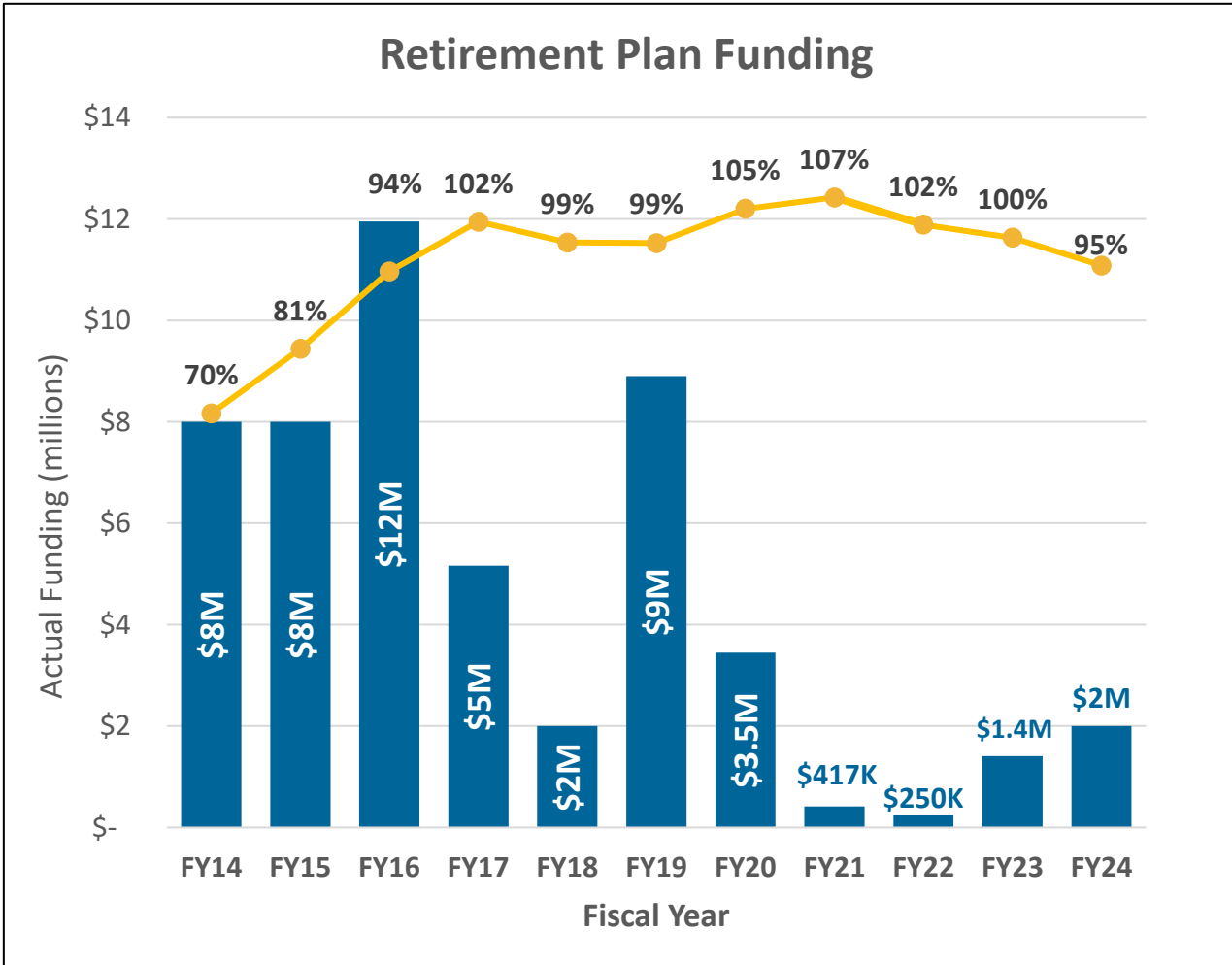
## Treasury Investment Earnings



## Treasury Investments

- December 2017
  - Board advised considerable amount of Authority funds maintained in cash and cash equivalents (>50%)
- April 2019
  - Treasury & Investment Policy updated, in coordination with PFM Asset Management LLC
- July 2019 – June 2024
  - 97 – 99% Invested
  - 99.6% invested June 2024

# Retirement Plan & OPEB Funding



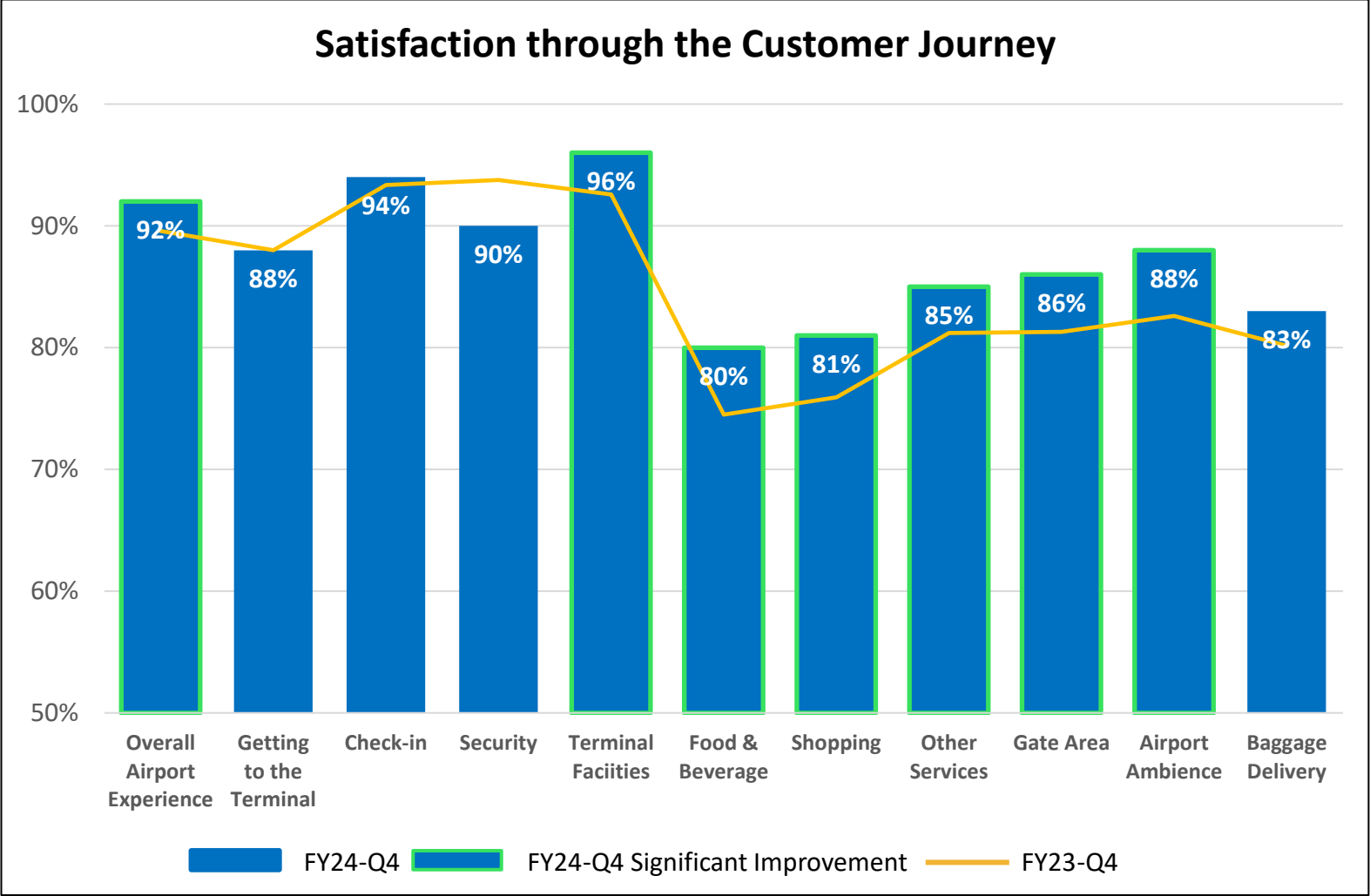
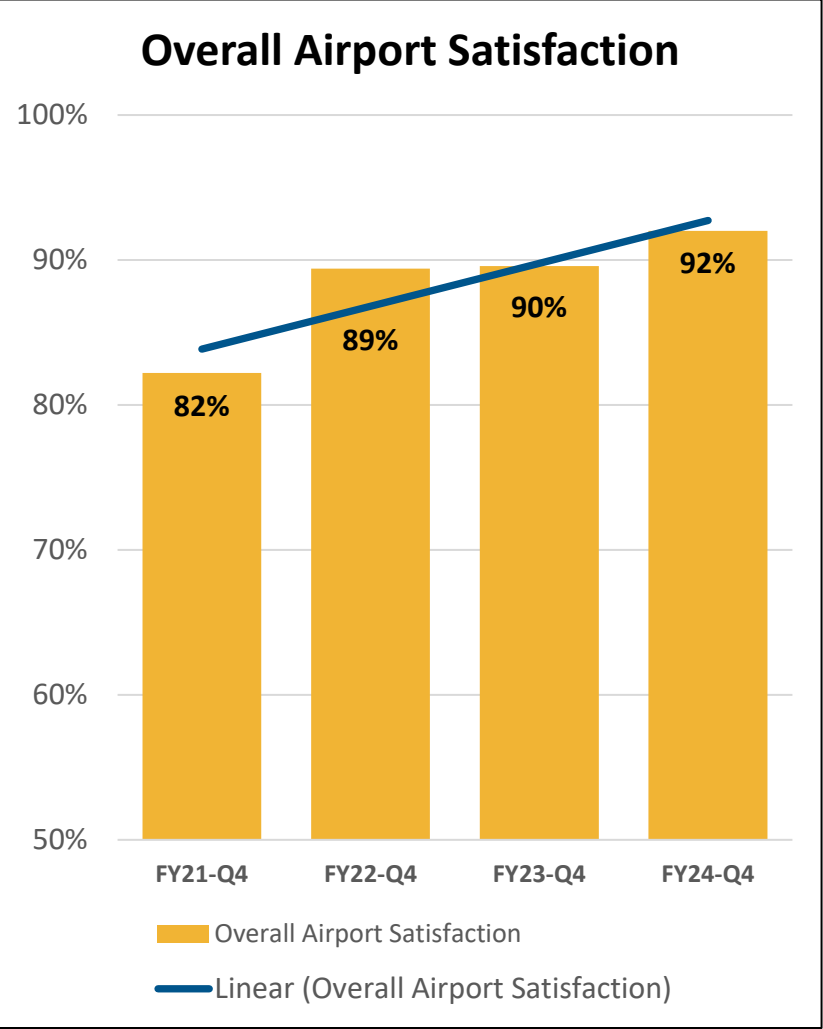
■ Actual Funding
 —●— Funding Percentage

# FY24 CEO Key Performance Indicators

---

Operational Performance

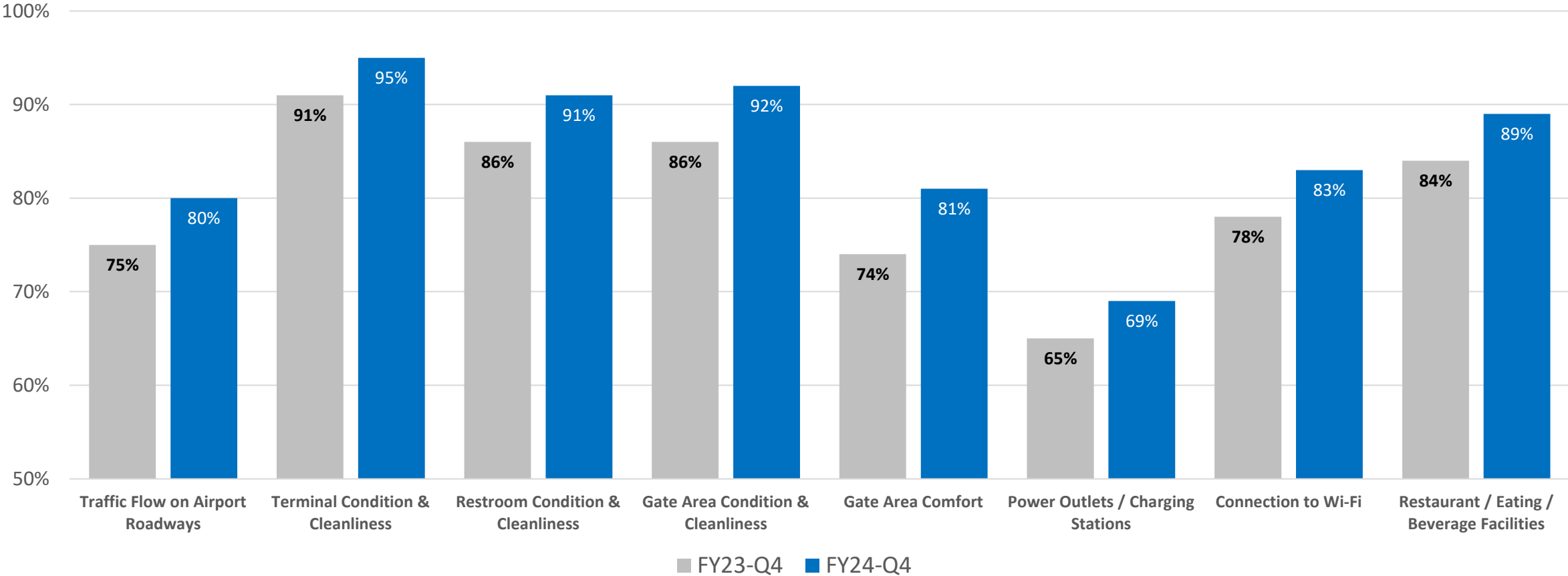
# Airport Satisfaction





# Airport Satisfaction

## Airport Satisfaction – Areas of Significant Improvement



# FY24 Strategic Accomplishments

- Key Accomplishments (86.4%)

- Executed Airline Use & Lease Agreement with all signatory airlines and Airline Operating Agreements with all non-signatory airlines
- Opened Marketplace, IAF, Satellite Concourse, Hotel and 24 concessions locations
- Began Concourse D Extension and 2<sup>nd</sup> water line construction, Concourse A design and Terminal II/CONRAC siting study
- Executed 6 leases for 10 parcels & completed MNAA construction of ramp, road, water, and power for JWN North Development area
- Met or exceeded all financial obligations
- Hired 100% of FY24 priority positions
- 55 employees earned AAE Certified Member (C.M.) accreditation

## FY24 Strategic Goals & Objectives



### 1. Airline Use & Lease Agreement

- ✓ Obtain approval (either AULA or AOA) of all airlines and implement requirements in new Agreement

### 2. Financial Commitments

- ✓ Ensure MNAA is following obligations in the Official Statement and Debt Management Policy
- ✓ Hire a consultant with expertise in hotel lease management and performance to ensure compliance prior to December 2023 opening
- ✓ Extend the Short Term Credit Facility by January 2024 and prepare a new Short Term Credit Facility in 2025

### 3. BNA Concessions Program

- ✓ Open 15 locations in the Grand Hall by September 25, 2023
- ✓ Open 7 locations in the satellite concourse by October 20, 2023
- ✓ Implement program to allow non-ticketed passengers to shop and dine in the concourses prior to December 2023

### 4. Staffing and Employee Satisfaction

- ✓ Complete hiring of all prioritized FY24 positions
- ! Achieve and maintain 95% staffing level by December 31, 2023
- ✓ Solicit contractor and conduct 2023 Employee and Augmented Staff Surveys by October 2023, and respond to results

### 5. Data Driven Business Decisions

- X Establish plan for improving data driven decisions and process controls, including CEO briefings
- ! Implement plan to respond to evaluation of insourcing/outsourcing of janitorial, shuttle, parking/valet, landscaping, and overall maintenance contracts

### 6. Procurement & Contracts

- X Implement new credit card program to support corporate credit card/p-card policy by December 2023
- X Complete comprehensive review of Procurement Policy, including benchmarking trips to large hub airports
- ! Implement Contract Management Program in Procurement to improve contract compliance and monitoring, and publish and implement revised Procurement Policy
- ✓ Implement Project Management Tracking Program to improve financial reporting, tasks and special project schedules & compliance
- ✓ Implement improvements to real estate management, and transition real estate to Chief Revenue Officer

### 7. BNA Vision and New Horizon

- ✓ Open Marketplace and International Arrivals Facility (IAF) (September 25, 2023)
- ✓ Open Satellite Concourse and Shuttle Station (October 20, 2023)
- ! Complete TARI Phase I Road-Widening (May 2024)
- ✓ Open hotel (February 20, 2024)
- ✓ Complete 30% Baggage Handling System design and 70% facility design for BHS Improvements to 40 MAP
- ✓ Complete relocation of tenants to Multi-Purpose Building & demo Air Freight Building
- R/W 2L Proposed Extension
  - ✓ Award contract for Environmental Impact Statement (EIS)
  - Award contract for Uniform Relocation Act (URA) requirements, appraisals, surveys and environment assessments

### 8. Permit Boundaries

- ✓ Implement BNA and JWN Permit Boundaries with Metro Codes/Planning

### 9. Tune Taking Off

- ✓ Complete leases & construction of MNAA North Development area by Nov 30, 2023
- ✓ Ensure FBO tenant rebuilds Hangars 1, 2 and 3
- ! Develop and release RFP for 2<sup>nd</sup> FBO

### 10. Complete Strategic Studies with coordinated long-range phasing plans for implementation

- ! Finalize Curbside and Roadway Access Plan for 35M passengers
- ! Finalize Future Parking/Garage(s) Plan
- ✓ Develop Plan for Opening Virtual Tower and Additional RON/Deice Pads
- ✓ Begin Environmental Impact Statement Process for Runway Extension
- ! Identify Future Rental Car Facility Location and Sizing
  - Identify Site and Program for ARFF Station(s)
  - Publish Plan to Expand Fuel Farm Capacity
- ✓ Initiate Multi-Concourse Terminal Siting Study for 70M passengers
- Complete Logistics/Transportation Study for Future Warehousing & Distribution

### 11. International Air Service

- ✓ Continue to pursue Europe and Asia air service

### 12. State/Federal Government Affairs

- ! Update BNA/JWN Economic Impact to demonstrate airports value to Middle TN and quantify benefit of funding; Coordinate with State
- ✓ Obtain approval of the 5-year State Funding Proposal in coordination with TAAACA

### 13. Board Management Policy Updates

- Implement Board Transition Plan
- Publish Board approved enhancements to Corporate Governance (Ethics/Bylaws)

Prepare for the Unexpected

### 14. Business Diversity Leadership

- ! Complete actions in response to five 2021 Disparity Study findings, including B2Gnow enhancements
- X Publish certified SMWBE, DBE and ACDBE Performance for community distribution
- X Develop & publish CEO approved Business Plan to enhance Diversity and Inclusion

### 15. 24/7 Operations

- ✓ Evaluate options/contingency plans for ensuring 24/7 elevator and escalator continuous operation
- ✓ Enhance Terrazzo and Restroom Cleaning

### 16. Succession Planning

- X FY24 Performance Management Program
  - Improve evaluation system to better measure performance and reward high performance
  - Procure and implement system for managing Performance Management process
- ! Organizational Development
  - Develop comprehensive plan for organizational development, including talent acquisition, onboarding, individual development and succession planning
  - Evaluate and implement improvements to recognition of exceptional performers and specialty/shift differential pay

### 17. Building & Property Appraisals

- ✓ Develop and implement program to get appraisals done on building and infrastructure to ensure we reflect total insurable value for property insurance

### 18. 2nd Water Line to Airport (TARI)

- ✓ Begin construction of the redundant line

### 19. Airfield Design Standards

- ✓ Develop and publish CEO approved Airfield Engineering Design and Compliance Standards Manual

### 20. Internal Department Business Continuity Plans

- ! Implement internal procurement processes to ensure business continuity in times of emergencies
- ! Implement plans for critical business finance processes in case of outages

#### FY24 Year-End Rating: 86.4%

- ✓ Met Goal
- X Behind Goal
- ! Partially Met Goal
- Hold/Re-Evaluate

Issued: June 26, 2023  
Updated: June 3, 2024

- Next Steps
  - Board of Commissioners will review and evaluate results presented
  - Board of Commissioners, at their sole discretion, will determine bonus to award CEO, based on
    - CEO's ability to meet or exceed targeted expectations applicable to his position
    - In accordance with and subject to the terms of any applicable performance-based metrics, compensation plan or program
  - Board Approval – September 18, 2024

## FY24 CEO Key Performance Indicator's

---

- Ref: CEO Employment Agreement, Effective 7/1/2022

# FY25 Strategic Goals & Objectives



Invest in BNA/JWN

1. **Achieve Financial Commitments (Basrai)**
  - Issue a new Short Term Credit Facility by December 31, 2024, and prepare for a FY25 or early FY26 bond issuance
  - Ensure debt service coverage and days cash on hand are maintained above policy requirements
  - Continually update funding model to ensure adequate access to capital
2. **Continue to Develop BNA Concessions Program (Johnson)**
  - Complete 8 concessions in Concourse D by July 2, 2025
  - Develop and issue concessions solicitation for Concourse A
  - Develop and issue solicitation for Mezzanine Lounge(s)
  - Develop plan to increase advertising revenue by December 15, 2024
3. **Organizational Review (Cooper, Lankford)**
  - Complete comprehensive review of Human Resources, Business Diversity Development and Procurement and develop plan to continue improvement of long-range department performance (Cooper)
  - Develop requirements, including recommended roles and required resources, for analytical data center by January 31, 2025 (Lankford)
4. **Improve Procurement Efficiency and Service (Cooper)**
  - Complete comprehensive review of Procurement Program, including verification of compliance with all local, state and federal requirements, benchmarking against other large hub airports, and evaluation of efficiency and transparency
  - Update Procurement Policy and Procedure Manual and implement updates
  - Implement new credit card program to support corporate credit card/p-card policy by December 31, 2024
5. **Continue Advocacy of State Support for Long-range Capital Funding (Lankford)**
  - Complete BNA/JWN Economic Impact Study and coordinate with State of Tennessee and TAACA
6. **Attract and Retain the Best Employees (Cooper)**
  - Complete compensation survey, specialty/shift-differential pay, and provide recommendations to CEO by January 31, 2025
  - Evaluate and develop proposal for improvements to supplemental benefits
  - Conduct recruiting outreach with industry professional organizations and institutions to establish a pipeline of critical skill needs
7. **Sponsorships and Marketing (Lankford)**
  - Implement Sponsorship Portal and develop reporting for sponsorship spend
  - Determine effectiveness of sponsorship and marketing spend
8. **Improve Customer Experience (Floyd)**
  - Develop plan that merges customer service and customer experience to provide proactive and urgent response to all facets of customer journey, including required roles and resources by December 15, 2024

Plan for the Future

9. **Improve Airport Access (Ramsey)**
  - Complete, manage and maintain Roadway/Traffic Management Model
  - Finalize Future Parking/Garage(s) Plan for 70M passengers
10. **Enhance Airline Efficiency (Ramsey, Floyd, Johnson)**
  - Complete design and begin construction of improvements to Baggage Handling System (Ramsey)
  - Complete construction of Concourse D Extension by July 2, 2025 (Ramsey)
  - Complete design of Concourse A and award CMAR contract for enabling to begin July 3, 2025 (Ramsey)
  - Award professional services contract for design of Central Ramp (Ramsey)
  - R/W 2L Proposed Extension (Ramsey, Johnson)
    - Award contract for Uniform Relocation Act (URA) requirements, appraisals, surveys and environmental assessments (Johnson)
    - Respond to FAA Agency Review decision (Continue EIS or begin EA) (Ramsey)
  - Coordinate improvements to Air Traffic Control Procedures (Floyd)
11. **Expand Air Service (Lankford, Floyd)**
  - Continue to pursue International Air Service and obtain at least one new transoceanic route (Lankford)
  - Develop Corporate Engagement plan for each airline at BNA (Lankford)
  - Facilitate improvements to Customs and Border Protection service (Floyd)
12. **Create Terminal II Strategic Plan (Ramsey, Basrai, Lankford)**
  - Refine preferred site concepts for Terminal II and CONRAC (Ramsey)
  - Develop Terminal II Tenant Relocation Plan (Ramsey)
  - Obtain Board approval to raise Customer Facility Charges (CFCs) to support financing of new Consolidated Rental Car Center (CONRAC) at BNA (Basrai)
  - Develop plan for the funding of New Horizon and Terminal II (Basrai)
  - Develop/produce community storyline for New Horizon and Terminal II Plans (Lankford)
13. **Airport Authority Long-Range Planning (Ramsey, Johnson)**
  - Create an Airport Authority Long-Range Facility/Campus Plan (Ramsey)
  - Initiate and manage development of a new Airport Master Plan (Critical Facilities: Centralized Receiving & Distribution, Air Freight, ARFF Stations, Fuel Storage, Future Airfield) (Ramsey)
  - Develop plan to purchase additional real estate (Johnson)
14. **Expand John C. Tune Airport (Floyd, Johnson)**
  - Complete solicitation and execute lease for 2<sup>nd</sup> FBO
  - Complete solicitation and execute lease or contract for Midfield Development (Johnson)

Prepare for the Unexpected

15. **Succession Planning (Cooper, Bedrock, Floyd)**
    - Complete solicitation for Human Resources Information System (HRIS), including Performance Management, and develop plan for funding and implementation (Cooper)
    - Begin development of comprehensive plan for organizational development, including training for new managers and defining requirements for leadership positions (Cooper)
    - Develop recommendation for employment agreements for Vice Presidents and above by October 15, 2024 (Bedrock)
    - Develop & publish Talent, Excellence, and Diversity Plan (Cooper)
    - Develop 24/7 duty roster (Floyd)
  16. **Business Diversity Leadership (Cooper)**
    - Publish certified SMWBE, DBE and ACDBE Performance for community distribution
    - Complete actions in response to five 2021 Disparity Study findings, including B2Gnow enhancements
  17. **2<sup>nd</sup> Water Line to Airport (Ramsey)**
    - Complete construction of redundant water line by June 30, 2025
  18. **Compliance (Bedrock)**
    - Develop recommendation for updated Board and Staff Ethics policies by October 15, 2024
    - Develop recommendation for updated Board bylaws by December 15, 2024
    - Develop recommendation for comprehensive Compliance Program by December 15, 2024
    - Provide quarterly updates and recommendations to executive staff on legal issues and challenges impacting airports
  19. **Operational Excellence (Floyd)**
    - Develop FAR 139 and TSA 1542 program to be used as benchmark for large hub airport performance for annual preparation
  20. **Media Response Plan (Lankford)**
    - Develop real-time Media Response Plan to improve media accuracy
- NOTE: Scoring of items that are due for completion after the end of the fiscal year will be based on projected completion date*

Issued: July 8, 2024

# FY25 Strategic Goals

- Developed by Executive and Senior Staff
- Performance will be reviewed at Staff Retreats in September 2024 and March 2025

KPI Evaluation Criteria	90% Eligibility	100% Eligibility	110%+ Eligibility
<b>Financial (50%)</b>			
<b><u>Operating Income (BNA+JWN+MPC) (25%)</u></b>			
Operating Revenue	Meets budget: \$350.0M	5% over budget: \$367.5M	10% over budget: \$385.0M
Operating Expense	Meets budget: \$199.8M	5% under budget: \$189.8M	10% under budget: \$179.8M
<b><u>Fiscal Responsibility / Strength (25%)</u></b>			
Senior Debt Coverage	1.25	1.3 - 1.5	Greater than 1.5
Sr/Subordinate Debt Coverage	1.1	1.2 - 1.25	Greater than 1.25
Days Cash on Hand	500 days (OS)	550 - 650 day (Policy)	Greater than 650 days
Pension Funding	80% - 89%	90% - 100%	Greater than 100%
OPEB Funding	80% - 89%	90% - 100%	Greater than 100%
<b>Operational (50%)</b>			
<b><u>Overall Airport Satisfaction (25%)</u></b>	80% - 84% top 2 box	85% - 90% top 2 box	Greater than 90% top 2 box
<b><u>Strategic Goals (25%)</u></b>			
Invest in BNA/JWN	Meets expectations: 70% - 79%	Exceeds expectations: 80% - 90%	Outstanding: Greater than 90%
Plan for the Future			
Prepare for the Unexpected			

# FY25 CEO Key Performance Indicators

- Next Steps
  - Board of Commissioners review and approve or revise CEO FY25 KPIs
  - Board Approval: September 18, 2024

- Data included in analysis
  - 41 Large and Medium Hub airports
  - Economic Research Institute – ERI for Executive Officer jobs in Nashville, TN with revenues of \$350M
  - ACI-NA Wage Database
- Results
  - Large and Medium Hub Airports:
    - Average Salary: \$507,037
    - High Salary: \$729,121
    - MNAA CEO Percentile: 87<sup>th</sup>
  - Chief Executive Officers, All Industries, Nashville, TN:
    - Average Salary: \$845,636
    - High Salary: \$1,131,711
    - MNAA CEO Percentile: 24<sup>th</sup>

# CEO Compensation Benchmarking

- Ref: CEO Employment Agreement amendment, effective 9/20/23
- ADK selected through competitive solicitation to conduct CEO Compensation Benchmarking Study
  - Report delivered 7/22/24



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

---

Meeting Adjourned