

Minutes of the MNAA Management, Audit & Compliance Committee



Date: October 9, 2024	Location: Metropolitan Nashville Airport Authority Tennessee Boardroom
Time: 10:13 a.m.	
Committee Members Present:	Nancy Sullivan, Committee Chair; and Joycelyn Stevenson, Committee Vice Chair
Committee Members Absent:	Jimmy Granbery
Other board Members Present:	Bobby Joslin, Andrew Byrd, Glenda Glover, and Glenn Farner
MNAA Staff & Guests Present:	Doug Kreulen, Cindy Barnett, Lisa Lankford, Trish Saxman, Marge Basrai, Neale Bedrock, John Cooper, Eric Johnson, and Rachel Moore

I. CALL TO ORDER

Chair Sullivan called the meeting of the MNAA Management Committee to order at 10:13 a.m. pursuant to Public Notice dated October 4, 2024.

II. PUBLIC COMMENTS

Chair Sullivan stated there were no public comment requests received.

III. APPROVAL OF MINUTES

Chair Sullivan asked for a motion to approve the August 14, 2024 Minutes of the Management, Audit & Compliance Committee meeting. Vice Chair Stevenson made a motion and Chair Sullivan seconded the motion.

Chair Sullivan asked Ms. Saxman for a roll call:

Chair Sullivan – Yes

Vice Chair Stevenson – Yes

The motion was passed with a vote of 2 to 0.

IV. BOARD CHAIR'S STATUS REPORT

Chair Sullivan had no Chair's report.

V. ITEMS FOR APPROVAL

1. FY25 CEO Key Performance Indicators (KPIs)

President Kreulen stated the FY25 CEO Key Performance Indicators (KPIs) were provided to the Management Committee and the Board last month. The items highlighted in yellow on the top two lines are the revenue and expenses approved in the FY25 Operating Budgets, and the Average Employee Satisfaction rate was added to this version last month and was one of the options previously discussed with Commissioners. In FY24, passenger satisfaction was weighted at 25%. For FY25, 10% weighting was applied to employee satisfaction and 15% for passenger satisfaction. As discussed with the Chair, the Board can always continue to evolve the evaluation processes as it goes forward. As discussed, the Board's recommendation is to move forward with this version, consistent with what was presented last month.

Vice Chair Stevenson stated her comment to the Chair was that there were no mechanisms for the Board to get feedback from staff on how they feel. She feels there should be some mechanism to get employee feedback, such as overall employee satisfaction. Vice Chair Stevenson stated she is fine with it as is, is but obviously it evolves and can get better, but at a minimum, we need to incorporate employee satisfaction. Chair Sullivan stated she believes it is a great suggestion.

Commissioner Byrd stated he read it, which took 1.5 hours, and looking at 50% financial and 50% operational, and it looks like we are focused on the budget and asked if these are stretch goals. Most budgets are fairly conservative. Looking at the fiscal responsibility and strength, he asked how hard these goals are to obtain. Are they layups or stretch goals? President Kreulen stated when the Board developed these goals several years ago, they had the same discussion on stretch goals. If you simply meet the budget, this is only worth 90%, so the Board felt like they were stretch goals. If you go 5% over your budget, then you are eligible for 100%, if you go 10% over your budget you get another bump. Our goal for BNA, JWN and MPC is the sum of those entities which is \$350M for revenue and \$198M for expenses. If those budgets are met, eligibility is 90%. If performance goes over on revenue or under on expenses, then you are eligible for more, so that is the stretch.

Commissioner Byrd asked for an explanation on the 110%. President Kreulen replied if you go 10% over that original budget, eligibility is 110%. The Board thought those were stretch goals at the time. President Kreulen said his concern is at some point we will not be hitting way over budget; we will be breaking even. There is some motivation there to hit your budget, but if we change these down the road to make them higher, he does not know how much higher we can continue to go. Commissioner Byrd stated he does

not think anyone on the Board understands what the revenue and expense generators are. He stated Ms. Basrai probably has a fairly good idea about whether these are realistic or not, because you run the finances of the airport which puts you a lot closer to the heart of it than the Board. Chair Sullivan stated but there are also factors outside anyone's control that could happen at any time. Commissioner Byrd agreed stating like the pandemic.

President Kreulen stated from the CEO perspective, as an example, last year's budget was \$302M and just to get to 90% you have to generate \$40M more and to get 100% you would have to generate \$50M plus. Commissioner Byrd stated it is a balancing act. President Kreulen replied on the fiscal responsibility, these numbers came up when we went to the bond market for BNA Vision. Commissioner Byrd asked what year. President Kreulen replied 2019 was the first bond. At the Board Retreat we will be at \$3.4B and going for more. What the Board wanted the minimum required by law and that is \$1.25B. Commissioner Byrd stated so it is a hurdle race. President Kreulen stated the Board wrote a policy and said we want the CEO and CFO to strive to hit \$1.25B and \$1.5B and have between 500 and 650 days cash on hand. And if you just meet the policy you are 100%. Commissioner Byrd asked why \$1.25B, is there a rational for it. President Kreulen replied the rational comes from the CFO, PFM, Bank of America and Landrum & Brown, our financial advisors. When MNAA got into the capital programs, we had to figure out what we had to do to satisfy the bond markets so that we would not get downgraded. And that is where the recommendation came in to shoot for \$1.25B and \$1.5B no one will mess with you. Commissioner Byrd asked where were we in the last year. Ms. Basrai replied, we were really high, like 18/19 times, we were using a lot of our Federal relief dollars which inflated the numbers. MNAA only has a couple of million left for this year and now we are back at normal levels.

President Kreulen at the Board Retreat next month, MNAA will give the Board a 10-year financial forecast that will show the \$3.4B factored in. We will highlight a given year where we are at 1.96 and if the Board allows us to down to 5, then we can go borrow another 500M. We will hold a financial summit later in the year. These metrics that have helped us get to where we are today, financially are very strong, and 10 years from now the Board may not want these and may need to borrow more money. Commissioner Byrd stated he is looking for reasonable incentives. President Kreulen stated that is how these have been created.

Chair Sullivan stated she feels like we are in the performance period now and can agree to add the Employee Satisfaction Survey and if we want to do an overall, maybe sometime in May next year, we can

review and see if these criteria fit where we are now. Commissioner Byrd stated he is extremely happy, it does not really bother him, when we set the KPIs that is what you are doing, if you are a CEO of a major publicly traded company, then you will have a KPI type of structure that your Board is going to look at and deciding if these are reasonable incentives.

Commissioner Joslin stated we have come a long way from where we were 15 years ago. He does not want to micromanage the CEO and thinks this is valuable for the future and a great starting point. We can modify it at any time if it needs to be changed, and it may not need to be changed. Chair Sullivan stated in May we will be far enough in the year and can review at that time. Commissioner Byrd stated he is happy to reevaluate in May, he just wanted to study it and make sure it makes sense.

President Kreulen stated he is really proud of what we have built and what the Board will see next week at the Board Retreat, the forecast is from 25 to 35, we are going to be slightly above those which is a good thing, but we could take on more risk and money if we lower the coverage and if the Board tells him to lower the coverage, then we can go borrow \$2B more. President Kreulen stated we may get a possible downgrade and may have to pay a higher interest rate. We will show big money challenges that are coming up. President Kreulen stated we will show debt service payments by year, and coverage by year, and the Board will be able to see everything and decide if we will take a risk.

Commissioner Joslin asked what is cash on hand. Ms. Basrai replied over \$1K. Commissioner Joslin stated that 15 years ago, we had 45 days of cash on hand. Commissioner Glover stated now we have 1 year. President Kreulen stated we have 3 years of cash on hand and stated from talking with other CEOs, they are not maintaining that kind of money. Commissioner Joslin stated it is not necessary to keep that much cash on hand.

Commissioner Byrd asked on the Employee Satisfaction Survey who is being measured. President Kreulen replied each fiscal year we do a survey and the next one will be in the March time period after we implement the results of our compensation survey and all this information will be provided at the Board Retreat next week. Commissioner Byrd stated it is pretty broad-based, it is measuring the security officer who is sitting down here directing traffic, versus the Chief Operating Officer, gets a blended result and is that what we want. Commissioner Joslin stated Chief of Police has the same thing, and he is probably the highest-rated chief we had, but still was not 100%, probably 80%, which is a good satisfaction rating.

Commissioner Byrd stated looking at strategic goals, are they the same strategic goals we are looking at this year. President Kreulen replied, we gave the Commissioners the FY24 Strategic Goals and the average completion on those is 86.4% and this year we presented the Commissioners new FY25 Strategic Goals that go into the three columns, Invest, Plan and Prepare. Commissioner Byrd asked how many, 52 goals. Ms. Lankford replied 20 goals, and each has supporting objectives, about 50 total. President Kreulen stated the Staff is working on dividing those categories and there are objectives under those goals and that is how each member of the Executive Team gets 6 or 7 goals each. Commissioner Byrd said forgive me for bringing all of this up. President Kreulen replied, this guides us and if you change this, then we change to make sure to meet your objectives.

Chair Sullivan recommended to the Board of Commissioners that it approve the FY25 CEO Key Performance Indicators as presented.

Chair Sullivan made a motion to approve, and Vice Chair Stevenson seconded the motion.

Chair Sullivan asked Ms. Saxman for a roll call:

Chair Sullivan – Yes

Vice Chair Stevenson – Yes

The motion was passed with a vote of 2 to 0.

VI. INFORMATION ITEMS

President Kreulen stated the FY24 Employee Performance Results budgets for FY24 Discretionary Employee Performance Incentive payout. This is the distribution curve of how the employees were rated by their supervisors and this is where the benchmark is. There are 386 employees who qualify for the FY24 Performance Incentive, only 5 or 6 did not qualify. The Finance team budgeted \$3.356M and when we pay out the incentives we will be under budget. As we continue to grow, next year it is already approved in the budget for 541 employees in the amount of \$4.8M. MNAA does a great job with benefits and pay, and incentives to encourage our employees to stay. Commissioner Byrd asked if is it about \$10K per person, and what is the average payout. President Kreulen replied it is in that range, he will get a calculation of what the average is. The payout goes from 7% for the entry level employees, to 10 – 12% for managers. Commissioner Byrd asked when they would receive the bonus. President Kreulen replied the Staff will receive it next Friday. Chair Sullivan asked what the turnover rate is and do you get it if you

leave. President Kreulen replied if you leave, then you are not eligible, we have about a 15% turnover, but we keep adding 30 – 40 employees a year.

ADJOURN

There being no further business brought before the Management Committee, Chair Sullivan adjourned the meeting at 10:38 a.m.



Andrew W. Byrd, Board Secretary