

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



Date: March 12, 2025

Location: Metropolitan Nashville Airport Authority
Tennessee Boardroom

Time: 9:52 a.m.

Committee Members Present:

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

Committee Members Absent:

Glenn Farner

Other Board Members Present:

Nancy Sullivan, Jimmy Granbery, Bobby Joslin, and Joycelyn Stevenson

MNAA Staff & Guests Present:

Doug Kreulen, Cindy Barnett, Lisa Lankford, Trish Saxman, Marge Basrai, John Cooper, Kristen Deuben, Chief Findlen, Adam Floyd, Eric Johnson, Carrie Logan, Rachel Moore, Ted Morrissey, Stacey Nickens, Brandi Porter, Josh Powell, and Robert Ramsey
Lauren Lowe, PFM; Cory Czyzewski, Bank of America

1) CALL TO ORDER

Chair Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development ("Finance") Committees to order at 9:52 a.m. pursuant to Public Notice dated March 7, 2025.

2) PUBLIC COMMENT

Chair Byrd stated there were no public comment requests received.

3) APPROVAL OF MINUTES

Chair Byrd asked for a motion to approve the February 12, 2025 Minutes of the Joint Meeting of the MNAA & MPC Finance Committees. Vice Chair Glover made a motion and Chair Byrd seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

The motion passed with a vote of 2 to 0.

4) CHAIR'S REPORT

Chair Byrd had no Chair's report.

5) ITEMS FOR APPROVAL

1. Rental Car Service Site Lease (Avis/Budget/Payless, Sixt)

President Kreulen introduced Mr. Adam Floyd, SVP, Chief Operating Officer, to brief the Committee on the Rental Car Site Lease (Avis/Budget/Payless, Sixt). Mr. Floyd stated on July 17, 2024, the Board accepted the realignment and new lease terms for the rental car service sites and authorized the Chair and President and CEO to execute lease agreements for each site within these terms. The realignment of the property is determined based on the market share of each rental car business and future airport growth. The new rates were based on Fair Market Value (FMV) appraisal conducted by Airport Business Solutions (ABS) in March 2024.

Mr. Floyd stated that due to changes in MNAA airport operational needs, the additional Avis/Budget service site location identified in July 2024 for MNAA parking will no longer be used for that purpose and re-leasing the property back to the Rental Car Agencies under the updated contract terms is the best use of the property until the site is needed for Terminal II construction. He provided a graphic showing the locations. Mr. Floyd stated the updated Fair Market Value appraisal will increase revenue by \$485K.

Mr. Floyd recommended the Finance Committee recommend to the Board of Commissioners that it authorize the Chair and President and CEO to execute lease agreements between MNAA and Avis/Budget/Payless for Tract 1 and Sixt for Tract 2 of the Rental Car Service Site.

Commissioner Glover asked if they were going to move out and if we will lease it back to them.

Mr. Floyd responded Sixt currently does not have a rental car service site, so we will lease them tract 2 and Avis, Budget and Payless will lease tract 1. Commissioner Glover asked if Sixt is at BNA. Mr. Floyd responded Sixt currently operates at BNA but does not have a maintenance service site.

Chair Byrd asked for a motion to approve as presented. Vice Chair Glover made a motion and Chair Byrd seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

The motion passed with a vote of 2 to 0.

2. Long-Term Financing Underwriter Pool

President Kreulen introduced Marge Basrai, EVP, Chief Financial Officer, to brief the Committee on the Long-Term Financing Underwriter Pool. Ms. Basrai stated MNAA uses long-term debt as the main funding source for the capital program. Underwriters work with the Financing Team on the issuance of bonds: Developing and presenting information to or for the Authority, rating agencies, investors, and any other relevant parties; Implementing the marketing plan approved by the Authority financing team; Selling the bonds according to expectations developed during pre-pricing meetings; Coordinating the work of the underwriting team, including the co-managers; Preparing a bond purchase agreement and other required documentation; Providing market information daily in the two weeks prior to the bond sale date; and Preparing a closing memo and closing the bonds on time.

Ms. Basrai stated On December 18, 2024, PFM (Financial Advisors) sent a Request For Qualifications (“RFQ”) for Bond Underwriting Services to twenty-eight (28) investment banks. The RFQ process was intended to select a Pool of Underwriters that demonstrates strong airport experience along with local, regional, and diversified experience. The Pool will consist of firms deemed the most (and best) qualified to serve as a Senior Managing Underwriter and/or as a Co-Manager for a period of five years (2025-2030). The RFQ requested the following information: Information on the firm; Airport underwriting experience; Personnel and resources; Debt structuring considerations; and Municipal market and airport/airline considerations.

Commissioner Glover asked if the RFQ is still open. Ms. Basrai replied no, it is closed. In January we closed the RFQ and received twenty-four (24) Statement of Qualifications. MNAA received 14 National/Regional Firms as well Minority as Non-Minority/Disabled Veteran firms and 10 Minority/Disabled Veteran Firms. Ms. Basrai presented a chart with 14 firms highlighted in yellow and stated they met the minimum requirements to be considered for the Senior Managing Underwriter Pool. In order to be considered as part of the Senior Managing Underwriter Pool you must have served as a Senior Managing Underwriter of at least one series of airport bonds and at least \$200M in the past 3 years. The Statement of Qualifications were reviewed and compared against each other to determine the most (and best) qualified with airport experience, team assigned to MNAA, thoroughness of response to debt structure and airport/airline risk considerations, other relevant regional and other diversified experience, and firsthand experience. Based on these reviews, the following Pool of 10 firms is recommended: 6 Senior Managing Underwriters: BofA Securities, Jeffries, JP Morgan Securities; Loop Capital Markets, Samuel A Ramirez & Co. Siebert Williams Shank and 4 Co-Managing Underwriters: National/Regional (non-minority) FHN Financial Capital Markets and Morgan Stanley and Minority/Disabled Veteran: Academy Securities and Cabrera Capital Markets.

Ms. Basrai stated for each bond issuance, a team of Underwriters (Underwriting Syndicate) will be selected from the Pool. Selection will be made through an RFP in which only the Pool will participate. CFO and other members of the Financing Team will review the RFP responses and select (with concurrence from the President & CEO) the Underwriting Syndicate for that issuance. The Underwriting Syndicate for similar transactions typically consists of 1-2 Senior Managing Underwriters and 3-5 Co-Managers. Firms in the Senior Managing Pool may serve as a Co-Manager; however, firms in the Co-Manager Pool cannot serve as a Senior Managing Underwriter. Any changes to the Underwriter Pool will be presented to the Board. For example, if one of the firms decides to get out of municipal bond issuances, we may want to replace them or if another firm changes all of their employees that were going to work with MNAA, we may say they do not have the experience, and we want to replace them.

Ms. Basrai requests the Finance Committee recommend to the Board of Commissioners: Approve the Long-Term Financing Underwriter Pool for the Authority for five years (2025-2030) and

authorize the Chief Financial Officer and the Financing Team, with concurrence from the President and CEO, to select the Underwriter Syndicate from the Pool for each bond issuance.

Commissioner Granbery asked how this compares to the previous pool. Ms. Basrai replied we have some of the same ones, especially in the Senior Managing side and definitely had a shift in the last couple of years, where there are with some of the underwriter firms that were in our pool before, and they decided not to do municipal bonds anymore, so we removed them. Commissioner Glover stated she is surprised Morgan Stanley was not co manager. Ms. Basrai stated their RFQ was not good enough and a lot of underwriters went all over the place, so when you looked at the qualifications of a firm as a whole, that team has not done a lot of airport bonds. Commissioner Glover stated based on what they submitted to us they may have different people nationwide. Ms. Basrai replied that is correct, it is what they provided to us, who they said would be on the team. Chair Byrd asked if FHN is First Horizon. Ms. Basrai replied yes, and they did a great job for us.

Chair Byrd asked if there is any reason the Board would not approve the underwriting syndicate. Ms. Basrai replied, we did not do that in our last one because it allowed us to move quickly. What you will see is how we evaluated the firms in the first place to put in the pool, it is very similar but actually the underwriter syndicate for the group, you will see the whole team so you will know who we picked and all the team members that we have in our financing pool. Chair Byrd asked if you get any sort of pricing. Ms. Basrai replied no, that happens when we do a bond issuance. As you do a bond issuance in the RFP we ask for pricing, because that could change over whatever happens in 6 months or a year. Chair Byrd asked how much debt Ms. Basrai thought we would issue this year. Ms. Basrai replied right now it is about \$1.3B.

Chair Byrd asked Ms. Basrai if she felt comfortable having the pool available to select from and bring the underwriting to the Board for approval. Ms. Basrai replied, she is asking to allow MNAA staff to pick the underwriter syndicate without coming back because the Board approves the pool, and then MNAA will go through the process of selecting through an RFP. We will bring to the Board the entire team so you know informationally wise who the team will be. President Kreulen stated this pool worked really well over the last 7 years but now this new pool gives us flexibility

to issue the next set of bonds. Chair Byrd asked who dropped out of the national Senior Managing Underwriters. Ms. Basrai responded Citi dropped, they were not selling any municipal bonds.

Chair Byrd asked for a motion to approve as presented. Vice Chair Glover made a motion and Chair Byrd seconded the motion.

Chair Byrd asked Ms. Saxman for a roll call:

Chair Byrd – Yes

Vice Chair Glover – Yes

The motion passed with a vote of 2 to 0.

6) INFORMATION ITEMS

1. Capital Financial Strategy

A. Financial Strength

Ms. Basrai stated that from the Board Retreat last October 2024, MNAA had looked at our financial capacity through New Horizon I. We had the \$3.3B in total project cost, program cost to date \$1.8B, and remaining to be funded \$1.6B, and we are looking at \$124M in other funding, which is cash and grants. Our plan in October was going for \$778M in bonds in fourth quarter of 2025 and \$667M in bonds in fourth quarter of 2027. Ms. Basrai stated that the financial results using the strategic forecast is adding 590,000 enplanements per year with a declining rate of growth of 4.8% down to 3.3% in 2035. With all of these metrics shown, they are all way above the targets that were set and we are very financially strong through New Horizon I.

B. CEO New Horizon II Requirements

Ms. Basrai stated on January 15, 2025 we added New Horizon II. Ms. Basrai presented the new red chart that the Board of Commissioners approved on January 15, 2025 where we added another \$1.4B for Terminal Access Roadway Improvements, Parking Garage, Surface Parking and a new CONRAC. The total programs are Vision I, Vision II, New Horizon I and New Horizon II. For a total major program capital of \$4.5B.

C. Financial Strength

Ms. Basrai stated the Preliminary Program Funding Considerations, the Board approved Customer Facility Charge (“CFC”) increased to \$10 on February 1, 2025, to improve the overall affordability of the CONRAC project. MNAA will use accumulated CFC cash at the beginning of the project to reduce future CFC bonds needed. Once debt issued, apply CFC collections to CONRAC debt service payments. CONRAC financing options (Stand-Alone, GARB, combination) are being considered. May require additional CFC rate increases in the future. All other New Horizon II Projects are assumed to be funded with bonds and the funding strategy being evaluated to support long-term capital needs after New Horizon II.

Ms. Basrai presented an updated chart that includes all of the four major programs at \$4.68B. It is different than the full chart because we have other CIP projects of \$219M that are not part of the major development. We funded the \$1.8M to date and there is \$2.9B still to be funded. Some of the \$720.5 is grant and cash funding but most of that is the CONRAC stand-alone bonds. It is not included in our 2025 and 2027 bond issuance because we do not know yet when we are going back for our CONRAC bonds because we are going to have cash for a while.

Ms. Basrai stated now that we added New Horizon II in our forecast the numbers have gone up. For Series 2025 Bonds we are at \$1.3B and for Series 2027 Bonds are at \$835M.

Ms. Basrai stated our financial model is a living breathing document that continues to evolve. Ms. Basrai stated the enplaned passenger projections – five scenarios. Scenario 1: Strategic (590,000 enplanements added per year) – decreasing rate of growth; 10-year forecast: 4.8%, 4.6%, 4.4%, 4.2%, 4%, 3.8%, 3.7%, 3.6%, 3.5%, 3.3%. Scenarios 2-5: Annual growth rates – 3%, 7%, 10%, 15%. Assumptions: Model includes all capital funding through New Horizon II (\$4.7B). Passenger Facility Charges (PFC) applied to debt service are limited to annual collections. Interest rate assumed at 5.5% for 2025/2027 Bonds; 6.5% for CFC Stand-Alone Bonds. Current Airline Use & Lease Agreement (AULA) Terms used through FY33. Expiration of AULA FY33 (includes the 2-year option). FY34-FY35: Rate-setting methodology allowed under Rates by Ordinance which is what you could legally charge your airlines if you do not have rates in place.

Ms. Basrai stated the results show Scenario 1, which is our strategic forecast, with 590,000 enplanements added each year. The Passenger Airline Coast per Enplaned Passenger ("CPE") is something that the airlines look closely at. From 2026 \$12.11 up to 2035 at \$17.66, that is very reasonable if we are going to have \$4B in bonds. Our debt service coverage is net revenues. And how many times can your net revenues generate value to that service. For our senior bonds, our legal requirements to generate net revenues to pay debt service 1.25X our internal target is 1.5X. For our senior subordinates combined the legal requirement is 1.1X and our internal target is 1.25X. The numbers are all above target and we still look very strong. The highlighted 1.6 in yellow is the lowest amount in our model, you add debt until that number goes to 1.6 and that gives you an idea of how much more debt capacity you could incur. Right now, with this scenario we only have about \$105M - \$131M of Authority project debt capacity.

Chair Byrd stated that is how much more debt capacity we have. Ms. Basrai replied for the debt that we would have to pay ourselves. We try to be conservative in the model numbers that we have. We do not want to have something change slightly and throw our model off. Chair Byrd asked what would constitute Authority projects. Ms. Basrai replied those are projects that MNAA has to pay for ourselves, i.e., another parking garage or more roadways. We are going to use some PFCs on the roadways. Most airfield projects for safety projects they want us to keep repairs going on the runways and following what the FAA wants us to do.

Chair Byrd asked about the runway extension over Murfreesboro Road, and what type of project it will be. Ms. Basrai replied technically it would be an airfield project, and noted that it is not in our forecast. For it to be considered an airfield project, it would have to go through the Majority In Interest (MII) approval process. Chair Byrd asked about the Terminal II expansion. Ms. Basrai replied right now they have no MII approval, so they do not get to approve or disapprove Terminal II projects. Simplistically right now it is 50/50. Chair Byrd stated it will be an MNAA cost. Ms. Basrai replied yes, we will need to look at our airline agreement and by the time we get there, we will be closer to the expiration of our airline agreement.

President Kreulen stated MNAA is in good financial shape for all the major projects. Terminal II is a homework assignment we will take on after that. The airlines are all for runways, but all the major carriers that are here will not want to pay for a longer runway because they are not doing

the international routes it will support. The state wants us to go to Asia, so we may look for state help to pay for it. This is a challenge and for Terminal II, we do not know which airlines will move to the new terminal. We are rock solid through Horizon II. After 2028 we have a lot to do for Terminal II, it will take 10 years to get a ribbon cutting and we have a lot of work to do before that point.

Commissioner Sullivan asked if we run scenarios assuming we do not have growth. Ms. Basrai replied we will do more of that as we get closer to a bond issuance and we have airport consultants that run those types of models. We have lots of reserve funds to be able to continue to pay for things if we lose enplanements for a short period of time. During the pandemic the federal government gave us relief money and we had liquidity to pay all of our bills for 2 – 3 years. President Kreulen referenced our Official Statement (OS) when we go to the bond market, which will have scenarios and how we will deal with it.

Ms. Basrai stated the NAE Cash Balance is where all of our excess revenue are once we pay everything. It is also very strong and is projected to go up to \$878M by 2035. Our plan as we continue evolving this financing plan is to use some of it to fund some of the capital.

D. Future Funding Considerations

Ms. Basrai stated the following items will be monitored for the impact on the affordability of the capital program and/or timing of the bond issuances: Non-airline revenue, Continue to re-evaluate the need to increase various non-airline revenue streams; Parking and TNC Rates, CFC Rates, FMV on new leases, Other (new revenue streams); O&M Expenses, Continue to monitor and identify options to control increasing O&M expenses; Use of Cash, Discretionary: Cash above 650 DCOH is available for capital projects (\$176M - \$350M over 10 years for Scenario 1); PFCs, Model applies current collections to debt service. \$185M of previously collected PFCs are also available to be used to fund PFC eligible projects; CFCs, Plan of finance depends on CFC collections. Need to monitor collections and impact on financing assumptions.

Chair Byrd asked what is PFC. Ms. Basrai replied Passenger Facility Charge. Commissioner Granbery asked when was the last time PFCs were increased. Ms. Basrai replied a lot of people are lobbying the government to get a PFC increase. Commissioner Granbery stated you showed

us how far behind we were based on CPI. President Kreulen stated back then it was \$8.50, and we showed if you kept going it would be \$11. Commissioner Granbery stated it should be local level with CONRAC. President Kreulen stated the airlines do not want it, they would rather charge \$25 for a bag. Chair Byrd asked what is CFC? Ms. Basrai replied that it is the Customer Facility Charge.

Ms. Basrai stated other capital funding and timing considerations. Federal/State Grants, Continue to maximize funding opportunities; Enplanement trends, Additional debt capacity tied in with enplanement forecasts; Project timing, including monthly spending; Increasing/Decreasing of either can affect bond issuance timing; Interest rates, both for debt and investments; Increasing/Decreasing rates affect affordability; Potential elimination of tax-exemption on municipal bonds; Unable to issue tax-exempt bonds; results in higher debt interest rates; Global economic conditions; Impact of tariffs on cost of materials; inflation in U.S.; Foreign policy decisions that could impact international travelers to visit the US.

Ms. Basra stated the Debt Service Coverage (DSC) and Days Cash On Hand. We looked at these and the recommendation is to not change Senior Lien DSC target is 1.50x; Legal requirement DSC is 1.25x; Combined Senior and Subordinate Lien DSC target is 1.25x; Legal requirement DSC is 1.10X. Recommendation: No changes. Forecasted DSC levels exceed the targets through New Horizon II; Will be evaluated again as Terminal II funding plan is developed. DCOH target range is 550-650 days, which is a factor in MNAA's current credit ratings; Recommendation: No changes. Cash above 650 days will be included in funding strategies for New Horizon I, II, and beyond. Will be monitored and reassessed based on industry standards and the financial conditions of MNAA.

President Kreulen stated it will change eventually. Ms. Basrai replied yes, and that is where we will have to assess how much lower we will need to go, and what that effect on our credit ratings will be and how much more expenses that will entail. Chair Byrd asked what the recourse of our lenders is if for some reason we default on one of these projects. Ms. Basrai asked Lauren Lowe with PFM if she could help answer. Ms. Lowe stated the first one on debt service coverage, that is actually a hard fact. If you look at those numbers towards the end of that, the 1.25 and 1.10, those are covenants to bond holders. If you were to fail to meet them, you would have to disclose it and lay out a remedy of action. We also may see multiple steps occur with rating agency

changes, like downgrade. Also likely require some external party come in with an airport consultant and an accounting expert to lay out remedy of actions to proceed to get to those levels of 1.25 and 1.10. The 550-650 are not legal requirements to the bond holders but we have put it in writing and it is a policy. So, if you were to deviate or fall below that, the audience then quickly becomes the rating agencies first and sees why you deviated from your policy what is the action plan to increase it. If there is not a good explanation and an action plan laid out, you could see rating agency changes. Investors do not have the same level of claim on a liability as they do on the first two. Chair Byrd stated so the recourse is rating agency changes. Ms. Lowe replied correct, you will not be able to continue to borrow, if you cannot meet these coverage levels.

E. CEO/CFO Closing Thoughts

Ms. Basrai stated in closing, Programs through New Horizon II is financially feasible. Terminal II is the next bigger challenge. The next update will be at the October 2025 Board Retreat. President Kreulen stated we have had an initial meeting to develop a team to figure out development of Terminal II. The next meeting is March 6, 2025, and try to lay out a plan for the next 6 months we can discuss at Board Retreat in October.

Chair Byrd said good job Ms. Basrai.

2. MNAA Employee Compensation Study Update

President Kreulen stated prior compensation studies were completed in 1) FY19 by ADK Consulting and Executive Search, with results implemented January 5, 2019; and 2) FY22 by Mercer, with results implemented July 2, 2022. Segal completed the FY25 Compensation in October 2024, and President Kreulen summarized the activities. Competitive compensation analysis was completed for 80 non-step positions by matching roles to several survey sources, including Airport Peers, Detroit (DTW), Phoenix (PHX), Raleigh-Durham (RDU), San Diego (SAN) and Tampa (TPA); Local Organizations were Bridgestone America, Metro Nashville Government, Nashville Electric Service (NES); and Published Data Sources, Airports Council International (ACI), Economic Research Institute (ERI) and Payfactors. The CEO and executive staff reviewed the recommendations provided by Segal & approved: FY26 salary scales; Each position's grade

assignment; and each employee's position within their grade assignment. A 3% Cost of Living Adjustment (COLA) was prorated to October 2024 & time at MNAA.

President Kreulen stated each of MNAA's 167 job titles were reviewed and properly graded within the salary scales. The survey recommended that 141 employees be lowered, based on the market being lower, but those employees will keep their current grade. There are 239 employees with no change to grade. 63 employees will move to a higher grade. The Department of Public Safety and Operations step positions are analyzed to local step scales on an annual basis (4 positions, 100 employees). No changes to the scales the step-scales were warranted for FY26. The impact of the grade assignments, placement within grade and COLA resulted in a \$1.9M increase to salaries (excluding benefits). Salary adjustments are \$1,173,617 (3%); the COLA is \$708,819 (1.8%); and the total adjustment is \$1,882,436 (4.8%). MNAA total current salaries are \$39,174,617, and the proposed salaries effective FY26 are \$41,057,053.

This will be reviewed with the leadership team at the March 13-14, 2025 Staff Retreat. We will be communicating to employees at the March 20, 2025 All Team Meeting. The changes will be effective June 28, 2025.

President Kreulen concluded the presentation.

1) ADJOURN

There being no further business brought before the Finance Committee, Chair Byrd adjourned the meeting at 10:49 a.m.



Andrew W. Byrd, Board Secretary