2010
ANNUAL REPORT

Fiscal Year 2010
(July 1, 2009 - June 30, 2010)







Metropolitan Nashville Airport Authority℠
A Six Sigma Organization

A Component Unit of the Metropolitan Government
of Nashville and Davidson County, Tennessee

Executive Message

The Metropolitan Nashville Airport Authority (MNAA) is a vibrant, self-supporting entity serving Music City and the Mid-South since 1970. The MNAA is led by its Board of Commissioners, management team and 280 professionals, who all contribute to the success of Nashville International Airport (BNA) and John C. Tune Airport (JWN), a general aviation reliever airport.

The MNAA operates BNA and JWN under authority granted by the Metropolitan Government of Nashville and Davidson County and the state of Tennessee, and plays an important role in the region's economic development and growth.

The airline industry still faces significant challenges. In this volatile climate, the business model of the MNAA seeks stability and long-term growth despite uncertainty and change. The principle competitive advantage lies in the Authority's core competency – delivering the Nashville Airports Experience (NAE): great airports for passengers, partners and employees. We also take pride in our employees' skills, and in the planned focus that guides every decision we make.

The MNAA will continue to deliver exemplary customer service by providing premier airport services and facilities. It will make the investments needed to ensure BNA and JWN can support the ongoing changes of the entire middle Tennessee region.

The focal points of our most recent fiscal year include operating revenue of $81,684,000, a 3.1 percent increase over fiscal 2009. The Authority's operating revenue analysis for the most recent fiscal year was marked by a contribution of $26,769,000 from parking; $20,523,000 from signatory airline activity; $9,939,000 from space rentals; $16,512,000 from concessions; and $7,942,000 from all other sources. Concessions, space rentals and other revenue represented $34,393,000, or 42.1 percent, of operating revenues in 2010. Operating expenses for fiscal 2010 were $57,475,000, as compared to $53,076,000 in the prior fiscal year.

Maintaining its ongoing capital development program, the Authority received $15,495,000 in passenger facility charges (PFCs) and $46,423,000 reimbursement of federal and state grants for reconstruction of Runway 2L-20R at BNA and Runway 2-20 at JWN, among other projects.

The cost for signatory airlines serving BNA in fiscal 2010 was $5.42 per passenger, up from $4.45 per passenger in the previous year. The cost per passenger is calculated by dividing total fees paid by scheduled airlines by the number of passengers boarded.

At fiscal year end 2010, the Authority's operating income before depreciation was $24,209,000.



Raul L. Regalado, C.A.E.
President and CEO

James H. Cheek, III
Chairman




airport


Fly Babies



About the MNAA

Since its creation in 1970, the MNAA has overseen the growth, operations and business activities of BNA and JWN. The MNAA is directed by an uncompensated 10-member Board of Commissioners. Nine members of the Board are appointed by the mayor of Nashville, with the mayor serving as the 10th member. Commissioners serve a term of four years, and appointments are staggered to provide for continuity of policy oversight of airport management and development.

The MNAA is a quasi-governmental entity with airport tenants and users providing the funding necessary to develop, operate, maintain and improve airport facilities. The MNAA's objectives are accomplished by operating within a balanced annual budget approved by the Board of Commissioners. Local taxes do not provide the funding for the MNAA.

Nashville International Airport: *At a Glance*

- **8.96 million** total passengers in FY 2010.
- **374** daily flights.
- Serves **69** markets; **47** nonstop.
- BNA is utilized by **11** airlines and boasts **61** air carrier gates and up to **78** commuter aircraft parking positions.
- MNAA's two airports contribute **$3.74 billion** in total economic activity and **$1.18 billion** in wages.
- Contributes **39,700** jobs annually to the regional economy.
- **One** out of **20** jobs in the Nashville MSA is related to the MNAA-owned airports.

The MNAA is responsible for maintaining its own aircraft rescue, and firefighting, law enforcement, and EMT functions; acquiring land; constructing airport facilities; issuing revenue bonds; and setting rates, charges and rentals for activities on airport properties.

The MNAA recognizes the vital role it plays as an economic driver of the region. It also understands its responsibility for moving forward with a master plan of expansion and improvements to meet the demands of a rapidly growing population in middle Tennessee, southern Kentucky and northern Alabama.

The MNAA takes the mission of the NAE into the community, making a concerted effort to participate in regional chambers of commerce, business expos, industry conferences, and community events such as the American Red Cross.

Many elements of Nashville International Airport's recent terminal renovation project, as well as the airport's ongoing exemplary customer service, garnered top honors from *Airport Revenue News*, a leading concessions trade publication. BNA earned awards for best overall concessions in its division in the *Airport Revenue News* 2010 Best Airport & Concession Awards.

You are guaranteed to get an authentic taste of Nashville through our concessions offerings throughout the terminal. Take a photo of this image with your mobile phone to be directed to BNA's website with more information. New model phones come with QR code readers. If yours doesn't, go to your phone's app store and search *QR Reader*.

Ratings

On November 16, 2006, Standard & Poor's Ratings Services published an "A" rating on the Authority's airport revenue bonds. This rating was based on the Authority's continued enplanement growth, the airport's strong service-area economy, low cost structure, limited additional debt needs, and management's commitment to reducing its debt significantly by 2017. On December 3, 2004, Moody's Investors Service assigned a rating of "A2" with a stable outlook to the airport revenue bonds. It considered some of the same strengths that Standard & Poor's did when issuing its rating. These ratings were affirmed earlier this year as the Authority pursued several revenue bond refundings. As of fiscal year end, a negative outlook comment was still attached to the Authority's rating. Early in FY11, the Authority refunded some of its bonded indebtedness. At that time, the Authority's rating was reaffirmed, and the negative outlook removed based on improved performance.

Air Traffic

During fiscal year 2010, BNA processed 4,487,336 enplanements, a 0.6 percent increase from 4,460,962 enplanements in FY 2009.

Signatory carriers represented 84.4 percent of total enplanements during the year, down slightly from 85.6 percent in the prior year. Daily departures decreased to 188 at the end of fiscal year 2010. Daily departures at the end of fiscal years 2009 and 2008 were 190 and 188, respectively.

The mix of nonsignatory carriers changed slightly during the year. This group, along with any charter operations, represented 15.6 percent of all enplanement activity during the year.

Aircraft operations declined slightly from 178,731 operations in 2009 to 174,168 in 2010. This downward trend began in 2007 when 217,561 operations occurred. Southwest Airlines dominated the passenger aircraft market share, capturing 53.5 percent of enplanement activity in 2010, compared to 52.5 percent in the prior year.

Top 20 Domestic Origin and Destination Markets at Nashville

Calendar Year 2009

1	Chicago	11	Las Vegas
2	New York/Newark	12	Detroit
3	Baltimore	13	Fort Lauderdale
4	Orlando/Sanford	14	Phoenix/Mesa
5	Houston	15	Raleigh/Durham
6	Dallas/Ft. Worth	16	Kansas City
7	Denver	17	New Orleans
8	Los Angeles	18	Washington
9	Philadelphia	19	Jacksonville
10	Tampa/St. Petersburg	20	Seattle/Tacoma

Strategic Planning Benefits

Specific Directions For Tomorrow

MNAA's Long-Term Strategic Business Plan outlines specific directions to capitalize on the following industry dynamics by optimizing its current assets and making prudent additions where needed.

Passenger and Corporate Aviation

Conservative but steady growth will continue in both the passenger and corporate aviation segments. While JWN is currently meeting existing hangar and traffic needs, corporate growth in and around middle Tennessee points to the eventual need for long-term growth commitments for both JWN and BNA. Judicious investments in this segment also position BNA to make up for potential losses of business-class service to the general aviation market.

BNA Terminal Renovation

When complete, the passenger terminal renovation program will transform Nashville International Airport into an air service facility intently focused on customer service. The customer-friendly environment will bring the spirit of Nashville's business and entertainment communities more into the terminal. The changes won't be merely cosmetic. In fact, they will position Nashville International Airport to handle the capacity needs for airport terminal operations, the demands of the traveler for increased in-terminal options and amenities, and the stringent requirements of air travel security.

Air Cargo Growth

North America/Asia and Inter-Asia air traffic demand will increase as the region matures in its role as a global manufacturing and consumer powerhouse. Current air cargo facilities, including Nashville Air Cargo (Westside), are well-positioned to handle increased cargo demands and meet the needs of the global market.

A Clear Path For The Future

A Strategic Business Plan must be a flexible, living document that maintains a well-defined path for the future. Key elements in achieving the MNAA's goals are its revised Mission Statement and its Vision Statement. Guided by Core Values and Strategic Objectives, the Airport Authority has created the tools it needs to help its facilities grow and the region flourish.

The MNAA strives to continually improve its delivery of NAE to our customer groups. Two key tools to help in this journey are: 1) Performance Excellence as described through the Malcolm Baldrige Performance Excellence Criteria, and 2) Lean Six Sigma. The performance excellence criteria are a set of guidelines for constructing managerial processes with which MNAA manages the Authority. Lean Six Sigma is a discipline focusing on improving processes' performance.

The professionals of the MNAA use the Long-Term Strategic Business Plan to meet the challenges of the aviation industry and to make certain the region benefits from the most efficient air transportation service possible. We also rely on input from our constituencies in Nashville and the Mid-South to make sure we are providing the service they deserve.


C3



A Concise Vision.

To deliver exemplary customer service by providing premier airport services and facilities.

A Clear Mission.

To be the heartbeat of the Mid-South by providing services and facilities that keep Music City flying high.

Brand Promise.

The MNAA is customer-focused and professional, and delivers the Nashville Airports Experience.

Core Values (E^3I):

Entertaining.

MNAA's facilities should have a beat and rhythm and exemplify its passion for customer service while being unique and vibrant places through which to travel.

Exercising.

MNAA's assets – employees and facilities – should be kept in top shape. Employees should have the skills and flexibility to meet the highest professional and ethical standards. Facilities should be optimally managed, made secure and maintained for their entire life cycle.

Enterprising.

MNAA should have an entrepreneurial mindset that emphasizes innovative and financial efficiency.

Intersecting.

The MNAA should be the center of middle Tennessee's ideas and activities and support its communities.



Top Priority Strategic Objectives

1. Develop and implement financial flexibility approach for MNAA.
2. Create and implement MNAA parking plan – one- to three-year horizon.
3. Establish new process for projecting future MNAA performance.
4. Focus on work force development.
5. Improve processes for delivering the Nashville Airports Experience.
6. Exceed customer requirements to our Business Partner customer group.
7. Provide and maintain low-cost services to Air Service Providers.
8. Develop land using Land Use Development Option Plan (LUDOP) guidelines.
9. Identify and manage air service diversity.



BNA Terminal Renovations

Phase I

BNA is also undergoing renovation to its interior for the first time since the current terminal opened in 1987. Terminal Renovation Phase I and associated projects such as the flight information display system replacement, all part of the comprehensive terminal renovation program, were completed in 2009 for $46 million. The Authority began the ambitious multiyear, multiphase renovation program in October 2006. More than 30 new food, beverage and retail vendors now serve the public at BNA, along with new meeter-greeter areas, a consolidated security checkpoint with 12 screening lanes, and access to the checkpoint area through self-select lanes designated by signage that directs passengers based on their travel needs and knowledge (Expert, Casual and Families/Special Assistance).

Phase II

Phase II construction, slated to continue into 2011, includes:

- Renovation of existing public restrooms and construction of new restrooms
- Replacement of terminal and concourse carpeting and tile
- Replacement of existing heating and air conditioning units
- Renovation of airline gate hold rooms
- Replacement of wall coverings on ticketing, baggage and ground transportation levels
- Enlargement of ticket lobby
- Renovation of baggage claim
- Installation of the in-line explosive detection system

Several of these construction elements were under way by the end of 2010. Much-needed roof repairs continued under a multiphase roof replacement program. A new project for an in-line explosive detection system began in 2009 and will remove the existing machines, restore lobby space and install a new automated, sort-controlled, outbound baggage handling system with two separate, in-line screening matrices. This project has been anticipated since 2002 and is expected to be completed around the end of 2010 at a cost of $34.5 million, funded primarily through federal and state grant dollars.


WELCOME TO NASHVILLE INTERNATIONAL AIRPORT


A1
A1







Consolidated Rental Agency (CONRAC) Complex

The MNAA began construction on the new 900,000-square-foot consolidated rental car complex at BNA in February 2010. CONRAC is projected for completion in November 2011. At that time, rental car companies will be relocated from the short-term garage and terminal areas to the new facility – a move that will free up an additional 600 covered parking spaces in the current short-term garage for public parking.

The construction of the rental car facility is the single largest project, in terms of dollars spent, in the MNAA's history. It will generate approximately 350 jobs during construction. Nearly 20 small, minority- and woman-owned business enterprise partners make up 16.15 percent of the total contract.

Runway 2L-20R

One example of the MNAA's sustainability efforts is visible in the reconstruction of Runway 2L-20R. The yearlong reconstruction on Nashville International's oldest runway included demolishing and crushing the existing concrete and reusing the material as a base for the reconstructed runway. Completed in August 2010, the project reused more than 90,000 tons of P-219 recycled concrete aggregate base course.

This massive recycling effort generated positive environmental, social and economic sustainability outcomes for the Airport Authority and the community by reusing materials on-site and generating approximately 300 jobs, including disadvantaged business enterprise partners' involvement.

Terminal Apron Improvements

Nashville International Airport's entire terminal apron is approximately 91 acres in size and is constructed primarily of concrete. The American Recovery and Reinvestment Act of 2009 paid for a $3.6 million terminal apron rehab and reconstruction project that included milling and removal of existing pavement, 3.6 acres of apron reconstruction to concrete, apron lighting, signage, shoulder grading, pavement marking, and apron crack and trench drain repairs.

Terminal Access Roadway Improvements (TARI) Project

The TARI project was designed to improve traffic conditions on Ring Road, the one-way road that surrounds Nashville International Airport's short- and long-term parking facilities and offers access to the terminal. Phase I of TARI commenced in October 2008 and was completed in October 2009. TARI was fully funded through state airport entitlement funds and the airport passenger facility charge.

Parking

The Long Term B lot, formerly the seasonal Overflow lot, opened in FY 2010. The refurbished lot includes new signage and markings and offers the same services as the Long Term A lot, including emergency/information phones, dedicated shuttles and Frequent Parker access.

The entrance point to Long Term A and Short Term moved in FY 2010 due to the construction of CONRAC, the new rental car facility currently under construction.

MNAA relocated and doubled in size the cell phone/waiting area, giving drivers a free place to park while awaiting arriving passengers.

Frequent Parker Program

BNA's Frequent Parker Program allows travelers to earn free parking, enjoy easier access in and out of gated parking lots, and make payments online.

From economy to valet, you will find close, convenient and safe parking while you travel. Take a photo of this image with your mobile phone to be directed to BNA's website with more information. New model phones come with QR code readers. If yours doesn't, go to your phone's app store and search *QR Reader*.

Nashville Air Cargo

The Nashville cargo facility at BNA provides great service to freight forwarders, manufacturers, distributors and cargo carriers shipping goods into and out of the area. BNA is in a prime position due to its central geographic location and proximity to three major interstates.

Cargo activity also declined at an aggressive rate of 29.4 percent in 2010, down to 46,342 tons from 65,632 tons the prior year. Further declines in cargo traffic are expected in the coming year.

Parking Revenues

The primary source of operating revenue continued to be parking lot revenue and declined by $1,406,113, or 5.0 percent, in FY 2010. Parking traffic declined in 2010 due to a combination of reduced passenger activity and the TARI project previously mentioned. In addition to the impact on parking due to the TARI project, the planned CONRAC facility eliminated approximately 2,000 long-term parking spaces during construction plus 1,400 permanently. All other lots, including the new $4.1 million employee parking lot, were fully operational when needed.

Customer Facility Charges

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge (CFC) to be used to pay, or to reimburse, the Authority for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the CONRAC facility, and other costs, fees and expenses that may be paid from CFC proceeds. The CFC is a $4.50 per day transaction fee and is collected by the on-Airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has the right to pledge the CFC proceeds as collateral security for the payment of any debt obligations incurred by the Authority in connection with the planning, design, construction, financing, maintenance and operation of the CONRAC facility. CFCs are recorded as nonoperating revenue.

Performance Excellence Recognition

Exceeding in performance excellence is of utmost importance to MNAA. The MNAA's journey to performance excellence has yielded many positive outcomes in terms of defining and implementing processes that improve the Nashville Airports Experience for our passengers, partners and employees. In fiscal year 2010, the MNAA received the Level II recognition from the Tennessee Center for Performance Excellence due to the combined effort and accomplishment of our 19 departments.

In fiscal year 2011, the MNAA will apply at the national level for feedback, and may also submit for Level IV TNCPE recognition.

Business Diversity Development

Participation levels of small, minority- and woman-owned business enterprises (SMWBEs) in Metropolitan Nashville Airport Authority contracts have substantially increased over the past three years, including a fivefold increase in nonfederal construction projects.

The data show that MNAA spent $6,581,520 with SMWBEs for nonfederal construction projects in 2010 – an 88 percent increase over 2009 ($3,502,147) and a 921 percent increase over 2007 ($644,343).

SMWBE contracts with MNAA in other areas have increased as well. For professional services and goods, the MNAA spent $3,160,928 with SMWBEs in 2010 – 65 percent more than 2007 ($1,915,358). For federal construction projects, the MNAA spent $3,502,556 with disadvantaged business enterprises (DBEs) in 2010 – 91 percent more than the previous year ($1,826,353) and a 249 percent increase from 2007 ($1,002,735).

The interest from small, minority- and woman-owned businesses to work with MNAA has led to an increase in the number of firms seeking certification. Since 2007 BDD has certified 171 new firms. This growth provides an avenue for small businesses to understand and learn how to work in an airport environment.





John C. Tune Airport

Taxiway R1 was constructed in FY09, allowing direct access from the south ramp to the runway. Erosion control measures were completed at the north end of the taxiway, adjacent to the runway, which also served to enhance the runway safety area.

Two box hangars were built on the ramp near Hangar 3 by third parties. The Fifth Saturday Fly-ins continue to bring large crowds.

Arts at the Airport

The Tennessee Arts Commission awarded BNA $8,000 for the Flying Solo Series for FY10. This is the maximum amount an arts organization can receive in the funding category. Working through a 15-member Arts at the Airport Foundation Board, the MNAA showcases the region's visual and performing arts through its Arts at the Airport program. The award-winning program reviews and presents works by local, regional and national artists for the enjoyment and enrichment of Nashville International Airport's and John C. Tune Airport's passengers and visitors. In addition to visual art, Arts at the Airport includes music since it is an integral part of Nashville. The arts come alive with musical performances on stages throughout BNA's passenger terminal.

Arts at the Airport, a 501(c)(3) organization, receives funding for the visual arts from the MNAA and the Tennessee Arts Commission. Music performances are sponsored by the MNAA.

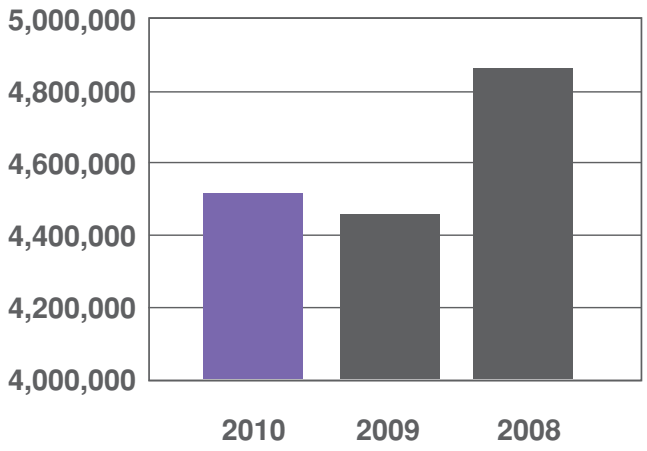
Moving Forward

The MNAA will seek out new opportunities to be flexible and proactive in meeting the needs of passengers, tenants, airlines and area businesses. Music City's tourism product is among the best in the world. The MNAA is constantly looking for new and better ways to incorporate this valuable brand into its facilities.

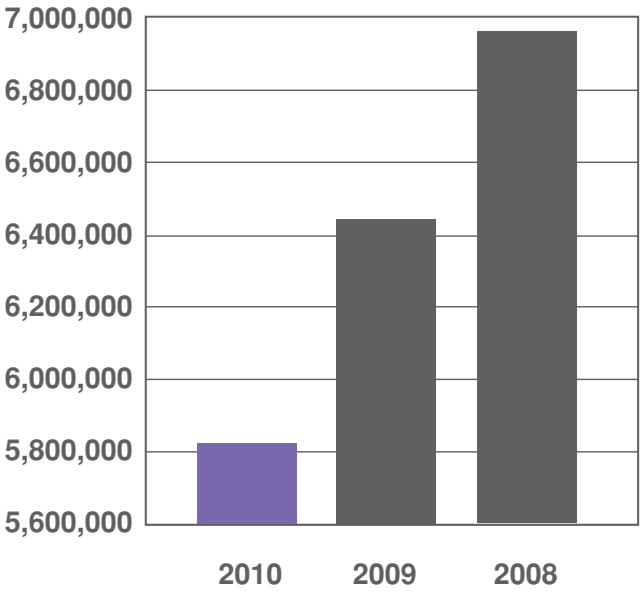
Operating Activities

The following shows major indicators of airport activity during the past three years:

Enplanements

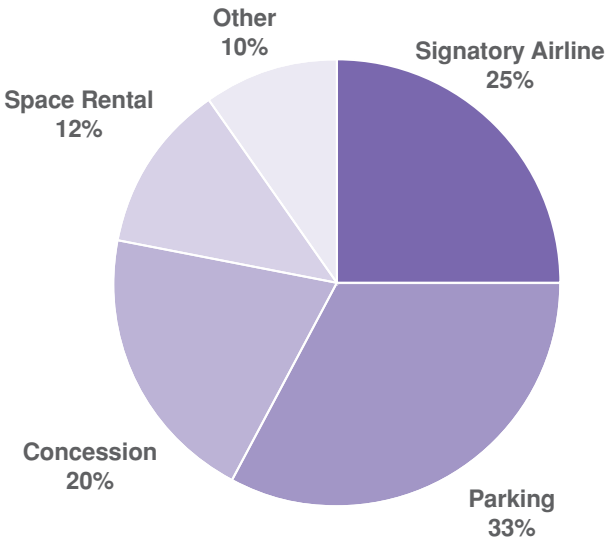


Aircraft Landed Weight (000)

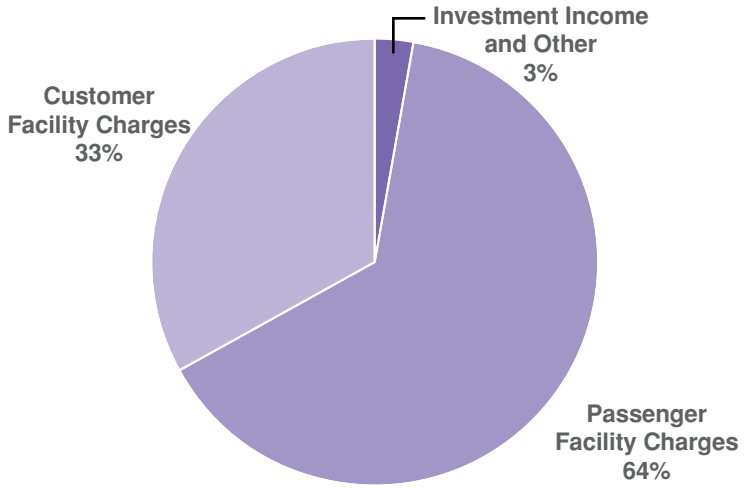


Operating and Nonoperating Revenues Highlights

2010 Operating Revenues

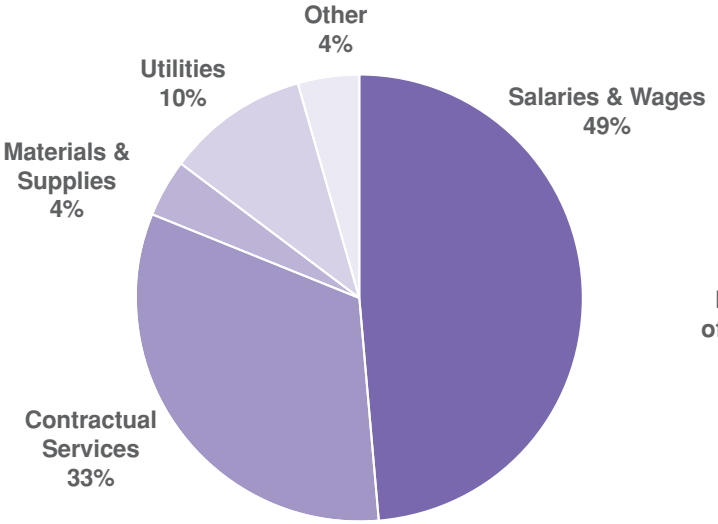


2010 Nonoperating Revenues

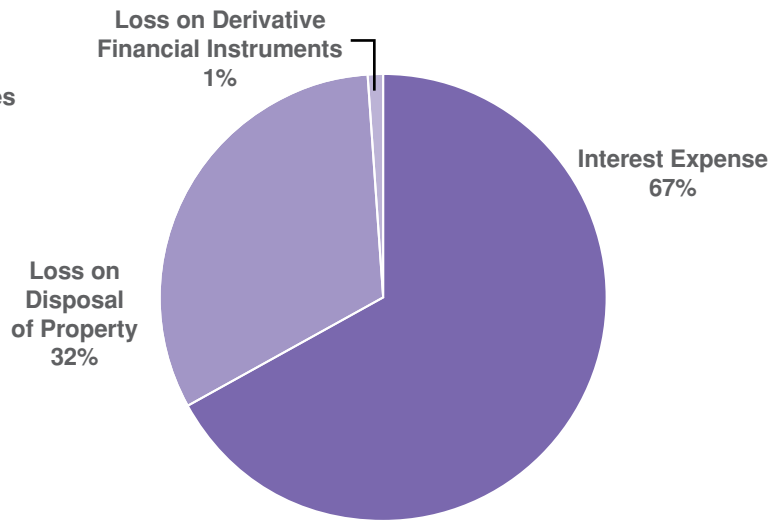


Operating and Nonoperating Expenses Highlights

2010 Operating Expenses



2010 Nonoperating Expenses



Board of Commissioners
(As of June 30, 2010)

Chairman
James H. Cheek, III
Bass, Berry & Sims, P.L.C.

Vice Chairwoman
Juli H. Mosley, P.E.

Secretary
Dr. A. Dexter Samuels
Tennessee State University

Commissioners

Jack O. Bovender, Jr.
HCA Inc.

Karl F. Dean
Mayor, Metropolitan Government of Nashville and Davidson County

Rod Essig
Creative Artists Agency

Frank M. Garrison
Overton Capital Management

Robert J. Joslin
Joslin and Son Signs

Bill A. Martin
Cushion Employer Services Corporation

Robert J. Walker
Walker, Tipps & Malone

Executive Staff
(As of June 30, 2010)

Raul L. Regalado, C.A.E.
President and Chief Executive Officer

Montford O. Burgess
Senior Vice President and Chief Operating Officer

Robert Watson
Senior Vice President, Legal Affairs and Government Relations, and Chief Legal Officer

Kinney Baxter
Senior Vice President and Chief Engineer

Stan Van Ostran
Vice President and Chief Financial Officer

Vanessa Hickman
Vice President and Chief Information Officer

Amy Armstrong
Vice President and Chief People Officer

Walt Matwijec
Assistant Vice President, Continuous Improvement

John Howard
Assistant Vice President, Properties and Business Development



Metropolitan Nashville Airport Authority℠

A Six Sigma Organization

One Terminal Drive • Suite 501
Nashville, Tennessee 37214-4114
(615) 275-1600
www.flynashville.com