

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

Minutes of the Administration and Finance Committee

The Administration and Finance Committee of the Metropolitan Knoxville Airport Authority met in the Henrietta Grant Board Room at McGhee Tyson Airport, pursuant to notice at 3:05 p.m. on Wednesday, April 16, 2025.

Commissioner Harr, Chair of the Committee, presided and other members present were Caryn Hawthorne, Allison Page, Howard Vogel, and Brian Simmons, Board Chairman, as an ex officio member of the Committee. Also attending were other members of the Board of Commissioners; Patrick Wilson, President of the Airport Authority, and members of his staff; Mark Mamantov, legal counsel, who acted as secretary at the request of the Chair; and other visitors.

The Chair noted that the minutes of the last meeting of the Administration and Finance Committee held on March 12, 2025, had been distributed with the agenda materials, and upon motion by Mr. Vogel, seconded by Mr. Simmons, the minutes were approved by a unanimous voice vote.

The first order of business was a review of the proposed FY 2026 Operating Budget, which was led by Susan Gennoe, Vice President of Finance. Ms. Gennoe described 2026 as a transition year with continued growth while remaining vigilant to potential market disruptions and global impacts. The draft budget anticipates MKAA generating approximately \$55.5M in operating revenue and expending \$43.0M in operating expenses during FY 2026, which would result in an expected \$12.4M in net operating income, which is a 49.3% increase from the FY 2025 Budget. The draft budget anticipates non-operating revenue and expenses for MKAA to be \$13.5M and \$8.5M, respectively. The estimated net income for FY 2026 is \$17.4M, which is a 10% decrease from the FY 2025 Budget. The budgeted debt service coverage ratio for FY 2026 is 223.5% due to advance payments on Series 2019A Note in FY 2024. TYS will be focused on stabilizing air service rates with the assistance of stimulus grants funds in order to offset costs and contribute to lower passenger airline cost per enplanement. The draft budget proposes approximately \$12.4M from net operating income to fund capital budgets. President Wilson commented that over the next few weeks, MKAA will continue monitoring business and will know more about how tariffs and other economic factors may affect business. This report was informational only.

The second order of business was the consideration of the FY 2026 Personnel Program, which was presented by Adrienne Washington, Vice President of Human Resources. Ms. Washington presented statistics and salary information for state and local government employees and recommended a 4.25% salary increase for all full-time and part-time employees, effective July 1, 2025. The salary cost associated with such a raise is \$597,573, which is included in the proposed FY 2026 Operating Budget. Ms. Washington noted that hourly employees comprise between 80 and 85% of MKAA's total employee population and explained the importance of retaining trained employees in order to attract more employees and reduce the expenses of turnover and training new employees. In an effort to compensate and reward MKAA employees for performing at a high level during a challenging period of exponential growth, the salary ranges as currently detailed in the FY 2025 Staffing Plan will be increased by 3% to reflect known increases in ranges from 2024 and to prevent compression issues. Commissioner Harr noted that MKAA must be aggressive in retaining employees. The proposed FY 2026 Budgeted Positions include seven additional full-time employees, and Commissioner Hawthorne asked Ms. Washington whether the Personnel Program addresses the needs of MKAA with the right number of projected new hires. Ms. Washington confirmed that this is a conservative projection of new positions budgeted and assured the Committee that her department remains diligent and aware of the needs of MKAA. Upon motion by Commissioner Vogel, seconded by Mr. Simmons, the FY 2026 Personnel Program was approved as presented, effective July 1, 2025, and recommended to the full Board of Commissioners.

There being no further business to come before the meeting, it was, upon motion duly seconded and unanimously approved, adjourned at 3:49 p.m.

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Acting Secretary