

# 2020

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

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Years Ended September 30, 2020 and 2019  
Tucson Airport Authority  
Tucson, Arizona

# 2020

## TUCSON AIRPORT AUTHORITY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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Prepared by the Finance Department  
Years Ended September 30, 2020 and 2019

Tucson, Arizona

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## Mission Statement

Provide a sustainable airport system and constantly pursue initiatives that promote and grow business opportunities.

## Vision Statement

Landing Prosperity in Southern Arizona.

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# INTRODUCTION



July 29, 2022



Board of Directors  
Tucson Airport Authority  
7250 S. Tucson Blvd, Suite 300  
Tucson, Arizona 85756

Ladies and Gentlemen:

It is our pleasure to present the Annual Comprehensive Financial Report (Annual Report) of the Tucson Airport Authority, Inc. (Authority) for the fiscal year (FY) ended September 30, 2020. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with management of the Authority. To the best of our knowledge and belief the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with Generally Accepted Accounting Principles (GAAP).

This document in its entirety is to serve as a re-statement of the Authority's original Annual Report for the fiscal year ended September 30, 2020. To address additional information that was brought to the Authority's attention subsequent to the initial submission of the Annual Report, management elected to issue this re-statement to fully comply with GAAP. Please see footnote 16 of the financial statements contained herein for additional details on the revisions made in this re-statement.

GAAP requires that management provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the financial section of the Annual Report.

## **Organization**

The Authority was established on April 12, 1948, as a civic, non-profit corporation, as provided for under Arizona law, to develop, promote, operate and maintain airports and air transportation facilities adjacent to the City of Tucson (City) and in Pima County (County). Under Arizona law, the Authority is authorized to acquire, own, control, equip, improve, maintain, operate, and regulate airports and enter into agreements with corporations engaged in the air transportation industry for the operation of airports. The Authority operates Tucson International Airport (TUS) and Ryan Airfield (RYN) as an essential government function under Arizona law.

The Authority's bylaws call for an active membership of up to 60 individuals who are residents of the TUS service area. Membership vacancies are filled through a nomination process and election by active members at each annual meeting. The Authority's Board of Directors (Board) consists of no more than eleven and no less than seven Authority members, including one ex-officio member, the immediate past chair. The remaining directors are elected by active Authority members, typically to staggered terms of three consecutive years, and may serve a maximum of two successive terms. Directors receive no salary or compensation for their services, but by resolution of the Board may be reimbursed for actual expenses paid or obligated to be paid in connection with services rendered solely for the benefit of the Authority.

The Board appoints the CEO, who serves at its pleasure. The Authority's staff is organized into four divisions, each managed by a Vice President appointed by and reporting directly to the CEO. These four divisions are Administration and Finance, Operations, Legal Services, and Planning and Engineering. The organizational chart that follows this letter reflects the operational structure as of September 30, 2020.

The Authority's airport system consists of TUS and RYN. TUS is a certificated commercial service airport, with 8 passenger airlines, serving the Tucson metropolitan area, southern Arizona and northern Sonora, Mexico. TUS also supports military and general aviation users. RYN serves as a general aviation reliever airport for TUS.

TUS encompasses 8,343 acres of land and is located eight miles south of the City's central business district. There are approximately 130 separate buildings on the airport property providing approximately 2.5 million square feet of floor space.

On October 14, 1948, the City and the Authority entered into a 25-year lease for TUS. A March 15, 1971 amendment extended the term of the lease to October 14, 2023 and provided an option to extend the term of the lease to October 14, 2048. The Authority exercised this extension option in 1986. A July 7, 2015 amendment extended the term of the lease to October 14, 2073 and provided an option to extend the term of the lease to October 14, 2098. The Authority exercised

## Organization (continued)

this extension option in 2016.

The TUS lease obligates the Authority to make rent payments to the City, calculated by taking gross operating revenues and deducting operating expenses and certain other funding requirements. The Arizona Superior Court, in and for the County, approved the validity of the lease and ruled that in calculating rents due the City, the Authority may deduct a sum equal to the total amount required to pay all of its outstanding obligations, regardless of what amount may be due in any year. The Authority has not been required to make any payments to the City under this formula and does not expect an obligation to do so while its revenue bonds are outstanding.

RYN, located 12 miles southwest of downtown Tucson, encompasses 1,804 acres of land and accommodates a wide variety of general aviation and military activity. The Authority holds a separate lease for RYN with the City that expires in 2053. The lease was originally entered into with the State of Arizona on August 31, 1954, but ownership of the land was transferred by the State of Arizona and accepted by the City on December 21, 1959. Annual lease payments are based on a nominal amount (\$.05 per acre), plus 10% of RYN's net profits. The Authority has not been required to make any payments to the City under the percentage of net profits provision and does not expect an obligation to do so in the foreseeable future.

## Economic Conditions and Outlook

### 2020 Air Travel Industry Recap

As 2020 began, all signs pointed toward another year of significant growth in both seat capacity and passenger numbers for U.S. airlines, driven by a strong and growing economy. A competitive environment, particularly with higher than average growth by ultra-low cost carriers kept airfares low and more people traveling. This growth in air travel continued despite the impact of the FAA's decision in March 2019 to ground all Boeing 737 MAX aircraft for safety reasons. Airlines found other ways to keep adding more seats and aircraft to their fleets and continue the momentum of rapid passenger growth.

All of this came to a halt with the onset of the worldwide COVID-19 pandemic and the president's declaration of a national health emergency on March 12, 2020. The effect was immediate, with U.S. airline passenger traffic for the month of April 2020 falling more than 95% compared to the previous year's total. Recovery was slow and uneven and by the end of 2020 passenger traffic gains had begun to recede as the U.S. Centers for Disease Control and Prevention advised against air travel and a surge in COVID-19 cases throughout the country began to take hold.

According to figures from the U.S. Department of Transportation Bureau of Transportation Statistics, total scheduled U.S. domestic airline passenger enplanements in 2020 declined 58.7% from the previous year. The decline in international enplanements was even greater at 74%. U.S. domestic scheduled available seat miles contracted 41.7% in 2020, resulting in the average U.S. domestic load factor decreasing to 58.9% from 85.1% in 2019.

Based on public announcements as compiled by Volaire Aviation Consulting, total revenues for the seven largest U.S. airlines in 2020 are estimated to be \$66.2 billion, a decline of \$112.0 billion or 62.8% from 2019. Despite swift actions to reduce spending, these seven airlines estimated their combined 2020 net losses at \$36.6 billion. Several federal government COVID-19 relief packages provided and continue to provide payroll support and loan opportunities for the airline industry, however most U.S. airlines continued to have negative cash flow through the end of 2020 due to industry revenues that remained 65-75% below pre-COVID-19 levels.

### 2021 Air Travel Industry Outlook

While domestic leisure travel has led a slow recovery since the onset of the pandemic, business travel has yet to stage a comeback and international travel for whatever purpose remains almost non-existent due to various combinations of visitor quarantine and COVID-19 testing requirements for visitors in many countries worldwide, as well as outright bans on non-citizens entering many other countries. Public statements by airline executives and industry observers vary widely as to how soon, if ever, air travel will return to pre-COVID-19 levels. In particular, the rapid adoption and perceived effectiveness of video conferencing technology from both a cost and productivity standpoint has called into question whether business travel will ever fully recover.

### State and Local Economic Outlook

Economic conditions are an important factor in how often people travel. This, in turn, impacts passenger levels at airports, how much money passengers and visitors spend at airports, and airline decisions on maintaining and adding new service at individual airports.

The U.S. Census Bureau defines the Tucson Metropolitan Statistical Area (MSA) as being all of Pima County. The County covers an area of approximately 9,200 square miles and, according to the Arizona Office of Economic Opportunity, had

## **Economic Conditions And Outlook** (continued)

an estimated population of 1,052,375 as of July 1, 2020, which represents an increase of 0.7% from July 1, 2019. The Tucson metro area consists of about 495 square miles that contains more than 95% of the County's population, including the incorporated municipalities of Tucson, Marana, Oro Valley, Sahuarita and South Tucson. 35% of the County's population resides in unincorporated areas. The metro area is the origin or destination of almost all airport users.

Tourism and recreation are important components of the Tucson economy. The area has a sunny climate with a high temperature averaging 82 degrees and a low of 55. Average annual precipitation is approximately 11 inches. Tucson averages 350 days of sunshine a year, creating ideal conditions for year-round play at approximately fifty golf courses in and around the city. These and other visitor benefits are aggressively marketed by local businesses and Visit Tucson, the area's destination marketing organization. Tourism has been a significant contributor to past growth in annual passenger traffic at TUS.

The Tucson area is also home to a diverse group of employers in industry sectors such as aerospace, defense, biotechnology and mining. Davis-Monthan Air Force Base in Tucson and Fort Huachuca Army Intelligence Center southeast of Tucson are also two of the area's largest employers. The University of Arizona, Pima Community College and a large health care sector are other significant sources of jobs for southern Arizona residents.

According to a March 1, 2021 report by George W. Hammond, Director of the Economic and Business Research Center at the University of Arizona, the Arizona economy finished 2020 in better shape than most states and the recovery continues at a solid pace. State jobs in December 2020 were 3.0% below their February 2020 peak, with over half of the job gap being in leisure and hospitality as travel and tourism remained hard hit by the pandemic. The report goes on to say that the 2021 economic forecast for Arizona depends on global and national economic performance, which in turn is dependent on the timing and pace of global and national recovery from the pandemic.

### **Air Service at Tucson International Airport**

TUS is the principal commercial service airport serving metropolitan Tucson, southern Arizona and northern Sonora, Mexico. The Authority considers Pima County as its primary airport service area.

The Authority focuses its strategic air service development effort on achievable goals that are consistent with the community's needs and the dynamics of the airline industry. TUS is subject to competition for airline services and passengers residing in the Tucson service area, with Phoenix Sky Harbor Airport 110 highway miles to the north. TUS's competitive position is strengthened economically through its relationships with key air service stakeholders that include Visit Tucson (the region's destination marketing organization), the Metropolitan Tucson Chamber of Commerce, the Southern Arizona Leadership Council and Sun Corridor, Inc. (the region's economic development organization).

The Authority's primary air service objectives are to accommodate demand by increasing nonstop services throughout the U.S. to new and existing hub destinations with new and incumbent carriers, while reducing both leakage and spillage of passengers to Phoenix. Leakage refers to passengers consciously choosing to use an airport other than the airport closest to their home for reasons such as more flight options or lower fares. Spillage refers to passengers using another airport because they are unable to find a seat available at their home airport when they want to travel. Emphasis has also been directed toward attracting carriers that could serve key destinations in Mexico and Canada.

The airlines that provide regularly scheduled service to TUS include network carriers, their wholly owned regional carrier subsidiaries, and contract regional carriers. As no single carrier holds a dominant market position, competition remains robust along Tucson's top origin and destination routes.

Due to the effects of the COVID-19 pandemic, TUS's total passenger traffic fell from 3,783,535 in FY 2019 to 2,283,777 in FY 2020, a decrease of 39.6%. This followed passenger increases of 6.5% in FY 2019 and 4.0% in FY 2018. Total scheduled inbound/outbound seat capacity in FY 2020 decreased 25.1% from FY 2019, after an increase of 9.6% in FY 2019 compared to FY 2018.

Twenty-two destination airports were served nonstop from TUS in FY 2020, which was one less than in FY 2019. The nonstop destinations served in FY 2020 were:

## Economic Conditions And Outlook (continued)

- Atlanta (ATL)
- Bellingham, WA (BLI)
- Chicago Midway (MDW)
- Chicago O'Hare (ORD)
- Dallas/Ft. Worth (DFW)
- Denver (DEN)
- Houston Bush (IAH)
- Houston Hobby (HOU)
- Indianapolis (IND)
- Las Vegas (LAS)
- Los Angeles (LAX)
- Minneapolis (MSP)
- Oakland (OAK)
- Phoenix (PHX)
- Portland (PDX)
- Provo, UT (PVU)
- Salt Lake City (SLC)
- San Diego (SAN)
- San Francisco (SFO)
- San Jose (SJC)
- Seattle (SEA)

Prior to the onset of COVID-19, Allegiant added new twice weekly seasonal service to Indianapolis, which partially offset the loss of service to Austin on Via Airlines and Charlotte on American Airlines. Allegiant also added seasonal service to Las Vegas, joining Southwest Airlines on that route. In response to the dramatic decline in air travel that began in March 2020, airlines serving TUS suspended routes to Bellingham, San Diego and San Jose, and significantly cut frequencies on many other routes. As of March 2021, the number of flights serving TUS is approximately 32% below pre-pandemic levels.

The timing and pace of a recovery in demand for air service in the U.S. and worldwide is not yet possible to predict with any degree of certainty. However, assuming demand for air service does return to levels that existed prior to the COVID-19 pandemic, the Authority believes that most, if not all, routes will be restored to previous service levels and that sufficient demand exists for year-round daily service to domestic destinations such as Albuquerque, Boston, Detroit, New York, Philadelphia and Washington, D.C. Less than daily year-round service to a limited number of destinations in Mexico and seasonal service from one or more Canadian cities are also believed to be viable. Additionally, strong performance of certain existing seasonal routes such as Minneapolis and Portland suggest opportunities to maintain these routes year-round.

### Financial Impact on the Authority of Reduced Travel Related To COVID-19

Like other commercial service airports throughout the country, a significant share of the Authority's revenues are driven by commercial air carrier flights and associated purchases of goods and services by passengers at TUS. These revenues were significantly reduced in FY 2020 and will continue to be significantly reduced in FY 2021 because of the COVID-19 pandemic.

In April 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by both houses of congress and signed by the President of the United States. The CARES Act provided relief in the form of grants to reimburse airport operating and capital expenditures to maintain employment levels and help offset the impact of revenue losses from the dramatic reduction in air travel. The Authority received \$22.6 million in CARES Act grants. In December 2020, the federal government enacted the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA), extending further relief in the form of airport grants for purposes similar to those authorized in the CARES Act. The Authority received \$6.0 million in CRRSA grants. In March 2021, the federal government enacted the American Rescue Plan Act (ARPA), which authorized additional grants to airports for similar purposes as the CARES Act and CRRSA. The Authority has been awarded \$15.8 million in ARPA grants. One of the significant conditions for airports accepting these grants is that they must maintain employment levels at a minimum of 90% of pre-pandemic levels through September 30, 2021.

With the COVID-19 relief grant funds from the above three programs already received and expected to be received in the future, the Authority believes it will be able to continue operating TUS and RYN at levels substantially similar to that which existed pre-COVID-19 for a period of several years, even if air travel recovery and related revenue recovery continues at its current slow pace.

# Major Initiatives

## CAPITAL IMPROVEMENT PROGRAM

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The Authority's management is responsible for the development of TUS and RYN, with board approval. As such, the Board approved Master Plan updates for TUS in 2013 and for RYN in 2011 that set out overall development plans to address future airport capital needs. The TUS Master Plan also included a land use plan which identifies the highest and best use of property owned by the Authority and identifies land which should be acquired in the future for expansion. The Authority addresses the Master Plan and any new capital spending needs that arise through its Capital Improvement Program (CIP), which is updated and adopted annually.

Capital improvement projects require funding apart from routine operating expenses. Such projects entail the purchase, construction, or replacement of the physical assets of the Authority. The purpose of the CIP process is to evaluate, prioritize, and coordinate proposed projects for a five-year period. The compilation of the CIP has as its primary goal the development of a detailed capital budget for the current fiscal year and a plan for capital development during the four subsequent years. The Board, by approving the CIP, sets a strategy and schedule for budgeting and constructing facilities at TUS and RYN.

Funding for CIP projects can come from a variety of sources including grants from the Federal Aviation Administration (FAA), the Arizona Department of Transportation (ADOT) and other governmental agencies, or from Passenger Facility Charges (PFCs) and Tucson Airport Authority operating revenues.

### **FY 2020 Completed CIP Construction and Projects at TUS (greater than \$75,000)**

10118995 Air Cargo Expansion | Cost: \$265,156 Scope: Modify Air Cargo Ramp to better accommodate mix of cargo aircraft using TUS. Consultant: Monrad Engineering and CMT Laboratories. Contractor: Granite Construction.

### **FY 2020 Completed CIP Construction and Projects at RYN (greater than \$75,000)**

20112203 Reconstruct Connector and Maintenance Roads | Cost: \$341,074 Scope: Mill and overlay Connector Road (CROAD-02) approximately 82,302 square feet and Maintenance Road (MROAD-01) approximately 18,400 square feet, including repainting of markings. Contractor: Sunland Asphalt.

### **FY 2020 CIP at TUS – Ongoing and New Projects (greater than \$500,000)**

EIS for Relocated Runway 11R/29L & Associated Taxiways | Cost: \$4.3 million Environmental Impact Study (EIS) for relocation of Runway 11R/29L and associated taxiway enhancements. Includes inventory of environmental resources within the project area, an assessment of alternatives, an analysis of impacts, and the identification of potential mitigation measures and/or findings of no significant impact.

U.S. Customs and Border Protection (CBP) Relocation | Cost: \$1.8 million Renovations to the first floor of the former Executive Terminal building to relocate general aviation customs processing facilities, CBP offices and Global Entry enrollment office.

Reconstruct Taxiway Delta, Shoulders and Connectors | Cost: \$11.9 million Reconstruct (mill and overlay) Taxiway Delta Shoulders and Connectors.

Airfield Safety Enhancement (ASE) Program | Cost: \$220 million The ASE Program includes improvements to the Tucson International Airport (TUS) airfield to meet current FAA airfield design standards. The program will be completed in phases over multiple years.

TWY Golf Extension | Cost: \$2.3 million Extend Taxiway Golf approximately 1,000 feet southeast to facilitate development of aviation-related commercial and industrial property.

Reconstruct HIDTA, Universal and Helicopter Pad Pavement Areas | Cost: \$597,346 The project includes reconstruction of AHELI-01,02, AWASH-01, and THELI-02 totaling approximately 43,510 square feet; mill and overlay of AHIDTA-01, THELI-01, TUNIV-01 totaling approximately 53,919 square feet; and removal and replacement of pavement on SNORTH-01 totaling approximately 17,200 square feet. Work also includes marking and re-striping.

EVIDS/Audio Paging Replacement | Cost: \$2.6 million Replace Electronic Video Information Display System (EVIDS) and Audio Paging System for the TUS terminal complex.

## Major Initiatives (continued)

### FY 2020 CIP at RYN – Ongoing and New Projects (greater than \$500,000)

Ryan Master Plan Update | Cost: \$706,688 Update the existing Master Plan for Ryan Airfield. Aviation activity forecasts, development alternatives, financial plan, strategic plan and security assessment will be included.

On-Airport Sanitary Sewer Collection System | Cost: \$878,783 Install piping and connect to a new trunk sewer line from the existing connection point at the northeast corner of RYN's property to the Administration Office area.

APMS-Pavement Preservation-Runway 6R/24L | Cost: \$947,379 Crack seal and apply rubberized asphalt emulsion seal coat to RW 6R/24L. Re-stripe pavement markings.

### MAJOR MAINTENANCE PROGRAM

The Authority's management is responsible for the maintenance of TUS and RYN, with Board approval. The Board approves a Major Maintenance Program (MMP) as part of each year's budget process; MMP projects require funding apart from routine maintenance operations. The purpose of the MMP is to evaluate, prioritize, and coordinate proposed projects for a five-year period.

### FY 2020 Completed MMP Projects at TUS (greater than \$75,000)

10214559 Runway Rubber Removal and Friction Testing | Cost: \$94,500 Scope: Removed rubber from the main runway 11L/29R and friction tested three times during FY 2020. Contractor: Cyclone Technology.

10216767 Water Heating and Mixing Valve Replacement | Cost: \$83,827 Scope: Replaced two hot water heaters and circulator pumps in Building B-299. Contractor: Kittle Design and Construction, LLC.

10216891 Conceptual Design for Plaza Concept | Cost: \$169,044 Scope: Development of conceptual design for a Travel Plaza concept near the main entrance to TUS to include customer amenities and improve public access through the addition of an intermodal transportation facility. Consultant: Gensler.

10217986 Taxiway Alpha – Patch and Crack Seal | Cost: \$78,253 Scope: Asphalt patching and crack sealing of Taxiway Alpha between the commercial apron and Runway 3/21. Contractor: Ace Asphalt.

10217990 Soundproofing Administrative Offices | Cost: \$86,939 Scope: Soundproofed Authority administrative offices on third level of the terminal building by replacing existing windows with triple pane units and installing open cell foam at verticals joints. Contractor: Blue Moon Glass Services LLC dba Romanoski Glass and Mirror Company.

10219231 Los Reales Road Stabilization and Landscaping | Cost: \$106,681 Scope: Landscape improvements along Los Reales Road and Country Club Road to Airport Wash and South of Airport Drive. Contractor: Northwest Landscaping.

10219235 Aeronautical Way/Alvernon Landscape (MRO 50) and Signage | Cost: \$75,993 Scope: Landscape and signage improvements at Aeronautical Way and Alvernon Road near the development site known as MRO 50. Contractor: Northwest Landscaping.

10216798 Improve Air Operations Area (AOA) Fence at Airport Wash | Cost: \$575,398 Scope: Design improvements for AOA fence at Airport Wash across from the former maintenance yard and the perimeter fence next to TWY Delta1 and the Air National Guard base. The fence was designed with trash traps that allow water to pass through the fence and trap debris in a manner to prevent damage to the fence and maintain airport security. Consultant: Kimley-Horn and Associates, Inc. Contractor: Granite Construction.

10217979 Maintenance, Repair and Overhaul (MRO) Aero Park Blvd. Infrastructure | Cost: \$1,348,071 Scope: Construction of approximately 700 feet of public access lane for landside access and approximately 200 feet of 35-foot-wide taxiway connector for airside access to the 30-acre east MRO site. Work included earthwork, drainage, asphalt pavement, sanitary sewer, utility ductwork and fencing. Consultant: Stantec Consulting Services, Inc. Contractor: Desert Services International, Inc.

10215674 Terminal Upper Roadway Joint Seals | Cost: \$301,049 Scope: Removal and replacement of the entire length of both longitudinal and transverse expansion joints at the TUS terminal upper roadway, demolition and removal of concrete at existing access ramp and crossings, and construction of new concrete access ramps and crossings. Consultant: Kimley-Horn and Associates, Inc. Contractor: Penhall Company.

## Major Initiatives (continued)

10219026 B-231-Q - Epoxy Coat Interior Rental Car Wash Bays | Cost: \$176,665 Scope: Power washed, descaled and applied epoxy to all walls; hydro-blasted concrete floors and applied non-slip epoxy in all seven car wash bays at the rental car facility. Contractor: Kittle Design and Construction, LLC.

10217930 B-230 Main Terminal and Third Level Conference Room Glass Repair | Cost: \$118,607 Scope: Replaced all window seals, damaged film and failed windowpanes windows on Concourses A and B and at third floor conference room. Also added window protectors in areas of high impact. Contractor: Blue Moon Glass Services LLC dba Romanoski Glass and Mirror Company.

10217962 Generator for Maintenance/Police Complex | Cost: \$369,892 Scope: Purchased and installed a new backup power generator system at the maintenance building. Included a concrete pad for the generator, convenience lighting, intercepting and extending underground conduit and aluminum feeders, battery charger and block heater circuits, and start-stop controls to the generator. Contractor: Sturgeon Electric.

10219046 Landscape Improvements on Plumer Road to Elvira Street| Cost: \$121,302 Scope: Landscape improvements along Plumer Road. Contractor: Northwest Landscaping.

10219064 Improve Public Wi-Fi in the Terminal | Cost: \$87,551 Scope: Installed additional Wi-Fi access points, wiring and bandwidth to allow for improved passenger access to connect anywhere in the terminal and provides for the streaming of video and other high density data flow. Contractor: Native Tele-Data and Sentinel Technologies.

10219149 B-298 Replace HVAC Systems | Cost: \$189,118 Scope: Replaced eleven evaporative coolers, three five-ton split heat pumps and one roof mounted package unit heat pump in Building B-298. Contractor: Pueblo Mechanical & Controls, Inc.

10219150 B-239 Replace HVAC Systems | Cost: \$159,772 Scope: Replaced eighteen evaporative coolers and four five-ton split heat pumps in Building B-239. Contractor: Pueblo Mechanical & Controls, Inc.

10219171 B-230 Repair Ramada on Ticketing Level Roadway | Cost: \$86,926 Scope: Repaired skylight seals and drain spouts and clean gutters on ramada on ticketing terminal roadway. Contractor: Riddle Painting & Coatings.

10219232 Airport Drive Landscaping (NE side parking garage/Wash Area) | Cost: \$85,760 Scope: Landscape improvements along Airport Drive. Contractor: Northwest Landscaping.

10215683 Building D-167 Refurbishment | Cost: \$1,070,905 Scope: Partial demolition and renovation of building industrial building D-167. Work included demolishing a portion of the building; replacing evaporative coolers and HVAC equipment; removal and replacement of roofing system; upgrading electrical panels to meet current electrical codes; refurbishing restrooms and improving landscaping. Contractors: Sellers & Sons, Sun Mechanical, Applied Rite, Canyon Fence, Kazal Fire Protection, Southwest Hazard Control and Northwest Landscaping.

10217957 Audio System and EVIDS Upgrade/Replacement Study | Cost: \$75,480 Scope: Audio paging systems and Electronic Video Information Display System (EVIDS) replacement study and design. Study and design for work related to the replacement of EVIDS system and replacement of the backbone paging software and hardware. Most existing speakers and cabling for speakers remain in place. Consultant: Swanson Rink, Inc.

10217978 Family Restrooms on Both Concourses | Cost: \$933,963 Scope: Constructed family restrooms on both concourses, a bank of unisex bathrooms on the ticketing level, custodial closets and pet relief areas on the concourses. Consultant: Herzog Associates Architecture Planning & Design. Contractor: Marsh Development Inc.

10218001 Concourse C - Charter Terminal Project (B-232) | Cost: \$1,059,290 Scope: Renovated a vacant portion of the former international departures building (B-232) into Concourse C. The project included constructing ticket counter space, one TSA checkpoint lane, TSA baggage screening area, hold room space for a single gate area and a small baggage claim area. Consultant: DLR Group and SDG Architecture. Contractor: Core Construction.

10219212 Miscellaneous Landscape Improvements | Cost: \$143,410 Scope: Addition of decorative rock and boulders and tree pruning throughout TUS campus. Contractor: Northwest Landscaping.

10219237 Additional Landscaping Along Los Reales Road | Cost: \$139,652 Scope: Addition of decorative rock, rip rap and boulders along Los Reales Road. Contractor: Northwest Landscaping.

10220329 Wash Cleanout (Area 1 & 2) | Cost: \$167,402 Scope: Wash cleanout by removing waste and debris and tree canopy lifting. Contractor: Northwest Landscaping and Southwest Hazard Control, Inc.

## Major Initiatives (continued)

### FY 2020 Completed MMP Projects at RYN (greater than \$75,000)

20217963 Correct Grading/Slope Issue on Airfield | Cost: \$225,638 Scope: Corrected the grade/slope on both sides of RWY 6R/24L by clearing vegetation approximately 30-feet from runway pavement edge. The first 10-feet from pavement edge was graded to meet FAA requirements and the soil was stabilized with a cement mixture. Contractor: Ace Asphalt of Arizona, Inc.

20219041 Taxiway Shoulder Improvements at Ryan | Cost: \$207,463 Scope: Removed vegetation along the pavement shoulder on Taxiways Alpha, Bravo, and Delta at various locations. Taxiway shoulders were fine graded approximately 10-feet from the edge of the pavement and the soil was stabilized with a cement mixture. Contractor: Ace Asphalt of Arizona, Inc.

### FEDERAL AND STATE FUNDING

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The Authority participates in the FAA's Airport Improvement Program (AIP), which provides Airport and Airway Trust Fund funding for airport development, airport planning, and noise compatibility programs. The FAA offers both entitlement and discretionary grants for eligible projects. Grants received under this program in FY 2020 totaled \$39,797,917. The FAA has awarded \$159,806,864 in grants to the Authority during the past ten years.

The State of Arizona also provides grant assistance to airports. These grants may cover up to half of the Authority's required match for AIP projects or full funding for projects of smaller size and scope. Grants received under this program in FY 2020 totaled \$1,190,534. ADOT has awarded \$16,271,837 million to the Authority during the past ten years.

### PASSENGER FACILITY CHARGE PROGRAM

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In 1990, Congress approved the Aviation Safety and Capacity Act (AVCA) which authorized domestic airports to impose passenger Facility Charges (PFCs) on enplaned passengers to generate revenues for airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, and authorized airport sponsors to collect PFCs in the amount of \$1.00 to \$3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21) increased the maximum PFC airport sponsors could collect to \$4.50 per enplaned passenger. In return for the right to assess PFCs in the amount of \$1.00 to \$3.00, large and medium hub airports must forgo up to 50% of their AIP entitlement grants. Large and medium hub airports that collect a PFC of \$4.00 or \$4.50 must forgo 75% of their AIP entitlement grants. Airport sponsors planning to impose PFCs must apply to the FAA and meet specific requirements set forth in the enabling legislation. Airport operators may impose PFCs after receiving written approval and authorization from the FAA. As a small hub airport, TUS is currently not subject to AIP entitlement grant reductions.

Beginning February 1, 1998, the Authority imposed a PFC of \$3.00 per eligible enplaning passenger at TUS under the terms of its initial PFC application and the Record of Decision (97-01-C-01-TUS) issued by the FAA. In March 2006, the Authority submitted to the FAA an amendment to its existing PFC program to increase the current PFC level from \$3.00 to \$4.50 per eligible enplaned passenger and a new application to impose and use PFCs at the \$4.50 level for the Concourse Renovation Project. On June 6, 2006, the Authority received approval for the new application (06-02-C-00-TUS) and on April 7, 2006, the Authority received approval for the amendment. The increase in the PFC level from \$3.00 per enplaning passenger to \$4.50 began October 1, 2006. On December 15, 2017, the Authority received approval for a new application (17-03-C-00-TUS) for the Terminal Optimization Project. The Authority currently has approval from the FAA to collect \$117,744,485 under PFC application 97-01-C-03-TUS, \$44,194,512 under PFC application 06-02-C-00-TUS, and \$17,351,019 under PFC application 17-03-C-00-TUS, extending through February 1, 2027. As of September 30, 2020, the Authority had earned \$136,938,013 in PFCs since the inception of the program, plus associated interest.

The FAA's PFC approvals included authorization to utilize PFCs for the payment of principal and interest on general airport revenue bonds issued to pay construction costs related to eligible projects. PFCs are currently being used to pay debt service on subordinate lien revenue bonds for landside terminal expansion in 2001, land acquisitions completed in 2005 and a concourse renovation project completed in 2008.

### LEASING, BUSINESS DEVELOPMENT AND CONCESSION ACTIVITY

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#### TUS Cares Campaign

As the impacts of COVID-19 began to materialize in March 2020, the Authority launched a public safety campaign to reassure the traveling public that TUS is a clean and safe facility so that when they are ready to travel, they will feel comfortable that TUS has done everything possible to make their journey through the airport safe. The 'TUS Cares' initiative included an investment of over \$275,000 and included:

## Major Initiatives (continued)

Required wearing of face coverings in the TUS terminal complex and parking areas

Social distancing signage (floor, seating areas, shuttle buses, etc.)

Upgraded filtration for the HVAC system

Acrylic transaction shields at customer-facing transaction counters

UV-C sanitizing systems on handrails at moving walkway and escalator systems

Backpack type disinfectant sprayers which allow quick and versatile sanitization

Toe-tap buttons on elevators

Working with public health officials, airline partners to use social media, traditional media and advertising to communicate critical information

TUS demonstrated it met the high standards required by the Global Biorisk Advisory Council (GBAC) STAR rating, the cleaning industry's leading organization regarding outbreak prevention, response and recovery accreditation for facilities, and was the fifth airport in the world and the first in the western United States to earn this accreditation. GBAC STAR Accreditation is a rigorous performance-based program designed to measure a facility's system of cleaning, disinfection, and infectious disease prevention for the benefit of patrons and employees. The program relies on comprehensive training, proper protocols, correct disinfection techniques, and cleaning best practices for biohazard situations like the novel coronavirus. Successful GBAC STAR facilities are able to demonstrate that correct work practices, procedures and systems are in place to prepare, respond, and recover from outbreaks and pandemics.

To enhance touch-free options for passengers, the Authority and Ace Parking, which manages TUS parking facilities, in June 2020 launched and promoted a reservation system for parking using the flytucson.com website. Customers reserve and pay for their parking in advance then receive a code that can be downloaded to their smartphone or printed to enter and exit their selected parking facility. Additionally, the Authority and Delaware North Companies, Inc., in October 2020 launched the Grab App allowing passengers and employees to order and pay for food from their mobile device and pick it up for a contactless experience from restaurants in the terminal.

The Authority, Pima County Health Department (PCHD) and Paradigm Laboratories partnered in November 2020 to provide free COVID-19 PCR (polymerase chain reaction) tests in the airport terminal. To facilitate efficiency and prevent crowding, passengers were asked to register in advance through an online portal that could be accessed from a QR code on signage in the terminal or through the flytucson.com website. Results were promised within 72 hours but in most cases, they were delivered in 24 to 36 hours. The program became so popular that residents came to the airport, which prompted the partnership to open a second outdoor location for the community.

### Strategic Plan

As COVID-19 devastated the economy and impacted airports and air service in ways that could not be fully realized prior to when it began, the Authority proactively charted a plan to navigate through the difficult times with the goal of maintaining and enhancing the economic vitality of both TUS and RYN.

The Authority's Board of Directors adopted the Tucson Airport Authority Three-Year Strategic Plan (for the period FY 2021 – 2023) on August 5, 2020 and it was effective on October 1, 2020. The plan includes an updated Mission and Vision statement, Guiding Principles, and Thematic Goals for the fiscal years 2021, 2022 and 2023.

FY2021 | Align and Engage

FY2022 | Capitalize on Opportunities

FY2023 | Dream Big Together

The Three-Year Strategic Plan for FY 2021-2023 outlines the path that best allows the Authority to adapt to changing circumstances and immerse the organization in recovery in 2021, capitalize on opportunities and adjust to the new reality of the known and unknown in 2022, and to dream big in 2023 and beyond. Throughout this process, the goal is that the Authority continues to be self-sustaining and delivers operational success for the benefit of the metro Tucson community and Southern Arizona.

## Major Initiatives (continued)

### Economic Development

Pursuing commercial and industrial economic development opportunities to broaden existing revenue streams or to develop new economic opportunities for the benefit of the entire region is a top priority for the Authority. During FY 2020, the Authority moved forward on the following:

#### TUCSON INTERNATIONAL AIRPORT

In June 2020, Tokyo-based Mitsubishi Heavy Industries, Ltd (MHI) acquired the commercial aircraft division of Bombardier Aerospace. The sale included transfer to Mitsubishi of the Tucson Service Center at TUS for maintenance, support and refurbishment of the Bombardier CRJ series of aircraft.

Despite the sale of the commercial aircraft division, Montréal-based Bombardier continues to operate its business jet maintenance, repair and overhaul (MRO) facility at TUS. The TUS service center is Bombardier's largest in North America. In addition to servicing existing models, the TUS center will play an integral role in servicing Bombardier's two newest business jet models, the Global 5500 and 6500 series aircraft that entered service in 2019.

Nearly \$3 million in improvements and expansion were completed by Atlantic Aviation, one of the busiest fixed-base operators for business and general aviation aircraft at TUS. As part of the commitment, the Authority's Board of Directors authorized extending Atlantic's lease term to June 30, 2037.

Executive Air completed a \$3 million new hangar and tenant improvement project. The project included constructing a new 12,000 square foot hangar and FBO facility with a pilot lounge to accommodate most business jets and a full rehabilitation of the ramp, which greatly improved pavement conditions at their self-service aircraft fueling facility.

Though construction slowed in 2020, Pima Community College (PCC) remained committed to finishing expansion of its aviation program at TUS. The highly regarded airframe and avionics education programs offered by PCC provide a direct pipeline of potential employees for in-demand positions in the aviation industry both in Tucson and throughout the country.

On April 3, 2020, the merger of the Raytheon Company and United Technologies Corporation was completed creating an aerospace conglomerate valued at \$86 billion. The new company, based in Waltham, Massachusetts, has four subsidiaries including Raytheon Missiles and Defense, which was formed through the combination of Raytheon's Tucson-based Missile Systems and its Integrated Defense division, headquartered in Tewksbury, Massachusetts. As part of the merger, the company determined it would maintain the new division headquarters in Tucson where it is the Authority's largest tenant, with about 13,000 employees. Raytheon spent \$550 million in 2019 and 2020 on expansion of its campus at TUS.

#### RYAN AIRFIELD

Working with developers of nearby residential property, the Authority received approval in 2020 to connect RYN into the Pima County Wastewater system. Since its creation more than 70 years ago, RYN's sewer facilities have been provided by septic systems. The infrastructure change will be a major step forward for economic development opportunities at RYN. In addition, the Authority participates in the Federal Contract Tower Program to ensure air traffic control services are available users during limited hours. The RYN control tower is operated by Serco under this federal program.

In August 2020, the Authority's Board of Directors approved a new lease with Velocity Air to relocate their TUS pilot training and FBO operation to RYN. The new lease includes expansion of their RYN footprint upon completion of a tenant improvement project to modernize a vacant flight training building, completion of aircraft ramp reconstruction and installation of aircraft shade covers.

## Financial Policies and Practices

### BUDGETARY CONTROLS

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An annual budget is prepared on a residual cost basis as established by Section 5.03(a) of the Airport Use Agreement dated April 27, 1977 for all accounts and funds established by the agreement. The annual budget serves as a foundation for the Authority's financial planning and control. All appropriations with the exception of those for open project accounts lapse at the end of each fiscal year. Since there is no legal requirement for the Authority to report on a budgetary basis, no additional budget information is presented in the accompanying financial statements.

Section 4 of the City of Tucson Agreement (Lease) dated October 14, 1948 requires the Authority to present a biennial version of the budget to the Mayor and City Council for information purposes. The annual budget is approved by the Board prior to its implementation and, in accordance with the Airport Use Agreement, is presented to the Airline and Airport Affairs Committee (AAAC) for review.

The "residual cost" approach forms the basis of the Authority's contractual relationship with signatory airlines. This approach is common, but not universal, among U.S. airport operators. It is a methodology that encompasses the following concepts:

## Financial Policies and Practices (continued)

**Residual Cost** - A method of determining which costs are the responsibility of the airlines as payment to the Authority for providing, operating and managing the airport system (TUS and RYN). The result is coverage of all Authority operating and capital improvement costs on a break-even basis.

**Airline Reserve Fund** - The excess, if any, of revenues over costs calculated in accordance with the Airport Use Agreement at the end of each year.

**Long-Term Agreements** - A common feature of residual cost contracts; the Authority's current agreement was executed in 1977 with an original expiration date of September 30, 2006. Through several amendments, the agreement was extended through September 30, 2018 and operated on a month-to-month basis throughout FY 2019. Subsequently, an additional two-year extension effective October 1, 2019 was executed and is set to expire September 30, 2021. In recent years, the average length of most residual airport use agreements has decreased, with three to five years becoming more common.

**Majority-In-Interest (MII)** - A voting formula used by the signatory airlines in considering approval of significant capital expenditures and use of Airline Reserve Fund monies. The use agreement defines MII as a numerical majority of the signatory airlines that represent more than 50% of the total landed weight at the airport.

**Exclusive Rights** - Rights provided to individual airlines through the Airport Use Agreement for the use of exclusive space to accommodate their operations and paid for in the form of rents.

**Preferential Rights** - Rights provided to individual airlines through the Airport Use Agreement for the use of leased gate and hold room space to accommodate their operations and paid for in the form of rents. The preferential rights concept was introduced at TUS with the recent use agreement extensions in order to allow the Authority more flexibility to accommodate future growth in air service.

**Joint (or common use) Rights** - Rights provided to individual airlines for use of space in common with other users to provide baggage claim facilities and certain gate areas paid for in the form of rents.

To provide financial resources adequate to meet the Authority's needs, the Airport Use Agreement includes a formula for the calculation of rates and charges, including landing fees. This formula, the "Airport System Income Requirement," serves as a template in creating the annual budget, and is commonly referred to simply as the "Airport System." The formula consists of four elements:

- Operation and Maintenance Expenses — in addition to day-to-day operating requirements, this item provides for capital needs, short-term debt obligations, and any other requirements not included elsewhere in the formula.
- Debt Service Requirements — includes 125% of the principal and interest payments due in accordance with senior lien revenue bond resolutions and debt amortization schedules. The 25% excess is called "coverage." For subordinate lien revenue bonds where other revenue sources such as PFCs are not pledged for debt service, the excess coverage requirement is 10%. Providing coverage fulfills a covenant in the bond resolutions that requires this surplus as assurance to bond holders that adequate funds will be available to pay debt service requirements on a timely basis. In the normal course of business, the coverage is not needed and it flows through the airport system.
- Fund Replenishments — Fund Replenishments — provides for the funding and refunding of the various reserve funds required by the Authority's senior and subordinate lien bond resolutions and the Airport Use Agreement.
- Adjustments — 100% of operating income flows through the airport system. At year-end, certain revenues defined in the use agreement are transferred out of the airport system into the Special Reserve Fund and are excluded from the residual cost calculation. These revenues include:
  - 52% of the net income generated from designated "industrial area" developments, which are geographic locations at TUS.
  - Interest income earned from the investment of monies accumulated in the Special Reserve Fund and Insurance Reserve Fund.

Together, these four elements (Debt Service, Operations & Maintenance, Fund Replenishment, and Adjustments) comprise the "Total Gross Requirement." This requirement is then reduced by all of the available resources that include:

- Operating income.
- Beginning cash balance that is the coverage from the prior year, adjusted by any overage or shortfall from operations.

## Financial Policies and Practices (continued)

The net amount resulting from this calculation is the residual amount that is used to calculate landing fees required to be paid by the signatory airlines in order to “balance” the budget.

### LONG-TERM FINANCIAL PLANNING

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One of the tools the Authority uses for long-term planning is the Master Plan, which was last updated for TUS in 2013. This document is prepared with the input of Authority staff, the signatory airlines and other key tenants and stakeholders. The Master Plan projects airport growth and then specifies the physical improvements that are needed to meet these projections of future demand. It consists of a technical report that specifies the logic and reasoning for the proposed capital improvements as well as large scale drawings that illustrate the physical layout of the improvements. The financial implications of a master plan are very important because they serve as the basis for requesting federal funds for the construction of capital improvements proposed in the plan. The Authority’s most recent update of the Master Plan provides a flexible and cost-effective guide for the future development of TUS through the year 2030. Capital improvements recommended by the plan are demand-driven. This means that although there are a large number of projects proposed by the plan, only those that are needed as a result of actual increase in demand will be constructed. An updated RYN Master Plan Update was adopted by the TAA Board of Directors in December of 2020. The RYN Airport Layout Plan (ALP), as part of the Master Plan Update, was approved and signed by the FAA on March 31, 2021. The plan is available for viewing on the Authority’s website, flytucson.com.

The airport master plans form the basis for a multi-year capital improvement plan, which is updated on a regular basis. The plan typically contains at least five years of projections, longer if necessary for a particular need such as a bond-financing project or airline use agreement negotiations. Capital improvement plan assumptions are based on the best information available of needs on a project-by-project basis extending through the planning horizon.

### CAPITAL FINANCING AND DEBT MANAGEMENT

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Capital improvements that require long-term financing are typically funded using either Authority reserves or airport revenue bonds. Unrestricted Special Reserve Fund balances that are the result of the sharing of industrial area revenues with airline tenants, as described in the budgetary controls section of this letter, give the Authority considerable flexibility in financing capital improvements. The most significant benefit is that the Authority’s share (amounts not reimbursed with grants or passenger facility charges) of most capital improvements is financed internally rather than through issuance of airport revenue bonds. This practice avoids bond issuance and interest costs, creates administrative efficiencies, and results in a lower total cost of financing for airline tenants. Reserve funds are restored as the costs of improvements are amortized, with interest, over their useful lives and paid back to the Authority by the airline tenants through rates and charges.

Capital expenditures for FY 2020 were financed through a combination of federal and state grants, internal financing from unrestricted reserve funds, and funds generated through the Airport System Income Requirement formula.

## Other Information

### COMMUNITY INVOLVEMENT

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#### Military Lounge

Service men and women are important to our community and our country, and the Authority honors their service. Toward this end, a community-led effort garnered over \$100,000 in contributions to upgrade the Military Lounge at TUS. The Authority contributed in-kind project management support. In January 2020, the new and improved Military Lounge opened to the great satisfaction of traveling military members.

#### Tucson Airport Authority Police Department

TAAPD responds to all aviation security events as required by the Transportation Security Administration (TSA) along with serving and protecting the airport system campus and the surrounding community. In addition, the TAAPD participates in the Canine Explosive Detection (EDC) program with three certified canine-handler teams. Each team is comprised up of a highly trained dog and law enforcement handler. The K-9 teams are also members of the Pima Regional Bomb Squad and are available to assist public safety partners when requested. TAAPD joined the Southern Arizona Law Enforcement Foundation (SALEF), which is a community-focused group that hosts fundraisers and other events in support of law enforcement agencies.

## Other Information (continued)

### Tucson Airport Authority Fire Department

The TAAFD is certificated under Federal Aviation Administration Federal Aviation Regulations and provides airport rescue and firefighting at TUS. The Arizona Department of Health Services recognized TAAFD as a Premier Level Agency, making it one of just a handful in Pima County. The TAAFD remains committed to providing Advanced Life Support (ALS) services to passengers and airport employees. Newly hired Paramedics have advanced skills in cardiac monitoring, administering IVs and administering life saving medications.

### Airport Employee Community Effort

The Airport Employee Community Effort (AECE) Committee is an employee-run group advocating for local non-profits in the local Tucson community through fundraising efforts. The AECE Committee and Authority employees promoted multiple fundraisers, including virtual opportunities, to raise more than \$13,000 in 2020. These included AECE and TAAFD raising hundreds of dollars and numerous boxes full of new toys to support Toys for Tots and other local organizations within the airport's neighboring area, and the TAAPD raising \$720 for a local family to Shop-with-a-Cop through their Hairy Holidays 2020 effort.

### Arts and Culture

The Authority's Arts and Culture Program creates a memorable environment that promotes southern Arizona's unique artistic and cultural heritage, while partnering with local artists and civic and nonprofit organizations to enhance the traveling public's experience through the airport.

Many new artist creations can be seen on retail and concession spaces, including Maderas Gallery's business center artwork, photographic sunsets and majestic scenes of the Sonoran Desert along Hudson News' concourse kiosks, images of historic architecture and desert scenes on the walls in food venues and in ceramic tile works on the outside walls of the pre-security retail store, and even backlit art panels lining the walls of the two security checkpoints.

In 1987, the rotating art exhibits program started with one gallery hosting two exhibits a year. Now there are five gallery spaces throughout the terminal that host rotating exhibits that represent artists living in southern Arizona and northern Mexico. The airport also shows off the talent of its very own employees in the terminal area called the ARTport.

### Requests for Information

This financial report, along with the audited financial statements, is designed to provide a general overview of the Tucson Airport Authority. Questions concerning the information contained in this report should be addressed to the Tucson Airport Authority Finance Department, 7250 S. Tucson Blvd., Suite 300, Tucson, Arizona 85756.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Annual Report for the fiscal year ended September 30, 2019. This was the 26th consecutive year that the Authority achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. This report will continue to be offered in a PDF format, allowing the user to download it and save, print or view it online at the airport website, [www.flytucson.com](http://www.flytucson.com).

The publication of this Annual Report is a reflection of the level of excellence and professionalism of the Authority's Finance Department. In addition to the Finance Department, we wish to express our appreciation to all members of the Authority staff, who contributed not only to the preparation of this Annual Report, but also to the accomplishments that we are privileged to report. Thank you for your continuing interest and support of the staff's efforts to conduct the financial operations of the Tucson Airport Authority in a responsible and progressive manner.

Respectfully submitted,



Danette M. Bewley, A.A.E.

President/CEO



Kirk Eickhoff, CPA

Vice President and Chief Financial Officer



Government Finance Officers Association

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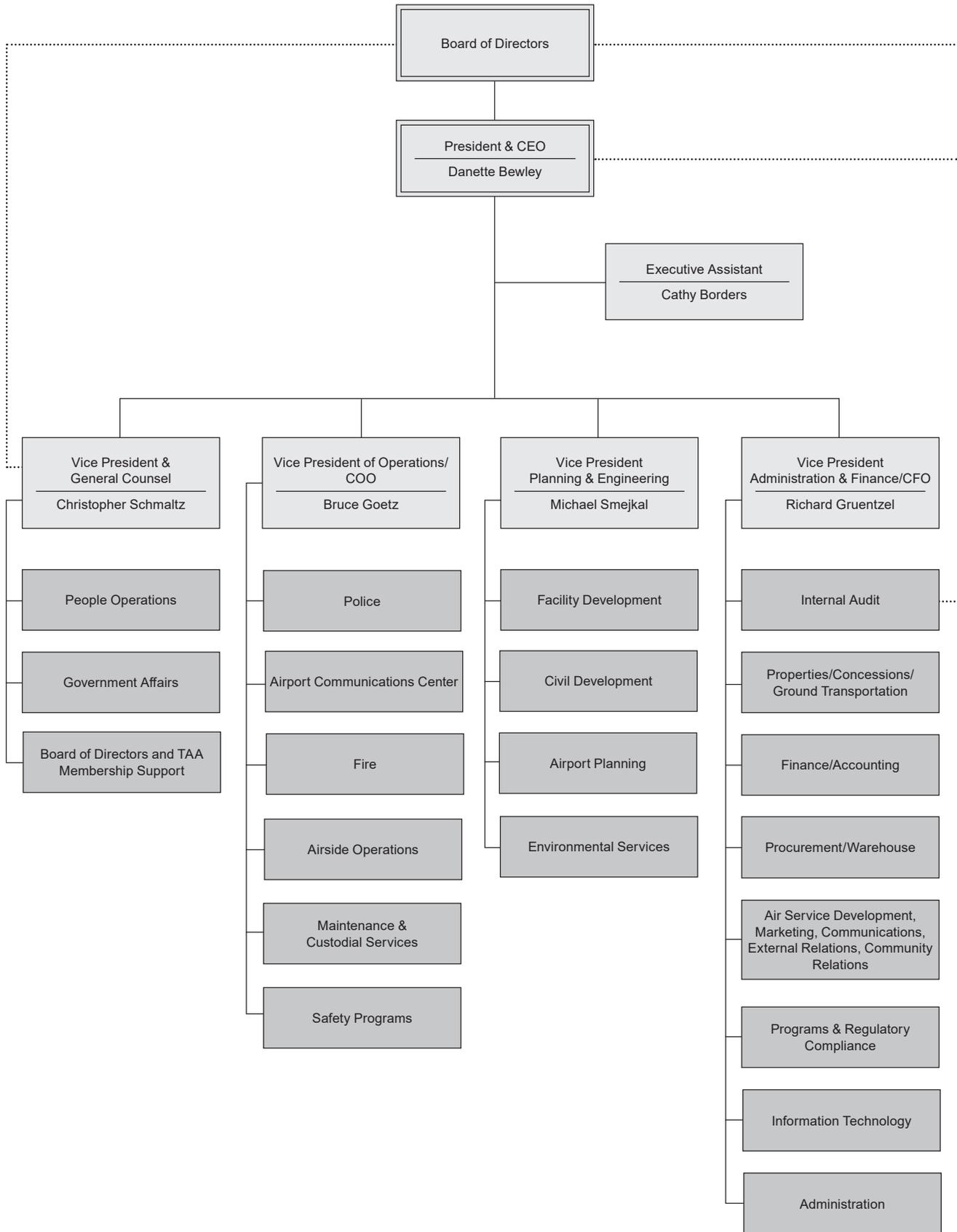
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

September 30, 2019

*Christopher P. Morill*

Executive Director/CEO

# Organizational Structure



# Airlines and Tenants As Of September 30, 2020

## PASSENGER AIRLINES

Alaska Airlines  
Allegiant Air  
American Airlines  
Delta Air Lines  
Frontier Airlines  
Mesa Airlines  
Piedmont Airlines, Inc.  
Sierra Pacific  
SkyWest Airlines  
Southwest Airlines  
Sun Country Airlines  
United Airlines

## CARGO AIRLINES

Ameriflight  
Federal Express

## CAR RENTALS

Alamo  
Avis  
Budget  
Dollar  
Enterprise  
Hertz  
National

## RYAN AIRFIELD

Aero Experts  
Aero Smith  
Air Center West  
Aircrafters  
Air Ventures Ltd.  
Air West, Inc.  
Alpha Air, Inc.  
Aviation Pursuits  
Cherokee Cabañas  
Corsair Condos  
Dangle Aviation  
Duncan & Associates  
Jim's Aircraft  
Kelly's Aviation  
Marjet, Inc.  
Mobile Aire Hangars  
North American Aerial  
Surveys  
Richie's Café  
Serco Inc.  
Sonora Avionics  
Tucson Upholstery  
United Indian Missions  
Velocity Air, Inc.  
Vistawest Hangers

## TUCSON INTERNATIONAL AIRPORT

AT&T  
A.E. Petsche Company,  
Inc.  
Ace Parking  
Management, Inc.  
AERGO-TUS, LLC  
Aerospace Hangar, LLC  
Aerovation

Airport Information  
Centre  
Amalong, Terry  
Apple Autos  
Arizona Aero-Tech  
Arizona Air National  
Guard  
Arizona Aviation  
Associates  
Arizona Department of  
Public Safety  
Ascent Aviation  
Services  
Ashton Company  
Atlantic Aviation  
Bank of America  
Bombardier Aerospace/  
Learjet Inc.  
Broward Aviation  
City of Tucson  
Civil Air Patrol  
Clear Channel Airport  
Advertising  
Creative Food Group  
Delta Global Logistics  
Double Eagle Aviation  
Flight School  
Federal Aviation  
Administration  
FlightSafety  
International, Inc.  
General Services  
Administration  
Granite Construction  
Company  
Great American Shoe  
Shine Co.  
Handy Hangars  
The Hudson Group  
Hughes Federal Credit  
Union  
Jet, LLC  
Lan-Dale Co.  
Luggage Services &  
Logistics

Lyft  
Matheson Flight  
Extenders, Inc.  
Max Air Ventures, LLC  
Metal Works  
Military Lounge  
Million Air  
Mitsubishi Heavy  
Industrial – RJ Aviation  
Pima Community  
College  
PrimeFlight Aviation  
Services  
Prospect International  
Airport Services, Inc.  
Raytheon Missiles &  
Defense  
Real Air Hangar, Inc.  
Simplicity USA Ground  
Services  
Smarte Carte, Inc.  
Southwest Airport  
Services  
SOS Security  
Southwest Heliservices  
Surplus World  
Swissport Fueling  
Services  
Transportation Security  
Administration  
Tucson Aviation, LLC  
Tucson Executive  
Center  
Tucson Fuel Facilities,  
LLC  
Tucson Jet Center  
Tucson Police  
Department  
Uber  
Tucson Stagecoach  
Express  
Universal Avionics  
U.S. Customs & Border  
Protection

U.S. REIF Tucson  
Commerce Center  
Velocity Air  
Verizon Wireless  
Victor II, Ltd.  
VIP Cab  
WiMacTel  
Wright Flight, Inc.  
Yellow Cab

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# FINANCIAL SECTION

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# Independent Auditors' Report



Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Tucson Airport Authority, Inc.  
Tucson, Arizona

### **Report on the financial statements**

We have audited the accompanying financial statements of Tucson Airport Authority, Inc. which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tucson Airport Authority, Inc. as of September 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

# Independent Auditors' Report (continued)

Board of Directors  
Tucson Airport Authority, Inc.  
Page 2

## **Other matters**

### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit information on pages 61 - 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tucson Airport Authority, Inc.'s basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2021 on our consideration of Tucson Airport Authority, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tucson Airport Authority, Inc.'s internal control over financial reporting and compliance.

HBL CPAs, P.C.

**HBL CPAs, P.C.**

Tucson, AZ

May 26, 2021, except as to Note 16, which is as of June 16, 2022

# Management's Discussion and Analysis

September 30, 2020

The following discussion and analysis of the financial performance and activity of the Tucson Airport Authority, Inc. (Authority) provides an introduction to the Authority's financial statements for the fiscal year ended September 30, 2020 (FY 2020). Information for the two preceding fiscal years ended September 30, 2019 and 2018 (FY 2019 and FY 2018, respectively) has been included to provide a better insight into the overall financial position of the Authority.

The Authority is a business-type activity and, as such, the Basic Financial Statements and Required Supplementary Information (RSI) consist of Management's Discussion and Analysis (MD&A), the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements. This MD&A has been prepared by management and should be read and considered in conjunction with the Authority's basic financial statements.

## AIRPORT ACTIVITIES & HIGHLIGHTS

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Passenger and air carrier activity in FY 2020 decreased at the Tucson International Airport (TUS) after increases in the prior two years. Total passengers decreased by 39.6% for FY 2020, which followed increases of 6.5% for FY 2019 and 4.0% for FY 2018. Largely resulting from the impacts of the COVID-19 pandemic, daily nonstop departures decreased to 24 at the end of FY 2020, which was a significant decline from the count of 47 daily nonstop departures recorded at the end of both FY 2019 and FY 2018. In general, average nonstop departures are impacted by a number of factors and vary from day-to-day and month-to-month. The average daily seat capacity in FY 2020 was a 24.9% decrease over FY 2019, which followed a 9.6% increase in FY 2019 compared to FY 2018 and a 2.3% increase in FY 2018 compared to FY 2017.

Total aircraft operations (take-offs and landings) at TUS decreased 6.7% in FY 2020 after increasing 0.2% in FY 2019 and decreasing 1.3% in FY 2018. Total FY 2020 operations comprised 62,554 general aviation operations, 43,233 air carrier and air taxi (passenger airline, cargo airline, and charter) operations and 16,844 military operations. In contrast to air carrier and air taxi operations that generate landing fee revenue, general aviation and military operations do not directly generate revenue for the Authority. The decrease in operations for FY 2020 was primarily attributed to a decrease in air carrier and military operations of 25.9% and 9.7%, respectively, which was partially offset by an increase of 5.1% in general aviation. The increase in operations for FY 2019 was primarily attributed to an increase in air carrier and air taxi operations of 7.3% and 5.8%, respectively, which was partially offset by decreases of 11.9% in military operations and 1.1% in general aviation.

Landed weight decreased by 25.2% in FY 2020 from FY 2019 to 1,677,958 one-thousand pound units, after increasing by 7.9% in FY 2019 and increasing 2.7% in FY 2018. In addition to changes in overall air traffic resulting from the COVID-19 pandemic in FY 2020, the changes across all years have been caused by variations in passenger carrier air service through a combination of increases and/or decreases in flights and the size of aircraft used for flights.

Mail and express cargo shipments decreased by 4.0% in FY 2020 from FY 2019, following an increase of 4.0% in FY 2019 and an increase of 9.8% in FY 2018. The changes in mail and express cargo shipments in each of these years were primarily a result of changes experienced by Federal Express, the single major cargo carrier operating scheduled flights at TUS.

Eight major domestic passenger carriers served TUS as of September 30, 2020, six as of September 30, 2019 and five as of September 30, 2018. American Airlines and Southwest Airlines have dominated in both passenger activity and landed weight over the three reporting periods. These two carriers accounted for 62.1% of passenger traffic in FY 2020, 63.5% in FY 2019 and 65.0% in FY 2018.

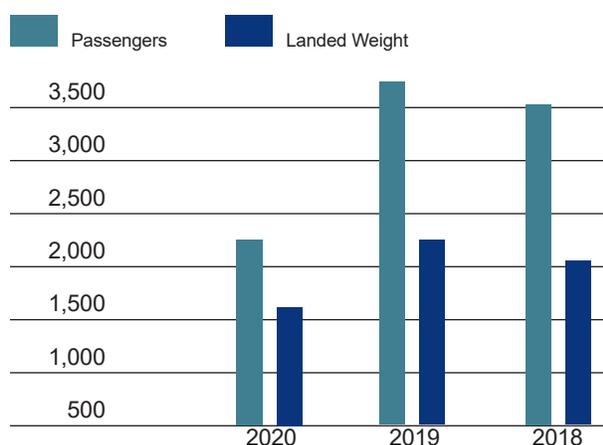
# Management's Discussion and Analysis (continued)

September 30, 2020

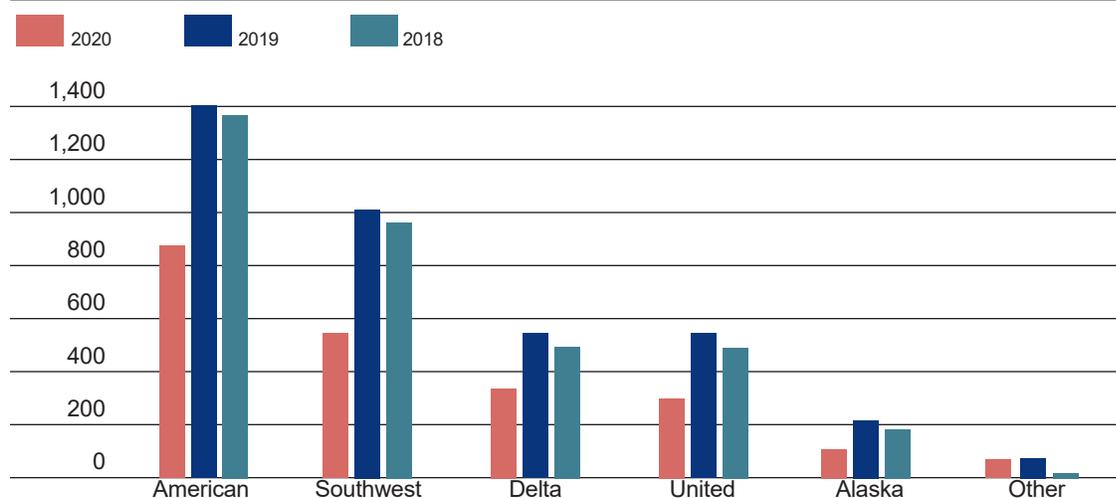
## AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

<u>Activities &amp; Highlights</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total passengers	2,283,777	3,783,535	3,551,159
% increase/decrease(-)	-39.6%	6.5%	4.0%
Average daily seat capacity	4,663	6,212	5,669
% increase/decrease(-)	-24.9%	9.6%	2.3%
Aircraft operations	122,631	131,416	131,169
% increase/decrease(-)	-6.7%	0.2%	-1.3%
Landed weight (1,000 lb. Units)	1,677,958	2,243,559	2,079,444
% increase/decrease(-)	-25.2%	7.9%	2.7%
Mail & express cargo (pounds)	63,246,903	65,916,153	63,357,146
% increase/decrease(-)	-4.0%	4.0%	9.8%

### Total Passengers and Landed Weight (Thousands)



### Passengers by Airline (Thousands)

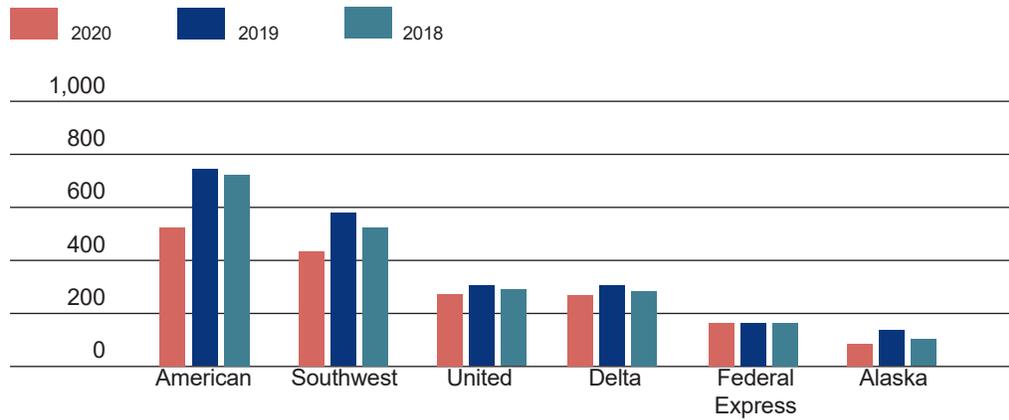


# Management's Discussion and Analysis (continued)

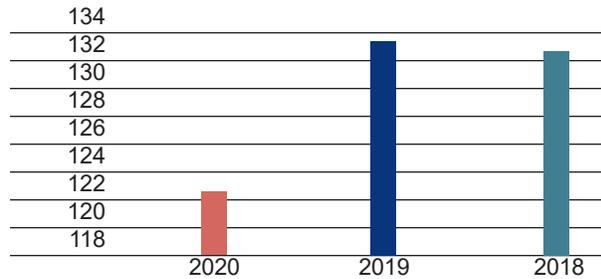
September 30, 2020

## AIRPORT ACTIVITIES & HIGHLIGHTS (continued)

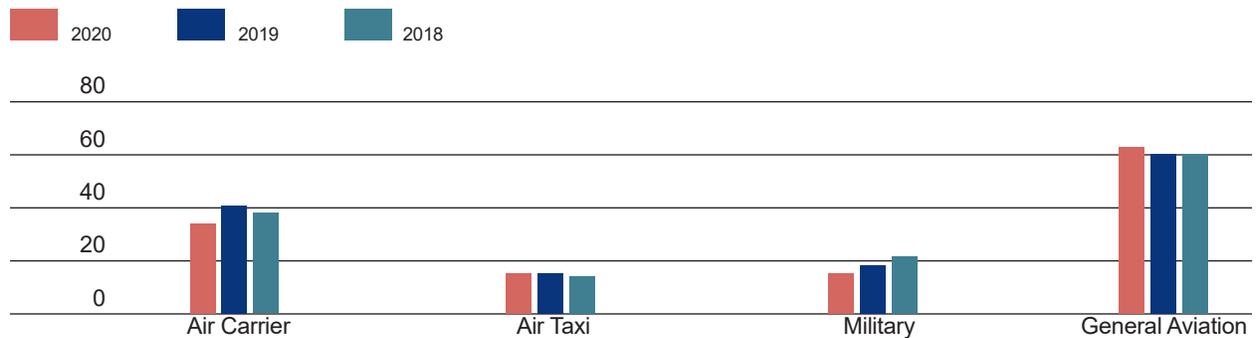
### Landed Weight by Airline (Thousands)



### Aircraft Operations (Thousands)



### Operations by Type (Thousands)



# Management's Discussion and Analysis (continued)

September 30, 2020

## FINANCIAL HIGHLIGHTS

The Authority's assets and deferred outflows exceeded liabilities and deferred inflows at the end of FY 2020 by \$423.9 million, compared to \$396.0 million and \$387.0 million at the end of FY 2019 and FY 2018, respectively. Unrestricted net position for fiscal years 2020, 2019 and 2018 was \$99.6 million, \$86.2 million, and \$76.5 million, respectively. The Authority experienced increases in net position of \$27.8 million and \$9.0 million for FY 2020 and FY 2019, respectively, compared to the previous years. The FY 2020 increase is largely attributable to capital contributions of \$16.8 million and other nonoperating grants-in-aid of \$14.2 million, offset by an \$8.4 million decrease in operating revenues due to the global response to the COVID-19 pandemic. The FY 2019 increase was largely attributable to net nonoperating revenues of \$9.7 million.

The Authority's total noncurrent liabilities decreased by \$0.1 million in FY 2020 over FY 2019 and decreased by \$1.4 million in FY 2019 over FY 2018. These changes reflect increases or decreases in the net pension liability, long-term debt and noncurrent environmental liabilities.

## SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

Summary of Operations and Changes in Net Position	2020	2019	2018
Operating revenues	\$ 38,869,374	\$ 47,261,051	\$ 44,025,529
Operating expenses	33,313,961	32,907,346	29,005,713
Operating income before depreciation & amortization	5,555,413	14,353,705	15,019,816
Depreciation & amortization	19,514,629	18,393,628	18,255,710
Operating (loss)	(13,959,216)	(4,039,923)	(3,235,894)
Nonoperating revenues	26,394,334	12,364,496	7,998,861
Nonoperating expenses	(1,354,548)	(2,664,201)	(5,378,950)
Income (loss) before capital contributions	11,080,570	5,660,372	(615,983)
Capital contributions	16,763,541	3,386,455	19,822,884
Increase in net position	27,844,111	9,046,827	19,206,901
Net position, beginning of year	396,017,672	386,970,845	367,763,944
Net position, end of year	\$ 423,861,783	\$ 396,017,672	\$ 386,970,845

Total operating revenues decreased \$8.4 million (17.8%) in FY 2020 over FY 2019 and increased \$3.2 million (7.3%) in FY 2019 over FY 2018. Decreases in operating revenues in FY 2020 were primarily related to decreases in concessions and landing fees due to travel restrictions during the pandemic. Increases in operating revenues in FY 2019 were primarily related to increases in concessions and other operating revenues.

Total operating expenses in FY 2020 increased by \$0.4 million (1.2%) over FY 2019. The increase was largely attributable to increases in personnel and other operating expenses partially offset by a decrease in contractual services. Total operating expenses in FY 2019 increased by \$3.9 million (13.5%) over FY 2018, with increases in personnel expenses and contractual services.

Nonoperating revenues in FY 2020 increased 113.5% compared to FY 2019. This was primarily attributable to an increase in the gain on disposition of capital assets resulting from a one-time land sale and other nonoperating revenue, which includes federal assistance related to the pandemic. FY 2019 nonoperating revenues increased 54.6% compared to FY 2018. This was mainly due to increase in the fair market value of investments. Nonoperating expenses decreased in FY 2020 by 49.2% following a decrease of 50.5% for FY 2019 compared to FY 2018. The decreases in FY 2020 and FY 2019 are primarily due to decreases in environmental expense and interest expense in both years.

Capital contributions in FY 2020 increased by 395.0% from FY 2019 and FY 2019 capital contributions decreased by 82.9% over FY 2018. Year-to-year variances in capital contributions are determined by factors such as grant availability and project timing and are not generally expected to be consistent between years.

# Management's Discussion and Analysis (continued)

September 30, 2020

## FINANCIAL POSITION

	2020	2019	Increase (decrease)	% Increase decrease (-)
<b><u>Summary of Net Position</u></b>				
<b><u>Assets</u></b>				
Current (unrestricted)	\$ 176,314,340	\$ 158,585,935	\$ 17,728,405	11.2%
Current (restricted)	23,014,065	21,646,775	1,367,290	6.3%
Net capital assets	331,407,192	321,124,815	10,282,377	3.2%
Other noncurrent assets	298,252	501,534	(203,282)	-40.5%
Total assets	531,033,849	501,859,059	29,174,790	5.8%
Deferred outflows of resources	6,091,332	3,992,003	2,099,329	52.6%
Total assets and deferred outflows of resources	\$ 537,125,181	\$ 505,851,062	\$ 31,274,119	6.2%
<b><u>Liabilities</u></b>				
Current (payable from unrestricted assets)	17,556,125	13,853,564	3,702,561	26.7%
Current (payable from restricted assets)	402,420	149,762	252,658	168.7%
Noncurrent	94,435,684	94,486,891	(51,207)	-0.1%
Total liabilities	112,394,229	108,490,217	3,904,012	3.6%
Deferred inflows of resources	869,169	1,343,173	(474,004)	-35.3%
Total liabilities and deferred inflows of resources	113,263,398	109,833,390	3,430,008	3.1%
<b><u>Net position</u></b>				
Net investment in capital assets	301,652,819	288,319,668	13,333,151	4.6%
Restricted	22,611,645	21,497,013	1,114,632	5.2%
Unrestricted	99,597,319	86,200,991	13,396,328	15.5%
Net position	\$ 423,861,783	\$ 396,017,672	\$ 27,844,111	7.0%

# Management's Discussion and Analysis (continued)

September 30, 2020

## FINANCIAL POSITION (continued)

	2019	2018	Increase (decrease)	% Increase decrease (-)
<b><u>Summary of Net Position</u></b>				
<b><u>Assets</u></b>				
Current (unrestricted)	\$ 158,585,935	\$ 147,010,189	\$ 11,575,746	8.9%
Current (restricted)	21,646,775	19,888,411	1,758,364	8.8%
Net capital assets	321,124,815	328,433,557	(7,308,742)	-2.2%
Other noncurrent assets	501,534	539,071	(37,537)	-7.0%
Total assets	501,859,059	495,871,228	5,987,831	1.2%
Deferred outflows of resources	3,992,003	3,632,247	359,756	9.9%
Total assets and deferred outflows of resources	\$ 505,851,062	\$ 499,503,475	\$ 6,347,587	1.3%
<b><u>Liabilities</u></b>				
Current (payable from unrestricted assets)	13,853,564	14,251,179	(397,615)	-2.8%
Current (payable from restricted assets)	149,762	134,157	15,605	11.6%
Noncurrent	94,486,891	95,849,433	(1,362,542)	-1.4%
Total liabilities	108,490,217	110,234,769	(1,744,552)	-1.6%
Deferred inflows of resources	1,343,173	2,297,861	(954,688)	-41.5%
Total liabilities and deferred inflows of resources	109,833,390	112,532,630	(2,699,240)	-2.4%
<b><u>Net position</u></b>				
Net investment in capital assets	288,319,668	290,739,199	(2,419,531)	-0.8%
Restricted	21,497,013	19,754,254	1,742,759	8.8%
Unrestricted	86,200,991	76,477,392	9,723,599	12.7%
Net position	\$ 396,017,672	\$ 386,970,845	\$ 9,046,827	2.3%

# Management's Discussion and Analysis (continued)

September 30, 2020

## FINANCIAL POSITION (continued)

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Current unrestricted assets increased in FY 2020 over FY 2019 by \$17.7 million and increased in FY 2019 over FY 2018 by \$11.6 million. The FY 2020 increase was due mainly to an increase in cash and cash equivalents of \$43.5 million and grants receivable of \$16.5 million, partially offset by a \$40.8 million decrease in investments. The FY 2019 increase was due mainly to an increase in unrestricted cash and investments of \$12.4 million and accounts and accrued interest receivable of \$1.3 million partially offset by a \$2.2 million decrease in grants receivable. Current restricted assets increased by \$1.4 million in FY 2020 following an increase of \$1.8 million in FY 2019. The increase in FY 2020 resulted from an increase in cash, offset by a decrease in investments. The increase in FY 2019 resulted from an increase in cash and investments in the Passenger Facility Charge (PFC) Funds. Net capital assets increased by \$10.3 million in FY 2020 over FY 2019 and decreased by \$6.9 million in FY 2019 over FY 2018, both years being impacted by projects in the Authority's capital improvement program.

Current liabilities payable from unrestricted assets in FY 2020 increased \$3.7 million compared to FY 2019. Current liabilities payable from restricted assets in FY 2020 compared to FY 2019 increased \$0.3 million. Current liabilities payable from unrestricted assets in FY 2019 decreased \$0.4 million compared to FY 2018. There was little change in current liabilities payable from restricted assets in FY 2019 compared to FY 2018, with both years totaling \$0.1 million. Total noncurrent liabilities decreased by \$0.1 million in FY 2020 compared to FY 2019 and decreased by \$1.4 million in FY 2019 compared to FY 2018. The decreases in both years were primarily due to normal debt service, offset by an increase in net pension/other post-employment benefits (OPEB) liability.

The largest portion of the Authority's net position, 71.3% for FY 2020, 72.8% for FY 2019, and 75.1% for FY 2018, represents its investment in capital assets (e.g. land, buildings, machinery and equipment), less outstanding debt used to acquire those assets. The Authority uses these assets to provide services to its passengers, visitors and tenants that generate future revenue streams. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to retire these liabilities.

An additional portion of the Authority's net position, 5.3% for FY 2020, 5.4% for FY 2019 and 5.1% for FY 2018, represents resources that are subject to restrictions from government grantors, bond resolutions and State and Federal regulators on how they may be used. The changes in restricted net position over the three-year period are primarily attributable to passenger facility charge funds that are accumulating for retirement of debt used to finance completed terminal expansion and concourse renovation projects, offset by decreases in assets restricted for payment of environmental remediation expenses. The remaining unrestricted net position balances of \$99.6 million for FY 2020, \$86.2 million for FY 2019 and \$76.5 million for FY 2018 may be used for any lawful purpose of the Authority.

## REVENUES

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In FY 2020, total revenues of \$82.0 million were more than the prior fiscal year by 30.2%, whereas FY 2019 revenues of \$63.0 million were less than FY 2018 by 12.3%.

Operating revenues decreased in FY 2020 over FY 2019 by \$8.4 million (17.8%). Revenue category changes included decreases in landing fees of \$1.0 million, concession revenue decreases of \$6.7 million, and other operating revenue decreases of \$0.7 million. The landing fees decreased from the prior year (33.7%), concession revenues (36.2%) and other operating revenue decreases (19.7%) are generally attributable to the declining traffic at the airport due to restrictions in domestic and international travel during the COVID-19 pandemic.

# Management's Discussion and Analysis (continued)

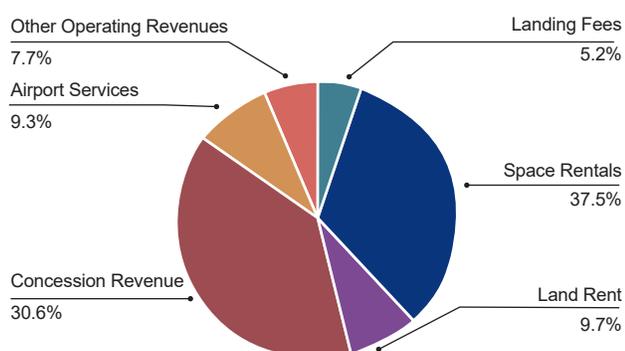
September 30, 2020

## REVENUES (continued)

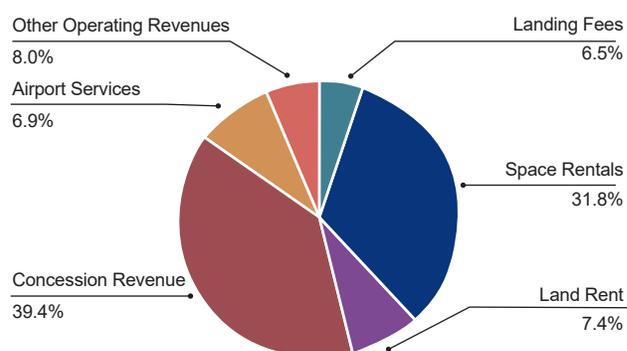
Revenues by Major Source	2020	2019	Increase (decrease)	% Increase decrease (-)
Landing fees	\$ 2,037,041	\$ 3,070,839	\$ (1,033,798)	-33.7%
Space rentals	14,560,223	15,046,170	(485,947)	-3.2%
Land rent	3,789,349	3,515,665	273,684	7.8%
Concession revenue	11,878,384	18,624,434	(6,746,050)	-36.2%
Airport services	3,611,852	3,278,715	333,137	10.2%
Other operating revenues	2,992,525	3,725,228	(732,703)	-19.7%
Total operating revenues	38,869,374	47,261,051	(8,391,677)	-17.8%
Interest income	2,330,044	3,079,094	(749,050)	-24.3%
Net increase (decrease) in fair value of investments	47,394	1,753,938	(1,706,544)	-97.3%
Passenger facility charges	4,265,140	7,229,199	(2,964,059)	-41.0%
Gain on disposition of fixed assets	5,538,871	45,589	5,493,282	12049.6%
Nonoperating grants-in-aid	14,153,997	256,676	13,897,321	5414.3%
Other nonoperating revenue	58,888	-	58,888	0.0%
Total nonoperating revenues	26,394,334	12,364,496	14,029,838	113.5%
Capital contributions	16,763,541	3,386,455	13,377,086	395.0%
Total revenues	\$ 82,027,249	\$ 63,012,002	\$ 19,015,247	30.2%

The following charts show the major sources and the percentage of operating revenues for fiscal years 2020 and 2019:

### Operating Revenues FY 2020



### Operating Revenues FY 2019



Operating revenues increased in FY 2019 over FY 2018 by \$3.2 million (7.3%). Revenue category changes included increases in landing fees \$0.8 million, space rentals \$0.6 million, concession revenue \$1.5 million, and other operating revenues \$0.8 million, which were partially offset by decreases in airport services \$0.5 million. The landing fees increase from the prior year (37.0%), was largely attributable to an increase in the landing fee rate from \$1.04 per thousand-pound unit in 2018 to \$1.32 in 2019. The increase in space rental revenue is largely due to an increase in terminal rent. The increase in concession revenues is due to higher rental car and parking revenues associated with increases in passenger activity. The decrease in airport services and other operating revenues was primarily associated with decreased project and security reimbursements.

# Management's Discussion and Analysis (continued)

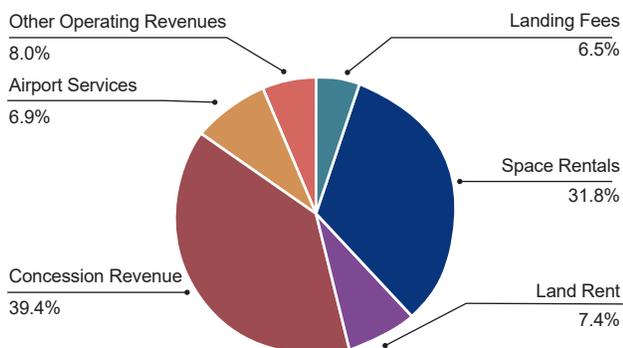
September 30, 2020

## REVENUES (continued)

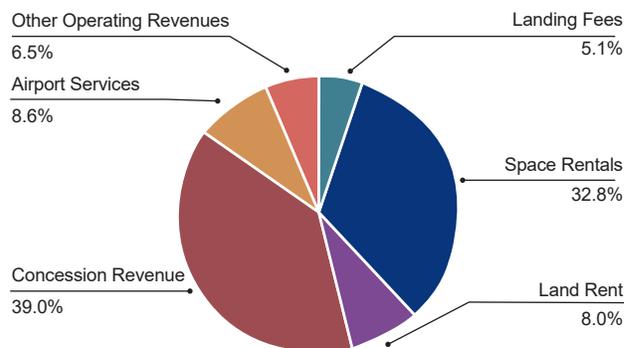
Revenues by Major Source	2019	2018	Increase (decrease)	% Increase decrease (-)
Landing fees	\$ 3,070,839	\$ 2,242,036	\$ 828,803	37.0%
Space rentals	15,046,170	14,443,728	602,442	4.2%
Land rent	3,515,665	3,510,909	4,756	0.1%
Concession revenue	18,624,434	17,153,120	1,471,314	8.6%
Airport services	3,278,715	3,799,364	(520,649)	-13.7%
Other operating revenues	3,725,228	2,876,372	848,856	29.5%
<b>Total operating revenues</b>	<b>47,261,051</b>	<b>44,025,529</b>	<b>3,235,522</b>	<b>7.3%</b>
Interest income	3,079,094	2,252,824	826,270	36.7%
Net increase (decrease) in fair value of investments	1,753,938	(1,008,476)	2,762,414	273.9%
Passenger facility charges	7,229,199	6,754,513	474,686	7.0%
Gain on disposition of fixed assets	45,589	-	45,589	0.0%
Nonoperating grants-in-aid	256,676	-	256,676	0.0%
<b>Total nonoperating revenues</b>	<b>12,364,496</b>	<b>7,998,861</b>	<b>4,365,635</b>	<b>54.6%</b>
Capital contributions	3,386,455	19,822,884	(16,436,429)	-82.9%
<b>Total revenues</b>	<b>\$ 63,012,002</b>	<b>\$ 71,847,274</b>	<b>\$ (8,835,272)</b>	<b>-12.3%</b>

The following charts show the major sources and the percentage of operating revenues for fiscal years 2019 and 2018:

**Operating Revenues FY 2019**



**Operating Revenues FY 2018**



## NONOPERATING REVENUES

Nonoperating revenues consist mainly of income on investments, gain on disposition of capital assets, federal grant assistance related to the pandemic reported in other nonoperating revenue, and passenger facility charges (PFCs). PFC revenue fluctuates based on passenger levels. FY 2020 nonoperating revenues increased \$14.0 million (113.5%) over FY 2019 due to higher gain on disposition of capital assets of \$5.5 million attributable to a one-time land sale and an increase in federal grant assistance by \$13.9 million, offset by a decrease in PFC revenue of \$3.0 million and lower interest income and net increase in fair value of investments that combined represented a decrease of \$2.5 million from FY 2019. FY 2019 nonoperating revenues increased \$4.4 million (54.6%) over FY 2018 due to higher investment income of \$3.6 million and an increase in PFC revenue of \$0.5 million.

# Management's Discussion and Analysis (continued)

September 30, 2020

## CAPITAL CONTRIBUTIONS

Capital contributions consist of various federal and state grants and vary from year-to-year depending on grant availability and timing of projects.

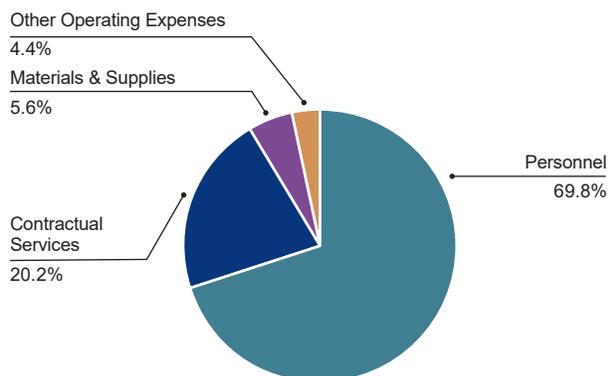
## EXPENSES

Total expenses for FY 2020 increased 0.4% from FY 2019 due primarily to increases in most operating expenses, offset by decreases in nonoperating expenses. Operating expenses increased \$0.4 million (1.2%). The increase in operating expenses was a result of increases across all operating expense categories except contractual services. Nonoperating expenses were \$1.3 million (49.2%) lower in FY 2020 than FY 2019, caused mainly by decreases in interest expense of \$0.1 million and environmental expense of \$1.2 million.

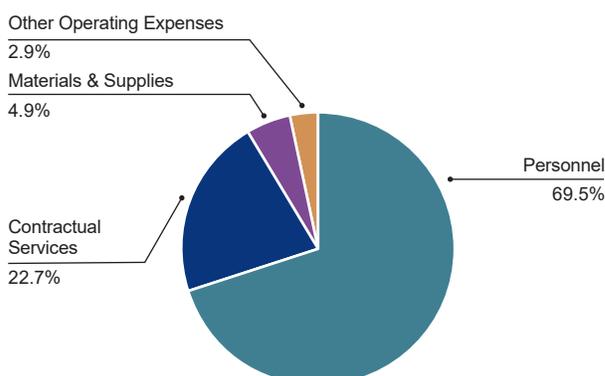
<b>Expenses by Major Category</b>	2020	2019	Increase (decrease)	% Increase decrease (-)
Personnel	\$ 23,272,979	\$ 22,646,456	\$ 626,523	2.8%
Contractual services	6,726,582	7,710,016	(983,434)	-12.8%
Materials and supplies	1,859,050	1,595,222	263,828	16.5%
Other operating expenses	1,455,350	955,652	499,698	52.3%
Total operating expenses	33,313,961	32,907,346	406,615	1.2%
Depreciation and amortization	19,514,629	18,393,628	1,121,001	6.1%
Interest expense	960,095	1,077,162	(117,067)	-10.9%
Environmental expenses	394,453	1,587,039	(1,192,586)	-75.1%
Total nonoperating expenses	1,354,548	2,664,201	(1,309,653)	-49.2%
Total expenses	\$ 54,183,138	\$ 53,965,175	\$ 217,963	0.4%

The following charts show the major operating expense categories for the Authority for FY 2020 and FY 2019

### Operating Expenses FY 2020



### Operating Expenses FY 2019



# Management's Discussion and Analysis (continued)

September 30, 2020

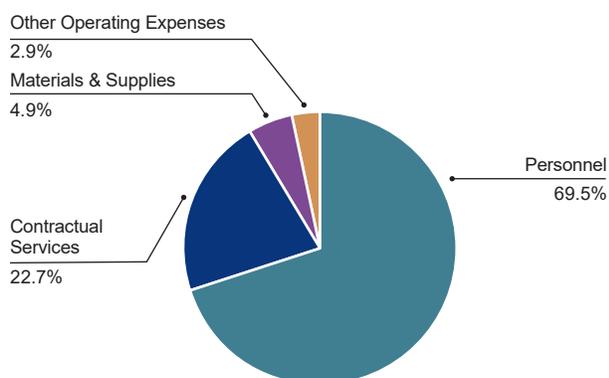
## EXPENSES (continued)

Total expenses for FY 2019 increased 2.6% from FY 2018 due primarily to increases in personnel and contractual services of \$2.3 million and \$1.6 million, respectively, being offset by decreases in interest and environmental expenses. Operating expenses for FY 2019 increased \$3.9 million (13.5%) from FY 2018. The increase in operating expenses was a result of increases across all operating expense categories except other operating expenses. Nonoperating expenses were \$2.7 million (50.5%) lower in FY 2019 than FY 2018. This was caused mainly by decreases in interest and environmental expense of \$1.2 million and \$1.4 million, respectively.

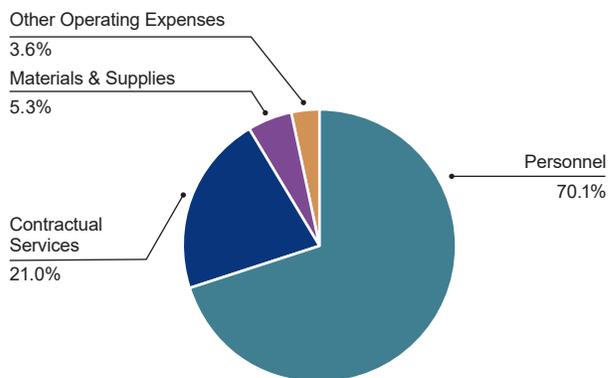
Expenses by Major Category	2019	2018	Increase (decrease)	% Increase decrease (-)
Personnel	\$ 22,646,456	\$ 20,323,973	\$ 2,322,483	11.4%
Contractual services	7,710,016	6,089,002	1,621,014	26.6%
Materials and supplies	1,595,222	1,544,793	50,429	3.3%
Other operating expenses	955,652	1,047,945	(92,293)	-8.8%
Total operating expenses	32,907,346	29,005,713	3,901,633	13.5%
Depreciation and amortization	18,393,628	18,255,710	137,918	0.8%
Interest expense	1,077,162	2,249,588	(1,172,426)	-52.1%
Environmental expenses	1,587,039	2,964,165	(1,377,126)	-46.5%
Loss on disposition of capital assets	-	156,269	(156,269)	-100.0%
Other nonoperating expenses	-	8,928	(8,928)	-100.0%
Total nonoperating expenses	2,664,201	5,378,950	(2,714,749)	-50.5%
Total expenses	\$ 53,965,175	\$ 52,640,373	\$ 1,324,802	2.5%

The following charts show the major operating expense categories for the Authority for FY 2019 and FY 2018

### Operating Expenses FY 2019



### Operating Expenses FY 2018



## Management's Discussion and Analysis (continued)

September 30, 2020

### CAPITAL ASSETS

Net capital assets increased \$10.3 million (3.2%) in FY 2020 over FY 2019. The increase resulted from spending on capital improvement program projects. The most significant FY 2020 CIP projects were undertaken on the airfield and included taxiway construction and design and groundbreaking for the multi-year airfield safety enhancement project (ASE). Land assets decreased in FY 2020 due to a one-time disposition.

<b>Net Capital Assets</b>	2020	2019	Increase (decrease)	% Increase decrease (-)
Land	\$ 51,555,292	\$ 52,751,886	\$ 321,124,815	-2.3%
Air aviation easement	29,990,090	29,990,090	-	0.0%
Land improvements	203,936,506	199,468,904	4,467,602	2.2%
Buildings and improvements	266,982,123	263,382,099	3,600,024	1.4%
Utilities	5,951,108	5,951,108	-	0.0%
Computer software	6,421,357	6,345,878	75,479	1.2%
Furniture, fixtures, machinery and equipment	47,836,856	46,849,972	986,884	2.1%
Artwork	481,798	481,798	-	0.0%
Construction in progress	34,708,397	13,505,421	21,202,976	157.0%
Gross capital assets	647,863,527	618,727,156	29,136,371	4.7%
Less accumulated depreciation	316,456,335	297,602,341	18,853,994	6.3%
Net capital assets	\$ 331,407,192	\$ 321,124,815	\$ 10,282,377	3.2%

Net capital assets decreased \$7.3 million (2.2%) in FY 2019 over FY 2018. The decrease resulted from depreciation expense exceeding spending on capital improvement program projects. The most significant FY 2019 CIP projects included taxiway reconstruction, Aero Park Blvd. infrastructure, and C-gate construction.

<b>Net Capital Assets</b>	2019	2018	Increase (decrease)	% Increase decrease (-)
Land	\$ 52,751,886	\$ 52,748,136	\$ 3,750	0.0%
Air aviation easement	29,990,090	29,990,090	-	0.0%
Land improvements	199,468,904	176,084,744	23,384,160	13.3%
Buildings and improvements	263,382,099	263,232,410	149,689	0.1%
Utilities	5,951,108	5,951,108	-	0.0%
Computer software	6,345,878	6,100,567	245,311	4.0%
Furniture, fixtures, machinery and equipment	46,849,972	41,214,788	5,635,184	13.7%
Artwork	481,798	458,630	23,168	5.1%
Construction in progress	13,505,421	32,966,679	(19,461,258)	-59.0%
Gross capital assets	618,727,156	608,747,152	9,980,004	1.6%
Less accumulated depreciation	297,602,341	280,313,595	17,288,746	6.2%
Net capital assets	\$ 321,124,815	\$ 328,433,557	\$ (7,308,742)	-2.2%

Additional detailed information regarding capital asset activity may be found in Note 5 to the financial statements.

## Management's Discussion and Analysis (continued)

September 30, 2020

### DEBT ACTIVITY

At the end of FY 2020, the Authority had total long-term debt outstanding of \$29.8 million. The debt consists of bonds that are secured by a pledge of passenger facility charge revenues and general airport revenues, and unamortized premium. The decrease of \$3.1 million (9.3%) from FY 2019 is a result of normal debt service and amortization of the bond premium.

<b>Outstanding Long-term Debt</b>	2020	2019	Increase (decrease)	% Increase decrease (-)
Authority revenue bonds:				
Series 2018 subordinate lien	\$ 29,540,000	\$ 32,520,000	\$ (2,980,000)	-9.2%
Unamortized premium	214,373	285,147	(70,774)	-24.8%
Total long-term debt	<u>\$ 29,754,373</u>	<u>\$ 32,805,147</u>	<u>\$ (3,050,774)</u>	<u>-9.3%</u>

At the end of FY 2019, the Authority had total long-term debt outstanding of \$32.8 million. The debt consists of bonds that are secured by a pledge of passenger facility charge revenues and general airport revenues, and unamortized premium. The decrease of \$4.9 million (13.0%) from FY 2018 is a result of normal debt service and amortization of the bond premium.

<b>Outstanding Long-term Debt</b>	2019	2018	Increase (decrease)	% Increase decrease (-)
Authority revenue bonds:				
Series 2018 subordinate lien	\$ 32,520,000	\$ 37,330,000	\$ (4,810,000)	-12.9%
Unamortized premium	285,147	364,358	(79,211)	-21.7%
Total long-term debt	<u>\$ 32,805,147</u>	<u>\$ 37,694,358</u>	<u>\$ (4,889,211)</u>	<u>-13.0%</u>

Additional detailed information regarding long-term debt activity may be found in Note 7 to the financial statements.

# Management's Discussion and Analysis (continued)

September 30, 2020

## DEBT SERVICE COVERAGE

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Debt service coverage is a covenant of the Authority's bond resolutions requiring that annual net airport system revenues be maintained at 1.25 times the senior lien debt service requirement and at 1.10 times the subordinate lien debt service requirement. This coverage serves as an indicator to bondholders that funds are available for timely debt service payments. Net airport system revenue is calculated based on the airport use and lease agreement between the Authority and its signatory airlines, and includes several additions to and subtractions from revenue and expense amounts reported in the basic financial statements.

In FY 2020, net airport system revenues available for subordinate lien bond debt service was 2.77 times subordinate lien debt service, compared to 3.67 and 3.99 for FY 2019 and FY 2018, respectively. The Authority had no senior lien debt outstanding during fiscal years 2020, 2019 and 2018. Variances in the debt service coverage year-over-year are primarily attributable to normal debt service and changes in net airport system revenue.

## AIRLINE RATES AND CHARGES

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The Authority has a long-term residual cost airport use agreement with the major passenger airlines (signatory airlines). This agreement provides a method for securing the financial stability of the Authority through a schedule of rates and charges. Following are some of the key rates and charges included in the agreement:

<b>Signatory Airline Rates and Charges</b>		2020	2019	2018
Ticketing	per sq. ft.	\$ 83.42	\$ 83.42	\$ 80.91
Hold room	per gate	12,640.78	121,640.78	117,983.30
Baggage claim	per sq. ft.	79.11	79.11	76.73
Baggage makeup	per sq. ft.	27.80	27.80	26.96
Landing fee	per 1,000 lbs.	1.15	1.32	1.04

Throughout FY 2019, the signatory airlines operated, on a month-to-month basis, under the terms of the airline use agreement that had expired on September 30, 2018. During FY 2020, an extension of the previously expired agreement was negotiated and is set to expire on September 30, 2021, to allow for time to negotiate a new agreement.

## Management's Discussion and Analysis (continued)

September 30, 2020

### AIRLINE COST PER ENPLANEMENT

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Airline Cost Per Enplanement (CPE) is a measure used in the airline and airport industries to show the average cost an airline incurs to enplane one passenger at a given airport. This figure is derived by dividing total passenger airline revenues earned by the airport by the total number of enplaned passengers.

CPE increased in FY 2020 over FY 2019 by \$4.28 per enplanement and increased in FY 2019 over FY 2018 by \$0.07 per enplanement. The FY 2020 increase was mainly a result of decreased passenger volumes. The increase in FY 2019 was primarily a result of increased landing fees over prior year.

<b>Airline Cost Per Enplanement</b>		<b>2020</b>		<b>2019</b>		<b>2018</b>
Passenger airline revenues	\$	13,516,742	\$	14,299,579	\$	13,314,040
Enplaned passengers		1,144,018		1,897,590		1,782,050
Cost per enplanement	\$	11.82	\$	7.54	\$	7.47

# Statements of Net Position

September 30, 2020 and 2019

<b><u>ASSETS</u></b>	2020	2019
Current assets:		
Unrestricted assets:		
Cash and cash equivalents - Note 3	\$ 71,520,407	\$ 28,040,565
Investments - Note 3	83,278,353	124,038,564
Accounts receivable, net of allowance for doubtful accounts of \$313,380 for 2020 and \$210,550 for 2019	1,976,854	3,292,664
Accrued interest receivable	185,231	536,636
Grants receivable	18,303,874	1,809,505
Inventories - Note 4	328,256	311,304
Prepaid expenses and other assets	721,365	556,697
Total unrestricted current assets	176,314,340	158,585,935
Restricted assets:		
Cash and cash equivalents - Note 3	10,132,836	2,605,391
Investments - Note 3	12,423,496	18,301,745
Accounts receivable	410,268	626,109
Accrued interest receivable	47,465	113,530
Total restricted current assets	23,014,065	21,646,775
Total current assets	199,328,405	180,232,710
Noncurrent assets:		
Unrestricted assets:		
Deferred rents	298,252	501,534
Capital assets - Notes 5 and 7		
Not depreciated	116,735,577	96,729,195
Depreciated, net	214,671,615	224,395,620
Total capital assets	331,407,192	321,124,815
Total unrestricted noncurrent assets	331,705,444	321,626,349
Total noncurrent assets	331,705,444	321,626,349
Total assets	531,033,849	501,859,059
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Difference between projected and actual investment earnings related to pensions/OPEB - ASRS	1,771,150	-
Difference between projected and actual investment earnings related to pensions/OPEB - PSPRS	619,545	160,390
Net deferred outflows for difference between projected and actual investment earnings	2,390,695	160,390
Other deferred outflows from pensions/OPEB	3,700,637	3,831,613
Total deferred outflows from pensions/OPEB - Note 8	6,091,332	3,992,003
	\$ 537,125,181	\$ 505,851,062

See Accompanying Notes.

## Statements of Net Position (continued)

September 30, 2020 and 2019

<b><u>LIABILITIES</u></b>	2020	2019
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	\$ 1,263,230	\$ 879,531
Accrued expenses	1,855,990	1,965,104
Unearned revenues - Note 6	2,733,808	1,689,308
Construction contracts payable	5,205,743	2,448,352
Current portion of environmental remediation payable - Note 14	4,987,354	5,406,269
Current portion of bonds payable - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,510,000	1,465,000
Total payable from unrestricted assets	17,556,125	13,853,564
Payable from restricted assets:		
Current portion of environmental remediation payable - Note 14	402,420	149,762
Total payable from restricted assets	402,420	149,762
Total current liabilities	17,958,545	14,003,326
Noncurrent liabilities:		
Payable from unrestricted assets:		
Bonds payable, net of current portion - Note 7:		
Airport Subordinate Lien Revenue Bonds, Series 2018	28,244,373	31,340,147
Net pension/OPEB liability - Note 8	47,884,399	44,126,998
Environmental remediation payable, net of current portion - Note 14	18,306,912	19,019,746
Total payable from unrestricted assets	94,435,684	94,486,891
Total noncurrent liabilities	94,435,684	94,486,891
Total liabilities	112,394,229	108,490,217

See Accompanying Notes.

## Statements of Net Position (continued)

September 30, 2020 and 2019

<b>DEFERRED INFLOWS OF RESOURCES</b>	2020	2019
Difference between projected and actual investment earnings related to pensions/OPEB - ASRS	\$ -	\$ 389,736
Net deferred inflows for difference between projected and actual investment earnings	-	389,736
Other deferred outflows from pensions/OPEB	869,169	953,437
Deferred inflows from pensions/OPEB - Note 8	869,169	1,343,173

Commitments and contingencies - Notes 13 and 14

### **NET POSITION**

Net investment in capital assets	\$ 301,652,819	\$ 288,319,668
Restricted for:		
Debt service		-
Capital projects	22,611,645	21,497,013
Total restricted net position	22,611,645	21,497,013
Unrestricted	99,597,319	86,200,991
Total net position	\$ 423,861,783	\$ 396,017,672

See Accompanying Notes.

# Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Landing fees	\$ 2,037,041	\$ 3,070,839
Space rentals	14,560,223	15,046,170
Land rent	3,789,349	3,515,665
Concession revenue	11,878,384	18,624,434
Airport services	3,611,852	3,278,715
Other operating revenues	2,992,525	3,725,228
Total operating revenues	38,869,374	47,261,051
Operating expenses:		
Personnel expenses	23,272,979	22,646,456
Contractual services	6,726,582	7,710,016
Materials and supplies	1,859,050	1,595,222
Other operating expenses	1,455,350	955,652
Total operating expenses	33,313,961	32,907,346
Depreciation and amortization	19,514,629	18,393,628
Operating (loss)	(13,959,216)	(4,039,923)
Nonoperating revenues (expenses):		
Interest income	2,330,044	3,079,094
Net increase in fair value of investments	47,394	1,753,938
Passenger facility charges - Note 11	4,265,140	7,229,199
Interest expense and fiscal charges	(960,095)	(1,077,162)
Gain on disposition of capital assets	5,538,871	45,589
Environmental remediation expenses - Note 14	(394,453)	(1,587,039)
Nonoperating grants-in-aid	14,153,997	256,676
Other nonoperating expense	58,888	-
	25,039,786	9,700,295
Income before capital contributions	11,080,570	5,660,372
Capital contributions:		
Federal	15,808,720	3,254,109
State	954,821	132,346
	16,763,541	3,386,455
Increase in net position	27,844,111	9,046,827
Total net position, beginning of year	396,017,672	386,970,845
Total net position, end of year	\$ 423,861,783	\$ 396,017,672

See Accompanying Notes.

# Statements of Cash Flows

Years ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from airlines and tenants	\$ 41,072,196	\$ 46,367,134
Federal and state grants-in-aid	360,737	420,768
Payments to suppliers	(10,237,179)	(10,071,387)
Payments for personnel services	(21,799,749)	(21,778,073)
Payments for environmental remediation	(1,276,064)	(2,030,515)
Net cash provided by operating activities	<u>8,119,941</u>	<u>12,907,927</u>
Cash flows from capital and related financing activities:		
Federal and state capital contribution receipts	13,226,314	5,571,621
Acquisition of capital assets	(28,386,427)	(10,604,743)
Proceeds from sale of capital assets	6,885,682	67,191
Principal paid on long-term debt	(2,980,000)	(4,810,000)
Passenger facility charge receipts	4,480,982	7,592,527
Interest paid on long-term debt	(971,981)	(1,216,904)
Nonoperating grants-in-aid receipts	1,196,887	256,676
Net cash used in capital and related financing activities	<u>(6,548,543)</u>	<u>(3,143,632)</u>
Cash flows from investing activities:		
Interest on investments	3,129,849	2,847,675
Maturity and calls of investments	275,531,926	121,867,285
Purchase of investments	(229,225,886)	(120,970,484)
Collections of notes receivable	-	27,134
Net cash provided by investing activities	<u>49,435,889</u>	<u>3,771,610</u>
Net increase in cash and cash equivalents	51,007,287	13,535,905
Cash and cash equivalents, beginning of year	<u>30,645,956</u>	<u>17,110,051</u>
Cash and cash equivalents, end of year	<u>\$ 81,653,243</u>	<u>\$ 30,645,956</u>

See Accompanying Notes.

## Statements of Cash Flows (continued)

Years ended September 30, 2019 and 2018

	2020	2019
Reconciliation of operating loss to net cash provided by operating activities:		
Operating (loss)	\$ (13,959,216)	\$ (4,039,923)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	19,514,629	18,393,628
Payments for environmental remediation	(1,276,064)	(2,030,515)
Effects of changes in operating assets and liabilities:		
Receivables	1,519,059	(1,222,989)
Inventories	(16,952)	18,475
Prepaid expenses and other assets	(164,668)	(36,577)
Accounts payable	383,699	(231,165)
Accrued expenses	(109,114)	443,787
Deferred revenues	1,044,500	749,840
Net pension liability and related changes in deferred outflows and inflows of resources	1,184,068	863,366
Net cash provided by operating activities	\$ 8,119,941	\$ 12,907,927
Noncash nonoperating, capital, financing and investing activities:		
Grants receivable included in capital contributions	\$ 5,288,086	\$ 1,750,860
Additions to capital assets included in accounts payable	\$ 5,205,743	\$ 2,448,352
Net appreciation in fair value of investments	\$ 47,394	\$ 1,753,938
Increase in estimate of environmental remediation liability	\$ 394,453	\$ 1,587,039

See Accompanying Notes.

# Notes to Financial Statements

September 30, 2020 and 2019

## NOTE 1 – ORGANIZATION AND REPORTING ENTITY

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Tucson Airport Authority, Inc. (Authority), a civic, nonprofit corporation as provided for under the laws of the State of Arizona, was established April 12, 1948 for the purpose of developing and promoting transportation and commerce in the State through the operation and maintenance of airports and related facilities adjacent to the City of Tucson in Pima County, Arizona. The Authority's membership consists of up to 60 residents of the airport service area who elect a Board of Directors (Board) which governs the Authority. The Authority has no taxing power and presently operates two airports: Tucson International Airport (Airport) and Ryan Airfield.

The land and improvements composing the Airport are owned by the City of Tucson (City) and are leased by the City to the Authority pursuant to a lease dated October 14, 1948, as amended (Airport Lease). Pursuant to the terms of the Airport Lease, which expires October 14, 2098, the Authority has the obligation to operate, maintain and develop the Airport as a public facility for the accommodation of air commerce. In addition, the Airport Lease provides for certain other rights, powers and obligations as specified therein. Under the terms of the Airport Lease, the Authority has been required to make only nominal payments to date. Upon expiration of the Airport Lease, the Airport and improvements thereon, except as provided for in the Airport Lease, return to the custody of the City.

Five passenger airlines utilizing the Airport have entered into a Signatory Airport Use Agreement with the Authority and are referred to as Signatory Airlines. In general, the Airport Use Agreement provides that fixed rentals are to be paid monthly by each Signatory Airline for use and occupancy of certain terminal space and other facilities. In addition, the Signatory Airlines collectively pay landing fees which are determined so that the aggregate landing fees paid in each fiscal year by all Signatory Airlines, after taking into consideration other revenues of the Authority, is an amount which provides sufficient operating funds to cover annual debt service of the bonds, annual operating expenses and satisfies other bond resolution requirements. The existing Signatory Airport Use Agreement expires on September 30, 2021.

The accompanying financial statements include the accounts of the Authority. There are no potential component units, nor has the Authority been determined to be a component unit of any other entity.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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A summary of significant accounting policies follows:

### *Basis of accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All transactions are accounted for in a single enterprise fund. Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

### *Use of estimates in preparing financial statements*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions, e.g., useful lives of capital assets that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. The most significant estimates recorded in the financial statements are the net pension liability (Note 8) and environmental remediation liability (Note 14).

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### *Measurement focus and basis of accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statements of Net Position. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, net position is displayed in three components – net investment in capital assets, restricted and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

On proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

### *Budgets*

The Authority utilizes a budget process for planning purposes with adoption by the Board of Directors. Pursuant to the Airport Lease, the Authority prepares a biennial budget that is presented to the Mayor and Council of the City for informational purposes. An annual budget is also reviewed by representatives of the Signatory Airlines. The budget is prepared in sufficient detail to enable its use by management in monitoring operations.

### *Cash and cash equivalents*

Investments are categorized as cash equivalents if their maturity date is 90 days or less at the date of purchase. Those assets having a maturity of more than 90 days are classified as investments for statement of net position presentation. Cash equivalents include cash on hand, checking, savings, money market accounts and cash equivalent mutual funds.

### *Grant and accounts receivable*

The Authority grants unsecured credit to certain of its tenants, the U.S. government and state and local agencies without interest. Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by an allowance for the estimated portion that is expected to be uncollectible. This estimate is made based on collection history, aviation industry trends and current information regarding the credit worthiness of the debtors. When collection activity results in receipt of amounts previously written off against the allowance, revenue is recognized for the amount collected.

### *Inventories*

Inventories consist of fuel for internal use and resale and operating and maintenance supplies, and are recorded at the lower of cost or market with cost determined on an average cost basis.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### *Investments*

Investments are stated at fair value. The Authority's policy is to invest in certificates of deposit, federal treasury and agency securities, cash equivalent mutual funds and repurchase agreements, and to hold such investments to maturity. In accordance with this policy, investments are purchased so that maturities will occur as projected cash flow needs arise in connection with daily operations, construction projects and bond debt service requirements.

### *Bond issuance costs*

Costs of issuing general airport revenue bonds, except prepaid insurance, are expensed as incurred. Insurance is recorded as a prepaid asset and amortized over the life of the bonds using the effective interest method.

### *Capital assets*

Capital assets are stated at cost or estimated historical cost if original cost is not available and include expenditures which substantially increase the useful lives of existing assets. Capital assets, includes intangible assets, which are without physical substance that provide economic benefits through the rights and privileges associated with their possession, including aviation avigation easements and computer software. Gifts or contributions of capital assets are recorded at acquisition value as of the date of the acquisition. The Authority's policy is to capitalize assets with a cost of \$2,500 or more. Routine maintenance and repairs are expensed as incurred.

Depreciation (including amortization of intangible assets) has been provided using the straight-line method over the following estimated useful lives of the related assets:

Utilities	9 to 20 years
Land improvements	3 to 50 years
Buildings and improvements	3 to 50 years
Intangibles	2 to 25 years
Furniture, fixtures, machinery and equipment	2 to 25 years

Depreciation and amortization of capital assets is recorded as an expense in the Statements of Revenues, Expenses and Changes in Net Position.

Interest incurred on debt obligations to finance construction projects is capitalized during the construction period. Interest income from funds obtained through Authority bond proceeds that are restricted for construction purposes is netted against interest expense incurred on the bonds in determining the amount of capitalized interest.

Capital assets are considered impaired if there is a significant unexpected decline in the service utility of the asset. Impaired capital assets that will no longer be used by the Authority are reported at the lower of carrying or fair value. Impairment losses on capital assets that will continue to be used by the Authority are measured using the method that best reflects the diminished service utility of the capital asset.

### *Restricted assets*

Certain resources of the Authority are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants, Federal Aviation Administration regulations or the environmental consent decree for payment of the respective liabilities.

### *Compensated absences*

The Authority's personnel policy provides full-time employees with vacation in varying amounts and, at termination, an employee is paid for accumulated (vested) vacation. Accordingly, compensation for vacation leave is charged to expense as earned by the employee, and accumulated unpaid vacation leave payable upon an employee's termination is recorded as a current liability.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### *Net Pension/OPEB Liability, Deferred Outflows and Inflows of Resources*

For purposes of measuring the net pension/OPEB liability, deferred outflows and inflows of resources related to pension/OPEBs, and pension/OPEB expense, information about the fiduciary net position of the Arizona State Retirement System Defined Benefit Plan (ASRS) and Arizona Public Safety Personnel Retirement System (PSPRS) and additions to or deductions from ASRS and PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to assets and liabilities, the Authority reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that will not be recognized as an inflow of resources until then.

### *Net position*

The Authority's policy is to restrict net position to the extent that assets restricted for bond debt service exceed the applicable debt service liabilities, and these assets are funded from operations rather than bond proceeds. Because these restricted assets do not exceed debt service liabilities at September 30, 2020 and 2019, no reservation of net position is required.

### *Passenger Facility Charges*

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act (Act), which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the Federal Aviation Administration (FAA) issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects which meet at least one of the following criteria: preserve or enhance safety, security or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The Authority was granted permission to begin collection of a \$3 per passenger PFC effective February 1, 1998. In April 2006, the FAA approved the Authority's application amendment to increase the PFC from \$3 to \$4.50. The increase in rate was effective October 1, 2006. The PFC, less an (\$0.11) per passenger administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the Authority.

The Authority's position is that PFCs should be treated as revenue because: 1) the Authority earns the PFCs due to a passenger's use of the Airport; 2) after receipt, the Authority has clear title to the funds and is not required to refund or return them; 3) the Authority is entitled to assess late charges on any payment not received by the deadlines specified in the Act; and 4) the fee is reserved for specific purposes as defined in the approval letter received from the FAA. Since the Authority's applications for PFCs were approved as Impose and Use, it is the position of the Authority that revenue should be recognized immediately when PFCs are earned. Due to their restricted use, however, PFCs are categorized as nonoperating revenues and are accounted for on the accrual basis.

At the present time, GASB has not released authoritative guidance on the accounting treatment of PFCs.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### *New Accounting Standards*

Implementation of the following GASB statements was effective for fiscal year 2020:

- GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement were effective for reporting periods beginning after December 15, 2018. The Authority implemented this Statement, and the clarifying guidance in the related Implementation Guide 2019-2, *Fiduciary Activities*, in fiscal year 2020 with no effect.
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The requirements of this Statement were effective for reporting periods beginning after December 15, 2018. The Authority implemented this Statement in fiscal year 2020 with no effect.
- Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018* provides clarifying guidance for various previously issued GASB Statements and implementation guides and was effective for years beginning after June 15, 2019. The Authority implemented this Guide in fiscal year 2020 with no effect.
- Implementation Guide No. 2019-1, *Implementation Guidance Update – 2019* provides clarifying guidance for various previously issued GASB Statements and was effective for years beginning after June 15, 2019. The Authority implemented this Guide in fiscal year 2020 with no effect.
- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* postponed effective dates by one year for Statements originally applicable to periods beginning after June 15, 2018 and later. The statement was effective upon issuance in May 2020 and was implemented by the Authority in fiscal 2020 with no effect.

Implementation of the following GASB statements was effective for fiscal year 2019:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations, or legally enforceable liabilities associated with the retirement of a tangible capital asset. The requirements of this Statement were effective for reporting periods beginning after June 15, 2018. The Authority implemented this Statement in fiscal year 2019 with no effect.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, requires additional information related to debt be disclosed in notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement were effective for reporting periods beginning after June 15, 2018. The Authority implemented this Statement in fiscal year 2019 by making the required disclosures as applicable to its debt.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### *New Accounting Standards - continued*

The GASB issued pronouncements that may impact future financial presentations. Management has not currently determined what impact implementation of these statements may have on the financial statements of the Authority.

- GASB Statement No. 87, *Leases*, and the related Implementation Guide No. 2019-3, *Leases*, provide new guidance for recognition of operating leases and the related assets. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Authority will implement this Statement in fiscal year 2022.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority will implement this Statement in fiscal year 2021.
- GASB Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issues, arrangements associated with conduit debt obligations, and related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Authority will implement this Statement in fiscal year 2022.
- GASB Statement No. 92, *Omnibus 2020*. The effective dates of this Statement are as follows:
  - The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, *Leases*, reinsurance recoveries, and terminology used to refer to derivative instruments were effective upon issuance and were implemented by the Authority in fiscal year 2020 with no effect.
  - The requirements related to intra-entity transfers of assets, the applicability of Statements Nos. 73 and 74, the application of Statement No. 84 to postemployment benefit arrangements and fair value measurements of assets or liabilities, including those associated with asset retirement obligations in a government acquisition, are effective for fiscal years beginning after June 15, 2021. The Authority will implement the requirements in fiscal year 2022.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The requirements of this Statement have multiple effective dates that are applicable based on specific identified paragraphs of the statement. The dates range from June 15, 2020 to June 15, 2021. The Authority will implement this Statement in fiscal year 2021.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority will implement this Statement in fiscal year 2023.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority will implement this Statement in fiscal year 2023.

### Environmental remediation costs

- The Authority accounts for environmental remediation costs in accordance with Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. See Note 14 for disclosures regarding information reported in the financial statements for known obligations.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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The Authority maintains a cash, cash equivalents and investment pool (Pooled Investment Fund) for all funds except environmental remediation trust assets, which are maintained in a separate investment pool (Master Environmental Trust Fund). The Authority maintains detailed records sufficient to meet any and all requirements and restrictions on both funds, which include PFC, and Capital Projects Funds. Additionally, the Board, at its discretion, may internally designate certain funds for specific purposes.

### Deposits with financial institutions

At September 30, 2020, the carrying amount of the Authority's deposits was \$6,272,871 and the bank balance was \$6,360,697. At September 30, 2019, the carrying amount of the Authority's deposits was \$11,382,938 and the bank balance was \$11,464,363. The difference between the carrying amounts and the bank balances represents outstanding checks, deposits in transit and other reconciling items.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned, or the Authority will not be able to recover collateral securities in possession of an outside party.

### Investments

#### Credit risk

The Authority's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements.

The Authority's investment policy requires that all deposits at financial institutions, certificates of deposit, repurchase agreements and money market mutual funds be insured, registered in the Authority's name or collateralized to 102% and held by the Authority's safekeeping agent in the Authority's name. Collateral is restricted to United States treasuries, agencies or instrumentalities.

The Authority invests in obligations of the U.S. Government and its agencies. Some of these obligations are classified as cash equivalents on the accompanying Statements of Net Position as the amounts are in money market fund pools of such securities. The amount shown in the table below includes all U.S. Government securities, regardless of classification. The Authority's mutual fund investments are invested exclusively in short-term, U.S. Government Treasury obligations. The investments are valued at amortized cost, which approximates market. These assets are classified as cash equivalents.

#### Interest rate risk

In accordance with its investment policy, the Authority manages its exposure to interest rate risk by regular (not less than semi-annual) evaluation in conjunction with Authority investment advisors of the Authority's cash position to determine the amount of short and long-term funds available for investment within the context of the entire portfolio and to project the term for such investments. Funds that can be invested for a longer duration are to be invested predominantly in high credit quality U.S. obligations with an individual obligation not to exceed 10 years and a weighted-average maturity of all such investments of not greater than 5 years.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

### Credit risk

In the absence of definitive legal requirements, the Authority has elected to conform to Arizona Revised Statutes (Statutes) concerning the investment of all assets in the Pooled Investment Fund, if such statutes are more restrictive than its investment policy.

The Master Remediation Trust Fund Agreement permits the following investments in the Master Environmental Trust Fund:

1. "Permitted investments" as outlined in the Authority's bond resolution.
2. Such other prudent investments as are consistent with investment policies adopted by the Authority's Board of Directors.
3. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.

### Concentration of credit risk:

In order to provide for diversification and reduce market and credit risk exposures, the following diversification parameters have been established in the Authority's investment policies:

	<u>Maximum % of portfolio</u>
Certificates of deposit	20%
U.S. Treasuries, agencies and instrumentalities	100%
Repurchase agreements	50%
Bankers' acceptances	10%
Guaranteed investment contracts	10%
Money market mutual funds	50%
State and municipal bonds or notes	20%

At September 30, 2020 and 2019, the Authority had the following investments:

	<u>Fair Value</u>				<u>Ratings</u>
	<u>2020</u>		<u>2019</u>		
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	
Pooled investment fund:					
U.S. Agency securities:					
Federal Farm Credit Bank	\$ 33,498,705	35%	\$ 33,077,744	23%	AAA
Federal Agricultural Mortgage Corp.	2,062,720	2%	2,045,520	1%	AAA
Federal Home Loan Bank	12,457,550	13%	27,530,270	19%	AAA
Federal Home Loan Mortgage Corp.	22,507,975	24%	38,766,920	27%	AAA
Federal National Mortgage Association	10,000,000	10%	33,932,552	25%	AAA
U.S. Treasury Bills	15,174,899	16%	6,987,303	5%	AAA
	<u>\$ 95,701,849</u>	<u>100%</u>	<u>\$ 142,340,309</u>	<u>100%</u>	

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

#### Concentration of credit risk – continued

Tucson Airport Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority has the following recurring fair value measurements as of September 30, 2020 and 2019

#### Investments Measured at Fair Value

	September 30, 2020		
	Fair Value Measurements Using		
	Quoted Prices in Active Markets for identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Pooled investment fund:			
U.S. Agency securities:			
Federal Farm Credit Bank	\$ -	\$ 33,498,705	\$ -
Federal Agricultural Mortgage Corp.	-	2,062,720	-
Federal Home Loan Bank	-	12,457,550	-
Federal Home Loan Mortgage Corp.	-	22,507,975	-
Federal National Mortgage Assoc.	-	10,000,000	-
U.S. Treasury Bills	-	15,174,899	-
	<u>\$ -</u>	<u>\$ 95,701,849</u>	<u>\$ -</u>

	September 30, 2019		
	Fair Value Measurements Using		
	Quoted Prices in Active Markets for identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Pooled investment fund:			
U.S. Agency securities:			
Federal Farm Credit Bank	\$ -	\$ 33,077,744	\$ -
Federal Agricultural Mortgage Corp.	-	2,045,520	-
Federal Home Loan Bank	-	27,530,270	-
Federal Home Loan Mortgage Corp.	-	38,766,920	-
Federal National Mortgage Assoc.	-	33,932,552	-
U.S. Treasury Bills	-	6,987,303	-
	<u>\$ -</u>	<u>\$ 142,340,309</u>	<u>\$ -</u>

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

#### Concentration of credit risk – continued

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on inputs such as yield curve analysis, pricing of comparable securities, and option adjusted spread valuations to generate a price for a security.

Cash, cash equivalents and investments are classified on the Statements of Net Position at September 30, 2020 and 2019 as follows:

	Cash and cash equivalents		Investments	
	2020	2019	2020	2019
Unrestricted	\$ 71,520,407	\$ 28,040,565	\$ 83,278,353	\$ 124,038,564
Restricted				
Environmental Remediation Trust	402,420	149,762	-	-
Capital Acquisition				
Passenger facility charge fund	8,116,970	2,094,829	10,367,630	15,614,330
Capital Projects Fund	1,613,446	360,800	2,055,866	2,687,415
Total Restricted	10,132,836	2,605,391	12,423,496	18,301,745
	\$ 81,653,243	\$ 30,645,956	\$ 95,701,849	\$ 142,340,309

Cash and cash equivalents comprised the following at September 30, 2020 and 2019:

	2020	2019	Ratings
Deposits at financial institutions	\$ 6,272,871	\$ 11,382,938	N/A
Treasury obligation funds	75,370,922	19,253,568	AAA
Cash on hand	9,450	9,450	N/A
Total cash and cash equivalents	\$ 81,653,243	\$ 30,645,956	

At September 30, 2020, the Authority's investments are scheduled to mature as follows:

	Investment maturities (in months)				
	Fair value	Less than 12	12-24	24-36	36-48
Pooled investment fund:					
U.S. Treasury and					
Agency securities	\$ 95,701,849	\$ 35,176,550	\$ 20,561,425	\$ 39,963,874	\$ -

In order to address the projected cash flow needs of major airfield projects in progress as of September 30, 2020, management has structured its investments to mature over a period of not more than three years from the date of the statement of net position.

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 4 – INVENTORIES

Inventories at September 30, 2020 and 2019 follow:

	2020	2019
Fuel, for internal use and resale	43,608	54,643
Operating and maintenance supplies	284,648	256,661
	<u>\$ 328,256</u>	<u>\$ 311,304</u>

### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 follows:

	2020	2019
Capital assets	\$ 647,863,527	\$ 618,727,156
Less accumulated depreciation	(316,456,335)	(297,602,341)
Less outstanding debt	(29,754,373)	(32,805,147)
Net investment in capital assets	<u>\$ 301,652,819</u>	<u>\$ 288,319,668</u>

Depreciation and amortization expense was \$19,514,629 and \$18,393,628 for the years ended September 30, 2020 and 2019, respectively.

Capital asset activity for the year ended September 30, 2020 follows:

	Beginning balance	Transfers	Increases	Decreases	Ending balance
Business type activities:					
Capital assets not being depreciated:					
Land	\$ 52,751,886	\$ 117,831	\$ -	\$ (1,314,425)	\$ 51,555,292
Air Avigation Easements	29,990,090	-	-	-	29,990,090
Artwork	481,798	-	-	-	481,798
Construction in progress	13,505,421	(5,450,437)	26,653,413	-	34,708,397
Total assets not being depreciated	96,729,195	(5,332,606)	26,653,413	(1,314,425)	116,735,577
Capital assets being depreciated:					
Land improvements	199,468,904	2,448,194	2,019,408	-	203,936,506
Buildings and improvements	263,382,099	2,168,985	1,431,039	-	266,982,123
Utilities	5,951,108	-	-	-	5,951,108
Computer software	6,345,878	53,747	21,732	-	6,421,357
Furniture, fixtures, machinery and equipment	46,849,972	661,680	1,018,226	(693,022)	47,836,856
Total assets being depreciated	521,997,961	5,332,606	4,490,405	(693,022)	531,127,950
Less accumulated depreciation for:					
Land improvements	104,882,775	-	8,779,553	-	113,662,328
Buildings and improvements	152,319,803	-	7,667,242	-	159,987,045
Utilities	5,935,226	-	4,360	-	5,939,586
Computer software	5,964,165	-	100,020	-	6,064,185
Furniture, fixtures, machinery and equipment	28,500,372	-	2,963,454	(660,635)	30,803,190
	<u>297,602,341</u>	<u>-</u>	<u>19,514,629</u>	<u>(660,635)</u>	<u>316,456,335</u>
Net capital assets being depreciated	224,395,620	5,332,606	(15,024,224)	(32,387)	214,671,615
Net capital assets	<u>\$ 321,124,815</u>	<u>\$ -</u>	<u>\$ 11,629,189</u>	<u>\$ (1,346,812)</u>	<u>\$ 331,407,192</u>

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 5 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended September 30, 2019 follows:

	Beginning balance	Transfers	Increases	Decreases	Ending balance
Business type activities:					
Capital assets not being depreciated:					
Land	\$ 52,748,136	\$ 3,750	\$ -	\$ -	\$ 52,751,886
Air Avigation Easements	29,990,090	-	-	-	29,990,090
Artwork	458,630	18,584	4,584	-	481,798
Construction in progress	32,966,679	(27,579,648)	8,227,377	(108,987)	13,505,421
Total assets not being depreciated	116,163,535	(27,557,314)	8,231,961	(108,987)	96,729,195
Capital assets being depreciated:					
Land improvements	176,084,744	22,501,237	882,923	-	199,468,904
Buildings and improvements	263,232,410	211,659	970,409	(1,032,379)	263,382,099
Utilities	5,951,108	-	-	-	5,951,108
Computer software	6,100,567	213,955	31,356	-	6,345,878
Furniture, fixtures, machinery and equipment	41,214,788	4,630,463	1,320,327	(315,606)	46,849,972
Total assets being depreciated	492,583,617	27,557,314	3,205,015	(1,347,985)	521,997,961
Less accumulated depreciation for:					
Land improvements	96,762,188	-	8,120,587	-	104,882,775
Buildings and improvements	145,433,933	-	7,675,146	(789,276)	152,319,803
Utilities	5,929,136	-	6,090	-	5,935,226
Computer software	5,860,593	-	103,572	-	5,964,165
Furniture, fixtures, machinery and equipment	26,327,745	-	2,488,233	(315,606)	28,500,372
	280,313,595	-	18,393,628	(1,104,882)	297,602,341
Net capital assets being depreciated	212,270,022	27,557,314	(15,188,613)	(243,103)	224,395,620
Net capital assets	\$ 328,433,557	\$ --	\$ (6,956,652)	\$ (352,090)	\$ 321,124,815

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 6 – UNEARNED REVENUES

The Authority has been awarded certain amounts by the Pima County Superior Court in connection with assets seized by Authority law enforcement officers (forfeiture funds) in narcotics investigations. Such amounts have been recorded as unearned revenues pending approval for expenditure by the Pima County Attorney's Office.

At September 30, 2020 and 2019, the Authority had received rent from certain tenants and certain other payments applicable to the subsequent year. Such amounts have been classified as unearned revenue.

Marketing and refurbishment funds represent unearned revenue received in accordance with the concession agreements that must be used for marketing concessions in the terminals and for future improvements to the concession sites.

A detail of unearned revenues at September 30, 2020 and 2019 follows:

	2020	2019
Forfeiture funds	\$ 35,765	\$ 109,300
Marketing/Refurbishment funds	562,242	413,119
Tenant rent payments	2,135,801	1,166,889
Total unearned revenues	<u>\$ 2,733,808</u>	<u>\$ 1,689,308</u>

### NOTE 7 – LONG-TERM DEBT

Long-term debt at September 30, 2020 and 2019 follows:

	2020	2019
\$37,330,000 Subordinate Lien Airport Revenue Refunding Bonds, Series 2018. Bonds due in semi-annual amounts, with principal repayments ranging from \$920,000 to \$3,345,000, beginning April 1, 2019 through April 1, 2031; interest payable semiannually at 3.243%.	\$ 29,540,000	\$ 32,520,000
Unamortized premium – Series 2018 bonds	214,373	285,147
	<u>29,754,373</u>	<u>32,805,147</u>
Less current portion	(1,510,000)	(1,465,000)
Noncurrent debt	<u>\$ 28,244,373</u>	<u>\$ 31,340,147</u>

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 7 – LONG-TERM DEBT (continued)

Long-term debt activity for the year ended September 30, 2020 follows:

	Beginning balance	Increases	Decreases	Ending balance
2019 activity:				
Business type activities:				
Authority bonds:				
2018 subordinate lien				
airport revenue bonds	\$ 32,520,000	\$ -	\$ (2,980,000)	\$ 29,540,000
Total debt	32,520,000	-	(2,980,000)	29,540,000
Less current portion	(1,465,000)	-	(45,000)	(1,510,000)
Noncurrent debt	<u>\$ 31,055,000</u>	<u>\$ -</u>	<u>\$ (3,025,000)</u>	<u>\$ 28,030,000</u>

Long-term debt activity for the year ended September 30, 2019 follows:

	Beginning balance	Increases	Decreases	Ending balance
2019 activity:				
Business type activities:				
Authority bonds:				
2018 subordinate lien				
airport revenue bonds	\$ 37,330,000	\$ -	\$ (4,810,000)	\$ 32,520,000
Total debt	37,330,000	-	(4,810,000)	32,520,000
Less current portion	(3,345,000)	-	(1,880,000)	(1,465,000)
Noncurrent debt	<u>\$ 33,985,000</u>	<u>\$ -</u>	<u>\$ (6,690,000)</u>	<u>\$ 31,055,000</u>

A summary of annual long-term debt service requirements to maturity as of September 30, 2020, including required principal installments to the bond funds for \$29,540,000 and interest payments of \$4,760,643 totaling \$34,300,643 follows:

Year ending September 30,	Airport Subordinate Lien Revenue Bonds, Series 2018	
	Principal	Interest
	Principal	Interest
2021	\$ 1,510,000	\$ 478,991
2022	3,120,000	883,799
2023	3,215,000	781,806
2024	3,320,000	676,652
2025	3,430,000	568,174
thereafter	14,945,000	1,371,221
	<u>\$ 29,540,000</u>	<u>\$ 4,760,643</u>

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 7 – LONG-TERM DEBT (continued)

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The Authority's bond resolutions require periodic transfers from gross operating income to bond funds restricted for the payment of principal and interest. Other transfers to certain accounts are required by the bond resolutions after payment of operating and maintenance expenses. At September 30, 2020 and 2019, the Authority was in compliance with these and other bond resolution covenants.

Under U.S. Treasury regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditure on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The Authority's practice is to engage an independent consultant to evaluate outstanding tax-exempt debt for arbitrage liability and the Authority is of the opinion that no liability has been incurred as of September 30, 2020.

The debt is secured by a lien on net revenues of the airport system.

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OTHER POST EMPLOYMENT BENEFIT (OPEB)

The Authority participates in the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS). Each system provides defined benefit and other postemployment benefits based on plan provisions. The Authority accounts for these pension and OPEB benefits under GASB 68 and 75, which for presentation and disclosure purposes have been combined, as OPEB amounts are not material to the financial statements.

At September 30, 2020, the Authority reported in the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position the following amounts related to all pension/OPEB plans it participates in:

September 30, 2020	ASRS	PSPRS – Fire Department	PSPRS – Police Department	Net
Net pension/ /OPEB liability	\$ 17,506,107	\$ 13,515,076	\$ 16,863,216	\$ 47,884,399
Deferred outflows of resources:				
Difference between projected and actual investment earnings	\$ 1,771,150	\$ 308,846	\$ 310,699	\$ 2,390,695
Other deferred outflows:				
Difference between actual and expected experience	165,074	480,717	1,264,662	1,910,453
Changes of assumptions related to pensions	48,757	326,892	345,579	721,228
Changes in proportion and differences between employer contributions and and proportionate share of contributions	1,409	-	-	1,409
Contributions subsequent to the measurement date	314,268	305,542	447,737	1,067,547
Total other deferred outflows	529,508	1,113,151	2,057,978	3,700,637
Total deferred outflows	\$ 2,300,658	\$ 1,421,997	\$ 2,368,677	\$ 6,091,332
Deferred inflows of resources:				
Other deferred inflows:				
Difference between actual and expected experience	\$ 145,617	\$ 17,801	\$ 65,083	\$ 228,501
Changes of assumptions related to pensions	-	1,898	470	2,368
Changes in proportion and differences between employer contributions and proportionate share of contributions	638,300	-	-	638,300
Total deferred inflows	\$ 783,917	\$ 19,699	\$ 65,553	\$ 869,169
Pension /OPEB expense	\$ 1,512,597	\$ 1,681,898	\$ 2,067,798	\$ 5,262,293

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OPEB PLANS (continued)

At September 30, 2019, the Authority reported in the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position the following amounts related to all pension/OPEB plans it participates in:

September 30, 2019	ASRS	PSPRS – Fire Department	PSPRS – Police Department	Net
Net pension/ /OPEB liability	\$ 15,572,290	\$ 13,024,623	\$ 15,530,085	\$ 44,126,998
Deferred outflows of resources:				
Difference between projected and actual investment earnings	\$ -	\$ 78,892	\$ 81,498	\$ 160,390
Other deferred outflows:				
Difference between actual and expected experience	\$ 288,913	\$ 404,100	\$ 562,160	\$ 1,255,173
Changes of assumptions related to pensions	135,369	629,651	651,281	1,416,301
Changes in proportion and differences between employer contributions and and proportionate share of contributions	161,871	-	-	161,871
Contributions subsequent to the measurement date	325,660	318,975	353,633	998,268
Total other deferred outflows	\$ 911,813	\$ 1,352,726	\$ 1,567,074	\$ 3,831,613
Total deferred outflows	\$ 911,813	\$ 1,431,618	\$ 1,648,572	\$ 3,992,003
Deferred inflows of resources:				
Difference between projected and actual investment earnings	\$ 389,736	\$ -	\$ -	\$ 389,736
Other deferred inflows:				
Difference between actual and expected experience	\$ 38,888	\$ 39,381	\$ 55,559	\$ 133,828
Changes of assumptions related to pensions	618,511	3,478	3,061	625,050
Changes in proportion and differences between employer contributions and proportionate share of contributions	194,559	-	-	194,559
Total other deferred inflows	851,958	42,859	58,620	953,437
Total deferred inflows	\$ 1,241,694	\$ 42,859	\$ 58,620	\$ 1,343,173
Pension /OPEB expense	\$ 1,368,670	\$ 1,335,374	\$ 1,697,252	\$ 4,401,296

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona State Retirement System

#### Plan description

Substantially all full-time employees of the Authority (excluding fire and police personnel) participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost sharing multiple employer defined benefit pension plan, a cost sharing multiple employer defined benefit health insurance premium benefit (OPEB) plan, and a cost sharing multiple employer defined benefit long term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to ASRS, P. O. Box 33910, Phoenix, AZ 85067-3910, calling 1-800-621-3778, or by visiting <https://www.azasrs.gov/content/annual-reports>.

Benefits provided The ASRS provides retirement, health insurance premium supplement, long term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*with actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013 are subject to automatic cost of living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013 are not eligible for cost of living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2020 and 2019, active ASRS members and the Authority were required by statute to contribute at the following actuarially determined rates on members' annual covered payroll:

	2020	2019
Employee contribution rates:		
Retirement	11.94%	11.64%
Long-term disability	0.17%	0.16%
	<u>12.11%</u>	<u>11.80%</u>
Employer contribution rates:		
Retirement	11.45%	11.18%
Health insurance premium benefit	0.49%	0.46%
Long-term disability	0.17%	0.16%
	<u>12.11%</u>	<u>11.80%</u>

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OPEB PLANS (continued)

#### Arizona State Retirement System (continued)

The Authority's contributions to the pension/OPEB plan for the years ended June 30, 2020 and 2019 were \$1,336,711 and \$1,258,511, respectively.

#### Pension/OPEB liability

At September 30, 2020 and 2019 the Authority reported a liability of \$17,506,107 and \$15,572,290 for its proportionate share of the ASRS' net pension/OPEB liability, respectively. The net pension/OPEB liability was measured as of June 30, 2020 and 2019 (The total pension/OPEB liability used to calculate the net pension/OPEB liability was determined using updated procedures to roll forward the total pension/OPEB liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020.) The Authority's proportion of the net pension/OPEB liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the years ended June 30, 2020 and 2019. The Authority's proportions, measured as of June 30, 2020 and 2019 were as follows:

	2020	2019	Decrease
Pension	0.10101%	0.10674%	-0.00573%
Health benefit supplement	0.10295%	0.10888%	-0.00593%
Long term disability	0.10213%	0.10817%	-0.00604%

For the years ended September 30, 2020 and 2019, the Authority recognized pension/OPEB expense (income) for ASRS of \$1,512,597 and \$1,368,670, respectively. At September 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

	September 30, 2020		September 30, 2019	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 165,074	\$ 145,617	\$ 288,913	\$ 38,888
Changes of assumptions related to pensions	48,757	-	135,369	618,511
Net difference between projected and actual earnings on pension plan investments	1,771,150	-	-	389,736
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,409	638,300	161,871	194,559
Contributions subsequent to the measurement date	314,268	-	325,660	-
	<u>\$ 2,300,658</u>	<u>\$ 783,917</u>	<u>\$ 911,813</u>	<u>\$ 1,241,694</u>

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona State Retirement System (continued)

The \$314,268 reported as deferred outflows of resources is related to Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension/OPEB liability in the year ending September 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pension/OPEBs, including those for contributions subsequent to the measurement date, will be recognized in pension/OPEB expense as follows:

Year ending September 30, 2021	\$	132,997
2022		252,588
2023		619,381
2024		522,652
2025		(10,924)
Thereafter		47
	\$	<u>1,516,741</u>

The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Inflation	2.30%
Investment rate of return	7.50%
Mortality rates - pension and health	2017 SRA Scale U-MP
Recovery rates - long term disability	2012 GLDT
Projected salary increases - pension	2.7%-7.2%
Permanent benefit increase - pension	Included

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the 5 year period ended June 30, 2017.

The long term expected rate of return on ASRS pension/OPEB plan investments was determined to be 8.70% using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target asset allocation	Long-term contribution to expected return
Equity	50%	3.20%
Fixed Income - credit	20%	1.09%
Fixed income - interest rate sensitive bonds	10%	0.02%
Real estate	20%	1.17%
Total	<u>100%</u>	<u>5.48%</u>

**Discount rate** The discount rate used to measure the ASRS total pension/OPEB liability was 7.50%, which is more than the long term expected rate of return of 5.48%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the Retirement Funds' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona State Retirement System (continued)

Sensitivity of the Authority's proportionate share of the ASRS net pension/OPEB liability to changes in the discount rate. The following table presents the Authority's proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
Authority's proportionate share of the net pension/OPEB liability	\$ <u>24,113,317</u>	\$ <u>17,506,107</u>	\$ <u>11,979,317</u>

Detailed information about the pension/OPEB plan's fiduciary net position is available in the separately issued ASRS financial report.

### Arizona Public Safety Personnel Retirement System

#### Plan description

Employees of the Authority who are employed in either police or firefighting capacities and work at least 40 hours a week for more than 6 months a year participate in the Arizona Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension/OPEB plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). PSPRS is administered in accordance with Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes. The PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees ("the Board") and 237 local boards. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255- 5575, or by visiting: [http://www.psprs.com/sys\\_psprs/AnnualReports/cato\\_annual\\_rpts\\_psprs.htm](http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm).

#### Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms as well as employee and employer contribution rates according to a member's membership date. These membership dates fall within three separately identified groups referred to as Tiers. Those Tiers and the corresponding membership dates are outlined in the following table.

	Tier 1	Tier 2	Tier 3
	Before	On or after	On or after
Membership date	January 1, 2012	January 1, 2012	July 1, 2017

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

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### **Arizona Public Safety Personnel Retirement System** (continued)

The calculations of retirement benefits for employees commence the first day of the month following termination of employment.

For normal retirement the amount of monthly normal pension is based on years of credited service and average monthly compensation, up to a maximum of 80 percent of the average monthly benefit compensation. Age, years of credited service requirements and pension amounts are based on the member's Tier as follows:

#### *Tier 1*

First day of month following completion of 20 years of service or following 62nd birthday and completion of 15 years of service.

1. For retirement with 25 or more years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2.5% of average monthly compensation for each year of credited service above 20 years.
2. For retirement with 20 years of credited service but less than 25 years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2% of average monthly compensation for each year of credited service between 20 and 25 years.
3. For retirement with less than 20 years of credited service, the percent of average monthly compensation is reduced at a rate of 4% for each year less than 20 years of credited service.

#### *Tier 2*

First day of month following the attainment of age 52.5 and completion of 15 years of service.

1. 15 but less than 17 years of credited service, 1.5% of average monthly compensation for each credited year of service.
2. 17 but less than 19 years of credited service, 1.75% of average monthly compensation for each credited year of service.
3. 19 but less than 22 years of credited service, 2.0% of average monthly compensation for each credited year of service.
4. 22 but less than 25 years of credited service, 2.25% of average monthly compensation for each credited year of service.
5. 25 years of service or more, 62.5% of average monthly compensation for the first 25 years plus 2.5% of average monthly compensation for each year over 25 years of credited service.

#### *Tier 3*

First day of month following the attainment of age 55 and completion of 15 years of service:

1. 15 but less than 17 years of credited service, 1.5% of average monthly compensation for each credited year of service.
2. 17 but less than 19 years of credited service, 1.75% of average monthly compensation for each credited year of service.
3. 19 but less than 22 years of credited service, 2.0% of average monthly compensation for each credited year of service.
4. 22 but less than 25 years credited service, 2.25% of average monthly compensation for each credited year of service.
5. 25 years of service or more, 2.5% of average monthly compensation for each credited year of service.

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OPEB PLANS (continued)

#### **Arizona Public Safety Personnel Retirement System** (continued)

The phrase “average monthly benefit compensation,” as it is used in the above discussion, is defined as the average of the highest consecutive months of compensation based on the following table:

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Average Salary	High 3 in past 20 years	High 5 in past 20 years	High 5 in past 15 years

All disability and survivor benefits are available to each tier where the determination, process and benefit amount will be the same as they are now.

Disability benefits are calculated as follows:

Ordinary Disability Retirement (not duty-related):	The amount of pension is a percentage of normal pension on employee's credited service (maximum of 20 years divided by 20).
Accidental Disability Retirement (duty-related):	No credited service requirement. Pension is computed in the same manner as normal pension based on credited service and average monthly compensation at time of termination of employment. Pension is 50% of average monthly compensation, or normal pension amount, whichever is greater.
Temporary Disability	Pension is 1/12 of 50% of compensation during the year preceding the date disability was incurred. Payments terminate after 12 months of prior recovery.
Catastrophic Disability Retirement	Pension is 90% of average monthly compensation. After 60 months, the pension is the greater of 62.5% of average monthly compensation or the member's accrued normal pension.

Survivor Pension benefits are paid upon the death of a member while a member is employed by an employer, or after retirement. There is no credited service requirement.

Spouse Pension: 80% of pension deceased active member would have been paid for accidental disability retirement or, in the case of retired member, 80% of the retired member's pension, and requires two years of marriage if retired. The benefit terminates upon the spouses death. For member killed in the line of duty, the benefit is 100% of average compensation, reduced by the child's pension benefit.

Child's Pension: 20% of the pension each month based on the calculation for an accidental disability retirement. The benefit is payable to a dependent child under age 18 or until age 23 if a full-time student.

Guardian's Pension: Same amount as spouse's pension. Payable only during periods no spouse is being paid and there is at least one child under age 18 or until age 23 if a full-time student. 80% of the member's pension and the child's pension will be paid to the guardian.

Named Beneficiary: If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the member's accumulated contributions less the pension payments made to the member.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona Public Safety Personnel Retirement System (continued)

#### Cost-of-Living Adjustment

##### Tier 1 and Tier 2

Each retired member or survivor of a retired member is eligible to receive a compounding cost-of-living adjustment in the base benefit. The first payment shall be made on July 1, 2018 and every July 1 thereafter. A retired member or survivor of a retired member may receive a Permanent Benefit Increase (PBI) from PSPRS if monies are available. PBI eligibility and calculation is contingent upon the effective retirement date. The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The cost-of-living adjustment will not exceed 2% per year.

##### Tier 3

Each retired member or survivor of a retired member is eligible to receive a compounding cost-of-living adjustment in the base benefit, beginning at the earlier of the first calendar year after the 7th anniversary of the retired member's retirement or when the retired member is or would have been sixty years of age. A cost-of-living adjustment shall be paid on July 1 each year that the funded ratio for members hired on or after July 1, 2017 is 70% or more. The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. The cost-of-living adjustment will not exceed:

- 2%, if funded ratio for members who are hired on or after July 1, 2017 is 90% or more;
- 1.5%, if funded ratio for members who are hired on or after July 1, 2017 is 80-90%;
- 1%, if funded ratio for members who are hired on or after July 1, 2017 is 70-80%.

At June 30, 2020 the number of employees covered by the PSPRS agent pension plan benefit terms was as follows:

	Fire Department	%	Police Department	%
Retirees and beneficiaries	19	51.4%	27	57.5%
Inactive, non-retired members	4	10.8%	4	8.5%
Active members	14	37.8%	16	34.0%
	<u>37</u>		<u>47</u>	

#### Contributions

State statutes establish the pension/OPEB contribution requirements for active PSPRS employees. In accordance with state statutes, Employer Contribution requirements for PSPRS pension/OPEB and health insurance premium benefits are determined by the annual actuarial valuations. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Rates are a percentage of active members' annual covered payroll.

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OPEB PLANS (continued)

#### Arizona Public Safety Personnel Retirement System (continued)

For the Plan years ended June 30, 2020 and 2019, the Authority and active PSPRS members were required to contribute at the following rates, and the Authority's contributions to the pension/OPEB plan, which included the required contributions for the health insurance premium benefit, were as follows:

	Fire		Police	
	2020	2019	2020	2019
Employer contributions				
Employer pension contribution rates	101.46%	95.19%	97.53%	95.08%
Employer health contribution rates	0.00%	0.00%	0.02%	0.22%
Total employer contribution rate	101.46%	95.19%	97.55%	95.30%
Employer contributions	\$ 1,227,825	\$ 1,149,987	\$ 1,554,910	\$ 1,366,925

	Fire		Police	
	2020	2019	2020	2019
Employer contributions				
Tier 1	7.65%	7.65%	7.65%	7.65%
Tier 2	11.65%	11.65%	11.65%	11.65%
Tier 3	9.94%	*	9.94%	*

\*There were no employees in Tier 3 at September 30, 2019.

#### Pension/OPEB liability

At September 30, 2020 and 2019, the Authority reported the following net pension liabilities for its PSPRS pension plans:

	Fire		Police	
	2020	2019	2020	2019
Net pension liability	\$ <u>13,515,076</u>	\$ <u>13,024,623</u>	\$ <u>16,863,216</u>	\$ <u>15,530,085</u>

The net pension/OPEB liabilities were measured as of June 30, 2020 and 2019, respectively, and the total pension/OPEB liability used to calculate the net pension/OPEB liability (asset) was determined by actuarial valuations at these dates.

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OPEB PLANS (continued)

#### Arizona Public Safety Personnel Retirement System (continued)

The total pension/OPEB liability for the PSPRS Fire and Police Department plans in the June 30, 2020 and 2019 measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll growth	3.50%
Inflation	2.50%
Salary increases	3.50%-7.50%, including inflation
Investment rate of return	7.40% (7.50% for 2016), net of investment and administrative expenses
Mortality rates	RP-2014 mortality table projected 1 year backwards to 2013 with MP-2014 (adjusted by 110% of female healthy annuitant mortality table). Future mortality improvements are assumed each year using 75% of scale MP-2016.
Permanent Benefit Increases	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published in the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
Healthcare cost trend rate	N/A

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of a 2017 actuarial experience study.

The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

For each major asset class that is included in the pension/OPEB plan's target asset allocation as of June 30, 2020, estimates are summarized in the following table:

Asset Class	Target Allocation	Long term expected real rate of return
U.S. Public Equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
	100%	

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OPEB PLANS (continued)

#### Arizona Public Safety Personnel Retirement System (continued)

Discount rate - The discount rate of 7.30% was used to measure the total pension/OPEB liability. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension/OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Plan's net pension liability to changes in the discount rate, the following table presents the Plan's net pension/OPEB liability calculated using the single discount rate of 7.30%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1 percentage point lower (6.30%) or 1 percentage point higher (8.30%) than the current rate:

	1% decrease (6.30%)	Current discount rate (7.30%)	1% increase (8.30%)
Authority's net pension/OPEB liability - Fire Department	\$ 15,998,795	\$ 13,515,076	\$ 11,471,631
Authority's net pension/OPEB liability - Police Department	\$ 19,734,166	\$ 16,863,214	\$ 14,496,641

The pension/OPEB plan's fiduciary net position has been determined on the same basis used by the pension/OPEB plan. PSPRS financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of PSPRS. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. PSPRS investments are reported at fair value. Fair values are determined as follows: Short-term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair value as determined by fixed income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Detailed information about the pension/OPEB plan's fiduciary net position is available in the separately issued PSPRS financial report.

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona Public Safety Personnel Retirement System (continued)

Changes in the net pension/OPEB liability for the years ended September 30, 2020 and 2019 follow:

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2020 Reporting Date, September 30, 2020	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	\$ 18,713,814	\$ 5,689,191	\$ 13,024,623
Changes for the year:			
Service cost	272,170	-	272,170
Interest on the total pension liability	1,362,911	-	1,362,911
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	233,963	-	233,963
Changes of assumptions	-	-	-
Contributions - employer	-	1,216,474	(1,216,474)
Contributions - employee	-	94,483	(94,483)
Net investment income	-	73,638	(73,638)
Benefit payments, including refunds of employee contributions	(1,136,541)	(1,136,541)	-
Pension plan administrative expense	-	(6,004)	6,004
Net changes	732,503	242,050	490,453
Balances end of year	\$ 19,446,317	\$ 5,931,241	\$ 13,515,076

Tucson Airport Authority Fire Department

Measurement Date, June 30, 2019 Reporting Date, September 30, 2019	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	\$ 17,783,783	\$ 5,534,433	\$ 12,249,350
Changes for the year:			
Service cost	159,957	-	159,957
Interest on the total pension liability	1,282,104	-	1,282,104
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	367,815	-	367,815
Changes of assumptions	356,174	-	356,174
Contributions - employer	-	1,006,544	(1,006,544)
Contributions - employee	-	92,740	(92,740)
Net investment income	-	297,663	(297,663)
Benefit payments, including refunds of employee contributions	(1,236,019)	(1,236,019)	-
Pension plan administrative expense	-	(6,170)	6,170
Net changes	\$ 930,031	\$ 154,758	\$ 775,273
Balances end of year	\$ 18,713,814	\$ 5,689,191	\$ 13,024,623

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 8 – PENSION AND OPEB PLANS (continued)

#### Arizona Public Safety Personnel Retirement System (continued)

Changes in the net pension/OPEB liability – continued

Tucson Airport Authority Police Department

Measurement Date, June 30, 2020 Reporting Date, September 30, 2020	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	\$ 21,440,143	\$ 5,910,060	\$ 15,530,083
Adjustments to beginning of year	-	-	-
Changes for the year:			
Service cost	279,588	-	279,588
Interest on the total pension liability	1,538,437	-	1,538,437
Differences between expected and actual experience in the measurement of the total pension liability	1,160,712	-	1,160,712
Changes of assumptions	-	-	-
Contributions - employer	-	1,452,764	(1,452,764)
Contributions - employee	-	123,872	(123,872)
Net investment income	-	75,091	(75,091)
Benefit payments, including refunds of employee contributions	(1,860,066)	(1,860,066)	-
Pension plan administrative expense	-	(6,121)	6,121
Net changes	1,118,671	(214,460)	1,333,131
Balances end of year	\$ 22,558,814	\$ 5,695,600	\$ 16,863,214

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona Public Safety Personnel Retirement System (continued)

Changes in the net pension/OPEB liability – continued

Tucson Airport Authority Police Department

Measurement Date, June 30, 2019 Reporting Date, September 30, 2019	Total Pension OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	\$ 19,742,094	\$ 5,141,166	\$ 14,600,928
Adjustments to beginning of year	-	-	-
Changes for the year:			
Service cost	184,861	-	184,861
Interest on the total pension liability	1,436,115	-	1,436,115
Differences between expected and actual experience in the measurement of the total pension liability	541,099	-	541,099
Changes of assumptions	575,965	-	575,965
Contributions - employer	-	1,328,571	(1,328,571)
Contributions - employee	-	162,627	(162,627)
Net investment income	-	288,923	(288,923)
Benefit payments, including refunds of employee contributions	(1,039,991)	(1,039,991)	-
Pension plan administrative expense	-	(6,015)	6,015
Other	-	34,779	(34,779)
Net changes	1,698,049	768,894	929,155
Balances end of year	\$ 21,440,143	\$ 5,910,060	\$ 15,530,083

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona Public Safety Personnel Retirement System (continued)

#### Tucson Airport Authority Fire Department

Pension/OPEB expense and deferred outflows/inflows of resources For the years ended September 30, 2020 and 2019, the Authority recognized pension/OPEB expense for PSPRS Fire of \$1,681,898 and \$1,335,374 respectively. At September 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

September 30, 2020

	Deferred outflows of resources		Deferred inflows of resources		Net deferred outflows of resources
Differences between expected and actual experience	\$ 480,717	\$	17,801	\$	462,916
Changes in assumptions	326,892		1,898		324,994
Net difference between projected and actual earnings on pension plan investments	308,846		-		308,846
Contributions subsequent to the measurement date	305,542		-		305,542
<b>Total</b>	<b>\$ 1,421,997</b>	<b>\$</b>	<b>19,699</b>	<b>\$</b>	<b>1,402,298</b>

September 30, 2019

	Deferred outflows of resources		Deferred inflows of resources		Net deferred outflows of resources
Differences between expected and actual experience	\$ 404,100	\$	39,381	\$	364,719
Changes in assumptions	629,651		3,478		626,173
Net difference between projected and actual earnings on pension plan investments	78,892		-		78,892
Contributions subsequent to the measurement date	318,975		-		318,975
<b>Total</b>	<b>\$ 1,431,618</b>	<b>\$</b>	<b>42,859</b>	<b>\$</b>	<b>1,388,759</b>

The \$305,542 reported as deferred outflows of resources related to PSPRS pensions as of September 30, 2020 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension/OPEB liability in the year ending September 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pension/OPEBs, including those outflows for contributions subsequent to the measurement date, will be recognized in pension/OPEB expense as follows:

Year ending September 30,	
2021	694,360
2022	312,389
2023	283,279
2024	112,270
2025	-
<b>Total</b>	<b>\$ 1,402,298</b>

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 8 – PENSION AND OPEB PLANS (continued)

### Arizona Public Safety Personnel Retirement System (continued)

#### Tucson Airport Authority Police Department

Pension/OPEB expense and deferred outflows/inflows of resources For the years ended September 30, 2020 and 2019, the Authority recognized pension/OPEB expense for PSPRS Police of \$2,067,798 and \$1,697,252, respectively. At September 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension/OPEBs from the following sources:

September 30, 2020

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	\$ 1,264,662	\$ 65,083	\$ 1,199,579
Changes in assumptions	345,579	470	345,109
Net difference between projected and actual earnings on pension plan investments	310,699	-	310,699
Contributions subsequent to the measurement date	447,737	-	447,737
<b>Total</b>	<b>\$ 2,368,677</b>	<b>\$ 65,553</b>	<b>\$ 2,303,124</b>

September 30, 2019

	Deferred outflows of resources	Deferred inflows of resources	Net deferred outflows of resources
Differences between expected and actual experience	\$ 562,160	\$ 55,559	\$ 506,601
Changes in assumptions	651,281	3,061	648,220
Net difference between projected and actual earnings on pension plan investments	81,498	-	81,498
Contributions subsequent to the measurement date	353,633	-	353,633
<b>Total</b>	<b>\$ 1,648,572</b>	<b>\$ 58,620</b>	<b>\$ 1,589,952</b>

The \$447,737 reported as deferred outflows of resources related to PSPRS pension/OPEBs as of September 30, 2020 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension/OPEB liability in the year ending September 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pension/OPEBs, including those outflows for contributions subsequent to the measurement date, will be recognized in pension/OPEB expense as follows:

Year ending September 30,	
2021	1,021,625
2022	612,334
2023	605,907
2024	63,258
2025	-
<b>Total</b>	<b>\$ 2,303,124</b>

# Notes to Financial Statements (continued)

September 30, 2020 and 2019

## NOTE 9 – Operating leases with lessees

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The Authority is the lessor of various land, facilities and equipment within the Airport System. Lease contracts are generally written with noncancelable terms of up to 30 years. Costs and related accumulated depreciation of property under leases are not practically determinable as the majority of the leases relate only to portions of buildings. A summary of minimum noncancelable rentals under operating leases at September 30, 2020 follows:

Year ending September 30, 2021	\$	9,959,992
2022		7,595,317
2023		5,759,338
2024		5,575,330
2025		5,253,490
Thereafter		58,607,450
	\$	<u>92,750,917</u>

Several lease agreements have provisions for contingent rentals calculated on the tenant's gross revenue if greater than contractual minimum annual guarantees (MAGs). In response to travel restrictions related to the COVID-19 pandemic, the Authority waived the MAGs for lessees beginning in April 2020. Because contingent rental revenue represents amounts in excess of guaranteed minimums, with no minimums in effect, all concessions revenue recognized after the waiver was classified as contingent revenue. The amount of contingent rental revenue under these leases totaled \$407,189 and \$248,359 for the years ended September 30, 2020 and 2019, respectively, and is included in concession revenues.

## NOTE 10 – Concentration of operating revenues

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Concession fees from the airport rental car operations amounted to approximately 12.0% and 14.5% of total operating revenues for the years ended September 30, 2020 and 2019, respectively. Net revenues from the airport parking lot operations amounted to approximately 12.0% and 16.6% of total operating revenues in the years ended September 30, 2020 and 2019, respectively.

## NOTE 11 – Passenger Facility Charges

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Passenger Facility Charges (PFCs) are collected in accordance with FAA regulations allowing airports to impose a charge on enplaning passengers. As described in the summary of significant accounting policies, the Authority was granted permission to begin collection of such charges in February 1998. The total amount of PFCs to be collected under this FAA approved application was based on the estimated costs of approved PFC projects. The FAA approval letter provided total aggregate collection authority of \$101,234,420.

In April 2006, the FAA approved an amendment to the approved PFC application. The amendment approved an increase in the collection level from \$3.00 to \$4.50 for the following projects of the Authority: terminal expansion, land acquisition for airport expansion and land acquisition for noise mitigation. The increase in rate was effective October 1, 2006. In June 2006, the FAA approved an additional application to include the concourse renovation project. On December 15, 2017, the Authority received approval under a new PFC application for the Terminal Optimization Project. The total effect of approved applications and amendments results in total aggregate collection authority of \$179,290,015. During the years ended September 30, 2020 and 2019, the Authority earned PFCs of \$4,265,140 and \$7,229,199, respectively.

## NOTE 12 – Risk management

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The Authority is exposed to various risks or losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority's risk management activities include purchase of commercial insurance with standard deductibles for all significant insurable risks. There have been no significant changes in insurance coverage in the last year. The amounts of settlements have not exceeded insurance coverage for the past four years. Other than for certain environmental remediation liabilities as discussed in Note 14, the financial statements do not include any liability for uninsured claims at September 30, 2020 and 2019.

Losses arising from claims and judgments are expensed when 1) it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements; and 2) the amount of the loss can be reasonably estimated.

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 13 – Commitments

Commitments for contractual services for federally funded and other construction projects at September 30, 2020 totaled approximately \$23,962,939. These commitments will be funded in whole or in part by federal and state grants of \$17,873,902 and the Authority's previously issued revenue bonds and Authority funds, as necessary, of \$6,089,037.

### NOTE 14 – Environmental matters, litigation and contingencies

*Groundwater Remediation* ("TARP Consent Decree") and *Soils/Vadose Zone Remediation* ("Soils Consent Decree"):

In 1991, the Authority and other obligated parties entered into the Tucson Airport Remediation Project (TARP) Consent Decree with the Environmental Protection Agency (EPA). The TARP Consent Decree requires performance of and funding for certain groundwater remediation activities.

In 1999, the Authority and other obligated parties entered into another Consent Decree (the "Soils Consent Decree") with the EPA. The Soils Consent Decree requires performance of and funding for certain soil and shallow groundwater remediation activities on Authority property.

In 1999, the Authority and several other parties entered into a settlement pursuant to which other parties paid certain amounts to TAA, there was an allocation of responsibility for obligations under both of the above-referenced Consent Decrees, and the Authority funded a trust for the purpose of providing primary funding for the Authority's financial responsibilities under the Consent Decrees. The Trust is referred to as the "Environmental Remediation Trust."

As a result of the 1999 settlement, the Authority is obligated to pay 100% of the costs associated with the TARP Consent Decree and 80% of the costs of the work required under the Soils Consent Decree. Two other parties are each obligated to pay 10% of the costs of the work required under the Soils Consent Decree, for a combined obligation of 20%. It is assumed that in the future these two parties will continue to meet their payment obligations for purposes of calculating the Authority's environmental liability.

The liability for remediation obligations is calculated using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible expected amounts – the estimated mean or average. This technique uses all expectations about possible cash flows. Estimated future cash outlays are based on existing technologies currently in use to perform the required remediation, stated at current value. These outlays include all operation and maintenance costs, remediation monitoring costs (including post-remediation monitoring), regulatory oversight costs, and facility construction costs. These costs are subject to potentially significant future price increases or decreases for materials, utilities and labor.

Changes in the estimated environmental remediation liability for the years ended September 30, 2020 and 2019 follow:

	2020	2019
Environmental remediation liability, beginning of year	\$ 24,575,777	\$ 25,012,603
Current year expense	394,453	1,587,039
Investment earnings on Environmental Remediation Trust assets	2,520	6,650
Current year payments	(1,276,064)	(2,030,515)
Environmental remediation liability, end of year	\$ 23,696,686	\$ 24,575,777
Environmental remediation liability:		
Current – payable from unrestricted assets	\$ 4,987,354	\$ 5,406,269
Current – payable from restricted assets	402,420	149,762
Long-term – payable from unrestricted assets	18,306,912	19,019,746
	\$ 23,696,686	\$ 24,575,777

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 14 – Environmental matters, litigation and contingencies – continued

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#### *1,4 Dioxane Remedial Investigation and Feasibility Study*

In a letter dated July 17, 2008, the U.S. EPA requested that the Authority, the City of Tucson, the U.S. Air Force, Boeing Corporation and Raytheon Corporation conduct a Remedial Investigation and Feasibility Study regarding 1,4 Dioxane in the regional groundwater aquifer near Tucson International Airport. This contaminant is not addressed in or covered by the TARP Consent Decree. The Authority has taken the position that it is not responsible for this contamination and another party has agreed to perform a substantial portion of the work demanded. The Authority is currently unable to determine the probability of an unfavorable outcome, if any, related to this matter.

#### *Landfill Investigation*

On April 18, 2007, the Arizona Department of Environmental Quality (“ADEQ”) sent the Authority a request for information in connection with ADEQ’s investigation of groundwater contamination near the Broadway North Landfill (“BNL”) in Tucson, which is part of the Broadway-Pantano Water Quality Assurance Fund Registry Site (“Site”). Similar requests were also sent to many other entities. The request related to waste purportedly generated by the Authority and its tenants at Tucson International Airport and Ryan Airfield between 1961 and 1972 and that ADEQ alleged may have been transported to BNL. On May 15, 2007, ADEQ sent a letter to the Authority and many other entities notifying each entity that it may be a responsible party for the Site and that a remedial investigation and feasibility study designed to identify a remedy were being conducted. The Authority is unable to determine the probability of an unfavorable outcome, if any, related to this matter.

#### *Federal and State Grants*

All federal and state grants are subject to audit by the granting agencies for compliance with applicable grant requirements. The Authority anticipates that the amount, if any, of disallowed grant expenditures in the event of granting agency audits would be immaterial.

#### *Other Contingencies*

The Authority is involved in other claims in the ordinary course of business. In the opinion of management, based on consultations with legal counsel, these matters are considered immaterial to the Authority or will be covered by insurance.

The Authority has significant contracts and leases that include contingent amounts due to the Authority based upon revenues of the lessees and concessionaires. The Authority monitors such agreements and includes adjustments in the revenues earned under the contracts when such amounts are collected or a negotiated settlement has been reached with the respective lessee/concessionaire.

#### *Subsequent events*

TAA evaluated its September 30, 2020 annual financial statements for subsequent events through May 26, 2021, the date the original financial statements were available to be issued, except as to Note 16, which is as of June 16, 2022.. The continuing negative impacts to air travel resulting from the COVID-19 pandemic and public response will likely reduce operating revenues from concessions in the following fiscal year. Currently, Congress has extended aid to airports and airlines to help mitigate the effects of this disruption. However, the uncertainty of the duration of this interruption and scope of additional federal assistance, if any, prevents TAA from estimating the size and significance of the overall impact on subsequent periods.

In April 2021, the Authority used \$27.2 million of unrestricted cash to substantially eliminate the pension liability associated with the Arizona Public Safety Personnel Retirement System (PSPRS) for Police and Fire employees. The amount of \$27.2 million represents the estimated total pension liability for both Police and Fire at the funding date, and not the net pension/OPEB liability as of September 30, 2020, which is detailed in Note 8. While the payment reduced TAA’s unrestricted cash and cash equivalents subsequent to year end, management anticipates the funding will significantly reduce the PSPRS pension expense for the next sixteen years.

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 15 – Restricted Net Position

Restricted net position includes restricted assets required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements; less liabilities payable from these assets. For fiscal years September 30, 2020 and 2019, restricted net position is as follows:

September 30, 2020

	Environmental Trust	Debt service	Capital projects	Total restricted
<b>Assets</b>				
Cash and cash equivalents	\$ 402,420	\$ -	\$ 9,730,416	\$ 10,132,836
Investments	-	-	12,423,496	12,423,496
Accounts receivable	-	-	410,268	410,268
Accrued interest receivable	-	-	47,465	47,465
Total restricted assets	<u>\$ 402,420</u>	<u>\$ -</u>	<u>\$ 22,611,645</u>	<u>\$ 23,014,065</u>
<b>Liabilities</b>				
Accrued interest payable	\$ -	\$ -	\$ -	\$ -
Environmental remediation payable - current portion	402,420	-	-	402,420
Total liabilities payable from restricted assets	<u>(402,420)</u>	<u>-</u>	<u>-</u>	<u>402,420</u>
Total Restricted Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,611,645</u>	<u>\$ 22,611,645</u>

September 30, 2019

	Environmental Trust	Debt service	Capital projects	Total restricted
<b>Assets</b>				
Cash and cash equivalents	\$ 149,762	\$ -	\$ 2,455,629	\$ 2,605,391
Investments	-	-	18,301,745	18,301,745
Accounts receivable	-	-	626,109	626,109
Accrued interest receivable	-	-	113,530	113,530
Total restricted assets	<u>\$ 149,762</u>	<u>\$ -</u>	<u>\$ 21,497,013</u>	<u>\$ 21,646,775</u>
<b>Liabilities</b>				
Accrued interest payable	\$ -	\$ -	\$ -	\$ -
Environmental remediation payable - current portion	149,762	-	-	149,762
Total liabilities payable from restricted assets	<u>(149,762)</u>	<u>-</u>	<u>-</u>	<u>149,762</u>
Total Restricted Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,497,013</u>	<u>\$ 21,497,013</u>

## Notes to Financial Statements (continued)

September 30, 2020 and 2019

### NOTE 16 – Revised financial statements resulting from facts discovered after the date of the original auditors' report

Subsequent to May 26, 2021, the original date of the auditors' report on the financial statements as of and for the years ended September 30, 2020 and 2019, additional facts became known that indicated that the financial statements as originally released were not fairly stated in all material respects in accordance with U.S. GAAP, and management determined that it was appropriate to restate those financial statements. Specifically, expenditures reimbursable under a federal award had not been reported as nonoperating grants in-aid revenue or grants receivable as of or for the year ended September 30, 2020. Additionally, management identified certain capital assets originally classified as construction in process as of September 30, 2020 which had been placed into service as of that date, but not transferred to depreciable capital assets. Although this did not impact the historical cost of capital assets, the misclassification caused depreciation expense and accumulated depreciation to be understated.

The accompanying financial statements as of and for the years ended September 30, 2020 and 2019 incorporate the following changes to net position as originally stated:

	Net investment in capital assets	Net position		
		Restricted	Unrestricted	Total
Net position September 30, 2019, as originally stated	\$ 288,703,140	\$ 21,497,013	\$ 86,200,991	\$ 396,401,144
Overstatement of capital assets	(383,472)	-	-	(383,472)
Net position September 30, 2019, as restated	<u>\$ 288,319,668</u>	<u>\$ 21,497,013</u>	<u>\$ 86,200,991</u>	<u>\$ 396,017,672</u>
Net position September 30, 2020, as originally stated	\$ 303,048,676	\$ 22,611,645	\$ 90,565,578	\$ 416,225,899
Overstatement of capital assets	(1,395,857)	-	-	(1,395,857)
Understatement of grants receivable		-	9,031,741	9,031,741
Net position September 30, 2020, as restated	<u>\$ 301,652,819</u>	<u>\$ 22,611,645</u>	<u>\$ 99,597,319</u>	<u>\$ 423,861,783</u>

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REQUIRED  
SUPPLEMENTARY  
INFORMATION  
–unaudited

## Schedule of the Authority's Proportionate Share of the Net Pension Liability – Cost Sharing Plan (ASRS)

(2013 – 2011 information not available)

Reporting date (September 30)	2020	2019	2018	2017
Measurement date (June 30)	(2020)	(2019)	(2018)	(2017)
Authority's proportion of the net pension liability	0.101010%	0.106740%	0.108140%	0.105060%
Authority's proportionate share of the net pension liability	\$ 17,501,518	\$ 15,531,912	\$ 15,081,724	\$ 16,366,300
Authority's covered payroll	10,979,377	11,198,483	10,748,407	10,234,127
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	159.40%	138.70%	140.32%	159.92%
Plan fiduciary net position as a percentage of total pension liability	69.33%	73.24%	73.00%	69.92%

	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)	2011 (2011)
	0.110640%	0.116260%	0.120267%	-%	-%	-%
\$	17,858,407	\$ 18,108,646	\$ 17,795,379	-	-	-
	10,309,250	10,708,240	10,840,726	-	-	-
	173.23%	169.11%	164.15%	-%	-%	-%
	67.06%	68.08%	69.49%	-%	-%	-%

## Schedule of the Authority's Proportionate Share of the Net OPEB Liability – Cost Sharing Plan (ASRS)

(2016 – 2011 information not available)

### Health Benefit Subsidy (HBS)

Reporting date (September 30) (Measurement date (June 30))	2020 (2020)	2019 (2019)	2018 (2018)	2017 (2017)
Authority's proportion of the net pension liability	0.102950%	0.108880%	0.109890%	0.106520%
Authority's proportionate share of the net pension liability	\$ (72,888)	(30,089)	(39,570)	\$ (57,989)
Authority's covered payroll	10,979,377	11,198,483	10,748,407	10,234,127
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	-0.66%	-0.27%	-0.37%	-0.57%
Plan fiduciary net position as a percentage of total pension liability	104.33%	101.62%	102.00%	103.57%

### Long-term Disability (LTD)

Reporting date (September 30) (Measurement date (June 30))	2020 (2020)	2019 (2019)	2018 (2018)	2017 (2017)
Authority's proportion of the net pension liability	0.102130%	0.108170%	0.108620%	0.105590%
Authority's proportionate share of the net pension liability	\$ 77,477	\$ 70,467	\$ 56,754	\$ 38,274
Authority's covered payroll	10,979,377	10,748,407	10,748,407	10,234,127
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	0.71%	0.66%	0.53%	0.37%
Plan fiduciary net position as a percentage of total pension liability	68.01%	72.85%	78.00%	84.44%

<u>2016</u> <u>(2016)</u>	<u>2015</u> <u>(2015)</u>	<u>2014</u> <u>(2014)</u>	<u>2013</u> <u>(2013)</u>	<u>2012</u> <u>(2012)</u>	<u>2011</u> <u>(2011)</u>	<u>2011</u> <u>(2011)</u>
0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<u>2016</u> <u>(2016)</u>	<u>2015</u> <u>(2015)</u>	<u>2014</u> <u>(2014)</u>	<u>2013</u> <u>(2013)</u>	<u>2012</u> <u>(2012)</u>	<u>2011</u> <u>(2011)</u>	<u>2011</u> <u>(2011)</u>
0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

## Multiyear Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Fire Department

(2013 – 2011 information not available)

Reporting date (September 30)	2020	2019	2018	2017
Measurement date (June 30)	(2020)	(2019)	(2018)	(2017)
<b>Total pension liability</b>				
Service cost	\$ 266,691	\$ 156,487	\$ 237,359	\$ 288,240
Interest on total pension liability	1,345,422	1,263,139	1,221,934	1,144,049
Benefit changes	-	-	-	189,346
Difference between expected and actual experience	212,900	394,075	127,803	(1,002)
Assumption changes	-	354,435	-	608,287
Benefit payments, including refunds of employee contributions	(1,119,994)	(1,212,840)	(923,319)	(966,355)
Net change in total pension liability	705,019	955,296	663,777	1,262,565
Total pension liability, beginning	18,474,681	17,519,385	16,855,608	15,593,043
Total pension liability, ending (a)	\$ <u>19,179,700</u>	\$ <u>18,474,681</u>	\$ <u>17,519,385</u>	\$ <u>16,855,608</u>
<b>Plan fiduciary net position</b>				
Contributions employer	\$ 1,216,474	\$ 1,006,544	\$ 862,196	\$ 850,516
Contributions employee	94,483	92,740	89,302	132,556
Pension plan net investment income	69,458	279,715	346,270	529,903
Benefit payments, including refunds of employee contributions	(1,119,994)	(1,212,840)	(923,319)	(966,355)
Hall/Parker Settlement	-	-	(207,683)	-
Pension plan administrative expense	(5,664)	(5,860)	(5,970)	(5,089)
Other	-	-	59	57,028
Net change in fiduciary net position	254,757	160,299	160,855	598,559
Plan fiduciary net position, beginning	5,353,106	5,192,807	5,031,952	4,433,393
Plan fiduciary net position, ending (b)	\$ <u>5,607,863</u>	\$ <u>5,353,106</u>	\$ <u>5,192,807</u>	\$ <u>5,031,952</u>
Net pension liability (asset), ending (a)–(b)	\$ <u>13,571,837</u>	\$ <u>13,121,575</u>	\$ <u>12,326,578</u>	\$ <u>11,823,656</u>
Plan fiduciary net position as a percentage of total pension liability	29.24%	28.98%	29.64%	29.85%
Covered payroll	\$ 1,120,421	\$ 1,140,342	\$ 1,051,655	\$ 1,229,168
Net pension liability as a percentage of covered valuation payroll	1211.32%	1150.67%	1172.11%	961.92%

	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)	2011 (2011)
\$	226,588	\$ 214,614	\$ 217,088	\$ -	\$ -	\$ -
	1,114,931	1,113,123	926,805	-	-	-
	237,906	-	362,124	-	-	-
	(88,660)	(347,529)	(59,196)	-	-	-
	563,682	-	1,746,767	-	-	-
	<u>(1,102,101)</u>	<u>(824,231)</u>	<u>(813,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	952,346	155,977	2,380,073	-	-	-
	14,640,697	14,484,720	12,104,647	-	-	-
\$	<u><u>15,593,043</u></u>	<u><u>14,640,697</u></u>	<u><u>14,484,720</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$	839,895	\$ 527,805	\$ 497,883	\$ -	\$ -	\$ -
	133,036	120,005	111,010	-	-	-
	26,592	164,399	570,917	-	-	-
	(1,102,101)	(824,231)	(813,515)	-	-	-
	-	-	-	-	-	-
	(4,227)	(4,385)	-	-	-	-
	58,877	(115,462)	(261,027)	-	-	-
	<u>(47,928)</u>	<u>(131,869)</u>	<u>105,268</u>	<u>-</u>	<u>-</u>	<u>-</u>
	4,481,321	4,613,190	4,507,922	-	-	-
\$	<u><u>4,433,393</u></u>	<u><u>4,481,321</u></u>	<u><u>4,613,190</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$	<u>11,159,650</u>	<u>10,159,376</u>	<u>9,871,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
	28.43%	30.61%	31.85%	0.00%	0.00%	0.00%
\$	1,174,641	\$ 1,098,649	\$ 1,013,577	\$ -	\$ -	\$ -
	950.05%	924.72%	973.93%	0.00%	0.00%	0.00%

## Multiyear Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Fire Department

(2016 – 2011 information not available)

Reporting date (September 30)	2020	2019	2018	2017
Measurement date (June 30)	(2020)	(2019)	(2018)	(2017)
<b>Total OPEB liability</b>				
Service cost	\$ 5,479	\$ 3,470	\$ 3,365	\$ 4,302
Interest on total OPEB liability	17,489	18,965	18,546	16,689
Benefit changes	-	-	-	-
Difference between expected and actual experience	21,063	(26,260)	(248)	30,351
Assumption changes	-	1,739	-	(8,218)
Benefit payments, including refunds of employee contributions	(16,547)	(23,179)	(12,415)	(16,675)
<b>Net change in total OPEB liability</b>	27,484	(25,265)	9,248	26,449
<b>Total OPEB liability, beginning</b>	239,133	264,398	255,150	228,701
<b>Total OPEB liability, ending (a)</b>	\$ 266,617	\$ 239,133	\$ 264,398	\$ 255,150
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-
OPEB plan net investment income	4,180	17,948	22,786	35,872
Benefit payments, including refunds of employee contributions	(16,547)	(23,179)	(12,415)	(16,675)
Hall/Parker Settlement	-	-	-	-
OPEB plan administrative expense	(340)	(310)	(347)	(318)
Other	-	-	-	-
<b>Net change in fiduciary net position</b>	(12,707)	(5,541)	10,024	18,879
<b>Plan fiduciary net position, beginning</b>	336,085	341,626	331,602	312,723
<b>Plan fiduciary net position, ending (b)</b>	\$ 323,378	\$ 336,085	\$ 341,626	\$ 331,602
<b>Net OPEB liability (asset), ending (a) - (b)</b>	\$ (56,761)	\$ (96,952)	\$ (77,228)	\$ (76,452)
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	121.29%	140.54%	129.21%	129.96%
<b>Covered payroll</b>	\$ 1,120,421	\$ 1,140,342	\$ 1,051,655	\$ 1,229,168
<b>Net OPEB liability as a percentage of covered valuation payroll</b>	-5.07%	-8.50%	-7.34%	-6.22%

	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)	2011 (2011)
\$	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$	-	-	-	-	-	-
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

## Multiyear Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Police Department

(2013 – 2011 information not available)

Reporting date (September 30)	2020	2019	2018	2017
Measurement date (June 30)	(2020)	(2019)	(2018)	(2017)
<b>Total pension liability</b>				
Service cost	\$ 273,444	\$ 180,206	\$ 281,283	\$ 313,234
Interest on total pension liability	1,518,631	1,412,577	1,369,937	1,267,411
Benefit changes	-	-	-	230,905
Difference between expected and actual experience	1,190,195	608,502	(2,801)	213,612
Assumption changes	-	572,330	-	672,391
Benefit payments, including refunds of employee contributions	(1,843,580)	(1,023,805)	(1,199,709)	(935,761)
Net change in total pension liability	1,138,690	1,749,810	448,710	1,761,792
Total pension liability, beginning	21,170,391	19,420,581	18,971,871	17,210,079
Total pension liability, ending (a)	\$ <u>22,309,081</u>	\$ <u>21,170,391</u>	\$ <u>19,420,581</u>	\$ <u>18,971,871</u>
<b>Plan fiduciary net position</b>				
Contributions employer	\$ 1,446,138	\$ 1,323,808	\$ 1,032,770	\$ 871,881
Contributions employee	123,872	162,627	120,133	164,792
Pension plan net investment income	71,363	273,290	323,004	497,677
Benefit payments, including refunds of employee contributions	(1,843,580)	(1,023,805)	(1,199,709)	(935,761)
Hall/Parker Settlement	-	-	(237,532)	-
Pension plan administrative expense	(5,818)	(5,745)	(5,616)	(4,804)
Other	-	34,779	81,265	46
Net change in fiduciary net position	(208,025)	764,954	114,315	593,831
Plan fiduciary net position, beginning	5,609,193	4,847,914	4,733,599	4,139,768
Adjustment to beginning of year	-	(3,675)	-	-
Plan fiduciary net position, ending (b)	\$ <u>\$5,401,168</u>	\$ <u>5,609,193</u>	\$ <u>4,847,914</u>	\$ <u>4,733,599</u>
Net pension liability (asset), ending (a)–(b)	\$ <u>\$16,907,913</u>	\$ <u>15,561,198</u>	\$ <u>14,572,667</u>	\$ <u>14,238,272</u>
<b>Plan fiduciary net position as a percentage</b>				
of total pension liability	24.21%	26.50%	24.96%	24.95%
Covered payroll	\$ 1,481,859	\$ 1,351,250	\$ 1,329,942	\$ 1,395,872
Net pension liability as a percentage of covered valuation payroll	1140.99%	1151.62%	1095.74%	1020.03%

	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)	2011 (2011)
\$	253,073	\$ 258,524	\$ 256,981	\$ -	\$ -	-
	1,213,721	1,171,149	965,854	-	-	-
	212,521	-	342,709	-	-	-
	163,868	195,045	178,695	-	-	-
	607,920	-	1,778,168	-	-	-
	<u>(1,150,547)</u>	<u>(1,008,807)</u>	<u>(807,083)</u>	-	-	-
	1,300,556	615,911	2,715,324	-	-	-
	15,910,153	15,294,242	12,578,918	-	-	-
\$	<u><u>17,210,709</u></u>	<u><u>15,910,153</u></u>	<u><u>15,294,242</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$	860,997	\$ 614,539	\$ 576,148	\$ -	\$ -	-
	172,693	280,628	150,551	-	-	-
	24,385	154,668	511,958	-	-	-
	(1,150,547)	(1,008,807)	(807,083)	-	-	-
	-	-	-	-	-	-
	(3,909)	(4,150)	-	-	-	-
	1,450	(3,035)	(209,036)	-	-	-
	<u>(94,931)</u>	<u>33,843</u>	<u>222,538</u>	-	-	-
	4,234,699	4,200,856	3,978,318	-	-	-
	-	-	-	-	-	-
\$	<u><u>4,139,768</u></u>	<u><u>4,234,699</u></u>	<u><u>4,200,856</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$	13,070,311	\$ 11,675,454	\$ 11,093,386	\$ -	\$ -	-
	24.05%	26.62%	27.47%	0.00%	0.00%	0.00%
\$	1,309,901	\$ 1,364,568	\$ 1,305,875	\$ -	\$ -	-
	997.81%	855.62%	849.50%	0.00%	0.00%	0.00%

## Multiyear Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios Agent Retirement Plan (PSPRS) – Police Department

(2016 – 2011 information not available)

Reporting date (September 30) Measurement date (June 30)	2020 (2020)	2019 (2019)	2018 (2018)	2017 (2017)
<b>Total OPEB liability</b>				
Service cost	\$ 6,144	\$ 4,655	\$ 4,389	\$ 4,886
Interest on total OPEB liability	19,806	23,538	21,564	19,898
Benefit changes	-	-	-	847
Difference between expected and actual experience	(29,483)	(67,403)	14,339	26,034
Assumption changes	-	3,635	-	(10,834)
Benefit payments, including refunds of employee contributions	(16,486)	(16,186)	(15,983)	(12,972)
<b>Net change in total OPEB liability</b>	<b>(20,019)</b>	<b>(51,761)</b>	<b>24,309</b>	<b>27,859</b>
<b>Total OPEB liability, beginning</b>	<b>269,752</b>	<b>321,513</b>	<b>297,204</b>	<b>269,345</b>
<b>Total OPEB liability, ending (a)</b>	<b>\$ 249,733</b>	<b>\$ 269,752</b>	<b>\$ 321,513</b>	<b>\$ 297,204</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 6,626	\$ 4,763	\$ 862	\$ 5,655
Contributions - employee	-	-	-	-
OPEB plan net investment income	3,728	15,633	19,711	30,966
Benefit payments, including refunds of employee contributions	(16,486)	(16,186)	(15,983)	(12,972)
Hall/Parker Settlement	-	-	-	-
OPEB plan administrative expense	(303)	(270)	(300)	(275)
Other	-	-	1	-
<b>Net change in fiduciary net position</b>	<b>(6,435)</b>	<b>3,940</b>	<b>4,291</b>	<b>23,374</b>
<b>Plan fiduciary net position, beginning</b>	<b>300,867</b>	<b>293,252</b>	<b>288,961</b>	<b>265,587</b>
<b>Adjustment to beginning of year</b>	<b>-</b>	<b>3,675</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 294,432</b>	<b>\$ 300,867</b>	<b>\$ 293,252</b>	<b>\$ 288,961</b>
<b>Net OPEB liability (asset), ending (a) - (b)</b>	<b>\$ (44,699)</b>	<b>\$ (31,115)</b>	<b>\$ 28,261</b>	<b>\$ 8,243</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	<b>117.90%</b>	<b>111.53%</b>	<b>91.21%</b>	<b>97.23%</b>
<b>Covered payroll</b>	<b>\$ 1,481,859</b>	<b>\$ 1,351,250</b>	<b>\$ 1,329,942</b>	<b>\$ 1,395,872</b>
<b>Net OPEB liability as a percentage of covered valuation payroll</b>	<b>-3.02%</b>	<b>-2.30%</b>	<b>2.12%</b>	<b>0.59%</b>

	2016 (2016)	2015 (2015)	2014 (2014)	2013 (2013)	2012 (2012)	2011 (2011)
\$	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	-	-	-	-	-
\$	-	-	-	-	-	-
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$	-	-	-	-	-	-
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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# STATISTICAL SECTION |

# Statistical Section

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<p style="margin-left: 40px;">These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</p>	
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<p style="margin-left: 40px;">These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its airline and non-airline revenues.</p>	
Debt Capacity.....	100-103
<p style="margin-left: 40px;">These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future.</p>	
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<p style="margin-left: 40px;">These schedules contain information about the Authority's operations and resources to help the reader understand how its financial information relates to the services the Authority provides and the activities it performs.</p>	

## Net Position and Changes in Net Position

Fiscal Years Ended September 30

	2011	2012	2013	2014
<b>Operating revenues</b>				
Landing fees	\$ 3,218,611	\$ 3,065,212	\$ 2,727,682	\$ 2,677,840
Space rentals	14,464,321	14,404,808	14,541,598	14,712,712
Land rent	2,694,612	2,639,679	2,684,589	2,663,514
Concession revenue	16,978,230	16,717,118	14,234,828	14,442,602
Product sales	3,386,663	2,624,936	1,000,111	-
Airport services	4,016,841	3,626,002	3,069,561	3,813,682
Other operating revenues	4,634,781	4,764,771	4,336,606	3,040,508
Total operating revenues	49,394,059	47,842,526	42,594,975	41,350,858
<b>Nonoperating revenues</b>				
Interest income	850,527	757,378	733,777	1,003,767
Passenger facility charges	7,064,714	6,884,959	6,193,285	6,135,127
Other nonoperating revenues	97,930	7,813	(466,024)	655,988
Total nonoperating revenues	8,013,171	7,650,150	6,461,038	7,794,882
Total revenues	57,407,230	55,492,676	49,056,013	49,145,740
<b>Operating expenses</b>				
Personnel expenses	18,565,829	18,813,878	18,855,823	21,271,873
Contractual services	6,301,918	5,759,286	6,321,777	5,843,202
Materials and supplies	1,390,653	1,405,494	1,348,952	1,764,994
Cost of product sales	2,612,723	2,063,364	851,930	-
Other operating expenses	1,274,401	1,244,705	1,177,404	2,632,370
Depreciation and amortization	15,298,186	15,386,500	16,472,711	15,860,805
Total operating expenses	45,443,710	44,673,227	45,028,597	47,373,244
<b>Nonoperating expenses</b>				
Interest expense and fiscal charges	4,252,272	3,373,283	3,048,133	2,787,713
Environmental remediation expenses	834,444	1,420,602	1,469,875	1,120,109
Other nonoperating expenses	1,896	13,216	15,714	-
Total nonoperating expenses	5,088,612	4,807,101	4,533,722	3,907,822
Total expenses	50,532,322	49,480,328	49,562,319	51,281,066
Capital contributions	8,606,611	12,633,202	13,542,280	26,622,392
Special item - Loss on asset impairment	(403,565)	-	-	-
Increase in net position	\$ 15,077,954	\$ 18,645,550	\$ 13,035,974	\$ 24,487,065
<b>Net position at year-end</b>				
Net investment in capital assets	\$ 198,997,844	\$ 208,795,492	\$ 220,212,684	\$ 236,631,507
Restricted	31,135,480	33,221,914	32,995,119	34,237,052
Unrestricted	75,950,039	82,711,507	84,557,084	54,786,190
Total net position	\$ 306,083,363	\$ 324,728,913	\$ 337,764,887	\$ 325,654,749
Prior Period Adjustment	-	-	-	-
Total net position, as restated	\$ 306,083,363	\$ 324,728,913	\$ 337,764,887	\$ 325,654,749

	2015		2016		2017		2018		2019		2020
\$	2,638,511	\$	2,793,333	\$	2,761,273	\$	2,242,036	\$	3,070,839	\$	2,037,041
	15,516,879		15,563,025		14,983,380		14,443,728		15,046,170		14,560,223
	2,767,584		2,754,715		2,963,840		3,510,909		3,515,665		3,789,349
	14,458,462		15,146,036		16,014,764		17,153,120		18,624,434		11,878,384
	-		-		-		-		-		-
	3,787,935		3,239,181		3,451,629		3,799,364		3,278,715		3,611,852
	2,817,414		2,624,624		2,733,868		2,876,372		3,725,228		2,992,525
	41,986,785		42,120,914		42,908,754		44,025,529		47,261,051		38,869,374
	1,383,045		1,533,109		1,757,178		2,252,824		3,079,095		2,330,044
	6,010,676		6,071,068		6,477,205		6,754,513		7,229,199		4,265,140
	576,808		(47,097)		(866,155)		(1,008,476)		1,799,527		19,799,150
	7,970,529		7,557,080		7,368,228		7,998,861		12,107,821		26,394,334
	49,957,314		49,677,994		50,276,982		52,024,390		59,368,872		65,263,708
	19,945,414		19,887,460		20,124,552		20,323,973		22,646,456		23,272,979
	6,064,007		6,165,827		6,120,706		6,089,002		7,710,016		6,726,582
	1,465,876		1,311,559		1,422,945		1,544,793		1,595,222		1,859,050
	-		-		-		-		-		-
	914,491		884,209		853,019		1,047,945		955,652		1,455,350
	16,577,216		14,534,836		17,404,890		18,255,710		18,393,628		19,514,629
	44,967,004		42,783,891		45,926,112		47,261,423		51,300,974		52,828,590
	2,667,488		2,542,271		2,408,925		2,249,588		1,077,162		960,095
	421,500		440,980		1,405,893		2,964,165		1,587,039		394,453
	280		17,250		752		165,197		-		-
	3,089,268		3,000,501		3,815,570		5,378,950		2,664,201		1,354,548
	48,056,272		45,784,392		49,741,682		52,640,373		53,965,175		54,183,138
	15,074,095		7,812,027		12,881,611		19,822,884		3,686,455		16,763,540
	-		-		-		-		-		-
\$	16,975,137	\$	11,705,629	\$	13,416,911	\$	19,206,901	\$	9,045,827	\$	27,844,110
\$	247,391,638	\$	251,798,899	\$	269,064,332	\$	290,739,199	\$	288,319,668	\$	301,652,819
	36,710,371		38,342,080		37,881,459		19,754,254		21,497,013		22,611,645
	58,527,877		64,194,536		60,818,153		76,477,392		86,200,991		99,597,319
\$	342,629,886	\$	354,335,515	\$	367,763,944	\$	386,970,845	\$	396,017,672	\$	423,861,783
	-		11,518		-		-		-		-
\$	342,629,886	\$	354,347,033	\$	367,763,944	\$	386,970,845	\$	396,017,672	\$	423,861,783

## Principal Revenue Sources

Fiscal Years Ended September 30

	2011	2012	2013	2014
<b>Passenger airline rates and charges</b>				
Landing fees	\$ 2,919,614	\$ 2,787,533	\$ 2,442,338	\$ 2,374,308
Terminal rentals	8,444,687	8,604,629	8,718,422	8,526,226
Security fees	1,757,292	1,673,772	1,620,612	1,683,084
Terminal use fees	-	-	-	-
Custodial, equipment and parking	353,069	295,335	281,127	290,848
<b>Total passenger airline rates and charges</b>	<b>13,474,662</b>	<b>13,361,269</b>	<b>13,062,499</b>	<b>12,874,466</b>
<b>Concession revenues</b>				
Parking lots	6,305,069	6,299,860	5,889,802	6,091,415
Rental cars	8,157,476	7,941,530	5,883,762	5,909,460
News and gift	707,181	677,861	675,724	711,183
Food and beverage	1,117,322	1,118,681	1,111,483	1,095,263
Other	691,181	679,186	674,057	635,281
<b>Total concession revenues</b>	<b>16,978,229</b>	<b>16,717,118</b>	<b>14,234,828</b>	<b>14,442,602</b>
<b>Other operating revenues</b>				
Space rental	5,541,202	5,315,138	5,305,856	5,724,956
Land rent	2,694,612	2,639,679	2,684,589	2,663,514
Tenant finishes	249,221	226,888	224,858	224,858
Cargo airline landing fees	200,488	203,776	208,659	207,482
Air cargo space rentals	229,211	258,153	292,462	236,672
Fuel flowage	2,033,772	1,949,201	2,042,185	897,339
TSA reimbursements	476,118	527,436	413,479	423,100
Rental car customer facility charges	1,148,769	1,168,421	1,106,892	1,105,439
General aviation product sales	3,386,663	2,624,936	1,000,111	475,582
Other	2,981,112	2,850,511	2,018,557	2,074,848
<b>Total other operating revenues</b>	<b>18,941,168</b>	<b>17,764,139</b>	<b>15,297,648</b>	<b>14,033,790</b>
<b>Total operating revenues</b>	<b>49,394,059</b>	<b>47,842,526</b>	<b>42,594,975</b>	<b>41,350,858</b>
<b>Nonoperating revenues</b>				
Interest income	850,527	757,378	733,777	1,003,767
Passenger facility charges	7,064,714	6,884,959	6,193,285	6,135,127
Other nonoperating revenues	97,930	7,813	(466,024)	655,988
<b>Total nonoperating revenues</b>	<b>8,013,171</b>	<b>7,650,150</b>	<b>6,461,038</b>	<b>7,794,882</b>
<b>Total revenues</b>	<b>\$ 57,407,230</b>	<b>\$ 55,492,676</b>	<b>\$ 49,056,013</b>	<b>\$ 49,145,740</b>

Source: Authority audited financial statements and records.

	2015	2016	2017	2018	2019	2020
\$	2,276,000	\$ 2,377,507	\$ 2,358,611	\$ 1,932,402	\$ 2,588,507	\$ 1,699,498
	9,031,797	9,012,994	8,998,645	8,962,562	9,445,182	9,277,131
	2,168,184	2,010,660	2,039,015	2,388,206	2,087,021	2,348,792
	-	-	-	-	-	-
	266,689	268,989	168,086	30,870	178,869	191,321
	13,742,670	13,670,150	13,564,357	13,314,040	14,299,579	13,516,742
	6,192,931	6,392,766	6,900,338	7,342,654	7,829,129	4,676,532
	5,733,134	6,114,720	6,417,509	6,193,649	6,832,969	4,673,326
	708,067	679,767	492,237	1,308,953	1,400,778	841,794
	1,165,119	1,242,012	1,241,351	1,137,726	1,247,586	792,004
	659,211	716,771	963,329	1,170,139	1,313,972	894,728
	14,458,462	15,146,036	16,014,764	17,153,120	18,624,434	11,878,384
	6,030,053	6,059,773	5,818,658	5,343,938	5,287,792	4,910,259
	2,767,584	2,754,715	2,963,840	3,483,678	3,488,464	3,761,964
	224,858	224,858	92,715	95,850	95,850	95,850
	206,601	216,621	203,237	160,329	203,104	313,543
	230,171	265,400	267,005	273,105	296,329	300,983
	405,135	422,306	438,212	454,743	480,470	444,718
	425,099	390,311	388,385	348,645	423,015	360,770
	1,173,263	1,197,810	1,209,425	1,239,323	1,327,100	863,955
	223,161	195,554	203,969	218,176	226,769	145,445
	2,099,728	1,577,380	1,744,187	1,940,583	2,508,145	2,276,759
	13,785,653	13,304,728	13,329,633	13,558,369	14,337,038	13,474,247
	41,986,785	42,120,914	42,908,754	44,025,529	47,261,051	38,869,374
	1,383,045	1,533,109	1,757,178	2,252,824	3,079,094	2,330,044
	6,010,676	6,071,068	6,477,205	6,754,513	7,229,199	4,265,140
	576,808	(47,097)	(866,155)	(1,164,745)	2,056,204	19,799,150
	7,970,529	7,557,080	7,368,228	7,842,592	12,364,497	26,394,334
\$	49,957,314	\$ 49,677,994	\$ 50,276,981	\$ 51,868,122	\$ 59,625,547	\$ 65,263,708

## Principal Revenue Source Ratios

Fiscal Years Ended September 30

	2011	2012	2013	2014
Passenger airline rates and charges as a percentage of total operating revenues	27.3%	27.9%	30.7%	31.1%
Concession revenues as a percentage of total operating revenues	34.4%	34.9%	33.4%	34.9%
Non-passenger airline revenues as a percentage of total operating revenues	72.7%	72.1%	69.3%	68.9%
Enplaned passengers	1,841,834	1,826,046	1,655,617	1,621,231
Airline cost per enplaned passenger	\$ 7.32	\$ 7.32	\$ 7.89	\$ 7.94
Concession revenues per enplaned passenger	\$ 9.22	\$ 9.15	\$ 8.60	\$ 8.91
Operating revenues per enplaned passenger	\$ 26.82	\$ 26.20	\$ 25.73	\$ 25.51
Total revenues per enplaned passenger	\$ 31.17	\$ 30.39	\$ 29.63	\$ 30.31

Source: Enplaned passengers as reported by airlines.

## Rates and Charges

Fiscal Years Ended September 30

	2011	2012	2013	2014
<b>Signatory airlines</b>				
Landing fee (per 1,000 lbs.)	\$ 1.35	\$ 1.32	\$ 1.31	\$ 1.41
Ticketing space (per sq. ft. per year)	\$ 73.86	\$ 73.86	\$ 76.30	\$ 76.30
Baggage claim (per sq. ft. per year)	\$ 70.04	\$ 70.04	\$ 72.36	\$ 72.36
Baggage makeup (per sq. ft. per year)	\$ 24.61	\$ 24.61	\$ 25.42	\$ 25.42
Baggage claim office (per sq. ft. per year)	\$ 73.86	\$ 73.86	\$ 76.30	\$ 76.30
Operations space (per sq. ft. per year)	\$ 62.76	\$ 62.76	\$ 64.84	\$ 64.84
Hold room (per gate per year)	\$ 107,700.75	\$ 107,700.75	\$ 111,263.62	\$ 111,265.62
Aircraft parking position (per gate per year)	\$ 7,726.84	\$ 7,726.84	\$ 7,982.45	\$ 7,982.60
<b>Parking</b>				
Hourly lot (per hour)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Daily lot (per day)	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
Garage	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
Economy uncovered (per day)	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
Economy covered	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
<b>Rental car privilege fee (% of gross receipts)</b>				
On-airport operators	10.0%	10.0%	10.0%	10.0%
Off-airport operators	10.0%	10.0%	10.0%	10.0%

	2015	2016	2017	2018	2019	2020
	32.7%	32.5%	31.6%	30.2%	30.3%	34.8%
	34.4%	36.0%	37.3%	39.0%	39.4%	30.6%
	67.3%	67.5%	68.4%	69.8%	69.7%	65.2%
	1,590,321	1,618,304	1,711,518	1,782,050	1,897,590	1,144,018
\$	8.64	\$ 8.45	\$ 7.93	\$ 7.47	\$ 7.54	\$ 11.82
\$	9.09	\$ 9.36	\$ 9.36	\$ 9.63	\$ 9.81	\$ 10.38
\$	26.40	\$ 26.03	\$ 25.07	\$ 24.70	\$ 24.91	\$ 33.98
\$	31.41	\$ 30.70	\$ 29.38	\$ 29.11	\$ 31.42	\$ 57.05

	2015	2016	2017	2018	2019	2020
\$	1.31	\$ 1.30	\$ 1.29	\$ 1.04	\$ 1.32	\$ 1.15
\$	78.81	\$ 78.81	\$ 80.91	\$ 80.91	\$ 83.42	\$ 83.42
\$	74.74	\$ 74.74	\$ 76.73	\$ 76.73	\$ 79.11	\$ 79.11
\$	26.26	\$ 26.26	\$ 26.96	\$ 26.96	\$ 27.80	\$ 27.80
\$	78.81	\$ 78.81	\$ 80.91	\$ 80.91	\$ 83.42	\$ 83.42
\$	66.97	\$ 66.97	\$ 68.75	\$ 68.75	\$ 70.88	\$ 70.88
\$	114,926.26	\$ 114,926.26	\$ 117,983.30	\$ 117,983.30	\$ 121,640.78	\$ 121,640.78
\$	8,245.20	\$ 8,245.23	\$ 8,464.55	\$ 8,464.55	\$ 8,726.95	\$ 8,726.95
\$	2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
\$	9.00	\$ 9.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$	9.00	\$ 9.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$	4.00	\$ 4.00	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
\$	5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

\*Parking rates were increased in February 2017

N.A.: Not applicable.

Source: Authority records.

## Ratios of Outstanding Debt, Debt Service and Debt Limits

Fiscal Years Ended September 30

	2011	2012	2013	2014
<b>Outstanding Debt Ratios</b>				
Outstanding debt by type				
Senior lien revenue bonds	\$ 8,810,000	\$ 4,510,000	\$ -	\$ -
Subordinate lien revenue bonds	62,960,000	60,730,000	58,385,000	55,930,000
Junior subordinate lien revenue bonds	-	-	-	-
Notes payable	-	-	-	-
Total outstanding debt	\$ 71,770,000	\$ 65,240,000	\$ 58,385,000	\$ 55,930,000
Enplaned passengers	1,841,834	1,826,046	1,655,617	1,621,231
Outstanding debt per enplaned passenger	\$38.97	\$35.73	35.26	34.50
Operating revenues	\$ 49,394,059	\$ 47,842,526	\$ 42,594,975	\$ 41,350,858
Ratio of outstanding debt to operating revenues	1.45	1.36	1.37	1.35
Total revenues	\$ 57,407,230	\$ 55,492,676	\$ 49,056,013	\$ 49,145,740
Ratio of outstanding debt to total revenues	1.25	1.18	1.19	1.14
<b>Debt Service Ratios</b>				
Debt service				
Principal (1)	\$ 6,950,000	\$ 6,530,000	\$ 6,855,000	\$ 2,455,000
Interest	4,761,308	3,621,515	3,288,317	2,944,190
Total debt service	\$ 11,711,308	\$ 10,151,515	\$ 10,143,317	\$ 5,399,190
Debt service per enplaned passenger	\$ 6.36	\$ 5.56	\$ 6.13	\$ 3.33
Total expenses	\$ 50,532,322	\$ 49,480,328	\$ 49,562,319	\$ 51,281,066
Ratio of debt service to total expenses	0.23	0.21	0.20	0.11
Debt Limit (2)	N.A.	N.A.	N.A.	N.A.

(1) Excludes amounts paid for early retirement of debt.

(2) The Authority has no statutory debt limit. Senior lien revenue bond limits would be calculated through an additional bonds test (ABT) established in the Authority's senior lien bond resolution.

Source: Authority audited financial statements.

	2015	2016	2017	2018	2019	2020	
\$	-	\$	-	\$	-	\$	-
	53,345,000		50,635,000		47,785,000		37,330,000
	-		-		-		32,520,000
	-		-		-		29,540,000
\$	53,345,000	\$	50,635,000	\$	47,785,000	\$	37,330,000
	1,590,321		1,618,304		1,711,518		1,782,050
	33.54		31.29		27.92		20.95
							1,897,590
							1,144,018
							25.82
\$	41,986,785	\$	42,120,914	\$	42,908,754	\$	44,025,529
	1.27		1.20		1.11		0.85
							47,261,051
							38,869,374
							0.76
\$	49,957,314	\$	49,677,994	\$	50,276,981	\$	51,868,122
	1.07		1.02		0.95		0.72
							\$59,368,872
							56,231,967
							0.53
\$	2,585,000	\$	2,710,000	\$	2,850,000	\$	2,990,000
	2,819,690		2,688,815		2,551,315		3,089,878
							4,810,000
							2,980,000
							1,030,869
\$	5,404,690	\$	5,398,815	\$	5,401,315	\$	6,079,878
							6,026,903
							4,010,869
\$	\$3.40	\$	3.34	\$	3.16	\$	\$3.41
							3.18
							3.51
\$	48,056,272	\$	45,784,392	\$	49,756,927	\$	\$52,484,536
	0.11		0.12		0.11		0.12
							53,581,703
							53,170,753
							0.08
	N.A.		N.A.		N.A.		N.A.
							N.A.

# Airport Revenue Bond Coverage Per Bond Resolutions

Fiscal Years Ended September 30

	2011	2012	2013	2014
<b>Senior Lien Revenue Bond Debt Service Coverage</b>				
Operating revenues	\$ 49,394,059	\$ 47,842,526	\$ 42,594,975	\$ 41,350,858
Interest income (1)	483,890	423,027	408,225	558,471
Transfer from airline reserve fund (2)	2,217,351	1,867,127	1,828,523	170,566
Total revenues	52,095,300	50,132,680	44,831,723	42,079,895
Operation and maintenance expenses	(30,145,524)	(29,286,727)	(28,555,886)	(31,512,439)
Net revenues	21,949,776	20,845,953	16,275,837	10,567,456
<b>Senior lien debt service requirement</b>				
Series 2001A,B,C	1,307,078	-	-	-
Series 2003 refunding	4,736,833	4,738,833	3,157,000	-
Total senior lien debt service	\$ 6,043,911	\$ 4,738,833	\$ 3,157,000	\$ -
Senior lien revenue bond debt service coverage	3.63	4.40	5.16	-
Required minimum coverage	1.25	1.25	1.25	1.25
<b>Subordinate Lien Revenue Bond Debt Service Coverage</b>				
Net revenues	\$ 21,949,776	\$ 20,845,953	\$ 16,275,837	\$ 10,567,456
PFC revenues transferred for				
subordinate lien debt service	4,878,142	4,897,807	4,836,868	4,805,218
Subtotal	26,827,918	25,743,760	21,112,705	15,372,674
Senior lien debt service	(6,043,911)	(4,738,833)	(3,157,000)	-
Net revenues available for				
subordinate lien debt service	20,784,007	21,004,927	17,955,705	15,372,674
<b>Subordinate lien debt service requirement</b>				
Series 2001	2,863,990	2,882,873	2,826,757	2,843,423
Series 2006	2,575,642	2,576,642	2,570,475	2,573,183
Series 2018	-	-	-	-
Total subordinate lien debt service	\$ 5,439,632	\$ 5,459,515	\$ 5,397,232	\$ 5,416,606
Subordinate lien revenue bond debt service coverage	3.82	3.85	3.33	2.84
Required minimum coverage	1.10	1.10	1.10	1.10
<b>Total Revenue Bond Debt Service Coverage</b>				
Net revenues	\$ 21,949,776	\$ 20,845,953	\$ 16,275,837	\$ 10,567,456
PFC revenues transferred for				
subordinate lien debt service	4,878,142	4,897,807	4,836,868	4,805,218
Subtotal	26,827,918	25,743,760	21,112,705	15,372,674
<b>Total revenue bond debt service requirement</b>				
Senior lien bonds	6,043,911	4,738,833	3,157,000	-
Subordinate lien bonds	5,439,632	5,459,515	5,397,232	5,416,606
Junior subordinate lien bonds	-	-	-	-
Total revenue bond debt service	\$ 11,483,543	\$ 10,198,348	\$ 8,554,232	\$ 5,416,606
Total revenue bond debt service coverage	2.34	2.52	2.47	2.84
Required minimum coverage	1.00	1.00	1.00	1.00

(1) Net revenues per the Authority's bond resolutions excludes interest income on restricted funds and certain unrestricted insurance proceeds.

(2) This amount is calculated in accordance with the airport use agreement. See the introduction letter for a description of the Authority's airport use agreement.

	2015	2016	2017	2018	2019	2020
\$	41,986,785	\$ 42,120,914	\$ 42,908,754	\$ 44,025,529	\$ 47,261,051	\$ 38,869,374
	783,869	897,339	1,022,053	1,517,699	2,067,717	1,534,472
	4,015,500	-	-	1,100,000	-	-
	46,786,154	43,018,253	43,930,807	46,643,228	49,328,768	40,403,846
	(28,389,788)	(28,249,055)	(28,521,222)	(29,005,713)	(32,576,858)	(33,308,319)
	18,396,366	14,769,198	15,409,585	17,637,515	16,751,910	7,095,527
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	1.25	1.25	1.25	1.25	1.25	1.25
\$	18,396,366	\$ 14,769,198	\$ 15,409,585	\$ 17,637,515	\$ 16,751,910	\$ 7,095,527
	4,763,643	4,656,554	4,823,054	5,096,988	7,229,199	4,265,140
	23,160,009	19,425,752	20,232,639	22,734,503	23,981,109	11,360,667
	-	-	-	-	-	-
	23,160,009	19,425,752	20,232,639	22,734,503	23,981,109	11,360,667
	2,844,923	2,792,315	2,862,257	2,814,230	-	-
	2,516,683	2,445,225	2,573,225	2,540,043	-	-
	-	-	-	347,245	6,026,903	4,010,869
\$	5,361,606	\$ 5,237,540	\$ 5,435,482	\$ 5,701,518	\$ 6,026,903	\$ 4,010,869
	4.32	3.71	3.72	3.99	3.98	2.83
	1.10	1.10	1.10	1.10	1.10	1.10
\$	18,396,366	\$ 14,769,198	\$ 15,409,585	\$ 17,637,515	\$ 16,751,910	\$ 7,095,527
	4,763,643	4,656,554	4,823,054	5,096,988	7,229,199	4,265,140
	23,160,009	19,425,752	20,217,394	22,734,071	23,981,109	11,360,667
	-	-	-	-	-	-
	5,361,606	5,237,540	5,435,482	5,701,518	6,026,903	4,010,869
	-	-	-	-	-	-
\$	5,361,606	\$ 5,237,540	\$ 5,435,482	\$ 5,701,518	\$ 6,026,903	\$ 4,010,869
	4.32	3.71	3.72	3.99	3.98	2.83
	1.00	1.00	1.00	1.00	1.00	1.00

Source: Authority audited financial statements and bond resolutions.

## Population in the Air Service Area

As of July 1 (April 1 for U.S. Census Data)

	2011	2012	2013	2014	2015
<b>Primary service area</b>					
Pima County, Arizona	986,081	990,380	996,046	1,007,162	1,009,371
Annual % change	0.6%	0.4%	0.6%	1.1%	0.2%
<b>Secondary service area</b>					
Cochise County, Arizona	130,537	130,752	130,906	129,628	129,112
Graham County, Arizona	37,710	37,314	37,872	38,315	38,475
Greenlee County, Arizona	8,380	8,599	10,913	10,476	10,555
Pinal County, Arizona	384,231	389,192	393,813	396,237	406,468
Santa Cruz County, Arizona	48,088	48,724	49,218	49,554	50,270
Total secondary service area	608,946	614,581	622,722	624,210	634,880
Annual % change	1.5%	0.9%	1.3%	0.2%	1.7%
<b>Total primary and secondary service areas</b>					
	1,595,027	1,604,961	1,618,768	1,631,372	1,644,251
Annual % change	0.9%	0.6%	0.9%	0.8%	0.8%
<b>State of Arizona</b>					
	6,438,178	6,498,569	6,581,054	6,667,241	6,758,251
Annual % change	0.7%	0.9%	1.3%	1.3%	1.4%
<b>United States</b>					
	311,582,564	313,873,685	316,128,839	317,297,938	321,422,019
Annual % change	0.9%	0.7%	0.7%	0.4%	1.3%

Source: Arizona Department of Administration, Office of Employment and Population Statistics, The State Demographer's Office; except for 2010, which is based on census data from the U.S. Census Bureau.

## Unemployment Rates in the Air Service Area

Annual Average

	2011	2012	2013	2014	2015
<b>Primary Service Area</b>					
Pima County, Arizona	8.3%	7.3%	6.9%	6.3%	5.7%
<b>Secondary service area</b>					
Cochise County, Arizona	8.8%	8.2%	8.5%	8.3%	7.6%
Graham County, Arizona	10.4%	8.9%	8.1%	6.9%	7.7%
Greenlee County, Arizona	8.2%	6.0%	6.7%	6.5%	8.5%
Pinal County, Arizona	10.3%	8.9%	8.4%	7.4%	6.6%
Santa Cruz County, Arizona	17.0%	17.2%	18.0%	16.2%	14.6%
Total secondary service area	10.4%	9.3%	9.1%	8.2%	7.6%
<b>Total primary and secondary service areas</b>					
	9.0%	7.9%	7.7%	6.9%	6.4%
<b>State of Arizona</b>					
	9.5%	8.3%	8.0%	8.0%	6.0%
<b>United States</b>					
	8.9%	8.1%	7.4%	6.2%	5.1%

Source: Arizona Department of Administration, Office of Employment and Population Statistics, in cooperation with the U.S. Dept of Labor, Bureau of Labor Statistics. Local Area Unemployment Statistics (LAUS) data.

	2016	2017	2018	2019	2020
	1,013,103	1,026,099	1,034,201	1,044,675	1,052,375
	0.4%	1.3%	0.8%	1.0%	0.7%
	128,343	128,383	130,319	129,778	131,694
	38,303	38,275	38,126	38,476	38,666
	10,433	10,961	10,506	10,375	10,558
	413,312	427,603	440,591	455,210	467,932
	50,581	51,507	52,390	53,161	53,731
	640,972	656,729	671,932	687,000	702,581
	1.0%	2.5%	2.3%	2.2%	2.3%
	1,654,075	1,682,828	1,706,133	1,731,675	1,754,956
	0.6%	1.7%	1.4%	1.5%	1.3%
	6,835,518	6,965,897	7,076,199	7,187,990	7,294,587
	1.1%	1.9%	1.6%	1.6%	1.5%
	323,127,513	325,507,602	327,167,434	328,239,523	331,449,281
	0.5%	0.7%	0.5%	0.3%	1.0%

	2016	2017	2018	2019	2020
	5.0%	4.5%	4.4%	4.6%	7.7%
	6.3%	5.4%	5.6%	5.8%	7.0%
	6.7%	5.7%	5.1%	4.9%	6.3%
	7.7%	5.5%	4.6%	4.2%	5.5%
	5.6%	4.9%	4.9%	5.0%	7.5%
	10.1%	9.6%	9.3%	8.7%	11.4%
	6.2%	5.4%	5.4%	5.4%	7.6%
	5.4%	4.8%	4.7%	4.9%	7.7%
	5.4%	4.8%	4.8%	4.6%	7.9%
	4.9%	4.4%	4.0%	3.5%	8.1%

## Major Employers in the Air Service Area

Full-time Equivalent Employees

Employer	Industry Sector	2011	2012	2013
University of Arizona	Education	10,481	10,681	10,846
Raytheon Missile Systems	Manufacturing	10,500	10,500	10,300
State of Arizona	State Government	8,866	9,061	8,807
Davis-Monthan Air Force Base	Military	8,462	8,566	9,100
Pima County	Local Government	6,403	6,170	6,076
Tucson Unified School District No. 1	Education	6,709	6,674	6,790
Banner - University Medicine (2)	Health Services	5,982	5,594	6,099
U.S. Customs and Border Protection	Federal Government	3,669	6,000	6,500
Freeport-McMoRan nc.	Mining	4,803	5,068	5,463
Wal-Mart Stores, Inc.	Retail	7,308	7,300	7,450
U.S. Army Intelligence Center, Fort Huachuca	Military	6,225	6,198	5,096
City of Tucson	Local Government	4,930	4,541	4,585
Tohono O'odham Nation	Local Government	4,353	4,350	4,350
Carondelet Health Network	Health Services	4,690	4,635	3,668
TMC HealthCare	Health Services	2,966	2,904	2,977
Southern Arizona V.A. Health Care System	Health Services	2,208	2,151	2,182
Corrections Corporation of America	Government Services	2,487	2,482	2,314
Fry's Food Stores	Retail	3,100	3,100	2,700
Pima Community College	Education	2,336	2,386	2,384
Asarco	Mining	2,262	2,348	2,297
Sunnyside Unified School District	Education	2,145	2,125	2,083
Afni, Inc.	Call Center	2,100	2,198	2,199
APAC Customer Services Inc.	Call Center	1,570	1,650	1,777
Pinal County	Local Government	2,340	1,952	1,993
Amphitheater Unified School District	Education	1,924	1,920	1,833
Vail Unified School District	Education	1,362	1,442	1,469
Target Corp.	Retail	1,773	1,639	1,640
Citi	Call Center	2,000	2,000	2,000
Circle K Stores Inc.	Retail	(1)	(1)	(1)
Casino Del Sol Resort Spa and Casino	Entertainment	(1)	(1)	1,300
Northwest Medical Center	Health Services	1,758	1,532	1,757
U.S. Postal Service	Federal Government	1,899	1,562	1,558
Walgreen Co.	Retail	1,726	1,399	1,420
GEICO	Insurance	(1)	(1)	(1)
Marana Unified School District	Education	1,606	1,600	1,657
University Physicians Healthcare (2)	Health Services	(2)	(2)	(2)

Source: Arizona Daily Star, Star 200 survey. Participation in the survey is voluntary. Includes employers in the Authority's primary and secondary service areas.

(1) Data not provided and/or not a major employer.

(2) University Physicians merged with the University Medical Center in 2011 and was purchased by Banner Health in 2015.

(3) The Star 200 survey was discontinued after 2016. No comparable data was available.

2014	2015	2016	Percentage of Total Employment	2017 (3)	2018 (3)	2019 (3)	2020 (3)
11,047	11,235	11,251	1.8%				
9,933	9,600	9,600	1.5%				
9,439	8,524	8,580	1.4%				
8,933	8,335	8,406	1.3%				
7,328	7,023	7,060	1.1%				
6,525	7,134	6,770	1.1%				
6,329	6,542	6,272	1.0%				
4,135	6,470	5,739	0.9%				
5,600	5,800	5,530	0.9%				
5,200	5,400	5,500	0.9%				
5,717	5,314	5,477	0.9%				
4,845	4,882	4,595	0.7%				
4,350	4,350	4,350	0.7%				
3,476	3,943	3,860	0.6%				
2,954	2,976	3,162	0.5%				
2,450	2,255	2,464	0.4%				
2,146	2,300	2,413	0.4%				
2,024	2,136	2,346	0.4%				
2,177	2,207	2,235	0.4%				
2,366	2,427	2,200	0.4%				
2,000	2,200	2,100	0.3%				
1,950	2,220	1,900	0.3%				
1,904	1,904	1,889	0.3%				
1,931	1,917	1,852	0.3%				
1,814	1,789	1,739	0.3%				
1,578	1,625	1,705	0.3%				
1,640	1,640	1,640	0.3%				
1,900	1,800	1,600	0.3%				
(1)	(1)	1,600	0.3%				
1,500	1,600	1,592	0.3%				
1,722	1,651	1,585	0.3%				
1,226	1,496	1,531	0.2%				
1,420	1,459	1,419	0.2%				
(1)	(1)	1,411	0.2%				
1,706	1,754	1,404	0.2%				
(2)	(2)	(2)	0.0%				

# Authority Employees

Authorized Full-Time Equivalent Positions as of September 30

	2011	2012	2013	2014
Management	4.00	4.00	4.00	4.00
Legal	4.00	3.00	3.00	3.00
Public Information/Government Affairs	-	-	-	-
Administration/Properties	7.00	7.00	7.00	8.00
Information Technology and Telecommunications	11.00	9.00	9.00	9.00
Human Resources	5.00	5.00	5.00	5.00
Procurement	9.00	9.00	8.00	7.00
Air Service Development and Marketing	7.00	5.00	4.00	4.00
Office, Records, and Warehouse Management	-	-	-	-
Finance	10.00	9.00	9.00	8.00
Projects	25.00	22.00	21.00	29.00
Operations Management	7.00	7.00	9.00	3.00
Airside Operations	-	-	-	7.25
Police	51.00	48.50	47.50	46.00
Fire	17.00	16.50	17.00	17.00
Communications/Dispatch	12.00	12.00	12.00	12.00
Custodial	53.00	44.00	43.00	42.00
Flight Line Services	25.00	23.00	16.00	2.00
Maintenance	42.00	40.00	40.00	38.50
Ryan Airfield	-	-	-	-
<b>Total</b>	<b>289.00</b>	<b>264.00</b>	<b>254.50</b>	<b>244.75</b>

Source: Authority records.

2015	2016	2017	2018	2019	2020
3.00	3.00	3.00	3.00	3.00	3.00
3.00	3.00	4.00	3.00	3.00	3.00
-	-				
7.00	7.00	8.00	8.00	8.00	8.00
9.00	9.00	9.00	9.00	9.00	9.00
4.00	4.00	4.00	5.00	5.00	5.00
6.00	6.00	6.00	5.00	5.00	5.00
4.00	4.00	4.00	4.00	4.00	5.00
9.00	10.00	8.00	10.00	9.00	9.00
7.00	7.00	7.00	7.00	7.00	8.00
24.50	24.50	24.50	23.50	21.50	20.00
2.00	2.00	2.00	4.00	4.00	4.00
8.00	8.00	8.00	8.00	11.00	11.00
44.00	44.00	44.00	43.50	43.50	44.00
17.00	17.00	17.00	17.00	17.00	17.00
13.00	12.00	12.00	12.00	11.00	11.00
42.00	42.00	42.00	42.00	42.00	43.00
-	-	-	-		
37.00	37.00	38.00	39.00	39.00	42.00
-	-				
239.50	239.50	240.50	243.00	242.00	247.00

# Airport Information

## Tucson International Airport

As of September 30

Airport code: TUS  
 FAA category: Commercial service, small hub (2)  
 Location: 8 miles south of downtown Tucson, Arizona  
 Elevation: 2,641 feet above sea level  
 International: 24/7 U.S. Customs Federal Inspection Station  
 Tower: FAA-staffed 24/7

		2011	2012	2013	2014
Land area (acres):		8,343	8,343	8,343	8,343
Runways:	11L-29R (main)	10,996 x 150 ft.			
	3-21 (crosswind)	7,000 x 150 ft.			
	11R-29L (GA & commuter)	8,408 x 75 ft.			
Main terminal:	Airlines (sq. ft.)	202,451	202,451	202,451	202,451
	Concessions	35,067	35,067	35,067	35,067
	TSA & security checkpoints	10,401	10,401	10,401	10,401
	Public/common	115,300	115,300	115,300	115,300
	Authority use	12,076	12,076	12,076	23,862
	Mechanical	76,730	76,730	76,730	76,730
	Total (sq. ft.)	452,025	452,025	452,025	463,811
	Number of gate positions	19	19	19	19
	Number of active gates	18	18	18	18
	Apron (sq. ft.)	1,941,985	1,941,985	1,941,985	1,941,985
Consolidated	Number of companies	7	7	7	7
rental car facility:	Quick turnaround facilities	7	7	7	7
	Customer service building (sq. ft.)	18,000	18,000	18,000	18,000
	3-level parking structure (spaces)				
	Rental car use	697	697	697	697
	Airport employee use	661	661	661	661
	Public parking	605	605	605	605
Public parking lots	Hourly	469	469	469	469
(surface spaces):	Daily	908	908	908	908
	Covered economy	308	308	308	308
	Uncovered economy	5,337	5,337	5,337	5,337
	Total	7,022	7,022	7,022	7,022
Air cargo:	Number of buildings	3	3	3	3
	Total sq. ft.	35,000	35,000	35,000	35,000
	Apron (sq. ft.)	819,000	819,000	819,000	819,000
General aviation:	Number of FBOs (1)	5	5	5	4
	Apron (sq. ft.)	1,301,767	1,301,767	1,301,767	1,301,767

(1) Includes a limited service FBO (fueling, tie-downs and pilot facilities) owned and operated by the Authority. Fueling services ended 1/31/2014.

(2) Effective 10/01/2012 TAA's FAA category changed to, commercial services, small hub.

Source: Authority records.

	2015	2016	2017	2018	2019	2020
	8,282	8,282	8,282	8,282	8,282	7,985
10,996 x 150 ft.						
7,000 x 150 ft.						
8,408 x 75 ft.						
	202,451	202,451	202,451	197,268	197,268	197,268
	35,067	35,067	35,067	30,309	30,309	30,309
	10,401	10,401	10,401	22,531	22,531	22,531
	115,300	115,300	115,300	132,070	132,070	132,070
	23,862	23,862	23,862	28,904	28,904	28,904
	76,730	76,730	76,730	56,333	56,333	56,333
	463,811	463,811	463,811	467,415	467,415	467,415
	19	19	19	19	19	19
	18	18	19	19	19	19
	1,941,985	1,941,985	1,941,985	1,941,985	1,941,985	1,941,985
	7	7	7	7	7	7
	7	7	7	7	7	7
	18,000	18,000	18,000	18,000	18,000	18,000
	697	697	697	697	697	697
	661	661	661	661	661	661
	605	605	605	605	605	605
	469	469	469	469	469	469
	908	908	908	908	908	908
	308	308	308	308	308	308
	5,337	5,337	5,337	5,337	5,337	5,337
	7,022	7,022	7,022	7,022	7,022	7,022
	3	3	3	3	3	3
	35,000	35,000	35,000	35,000	69,156	69,156
	819,000	819,000	819,000	819,000	819,000	819,000
	3	3	3	3	4	4
	1,301,767	1,301,767	1,301,767	1,301,767	1,301,767	1,301,767

# Airport Information

## Ryan Airfield

As of September 30

Airport code: RYN  
 FAA category: General aviation  
 Location: 12 miles southwest of downtown Tucson, Arizona  
 Elevation: 2,417 feet above sea level  
 International: No international facilities  
 Tower: Contract - staffed 6:00 A.M. - 8:00 P.M. daily

		2011	2012	2013	2014
Land area (acres):		1,804	1,804	1,804	1,804
Runways:	6R-24L	5,500 x 75 ft.			
	6L-24R	4,900 x 75 ft.			
	15-33 (crosswind)	4,000 x 75 ft.			
Terminal:		None	None	None	None
FBO services:	Number of FBOs (1)	1	1	1	1
	Apron (sq. ft.)	465,000	465,000	465,000	436,000

(1) Includes a limited service FBO (fueling, tie-downs and pilot facilities) owned and operated by the Authority. Fueling services ended 12/31/2013.

Aircraft maintenance services are offered by various private businesses on the airport.

Source: Authority records.

	2015	2016	2017	2018	2019	2020
	1,804	17,999	17,999	17,999	1,904	1,904
5,500 x 75 ft.						
4,900 x 75 ft.						
4,000 x 75 ft.	4,010 x 75 ft.					
None						
1	1	1	1	1	1	1
436,000	436,000	436,000	436,000	436,000	436,000	436,000

# Passenger, Cargo and Mail Summary

## Tucson International Airport

Fiscal Years Ended September 30

	2011	2012	2013	2014
<b>Passengers</b>				
Enplaned	1,841,834	1,826,046	1,655,617	1,621,231
Deplaned	1,835,060	1,823,737	1,653,003	1,618,618
<b>Total</b>	<b>3,676,894</b>	<b>3,649,783</b>	<b>3,308,620</b>	<b>3,239,849</b>
Annual % change	-0.9%	-0.7%	-9.3%	-2.1%
<b>Air Freight (pounds)</b>				
<b>All-cargo carriers</b>				
Enplaned	25,242,128	26,487,591	29,923,629	29,713,492
Deplaned	33,726,997	42,433,770	36,390,827	33,480,907
<b>Total</b>	<b>58,969,125</b>	<b>68,921,361</b>	<b>66,314,456</b>	<b>63,194,399</b>
Annual % change	-11.0%	16.9%	-3.8%	-4.7%
<b>Passenger carriers</b>				
Enplaned	840,931	915,005	671,255	581,698
Deplaned	1,798,178	1,595,464	1,374,109	1,020,436
<b>Total</b>	<b>2,639,109</b>	<b>2,510,469</b>	<b>2,045,364</b>	<b>1,602,134</b>
Annual % change	-14.4%	-4.9%	-18.5%	-21.7%
<b>Mail (pounds)</b>				
Enplaned	1,681	5,391	5,291	5,419
Deplaned	11,313	6,991	9,301	10,979
<b>Total</b>	<b>12,994</b>	<b>12,382</b>	<b>14,592</b>	<b>16,398</b>
Annual % change	36.6%	-4.7%	17.8%	12.4%

Source: Authority records based on airline reporting.

2015	2016	2017	2018	2019	2020
1,590,321	1,618,304	1,711,518	1,782,050	1,897,590	1,144,018
1,591,580	1,610,085	1,701,933	1,769,109	1,885,945	1,139,759
3,181,901	3,228,389	3,413,451	3,551,159	3,783,535	2,283,777
-1.8%	1.5%	5.7%	4.0%	6.5%	-39.6%
27,929,293	25,854,899	26,062,422	29,920,833	32,183,334	30,490,801
36,302,965	34,188,437	30,312,564	33,436,313	33,732,819	32,756,102
64,232,258	60,043,336	56,374,986	63,357,146	65,916,153	63,246,903
1.6%	-6.5%	-6.1%	12.4%	4.0%	-4.0%
812,252	690,595	542,651	616,836	662,604	401,959
1,140,052	1,103,759	801,217	683,861	793,904	591,803
1,952,304	1,794,354	1,343,868	1,300,697	1,456,508	993,762
21.9%	-8.1%	-25.1%	-3.2%	12.0%	-31.8%
3,041	2,160	3,120	882	1,285	1,559
25,485	83,158	42,992	29,183	21,002	10,390
28,526	85,318	46,112	30,065	22,287	11,949
74.0%	199.1%	-46.0%	-34.8%	-25.9%	-46.4%

## Aircraft Operations Summary

Fiscal Years Ended September 30

	2011	2012	2013	2014
<b>Tucson International Airport</b>				
Air carrier	35,911	34,423	30,593	30,527
Air taxi	21,959	20,309	20,417	19,308
Military	27,569	24,887	25,133	24,693
General aviation	72,893	65,545	62,120	64,892
<b>Total</b>	<b>158,332</b>	<b>145,164</b>	<b>138,263</b>	<b>139,420</b>
Annual % change	-6.0%	-8.3%	-4.8%	0.8%
<b>Ryan Airfield (1)</b>				
Air carrier	-	-	-	-
Air taxi	20	-	2	-
Military	3,446	9,744	14,914	14,675
General aviation	108,541	107,531	106,658	103,135
<b>Total</b>	<b>112,007</b>	<b>117,275</b>	<b>121,574</b>	<b>117,810</b>
Annual % change	-8.0%	4.7%	3.7%	-3.1%

(1) Data collected during Ryan UNICOM regular hours of operation (6:00 a.m. - 8:00 p.m.).

Source: FAA "Air Traffic Activity" reports, Tucson International Airport air traffic control tower records, and Ryan air traffic control tower records.

## Enplaned Passengers By Scheduled Carrier

Fiscal Years Ended September 30

Carrier	2011	2012	2013	2014	2015	2016
American Airlines	626,260	638,794	605,261	638,006	628,962	616,346
Southwest Airlines	618,007	623,484	592,375	530,680	506,260	497,687
Delta Air Lines	199,841	199,117	181,950	179,842	181,236	216,432
United Airlines	263,890	262,245	222,485	198,926	203,459	215,208
Alaska Airlines	52,967	57,391	53,546	73,777	70,404	72,631
Aeromar	-	-	-	-	-	-
Frontier Airlines	80,869	45,015	-	-	-	-
Sun Country Airlines	-	-	-	-	-	-
Via Air	-	-	-	-	-	-
Allegiant	-	-	-	-	-	-
<b>Total</b>	<b>1,841,834</b>	<b>1,826,046</b>	<b>1,655,617</b>	<b>1,621,231</b>	<b>1,590,321</b>	<b>1,618,304</b>

Note: Where available, information for regional affiliate carriers is included with the associated major carriers. Predecessor airline information is included in the current carrier totals.

Source: Authority records based on airline reports.

2015	2016	2017	2018	2019	2020
28,624	32,888	35,625	36,059	38,681	28,680
20,126	17,541	13,767	13,753	14,557	14,553
28,050	26,974	27,734	21,181	18,658	16,844
64,622	62,152	55,741	60,176	59,520	62,554
141,422	139,555	132,867	131,169	131,416	122,631
1.4%	-1.3%	-4.8%	-1.3%	0.2%	-6.7%
2	-	-	-	-	-
-	-	-	4	5	27
20,464	16,483	13,602	13,862	12,913	9,036
97,017	94,376	90,808	80,759	92,178	103,242
117,483	110,859	104,410	94,625	105,096	112,305
-0.3%	-5.6%	-5.8%	-9.4%	11.1%	6.9%

2017	2018	2019	2020	% of Total
661,910	677,895	693,686	418,268	36.6%
493,566	482,524	508,820	295,328	25.8%
240,113	258,946	274,970	167,583	14.6%
234,805	257,997	267,808	162,945	14.2%
77,694	97,314	115,511	68,336	6.0%
3,430	-	-	-	0.0%
-	-	15,280	9,252	0.8%
-	5,598	7,503	5,282	0.5%
-	1,776	695	-	0.0%
-	-	13,317	17,024	1.5%
1,711,518	1,782,050	1,897,590	1,144,018	100.0%

## Scheduled Carrier Landed Weights (1,000 lbs. Units)

Fiscal Years Ended September 30

Carrier	2011	2012	2013	2014	2015
<b>Passenger carriers</b>					
American Airlines	697,146	683,765	668,463	704,729	682,507
Southwest Airlines	800,968	810,352	708,544	600,950	582,838
Delta Air Lines	208,625	213,304	191,419	188,555	185,116
United Airlines	315,044	299,888	242,435	215,279	217,723
Alaska Airlines	52,495	58,787	53,504	76,872	71,231
Aeromar	-	-	-	-	-
Frontier Airlines	88,674	46,009	-	-	-
Sun Country Airlines	-	-	-	-	-
Via Air					
Allegiant					
<b>Total</b>	<b>2,162,952</b>	<b>2,112,104</b>	<b>1,864,365</b>	<b>1,786,385</b>	<b>1,739,415</b>
<b>Cargo carriers</b>					
Federal Express	139,971	145,331	149,664	146,110	149,500
Ameriflight	8,539	9,044	9,617	9,323	8,211
Air Cargo Carriers					
<b>Total</b>	<b>148,510</b>	<b>154,374</b>	<b>159,281</b>	<b>155,433</b>	<b>157,711</b>
<b>Grand total</b>	<b>2,311,462</b>	<b>2,266,479</b>	<b>2,023,646</b>	<b>1,941,818</b>	<b>1,897,126</b>

Note: Where available, information for regional affiliate carriers is included with the associated major carriers. Predecessor airline information is included in the current carrier totals.

Source: Authority records based on airline reports.

2016	2017	2018	2019	2020	% of Total
696,297	706,789	717,591	741,559	508,479	33.6%
575,400	543,476	523,176	570,286	415,488	27.4%
243,961	264,562	276,239	296,347	231,215	15.3%
241,336	269,875	290,204	303,460	230,195	15.2%
71,857	76,197	100,332	127,475	85,560	5.6%
-	7,109		-		0.0%
-	-		13,651	11,645	0.8%
-	-	6,948	9,701	7,022	0.5%
		4,085	-	-	0.0%
			19,198	25,471	1.7%
1,828,851	1,868,008	1,918,575	2,062,479	1,515,076	100.0%
158,676	138,292	152,203	152,225	153,727	94.4%
7,955	19,256	1,960	1,643	2,396	1.5%
		6,708	6,864	6,760	4.2%
166,631	157,548	160,871	160,732	162,882	100.0%
1,995,482	2,025,556	2,079,446	2,223,211	1,677,958	

# Scheduled Air Service Information

## Tucson International Airport

Month of September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of daily nonstop destinations	15	14	14	14	13	13	14	15	14	10
Number of nonstop flights per day										
Albuquerque	2	2	-	-	-	-	-	-	-	-
Atlanta	2	2	2	2	2	2	2	2	2	1
Charlotte	-	-	-	-	-	-	-	1	-	-
Chicago Midway	1	2	2	1	1	1	1	1	1	-
Chicago O'Hare	2	2	1	1	1	1	3	3	2	-
Dallas/Fort Worth	7	7	7	7	6	6	6	6	7	5
Denver	7	4	4	5	5	5	6	6	5	4
Houston Bush	4	4	4	4	3	3	2	3	2	1
Las Vegas	5	4	4	4	3	3	3	4	4	2
Los Angeles International	12	9	9	8	8	10	9	8	8	1
Minneapolis	1	-	-	-	-	-	-	-	-	-
Portland	-	-	-	1	-	-	-	-	-	-
Phoenix	9	8	9	9	10	9	7	6	7	4
Salt Lake City	3	3	3	3	3	2	2	3	3	3
San Diego	3	3	3	3	3	3	2	2	2	-
San Francisco	2	1	1	1	1	2	2	2	3	2
San Jose	-	-	-	-	-	-	1	1	2	-
Seattle	1	1	1	1	1	1	1	1	1	1
Total	61	52	50	50	47	48	47	49	49	24
Average scheduled seats per day	5,949	5,518	4,990	5,041	4,634	4,892	4,934	5,145	5,267	2,544

Source: Official Airline Guide.



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