

TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting
July 23, 2021 | 1:00 p.m. | Remote Participation Only

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Tucson Airport Authority (TAA) and to the public that the **Finance and Risk Management Council** will hold a meeting open to the public on **Friday, July 23, 2021, beginning at 1:00 p.m.** The meeting will be held by video and telephonically via the remote participation platform Webex. A link for members of the public to view the meeting will be posted along with the agenda at the web address below.

<https://www.flytucson.com/taa/public-meeting-information/>

The agenda for the meeting is as follows:

CALL TO ORDER | ROLL CALL

- | | | |
|--|---|---------------------------------------|
| <input type="checkbox"/> Tony Penn, Chair | <input type="checkbox"/> Ron Sable | <input type="checkbox"/> Phil Swaim |
| <input type="checkbox"/> June Crawford, Vice Chair | <input type="checkbox"/> Fran Katz | <input type="checkbox"/> Mike Stilb |
| <input type="checkbox"/> Bill Assenmacher | <input type="checkbox"/> Lea Marquez-Peterson | <input type="checkbox"/> Brandt Hazen |
| <input type="checkbox"/> Henry Boice | <input type="checkbox"/> Vance Falbaum | |

INTRODUCTIONS AND PURPOSE OF COUNCIL | INTRODUCTION OF SENIOR STAFF

ACTION ITEMS

1. APPROVAL OF MINUTES

Approve the minutes of the Finance and Risk Management Council meeting held on August 21, 2020.

2. GROUP INSURANCE PLAN RENEWALS

The Council will consider and may recommend for approval to the Board of Directors the TAA's employee group insurance coverages, to be effective October 1, 2021.

3. WORKERS' COMPENSATION INSURANCE RENEWAL

The Council will consider and may recommend for approval to the Board of Directors the TAA's Worker's Compensation insurance coverage, to be effective September 1, 2021.

4. COMMERCIAL LINES INSURANCE RENEWALS

The Council will consider and may recommend for approval to the Board of Directors the renewal of TAA's commercial lines of insurance, including Property, Airport Liability, Commercial Auto, Inland Marine, Management Liability (Directors and Officers), Crime and Special Risk, Cyber Security, Law Enforcement Liability, and Deadly Weapon Response (new coverage for consideration), to be effective August 15, 2021.

FINANCIAL BRIEFING

TAA staff will brief the Council on the financial aspects of the Airline Use and Lease Agreement and budgeting methodology in preparation for the Council's review of the FY 2022 budget to be presented for review and recommendation at the next council meeting.

ADMINISTRATIVE UPDATES

- a. Investment Report for the Third Fiscal Quarter ended June 30, 2021
- b. May 2021 YTD Financial Report

NEXT MEETING

Tuesday, August 24, 2021 | 3:30 p.m. | Remote participation via Webex

ADJOURN

DRAFT MINUTES

TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting August 21, 2020 | 1:00 p.m. | Remote Participation Only

THIS COUNCIL MEETING WAS A REMOTE PARTICIPATION ONLY MEETING. COUNCIL MEMBERS PARTICIPATED VIA WEBEX AND THE PUBLIC WAS PROVIDED WITH A LINK AND PHONE NUMBER/CODE WHICH THEY WERE ABLE TO JOIN THE MEETING VIA WEBEX.

CALL TO ORDER | ROLL CALL

Chair Assenmacher called the meeting to order at 1:01 p.m.

Members Present: Chair Bill Assenmacher, Council Member Vance Falbaum, Council Member Phil Swaim, Council Member Sally Fernandez, Council Member David Smallhouse, Council Member Lea Marquez-Peterson, and Council Member Mike Stilb

Members Absent: Council Member Tony Penn and Council Member Henry Boice

Staff Present: President/CEO Danette Bewley, General Counsel Christopher Schmaltz, V.P. of Administration and Finance/CFO Dick Gruentzel, V.P. of Operations/COO Bruce Goetz, V.P. of Planning and Engineering Mike Smejkal, and TAA Clerk Byron Jones

1. INFORMATION ITEMS

a. Standard & Poor's Report: "From Bad to Worse: Global Air Traffic to Drop 60%-70% In 2020"

V.P. of Administration and Finance/CFO Dick Gruentzel stated that the article included in the agenda packet is a revision of a report Standard & Poor's issued several months ago. Due to steeper than expected declines in air traffic, the new report has a more pessimistic outlook for this year and predicts a multi-year recovery. This report informed staff's discussions as they prepared the proposed FY2021 budget.

2. PRESIDENT | CEO REPORT

a. Airport Industry Report/ COVID-19 update

President/CEO Danette Bewley reported on discussions that TAA has had with the airlines. The daily departures for the fall are projected to be lower than expected at 24-26 flights per day beginning in September. While not where the numbers need to be, TUS is doing better compared to some of its peer airports.

V.P. of Operations/COO Bruce Goetz reported that staff has implemented many safety enhancements inside the terminal. These include increased signage to encourage social distancing, acrylic shields at the ticket counters and gate areas, additional hand-sanitizer dispensers, air filters, and ultraviolet disinfecting lights on the escalators. In the next couple of weeks, staff will begin installing toe-kick buttons in the elevators. The goal is to make the

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passenger journey as touchless as possible. They are continuing to evaluate emerging standards from the industry and will implement additional safety measures as needed.

b. Presentation of the adopted 2021-2023 Strategic Plan

President/CEO Danette Bewley and members of the Executive Team presented an overview of the newly adopted 2021-2023 Strategic Plan.

3. ACTION ITEMS

- a. Approval of Minutes: Approve the minutes from the Finance and Risk Management Council meeting held on July 23, 2020.

MOTION BY Council Member Fernandez, SECONDED BY Council Member Marquez-Peterson, to APPROVE the minutes of the Finance and Risk Management Council meeting held on July 23, 2020. The motion carried by the following vote:

Ayes 7 Chair Assenmacher, Council Member Falbaum, Council Member Swaim, Council Member Fernandez, Council Member Smallhouse, Council Member Marquez-Peterson, and Council Member Stilb

Nays 0 None

- b. TAA Budget for FY2021: The Council will review and may recommend for approval to the Board of Directors the TAA budget for Fiscal Year 2021, effective October 1, 2020, through September 30, 2021.

V.P. of Finance and Administration/CFO Dick Gruentzel presented.

- As a result of decreased revenues due to the COVID-19 pandemic, staff is projecting a \$7.2M budget shortfall for FY2020. \$4.2M of the shortfall was offset by reducing discretionary spending, by deferring or canceling capital improvement projects, and by electing not to transfer \$1.1M into the Maintenance Reserve Fund. CARES Act grant funds were used to replace the remaining shortfall of \$3.5M.
- Staff adjusted the basic assumptions for FY2021 considering the report from Standard & Poor's. In 2021 flights are projected to average 60% and passenger traffic is projected to average 50% of pre-COVID levels. These are conservative estimates and are expected to improve with widespread distribution of a vaccine.

Operating Revenues

To ease the financial pressure on tenants, staff proposes to reduce by 25% the fixed terminal rental rates charged to the airlines and the rental car companies. This equates to a combined \$3.2M in operating revenues.

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Operating Expenses

- Overall operations and maintenance expenses will increase by \$1M. The increase is sustainable given the CARES Act funds and is driven primarily by personnel that were hired pre-pandemic and whose costs will be fully realized in 2021. Staff is also budgeting to restore the positions that were frozen in 2020 as these positions are necessary as TUS positions itself to emerge from the pandemic.
- No bonuses or merit increases are budgeted for FY2021.
- A \$3.7M net operating income loss is projected for FY2021.

Debt Service

Debt service will decrease by \$600K due to a loan being paid off. The loan was connected to improvements that were made to the fuel farm 20 years ago and was financed internally through the Special Reserve Fund. With the debt service going away, it will no longer impact the landing-fee calculations.

Fund Transfers

- TAA will use \$13.5 of CARES Act funds to balance the budget between this year and next year, which would leave \$9M for future years.
- A \$1.1M reduction in capital improvement projects is reflected in the FY2021 proposed budget.

Summary

- TAA will need to recover \$1.3M from the signatory airlines in landing fees to break even. Based on the projected landed weights, the calculated landing fee for 2021 will be the same as 2020: \$1.15 per 1,000 lbs. of landed weight.
- TAA is guaranteed to break even because the Airline Use Agreement is a residual agreement and requires the airlines to reimburse TAA for any deficits at the end of the year. TAA's strategy is to minimize as much as possible the impact on the airlines as an incentive for future growth.

MOTION BY Council Member Smallhouse, SECONDED BY Council Member Swaim, to RECOMMEND for approval to the Board of Directors the TAA budget for Fiscal Year 2021, effective October 1, 2020, through September 30, 2021. The motion carried by the following vote:

Ayes 5 Chair Assenmacher, Council Member Falbaum, Council Member Swaim, Council Member Fernandez, and Council Member Smallhouse

Nays 0 None

NOTE: Council Member Marquez-Peterson and Council Member Stilb had technical issues and did not participate in the vote.

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Council Member Fernandez left the meeting.

4. ADMINISTRATIVE UPDATES

a. Financial update

V.P. of Finance and Administration/CFO Dick Gruentzel reviewed the flight and passenger activity for June 2020.

b. Air Service update

Southwest Airlines: Cutting back to four flights per day in September and October: two flights to Denver and two flights to Las Vegas. They are offering no flights to other cities.

American Airlines: Has delayed plans to restart service to Chicago and Los Angeles.

Staff is projecting 24 flights per day during September and October.

ADJOURN

There being no further business to discuss, Chair Assenmacher adjourned the meeting at 2:15 p.m.

Prepared by:

Byron M. Jones, CMC, TAA Clerk

Date: _____

To: TAA Finance & Risk Management Council

From: Andrew R. Votava, Director of People Operations

Re: TAA Employee Group Insurance Renewals
October 1, 2021 – September 30, 2022

Background:

The Tucson Airport Authority (“TAA”) provides a comprehensive benefits program for its employees designed to be competitive with other local employers in order to attract and retain a quality workforce. To achieve this goal in a cost-effective manner, TAA contracts with an employee benefits consultant, Lovitt & Touché (L&T). Services provided by L&T are on a fixed fee basis, with no commissions included in premiums.

Medical Insurance – Based on the L&T’s recommendation, TAA elected not to market group medical coverage and continue coverage with Cigna in exchange for a 3.00% rate increase. L&T worked with Cigna to help TAA realize additional savings by adding a third plan, which is another high deductible plan. In total, TAA expects the cost of group medical insurance to increase 2.37% (\$53,259). *See **Exhibit A** for proposed coverage and premium details.*

Dental Insurance – Based on the L&T’s recommendation, TAA elected not to market dental insurance coverage and continue coverage with Cigna in exchange for a 3.00% rate increase. There are no proposed changes to the offered coverages. In total, TAA expects the cost of group dental insurance to increase 3.00% (\$4,682). *See **Exhibit A** for proposed coverage and premium details.*

Vision Insurance – TAA remains under a rate guarantee with EyeMed to provide vision insurance. Continuing coverage with EyeMed would result in no changes to coverage or premiums.

Other Product Lines – No proposed changes in coverages or premiums for other products. See summary table below for premium information.

Recommendation:

TAA management requests the Finance and Risk Management Council recommend to the TAA Board of Directors that the President/CEO or her designee be authorized to purchase the employee benefit coverages discussed above and summarized below, beginning October 1, 2021.

A summary of the total cost and the renewal details are shown below. Detailed information from L&T is attached and follows this memorandum.

Medical Insurance Recommendation:

- Continue Coverage with Cigna
- Maintain Plan A - \$1500 High Deductible Health Plan – No Change to Plan Design
- Maintain Plan B - \$500 Deductible Open Access Plan – No Change to Plan Design
- Add New Plan C - \$3,000 High Deductible Health Plan as recommended by L/T
- Maintain \$600/\$1200 Employer Contribution to Health Savings Accounts (Both Plan A and C)
- Total Increased Cost: 2.37%

Dental Insurance Recommendation:

- Continue Coverage with Cigna
- Maintain Dental HMO – No Change to Plan Design
- Maintain Dental PPO – No Change to Plan Design
- Total Increased Cost: 3.00%

Maintain All Other Additional Products:

- Maintain Current Vision Plan – EyeMed – No Change in Cost
- Maintain Current Basic and Supplemental Life Programs – Hartford – No Change in Cost
- Maintain Current Short Term and Long-Term Disability Programs – No Change in Cost
- Maintain Current Employee Assistance Program – No Change in Cost
- Maintain Flexible Spending Accounts and COBRA Administration – Basic – No Change in Cost
- Maintain AFLAC Program – 100% Employee Paid
- Add Identity Theft Program – Allstate – 100% Employee Paid

Summary Tables:

Medical

Plan Name	Plan Description	Expiring Annual Cost	Recommended Renewal Annual Cost*	\$ Change	% Change	Carrier	A.M. Best Rating
Plan A	HDHP - \$1,500	\$ 971,127	\$ 896,757	\$ (74,370)	-7.66%	Cigna	A
Plan B	OAP - \$500	\$ 1,278,472	\$ 1,316,783	\$ 38,311	3.00%	Cigna	A
Plan C	HDHP - \$3,000	N/A	\$ 89,318	\$ 89,318		Cigna	A
	Total	\$ 2,249,599	\$ 2,302,858	\$ 53,259	2.37%		

Dental

Plan Name	Plan Description	Expiring Annual Cost	Recommended Renewal Annual Cost*	\$ Change	% Change	Carrier	A.M. Best Rating
DHMO	\$0 E/E Premium	\$ 7,418	\$ 7,362	\$ 214	2.99%	Cigna	A
DPPO	25% E/E Premium	\$ 149,028	\$ 153,496	\$ 4,468	3.00%	Cigna	A
	Total	\$ 156,176	\$ 160,858	\$ 4,682	3.00%		

Vision

Plan Name	Plan Description	Expiring Annual Cost	Recommended Renewal Annual Cost*	\$ Change	% Change	Carrier	A.M. Best Rating
In Network	Vision	\$ 26,808	\$ 26,808	\$ 0	0.00%	EyeMed	A

Additional Products

Product	Coverage Description	Expiring Annual Cost	Recommended Renewal Annual Cost*	\$ Change	% Change	Provider	A.M. Best Rating
EAP	E/E Assistance	\$ 5,587	\$5,587	\$ 0	0.00%	Cigna	A
Basic Life	Inc AD & PL	\$34,579	\$34,579	\$ 0	0.00%	Hartford	A
STD/LTD	Disability	\$ 50,642	\$ 50,642	\$ 0	0.00%	Hartford	A
COBRA	Administration	\$1,737	\$1,737	\$ 0	0.00%	Basic	N/A
Flex Spend	Administration	\$2,266	\$2,266	\$ 0	0.00%	Basic	N/A
Health Savings	Bank Fee	\$2,037	\$2,037	\$ 0	0.00%	HSA Bank	N/A
	Total	\$ 96,848	\$ 96,848	\$ 0	0.00%		

**Renewal Cost is an estimate based on anticipated employee enrollment elections and is subject to change.*

EXHIBIT A

Proposed Group Medical Coverage and Premium Details:

Carrier	Cigna - Option B		
Benefit Feature (In Network)	HDHP/HSA \$1,500 80/50	OAP \$500 80/50 LP	HSA OAP \$3,000 80/50
Current Enrollment	64	101	0
Network	Open Access Plus	Local Plus	Open Access Plus
Deductible (Single / Family)	\$1,500 / \$3,000	\$500 / \$1,000	\$3,000 / \$6,000
Coinsurance	20%	20%	20%
OOP Maximum (Single / Family)	\$3,000 / \$6,000	\$3,500 / \$7,000	\$6,000 / \$12,000
Office Visit Copays (PCP / Specialist)	20% after deductible	\$20 / \$40	20% after deductible
Emergency Room	20% after deductible	\$400	20% after deductible
Advanced Imaging - MRI, CT, PET	20% after deductible	20% after deductible	20% after deductible
Retail Rx	20% after deductible	\$15 / \$40 / \$60 / \$80	20% after deductible
Monthly Gross Rates	Renewal	Renewal	Proposed
	\$574.85	\$601.61	\$496.22
	\$1,207.17	\$1,263.35	\$1,042.04
	\$1,092.20	\$1,143.04	\$942.80
	\$1,724.53	\$1,804.79	\$1,488.64
Monthly Premium	\$74,730	\$109,732	\$7,443
Annual Premium	\$896,757	\$1,316,783	\$89,318
Annual Premium		\$2,302,858	
Total Change (%)		2.4%	
Total Change (\$)		\$53,259	

Proposed Dental Coverage and Premium Details:

Carrier	Cigna - Current / Renewal					
Benefit Features (In Network)	DHMO P4XV0			DPPO 100/100/60		
Current Enrollment	21			172		
Office Visit Copay	\$5			None		
Deductible (Single / Family)	See schedule P4XV0			\$50 / \$150		
Plan Maximum	See schedule P4XV0			\$1,500		
Diagnostic & Preventive Care	See schedule P4XV0			0% no deductible		
Basic Care	See schedule P4XV0			0%		
Major Care	See schedule P4XV0			40%		
Orthodontics	See schedule P4XV0 to Max benefit of 24 months			50% to \$1,000		
OON Reimbursement	None			90th Percentile		
Monthly Gross Rates	Lives	Current	Renewal	Current	Renewal	
Employee	12 60	\$16.16	\$16.64	\$32.99	\$33.98	
Employee + Spouse	2 31	\$36.99	\$38.10	\$75.48	\$77.75	
Employee + Child(ren)	3 23	\$38.30	\$39.45	\$78.20	\$80.55	
Family	4 58	\$53.22	\$54.81	\$108.64	\$111.89	
Monthly Premium		\$596	\$613	\$12,419	\$12,791	
Annual Premium		\$7,148	\$7,362	\$149,028	\$153,496	
		Current		Renewal		
Annual Premium		\$156,176		\$160,857		
Total Change (%)		-		3%		
Total Change (\$)		-		\$4,681		

Date: July 16, 2021

To: TAA Finance & Risk Management Council

From: Andrew R. Votava, Director of People Operations

Re: Workers Compensation Renewal
September 1, 2021 – August 31, 2022

Background:

Crest Insurance Group is TAA's broker for workers compensation insurance. AmTrust North America (AmTrust) is the incumbent carrier and has provided TAA's workers compensation coverage since September 1, 2020.

Primarily due to TAA's diverse workforce, which includes public safety personnel (police and fire), very few insurers have historically been willing to quote workers compensation coverage for TAA. Last year, TAA's longtime incumbent carrier, CopperPoint, announced it was cancelling all Arizona workers compensation policies for employers with firefighters on the payroll. This was due to a recent law enacted in Arizona that requires workers compensation policies to cover all cancer claims filed by firefighters regardless of cause. TAA was fortunate to contract AmTrust who provided coverage at a premium lower than CopperPoint's expiring rates.

Workers compensation insurance is subject to specific statutory requirements and standard premium rates for defined job classifications. Additional rate modifications and discounts may be applied by insurers to these standardized rates based on favorable claims experience and specific actions and programs by employers that create safer environments and reduce exposure to workplace accidents and injuries.

This year Crest requested proposals from 24 carriers and all carriers declined to offer coverage except for AmTrust. The 2021 quote from AmTrust is a premium of \$152,849 which is a decrease of \$2,695 or 1.73% from the current year's premium of \$155,544.

AmTrust specializes in small business workers compensation insurance and is rated "A-" by insurance rating agency A.M. Best. In prior years Crest clients have had good experience with AmTrust's handling of claims. TAA has not had any issues with claims handling during the first year with AmTrust.

Recommendation:

Based on an evaluation of available options, historical context, and the recommendation of Crest Insurance Group, TAA management requests the Finance and Risk Management Council recommend to the TAA Board of Directors that the President/CEO or her designee be authorized to purchase its Workers Compensation policy with AmTrust as described above, effective September 1, 2021.

PREMIUM CALCULATION

	Expiring	Expiring Premium	Renewal	Renewal Premium
Total Manual Premium		\$308,380		\$265,744
Increased Limits	.011%	\$3,392	.011%	\$2,923
Experience Modification Factor	.63	-\$115,356	.76	-\$64,480
Schedule Credit	-.15	-\$29,462	-.20%	-\$40,837
Premium Discount	-8.60%	-\$14,358	-8.50%	\$13,885
Terrorism	.010%	\$1,394	.010%	\$1,612
Catastrophe	.010%	\$1,394	.010%	\$1,612
Expense Constant		\$160		\$160
Total Estimated Annual Premium		\$155,544		\$152,849

Governor Ducey Signs Legislation Supporting Firefighters With Cancer

Senate Bill 1451 Expands Firefighters' Protections

PHOENIX — Governor Doug Ducey today signed legislation to further protect Arizona's firefighters and fire investigators by expanding workers' compensation for diseases presumed to be a result of their job demands and requirements.

Senate Bill (SB) 1451 strengthens the presumption that a firefighter's cancer diagnosis is work related thereby ensuring that more firefighters are eligible for worker's compensation and can spend more time focusing on their health and family and less time fighting with cities and insurance companies for their benefits.

This bill also protects female firefighters and fire investigators by adding breast cancer and ovarian cancer to the list of qualifying cancers to ensure that they have access to the same benefits and protections as their male co-workers.

"Firefighters and other first responders dedicate countless hours to protecting our communities and keeping Arizonans safe," said Governor Ducey. "It's our job to protect them too. This bill expands protection for diseases acquired through the job, and helps ensure our safety professionals receive the support and resources they need."

Previously, to qualify for the presumption, a firefighter or peace officer must have passed a physical examination before employment that did not indicate evidence of cancer, been assigned to hazardous duty for at least five years, and documented with the department an exposure to a known carcinogen that is reasonably related to cancer. Firefighters were burdened with identifying exactly when and where they were exposed to a carcinogen that caused their cancer, which is why SB 1451 removes that specific requirement.

"The signing of Senate Bill 1451 is a huge win for Arizona's firefighters and fire investigators that also includes female cancers," said Senator Boyer. "They do so much to protect our communities, and I was proud to sponsor legislation that helps protect them. My thanks to Governor Ducey for signing this important bill."

SB 1451 is supported by various organizations in the state, including: the cities of Phoenix, Mesa and Scottsdale; the Town of Queen Creek; Professional Firefighters Of Arizona; Arizona Fire Chiefs; Arizona Conference Of Police & Sheriffs; Fraternal Order Of Police (Arizona State Lodge); Arizona State AFL-CIO; League Of Arizona Cities & Towns; and Arizona Coalition For Working Families.

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Published on *Office of the Arizona Governor* (<https://azgovernor.gov> (<https://azgovernor.gov>))

Source URL: <https://azgovernor.gov/governor/news/2021/04/governor-ducey-signs-legislation-supporting-firefighters-cancer>

Printed on: July 16, 2021 1:47 pm

Date: July 16, 2021

To: TAA Finance & Risk Management Council

From: Kirk Eickhoff, Vice President/CFO

Re: TAA Commercial Lines Insurance Renewals
August 15, 2021 – August 15, 2022

Background:

Alliant Insurance Services, Inc. (Alliant) is the commercial insurance broker assisting TAA with consultation and broker services related to the following commercial lines insurance coverages, with incumbent carriers noted:

Coverage	Incumbent Carrier
Property	Affiliated FM
Airport Liability	Global Aerospace
Commercial Auto	Philadelphia Ins. Co.
Inland Marine	Travelers
Management Liability (Directors & Officers)	RUSI
Crime and Special Risk	Chubb
Cyber Security	Beazley
Law Enforcement Liability	AXA/Indian Harbor Ins. Co.
Deadly Weapon Response Program	N/A - new coverage under consideration

Services provided by Alliant relating to the procurement of these coverages are on a fixed fee basis, with no commissions included in premiums. **Appendix A**, provided by Alliant, is a summary of current and proposed renewal premiums for the above coverages, with the addition of a new Deadly Weapon Response Program policy. This attachment also includes Alliant's assessment of the current state of the insurance market, descriptions of their marketing efforts for each line, and a summary of the available options.

Excluding Cyber Liability, which will require special consideration and discussion, the recommended renewal quotes reflect an increase of 1.31% compared to the expiring premiums.

Summary of Specific Coverage Recommendations:

Property – FM Global quoted a renewal premium of \$185,750, an increase of 8.79% (\$34,424). This quote includes changes in coverage compared to prior year policy, such as the elimination of Business Income

coverage and an increase in the deductible. A key driver in the increase in property premiums is an increase in total insured values, attributable to an increase in the stated replacement value of the TAA parking garage, which was previously listed at the historical cost. Because AFM is proposing to eliminate Business Income coverage, TAA management recommends transitioning this coverage to Travelers at an annual premium of \$200,978.

Airport Liability – Global Aerospace quoted a renewal premium of \$105,785, an increase of 10.0% (\$9,617). Competitive quotes were requested. AIG provided the most attractive quote, offering substantially identical coverage for \$89,970. TAA management recommends renewal of its airport liability policy with AIG.

Commercial Auto – Philadelphia Ins. Co. proposed a renewal premium of \$178,581, an increase of 9.4% (\$15,320) from the expiring premium. Competitive quotes were requested. Preferred Aviators provided the most attractive quote, offering substantially identical coverage for \$131,298. However, Preferred Aviators requires at least one other coverage be bound with them or AIG. Because TAA is already recommending AIG to cover Airport Liability, TAA management recommends renewal of its Commercial Auto policy with Preferred Aviators.

Inland Marine – Travelers Companies, Inc. proposed a premium of \$14,705, an increase of 22.5% (\$2,703). Competitive quotes were requested. Preferred Aviators provided the most attractive quote, offering substantially identical coverage for \$11,091. TAA management recommends transitioning this coverage to Preferred Aviators.

Management Liability (Directors and Officers) – RSUI Indemnity Co. proposed a renewal of \$54,430, an increase of 15.8% (\$7,410). Alliant indicated that the initial quote from RSUI was originally 25% higher than prior year, but they were able to negotiate the rate and that the 15% increase reflected changes in the market. It should be noted that the renewed coverage would now exclude both Sexual Abuse and Network Security/Privacy coverage. TAA management recommends renewal of this policy with RSUI.

Crime and Special Risk – Chubb Group proposed a renewal premium of \$13,219 (same as expiring). Competitive quotes were solicited. AIG provided a quote that excluded the Special Risk coverage CHUBB provides. Therefore, TAA management recommends renewal of this policy with Chubb Group.

Cyber Liability – According to Alliant, the marketplace for this coverage is experiencing tumultuous change due to catastrophic losses, historically underpriced coverage that was unsustainable, and insurers exiting the business altogether. Public entities are perceived as a less than desirable risk due to their lower investment in cyber security controls and training as compared to private sector businesses. As of the date of this memorandum, a renewal quote from Beazley is still pending. However, based on communications between Alliant and Beazley, the coverage offer is expected to be substantially diminished while the premium is expected to increase to as high as \$200,000. For context, the premium on the expiring coverage

was \$11,000. More information should be available at the time of the Council meeting and this coverage will be specifically discussed.

Law Enforcement Liability – AXA/Indian Harbor Ins. Co quoted a renewal premium of \$23,80, which is 14.0% (\$3,884) lower than the expiring coverage. With this premium decrease, the retention will increase from \$10,000 to \$25,000. Competitive quotes were requested. QBE provided the most attractive quote of \$21,965 (with \$25,000 retention. TAA management recommends transitioning this coverage to QBE.

Deadly Weapon Response Program – TAA management is recommending the addition of a Deadly Weapon Response Program as an enhancement to existing Airport Liability coverages. This product provides third party bodily injury liability, first party property damage, business interruption & crisis management consulting for deadly weapon events occurring at a scheduled location. These coverages may not otherwise be included in TAA's airport liability or property coverages. According to Alliant, this program can provide meaningful financial protection and services for minimal cost. TAA Management recommends binding coverage with Lloyd's of London for an annual fee of \$5,527.

*See **Appendix A** (attached) provided by Alliant for descriptions of each coverage, marketing strategy, key considerations, costs, and recommendations.*

Recommendation:

TAA management requests the Finance and Risk Management Council recommend to the TAA Board of Directors that the President/CEO or her designee be authorized to purchase the commercial lines insurance policies as outlined above and summarized on Exhibit A, effective August 15, 2021.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

STATE OF THE INSURANCE MARKET

The challenging market conditions which began in 2018 have continued into 2021. While the market has not experienced a single catastrophe event on par with Hurricane Katrina in 2005, over the past few years, natural catastrophe losses such as Hurricanes Harvey, Irma and Maria in 2017, California wildfires in 2018, 2019 and 2020, Winter Storm Uri in 2021 (freeze in Texas and across the south), and the Coronavirus Pandemic are key drivers of continuing rate pressure. These catastrophes along with increased attritional losses resulted in another unprofitable year for most insurers in 2020. Lack of profitability has resulted in carriers continuing to re-evaluate their books, and seeking increased pricing and reduced terms and conditions.

The liability insurance market has sustained systemic losses due to several factors including: social inflation; runaway litigation settlements and jury verdicts; and political uncertainty. These challenges have caused carriers to continue to be risk adverse, offering up restricted capacity at increased pricing. The market for cyber security insurance is in a free-fall due to high-profile cyber attacks which exploited vulnerabilities in prominent software platforms such as SolarWinds Orion, Microsoft Exchange, as well as high profile ransomware attacks.

Unlike previous hard market cycles, relatively low levels of new capital are entering the market. As a result, the competition needed in order to soften the market is not occurring. The current conditions of the market are expected to continue through 2021.

Below provides an executive summary of Tucson Airport Authority's (TAA) 2021-2022 insurance renewals. Accompanying this document is the year over year renewal cost exhibit.

1. PROPERTY ALL RISK INCLUDING BOILER & MACHINERY

This coverage pays for direct physical loss or damage to buildings, contents and equipment from covered perils such as fire, flood, hail, windstorm, earth movement and terrorism.

Marketing Efforts:

-) Affiliated FM is the incumbent; they noted early in the renewal process significant changes to coverage in addition to a rate increase. Most pertinent coverage changes for the 2021-2022 renewal: 1% Per Location, \$100,000 minimum Wind/Hail Deductible; increase in All Risk Deductible to \$50,000; and Business Income coverage would be excluded if a Business Income Worksheet was not completed.
-) 10+ property carriers were approached for quotes for the 2021-2022 renewal; most declined for reasons being not competitive on rate.
-) Travelers quoted and was competitive compared to incumbent's pricing; included Business Income coverage without the completion of a Business Income Worksheet, and most importantly, does not have a % deductible for Wind/Hail. See below table for details.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

Program Highlights	AFM 2020-2021 Expiring	AFM 2021-2022 Renewal	Travelers 2021-2022 Proposed
Policy Limit	\$225,387,289	\$254,600,000	\$261,880,866
All-Risk Deductible	\$10,000	\$50,000	\$50,000
Total Insured Values	\$225,387,289	\$254,600,000	\$261,880,866
TIV Increase	N/A	16%	16%
Business Income	\$7,350,000 (90% Coinsurance Clause)	Excluded	\$7,350,000
Extra Expense	\$5,000,000	\$5,000,000	\$5,000,000
Earthquake	\$20,000,000 Aggregate	\$20,000,000 Aggregate	\$25,000,000 Aggregate
Flood All-Other	\$20,000,000 Aggregate	\$20,000,000 Aggregate	\$25,000,000 Aggregate
Flood Zone A&V	Included in above Aggregate	Included in above Aggregate	\$5,000,000 Aggregate
Boiler & Machinery	Included	Included	\$100,000,000
All-Risk Deductible	\$10,000	\$50,000	\$50,000
Wind/Hail Deductible	\$10,000	1% Per Location; \$100,000 minimum	\$50,000
Earthquake Deductible	\$100,000	\$100,000	\$100,000
Flood All-Other Deductible	\$100,000	\$100,000	\$100,000
Flood Zone A&V Deductible	\$500,000	\$500,000	\$500,000
Annual Premium incl. SLT&F if applicable	\$151,326	\$185,750	\$200,978
Total Rate / \$100 TIV	\$0.0671	\$0.0730	\$0.0767
Rate vs. Expiring	N/A	8.79%	14.30%

Alliant recommendation: Alliant recommends binding the Property and Boiler & Machinery coverage with Travelers. Travelers' premium is competitive; proposed no limitation on Business Income coverage; kept the flat \$50,000 Deductible for Wind/Hail and their coverage and sub-limits match up well to the expiring program. Alliant cannot recommend coverage with an exclusion for Business Income coverage which Affiliated FM has proposed. Affiliated FM's proposed 1% Per Location; \$100,000 minimum Wind/Hail Deductible would also have significant impact for TAA. The 1% would apply separately to each location; TAA's Main Terminal Building complex has a value of \$97,470,565. TAA's Wind/Hail Deductible for this location would be \$974,705; whereas Travelers would have a \$50,000 Wind/Hail Deductible for the same Wind/Hail loss.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

2. AIRPORT LIABILITY

The Airport Liability market is trending towards a hardening cycle. Contributing factors include: social inflation, reduced capacity in the marketplace, limited availability of qualified airport liability insurance carriers, global aviation insurance market suffering large losses i.e. Boeing 737 Max estimated at over \$2B insured losses, etc.

Marketing Efforts:

-) Alliant marketed the account to all Airport liability insurance carriers.
-) We received a renewal quote from the incumbent Global Aerospace with per expiring coverages at a 10% premium increase.
-) AIG provided a quote to TAA for the expiring program structure at a premium reduction of 6%; see below table for program overview.

Program Highlights	Global Aerospace 2020-2021 Expiring	Global Aerospace 2021-2022 Renewal	AIG 2021-2022 Proposed
Each Occurrence Limit	200,000,000	200,000,000	200,000,000
Products Completed Operations	200,000,000	200,000,000	200,000,000
HKLL	200,000,000	200,000,000	200,000,000
Premises Rented	1,000,000	1,000,000	1,000,000
Med Pay	50,000	50,000	50,000
Personal Injury	25,000,000	25,000,000	25,000,000
Deductible	Nil	Nil	Nil
Excess Auto Liability	25,000,000	25,000,000	25,000,000
Excess Employers Liability	25,000,000	25,000,000	25,000,000
Excess Police Professional Liability	25,000,000	25,000,000	25,000,000
Total Cost	\$96,168	\$105,785	\$89,970

Alliant Recommendation: Alliant recommends binding the Airport Liability with AIG. AIG has offered coverage to match the expiring program at a 6% premium reduction while being a reputable insurance carrier in the aviation insurance marketplace and the specialization to partner with TAA.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

3. COMMERCIAL AUTO

Mono-line commercial auto liability is a difficult market and trending towards a significant hardening cycle. Many factors play into the hardening of this market including significant losses, carriers exiting the market as a whole, and the prevalence of distracted driving.

Marketing efforts:

-) Alliant approached key markets that are currently writing mono-line auto liability.
-) We received a renewal quote from the incumbent Philadelphia that was a \$15,320 or 9.38% year-over-year increase.
-) Alliant approached Preferred Aviators which is a key market that specializes in aviation related risk. Preferred Aviators provided a very competitive option for TAA with coverage per expiring and a total cost reduction of \$31,953 or 19.57% year-over-year decrease.

	Philadelphia Ins. Co. 2020-2021 Expiring	Philadelphia Ins. Co. 2021-2022 Renewal	Preferred Aviators 2021-2022 Proposed
Covered Autos Liability:	\$1,000,000 each accident	\$1,000,000 each accident	\$1,000,000 each accident
Auto Medical Payments:	\$5,000 each insured	\$5,000 each insured	\$5,000 each insured
Uninsured Motorists – UM:	\$1,000,000 each accident	\$1,000,000 each accident	\$1,000,000 each accident
Underinsured Motorist – UIM:	\$1,000,000 each accident	\$1,000,000 each accident	\$1,000,000 each accident
Physical Damage; Comprehensive Coverage:	Actual Cash Value or Cost of Repair	Actual Cash Value or Cost of Repair	Actual Cash Value or Cost of Repair
Physical Damage: Collision Coverage:	Actual Cash Value or Cost of Repair	Actual Cash Value or Cost of Repair	Actual Cash Value or Cost of Repair
Physical Damage: towing & Labor:	\$100 each disablement of a private passenger auto	\$100 each disablement of a private passenger auto	\$100 each disablement of a private passenger auto
Total Cost:	\$163,251	\$178,571	\$131,298

Alliant Recommendation: The one caveat with Preferred Aviators is they require at least one other coverage be bound with them, or AIG. Alliant recommends binding the Auto Liability with Preferred Aviators due to the reduction in cost and them being a stable carrier for the Aviation industry.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

4. INLAND MARINE

This policy covers TAA high value vehicles, scheduled equipment, fire trucks, sweepers, and small tools. This market has been relatively flat and we have seen carriers be competitive.

Marketing efforts:

-) Alliant approached key markets that are currently writing inland marine.
-) Incumbent Travelers renewal quote is approximately 23% increase over expiring as they are still trying to recover rate due to 2018 claim.
-) Alliant approached Preferred Aviators which is a key market that specializes in aviation related risk. Preferred Aviators provided a competitive option for TAA with coverage per expiring and a total cost reduction of \$911 or 7.59% year-over-year decrease.

	Travelers 2020-2021 Expiring	Travelers 2021-2022 Renewal	Preferred Aviators 2021-2022 Proposed
Contractors Equipment – Leased or rented from others	\$500,000	\$500,000	\$500,000
Contractors Equipment – Scheduled Equipment	\$5,918,840	\$5,947,561	\$5,947,561
TRIA	Included	Included	Included
Total Cost:	\$12,002	\$14,705	\$11,091

Alliant Recommendation: Alliant recommends binding the Inland Marine with Preferred Aviators due to the reduction in cost and them being a stable carrier for the Aviation industry. Binding the Inland Marine line of coverage with Preferred Aviators, will also satisfy the requirement for binding multiple lines of coverage with Preferred Aviators in order to realize significant premium savings on their auto liability quote.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

5. MANAGEMENT LIABILITY (DIRECTORS & OFFICERS)

Management Liability insurance is a customized package of coverages designed to protect directors, officers, board members, managers, and administrators, as well as the entity (TAA), from lawsuits alleging mismanagement, harassment, discrimination, improper conduct and other risks faced while managing the organization.

Marketing efforts:

-) Alliant approached key markets that are currently writing management liability.
-) We received a renewal quote from the incumbent RSUI that is currently a 15% increase over expiring. Initial quote was a 25% increase however we negotiated further to mitigate some of the increase. A 15% increase for this line of coverage is market year over year.
-) Due to the tightening market, RSUI added Absolute Exclusion - Sexual Abuse with Allocation and Exclusion for Network Security and Privacy Information. These exclusions are now standard across the marketplace.
-) Comment from RSUI was that if this was new business, they would likely offer only \$3M limit at the same premium level. This offers a snapshot to the differences of how this account was historically rated in the soft market vs. how it would be rated now in the hardening market.

	RSUI 2020-2021 Expiring	RSUI 2021-2022 Renewal
D&O including Employment Practices Liability	\$5,000,000	\$5,000,000
Anti-Trust Sub-limit	\$5,000,000	\$5,000,000
Additional Defense Limit	\$1,000,000	\$1,000,000
Fiduciary Liability	\$1,000,000	\$1,000,000
Aggregate Limit for all Coverages	\$6,000,000	\$6,000,000
Retention	\$50,000	\$50,000
Total Cost	\$47,020	\$54,430

Alliant Recommendation: Alliant recommends binding the Management Liability with incumbent RSUI due to availability of continuing the \$5 million limits rather than seeking offers for lower policy limit or building capacity with multiple carriers at similar premium.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

6. CRIME AND SPECIAL RISK

This policy covers loss from criminal acts such as employee theft, dishonesty, embezzlement. The Special Risk coverage provides protection against a variety of security risks including threats and extortions against people, property and proprietary information. Coverage includes specialized risk management services for resolution of kidnap, hostage and extortive crime. This market has been relatively flat and we have seen carriers be competitive.

Marketing efforts:

-) Alliant approached key markets.
-) We received a renewal quote from the incumbent Chubb at flat premium (same as expiring).
-) Alliant received quote for crime coverage from AIG through a specialty program for non-profits and public entities, however the program does not offer the Special Risk coverage which Chubb provides. To replace that coverage would require multiple policies and minimal premium savings, if any.

	Chubb 2020-2021 Expiring	Chubb 2021-2022 Renewal
Crime Limits	\$5,000,000	\$5,000,000
Special Risk/Kidnap & Ransom Limits	\$250k to \$1,000,000	\$250k to \$1,000,000
Deductible	\$20,000	\$20,000
Total Cost:	\$13,219	\$13,219

Alliant Recommendation: Alliant recommends binding the Crime and Special Risk with Chubb.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

7. CYBER SECURITY

This coverage is designed to protect TAA from loss due to data breach by hackers, business email compromise, ransomware and data breach caused by employee negligence. The marketplace for this coverage is experiencing tumultuous change due to catastrophic losses, historically underpriced coverage that was unsustainable, and insurers exiting the business altogether. Public entities are perceived as a less than desirable risk due to their lower investment in cyber security controls and training as compared to private sector businesses.

Marketing efforts:

-) Alliant approached key markets specializing in cyber security.
-) Underwriting is much more detailed with insurers using IT consulting firms to run scans of applicant's networks for potential vulnerabilities.
-) TAA's IT security and safeguards are below insurance carrier minimum standards; this is causing underwriters' hesitation to offer any insurance coverage for this exposure.
-) Renewal quote is still pending from the incumbent as of the date of this writing (7/15/21); no other markets have offered to quote.
-) Incumbent Beazley (London) is no longer offering quotes to new business applicants who are in the public entity realm, but have committed to offer quotes to their existing insureds albeit at significantly higher premium and reduced limits than expiring.

	Beazley 2020-2021 Expiring	Beazley 2021-2022 Renewal (Pending)
Data and Network Liability	\$3,000,000	\$1,000,000
Additional Breach Response Limit	\$3,000,000	\$50,000
Business Interruption Security Breach/System Failure	\$3,000,000	\$50,000
Cyber Extortion	\$3,000,000	\$50,000
Data Recovery	\$3,000,000	\$50,000
Regulatory Defense	\$3,000,000	\$1,000,000
Self-Insured Retention (Deductible)	\$25,000	\$250,000 to \$500,000
Premium	\$11,000	\$200,000 (Not to Exceed)

Alliant Recommendation: Alliant continues to market this line of coverage and expect update during Finance Council Meeting.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

8. LAW ENFORCEMENT LIABILITY

Law Enforcement Legal Liability / Police Professional Liability is specifically designed to address claims for false arrest, excessive force, wrongful search and seizure, assault and battery for TAA's police department (TAAPD).

Marketing Efforts:

-) Alliant marketed the account to all Law Enforcement Liability insurance carriers.
-) We received a renewal quote from the incumbent AXA that was 20% over expiring premium. We discussed with TAA staff who confirmed it was acceptable to raise the deductible to \$25,000 to temper the increase.
-) We received competitive quote from QBE which was nearly 8% less than incumbent; see below table for program overview.

	AXA/Indian Harbor Ins. Co. 2020-2021 Expiring	AXA/Indian Harbor Ins. Co. 2021-2022 Renewal	QBE 2021-2022 Proposed
Each Law Enforcement Occurrence	\$1,000,000	\$1,000,000	\$1,000,000
Police Aggregate Limit of Liability	\$2,000,000	\$2,000,000	\$2,000,000
Retention	\$10,000	\$25,000	\$25,000
Total Cost Incl. Taxes & Stamping Fee	\$27,684	\$23,800	\$21,965

Alliant Recommendation: Alliant recommends binding the Police Professional coverage with QBE, primarily due to the outstanding claims advocacy available through QBE with whom Alliant has an extremely strong relationship with their senior claims professionals, ensuring quick and thorough response on claims. Also for the fact that QBE is a leader in this line of coverage, claims, and service providers' support available to their insureds.

TUCSON AIRPORT AUTHORITY 8/15/21 to 8/15/22 Insurance Renewal

9. DEADLY WEAPON RESPONSE PROGRAM

This product provides third party bodily injury liability, first party property damage, business interruption & crisis management consulting for deadly weapon events occurring at a scheduled location. These coverages may not otherwise be included in TAA's airport liability or property coverages. See below table for program details.

	Lloyd's of London 2021-2022 Proposed
Each Occurrence Limit	\$500,000
Annual Aggregate Limit	\$500,000
Crisis Management Services Sublimit	\$250,000
Counseling Services Sublimit	\$250,000
Business Interruption Sublimit	\$250,000
Funeral Expenses Sublimit	\$250,000
Deductible Each Event	\$10,000
Total cost incl. Taxes and Stamping Fee	\$5,527

Alliant Recommendation: This is a new line of coverage for TAA to consider this. Alliant recommends binding the ADWRP coverage with Lloyd's of London due to the prevalence of attacks with deadly weapons. This program can provide meaningful financial protection and services for minimal cost.



As of: 7/15/21

Appendix A



2020-21 Expiring Insurance Program and Quoted / Not To Exceed Premium for 2021-22 Renewal

Line of Coverage	Insurance Carrier	Expiring			Renewal			Exposure Change	Premium Change Year over Year %	Alliant Recommendation	Notes
		Premium	Policy Limit	Deductible/SIR	Premium	Policy Limit	Deductible/SIR				
1 Property	Affiliated FM	\$ 151,326	\$ 225,387,289	\$ 10,000	185,750	\$254,600,000	\$50,000	13%	22.75%		\$20MM flood limit in zone A&V; 1% deductible for wind/hail damage (new this yr.) e.g. \$975k ded. for main terminal; Business Interruption coverage excluded unless worksheet completed (new this yr.)
	Option: Travelers	\$ -	\$ -	\$ -	200,978	\$261,880,866	\$50,000	13%	32.81%	X	\$5MM flood zone A&V; \$50k wind/hail deductible; No Business Interruption exclusion
2 Airport Liability	Global Aerospace	\$ 96,168	\$ 200,000,000	\$ -	\$ 105,785	\$ 200,000,000	\$ -	-	10.00%		AIG premium=\$98,390 (incl. optional TRIA); Incumbent premium=\$129,206
	Option: AIG	N/A	N/A	N/A	\$ 89,970				-6.44%	X	
3 Commercial Auto	Philadelphia Ins. Co.	\$ 163,251	\$ 1,000,000	\$ 1,000	\$ 178,571	\$1,000,000	\$1,000		9.38%		
	Option: Preferred Aviators				\$ 131,298	\$1,000,000	\$1,000		-19.57%	X	Preferred Aviators require the binding of at least one other line of coverage. i.e. Airport Liability and/or Inland Marine Travelers still trying to improve loss ratio stemming from 2018 loss; initially offered 30% increase
4 Inland Marine	Travelers	\$ 12,000	\$ 4,896,189	\$ 2,500	\$ 14,705	\$5,947,561	\$2,500	21%	22.54%		Satisfies requirement for bundling multiple lines of coverage with Preferred Aviators, offers competitive coverage and reduced cost
	Option: Preferred Aviators	N/A	N/A	N/A	\$ 11,091	\$5,947,561	\$2,500	21%	-7.58%	X	
5 Management Liability (Directors & Officers)	RSUI	\$ 47,020	\$ 5,000,000	\$ 50,000	\$ 54,430	\$5,000,000	\$50,000	NIL	15.76%		
6 Crime and Special Risk	CHUBB	\$ 13,219	\$ 5,000,000	\$ 20,000	\$ 13,219	\$5,000,000	\$50,000	NIL	0.00%	X	Chubb provided automatic renewal at flat premium
	Option: AIG	N/A	N/A	N/A	\$ 10,140	\$5,000,000	\$50,000	NIL	N/A		AIG quote does not include kidnap & ransom cover; Chubb policy does provide coverage for K&R
7 Cyber Security	Beazley Lloyd's Syndicate	\$ 11,000	\$ 3,000,000	\$ 25,000	\$ 200,000	TBD	TBD	NIL	1718.18%	X	Cyber market experiencing unparalleled market correction for pricing and limits being offered by insurance carriers. Public sector insureds being one of the most adversely effected segment; quote not yet received as of 7/15/21 so premium amount reflects worst case scenario
8 Law Enforcement Liability	Indian Harbor Ins. Co. (AXA/XL)	\$ 27,684	\$ 1,000,000	\$ 10,000	\$ 23,800	\$1,000,000	\$25,000	23%	-14.03%		23% increase in Class A officer count year-over-year
	QBE	N/A	N/A	N/A	\$ 21,965	\$1,000,000	\$25,000	23%	-20.66%	X	QBE outstanding claims service/resources and lower cost
TOTALS (Expiring)		\$ 521,668									
TOTALS (Recommended Renewal)					\$ 722,951				38.58%		Not including the cyber, the renewal premium is 2% over expiring

New Coverage for Consideration

9 Deadly Weapon Response Program	Lloyd's of London				\$ 5,528	\$500,000	\$10,000	NIL	NIL	X	New coverage for TAA's consideration
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Date: July 14, 2021

To: TAA Board of Directors

From: Jon Wright, Manager, Financial Planning, Budgeting and Analysis

Re: **Investment Review for Quarter Ended June 30, 2021**

The following information provided for your review covers the quarter ending June, 30. 2021. The investment advisor for Tucson Airport Authority (TAA), Patterson & Associates (Patterson), provided the reports TAA will use for this analysis.

- Investments by Fund (Exhibit A) (03/31/2021)
- Investments by Fund (Exhibit B) (06/30/2021)
- Yield curve graph with narrative (Exhibit C) (03/31/2021)
- Yield curve graph with narrative (Exhibit D) (06/30/2021)

The average yield of the non-cash portion of the Authority's investment portfolio increased slightly this quarter, rising from 0.29% in Q1 to 0.35% in Q2. The portfolio turned over \$37.5M of assets (\$15.0M of called bonds and \$22.5M of matured T-bills/notes). TAA reinvested \$19M, used \$27M to pay down the TAA PSPRS liability, and transferred \$0.4M to the remediation trust to cover expenses. The Q2 activity resulted in a \$18.4M decrease in the investment portfolio and \$8.9M decrease in cash. The debt securities purchased during Q2 2021 carried an average yield of 0.48% vs 0.34% for new securities in Q1 2021.

	Par Value (Jun)	Average YTM (Jun)
U.S. Agency Call Note	\$89,070,000	0.36%
U.S. Agency Note	34,500,000	0.39%
Treasury Bill	0	0
Treasury Notes	10,000,000	0.14%
Total Investment	\$133,570,000	0.35%

Par Value (Mar)	Average YTM (Mar)
\$89,000,000	0.32%
49,500,000	0.33%
0	0
17,500,000	0.15%
\$152,000,000	0.29%

Cash	\$19,501,920
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\$28,403,337

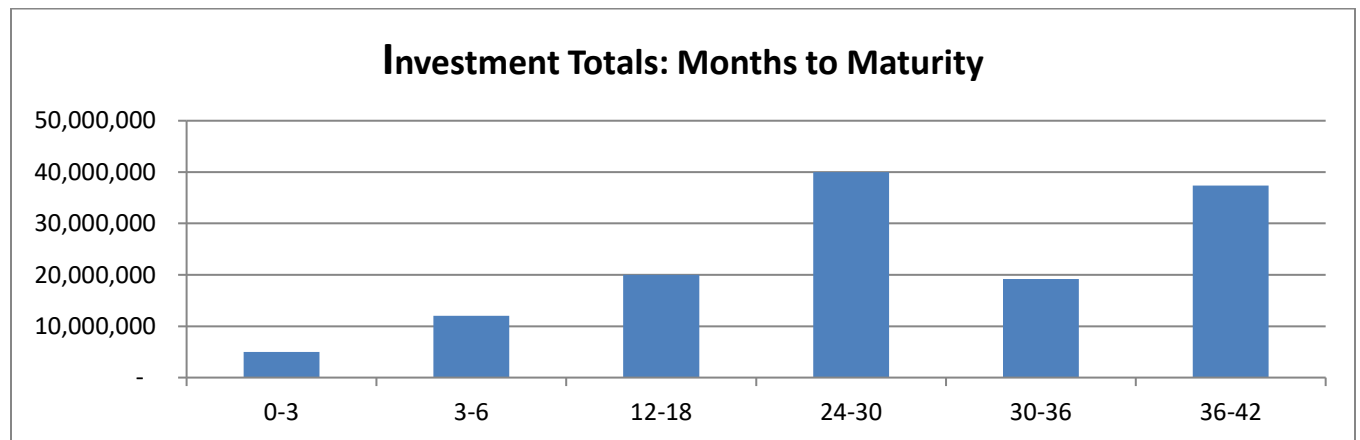
The US economy is growing rapidly and economists believe it is poised for a strong run. There are several factors that lead to the positive outlook: 1) US business balance sheets are healthy; 2) Households, especially high income household, have increased their savings accounts and have pent up demand for entertainment and travel; 3) The pandemic accelerated productivity especially in the telecommunications and e-commerce industries; 4) The government infrastructure bill has bi-partisan support and will continue to bolster the economy.

The surging economy has raised inflation fears with the Federal Open Market Committee (FOMC). While the committee left the short-term borrowing rates anchored at zero, they did move the time table up for rate hikes

from 2024 to 2023. Also the committee did not indicate when it will cut back on its aggressive bond buying program, but have begun talking about it. The US Leading Economic Index (LEI) continued to rise, hitting a record level 114.5 in May. The previous high was 112.0 in January of 2020. The yield curve on short-term Fed Funds has increased a bit, but has barely moved since the March 2020 rate cuts. The longer-term yields are beginning to flatten.

Patterson & Associates provides the Authority with advice on market condition, assists in the development of investment strategies, purchases securities for the Authority through a competitive bid process, and provides monthly reports detailing investment holdings. During the report period, TAA invested in Moody and Fitch AAA rated US Agency securities. Standard and Poor's rated these investments at AA+. TAA is also holding investments in United States Treasury Notes and Treasury Bills.

The primary goal in setting TAA's maturity dates is to meet cash obligations. TAA continues to ladder its investment maturities in anticipation of funding future capital improvement programs, satisfaction of bond debt service and day-to-day operating requirements. This includes a renewed emphases on liquidity over the next 12-24 months as TAA works to ensure sufficient working capital to maintain operations for the duration of the COVID-19 crisis. To provide for the uncertain capital requirement of a major runway safety enhancement project, TAA is currently limiting all investment maturity periods to approximately 36 months. Given the current yield curve, this strategy provides additional liquidity without a significant decline in the overall yield of the portfolio. TAA continues to work closely with Patterson to ensure timely reinvestment of called bond funds.



Staff will continue to work with Patterson to evaluate market conditions and position the Authority to receive the highest yield possible within the parameters of its Investment Policy.

Please feel free to contact Kirk Eickhoff at 520-573-4862, email keickhoff@flytucson.com or myself at 520-573-4855, email jwright@flytucson.com if you have any questions.



INVESTMENT PROFESSIONALS

Tucson Airport Authority
Fund GENOPER - General Operating Fund
Investments by Fund
March 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Days To Date Maturity
Federal Agency Coupon Securities										
3132X04N8	668	Farmer Mac Note	12/06/2018	1,999,354.23	2,000,000.00	2,036,347.66	2.880	2.892	2.932	11/24/2021 237
31422B4N7	736	Farmer Mac Note	01/07/2021	10,009,392.46	10,000,000.00	9,981,318.80	0.250	0.212	0.215	12/18/2023 991
31422XCQ3	740	Farmer Mac Note	03/23/2021	7,500,000.00	7,500,000.00	7,492,226.40	0.400	0.394	0.400	07/01/2024 1,187
3133ELZH0	716	FFCB Note	05/19/2020	7,499,712.93	7,500,000.00	7,499,928.00	0.125	0.154	0.157	05/14/2021 43
3133ELN83	724	FFCB Note	06/29/2020	7,499,871.44	7,500,000.00	7,502,371.73	0.180	0.184	0.187	06/23/2021 83
3133ELH56	722	FFCB Call Note	06/09/2020	5,000,000.00	5,000,000.00	4,997,601.50	0.270	0.315	0.320	06/09/2022 434
3133EMGQ9	733	FFCB Call Note	11/17/2020	10,000,000.00	10,000,000.00	10,000,924.60	0.170	0.167	0.170	02/17/2022 322
3133EMMN9	738	FFCB Call Note	01/11/2021	7,489,150.00	7,500,000.00	7,467,541.43	0.190	0.248	0.252	01/11/2024 1,015
3130AJTH2	726	FHLB Note	07/13/2020	4,999,426.20	5,000,000.00	5,000,711.25	0.125	0.165	0.167	07/08/2021 98
313380GJ0	730	FHLB Note	11/06/2020	10,262,711.16	10,000,000.00	10,265,600.00	2.000	0.168	0.170	09/09/2022 526
3130AKY34	739	FHLB Call Note	02/16/2021	7,500,000.00	7,500,000.00	7,417,761.45	0.250	0.246	0.250	08/16/2024 1,233
3130ALUG7	741	FHLB Call Note	03/30/2021	7,500,000.00	7,500,000.00	7,494,808.50	0.500	0.493	0.500	09/30/2024 1,278
3134GW6E1	729	FHLMC Call Note	11/05/2020	9,998,817.93	10,000,000.00	9,991,230.90	0.320	0.322	0.326	11/02/2023 945
3134GXAX2	732	FHLMC Call Note	11/16/2020	3,000,000.00	3,000,000.00	2,998,567.26	0.190	0.187	0.190	11/16/2022 594
3134GXBC7	734	FHLMC Call Note	11/18/2020	7,000,000.00	7,000,000.00	6,996,156.37	0.180	0.177	0.180	11/18/2022 596
3134GXDT8	735	FHLMC Call Note	11/24/2020	10,000,000.00	10,000,000.00	9,989,060.30	0.350	0.345	0.350	11/24/2023 967
3134GXGS7	737	FHLMC Call Note	01/08/2021	7,503,212.34	7,500,000.00	7,485,858.83	0.430	0.398	0.403	06/18/2024 1,174
3135G06F5	731	FNMA Call Note	11/16/2020	9,996,750.00	10,000,000.00	10,005,416.70	0.310	0.318	0.323	11/16/2023 959
Subtotal and Average				134,758,398.69	134,500,000.00	134,623,431.68		0.306	0.311	752
Treasury Coupon Securities										
9128284P2	721	T Note	06/08/2020	7,522,152.22	7,500,000.00	7,523,280.00	2.625	0.170	0.173	05/15/2021 44
9128285R7	728	T Note	11/05/2020	10,175,434.03	10,000,000.00	10,180,080.00	2.625	0.137	0.139	12/15/2021 258
Subtotal and Average				17,697,586.25	17,500,000.00	17,703,360.00		0.152	0.154	167
BNY Mellon Cash										
X9USDGOLD	566	Goldman Fincl Sq Treas Oblig	08/01/2015	28,403,337.37	28,403,337.37	28,403,337.37	0.030	0.029	0.030	1
Subtotal and Average				28,403,337.37	28,403,337.37	28,403,337.37		0.030	0.030	1
Total Investments and Average				180,859,322.31	180,403,337.37	180,730,129.05		0.248	0.251	577

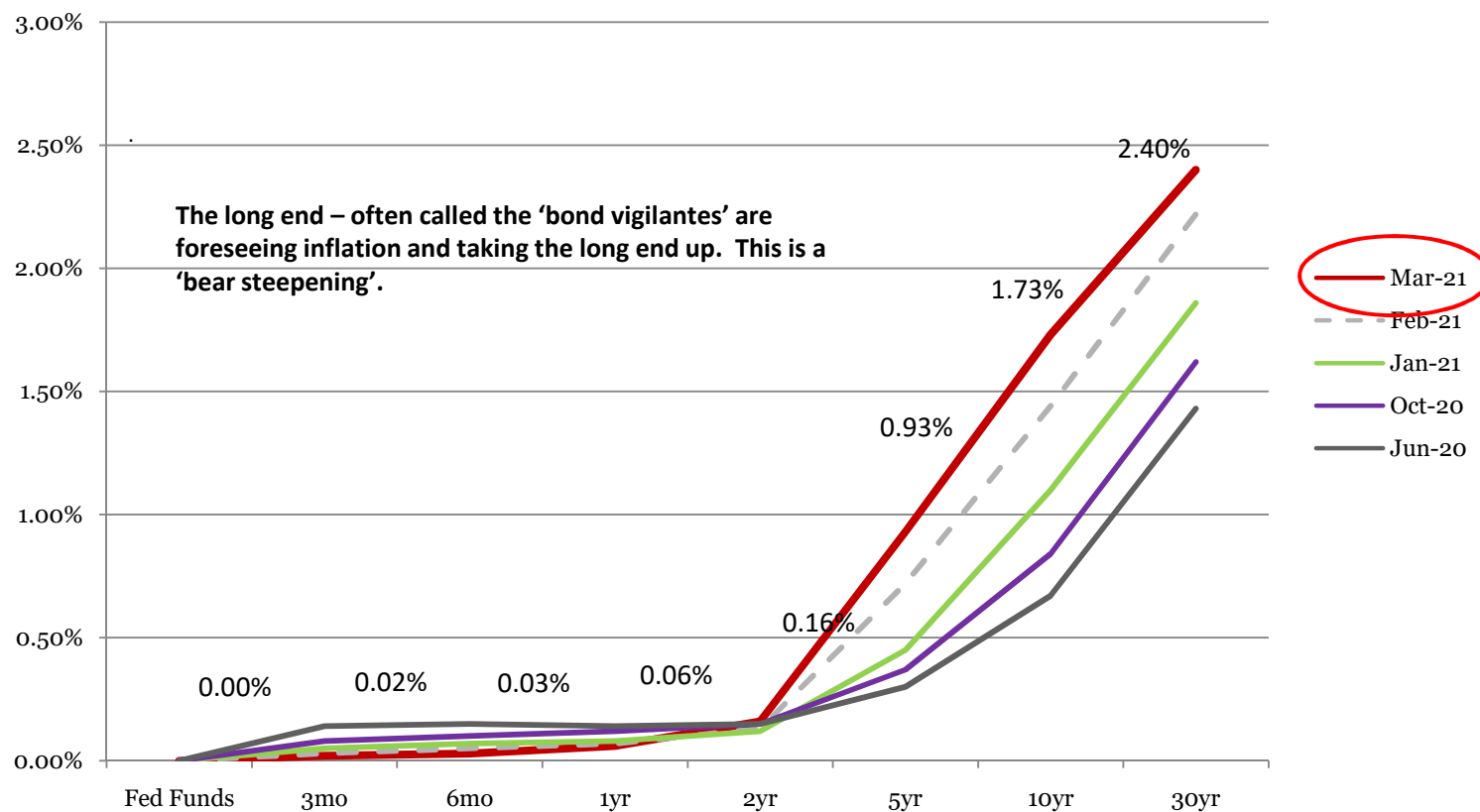
Tucson Airport Authority
Fund GENOPER - General Operating Fund
Investments by Fund
June 30, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Coupon Securities											
3132X04N8 -	668	Farmer Mac Note	12/06/2018	1,999,603.67	2,000,000.00	2,022,403.54	2.880	2.892	2.932	11/24/2021	146
31422B4N7 -	736	Farmer Mac Note	01/07/2021	10,008,527.24	10,000,000.00	9,971,404.80	0.250	0.212	0.215	12/18/2023	900
31422XCQ3 -	740	Farmer Mac Note	03/23/2021	7,500,000.00	7,500,000.00	7,477,055.10	0.400	0.394	0.400	07/01/2024	1,096
3133EMMN9 -	738	FFCB Call Note	01/11/2021	7,492,637.50	7,500,000.00	7,461,687.75	0.190	0.248	0.252	01/11/2024	924
3130AJTH2 -	726	FHLB Note	07/13/2020	4,999,958.59	5,000,000.00	5,000,018.90	0.125	0.165	0.167	07/08/2021	7
313380GJ0 -	730	FHLB Note	11/06/2020	10,217,066.37	10,000,000.00	10,224,998.80	2.000	0.168	0.170	09/09/2022	435
3130AKY34 -	739	FHLB Call Note	02/16/2021	7,500,000.00	7,500,000.00	7,444,918.58	0.250	0.246	0.250	08/16/2024	1,142
3130ALUG7 -	741	FHLB Call Note	03/30/2021	7,500,000.00	7,500,000.00	7,464,049.73	0.500	0.493	0.500	09/30/2024	1,187
3130AMKX9	742	FHLB Call Note	06/07/2021	4,170,000.00	4,170,000.00	4,151,211.06	0.400	0.394	0.400	06/07/2024	1,072
3130AMPF3	743	FHLB Call Note	06/10/2021	4,898,917.92	4,900,000.00	4,881,245.59	0.500	0.500	0.507	12/10/2024	1,258
3130AMRF1	744	FHLB Call Note	06/10/2021	10,000,000.00	10,000,000.00	9,952,049.40	0.520	0.512	0.520	12/10/2024	1,258
3134GW6E1 -	729	FHLMC Call Note	11/05/2020	9,999,322.13	10,000,000.00	9,990,352.90	0.320	0.322	0.326	11/02/2023	854
3134GXAX2 -	732	FHLMC Call Note	11/16/2020	3,000,000.00	3,000,000.00	2,996,104.83	0.190	0.187	0.190	11/16/2022	503
3134GXBC7 -	734	FHLMC Call Note	11/18/2020	7,000,000.00	7,000,000.00	6,992,239.10	0.180	0.177	0.180	11/18/2022	505
3134GXDT8 -	735	FHLMC Call Note	11/24/2020	10,000,000.00	10,000,000.00	9,995,658.10	0.350	0.345	0.350	11/24/2023	876
3134GXGS7 -	737	FHLMC Call Note	01/08/2021	7,500,000.00	7,500,000.00	7,475,571.45	0.430	0.398	0.403	06/18/2024	1,083
3135G06F5 -	731	FNMA Call Note	11/16/2020	9,997,250.00	10,000,000.00	10,008,995.20	0.310	0.318	0.323	11/16/2023	868
Subtotal and Average				123,783,283.42	123,570,000.00	123,509,964.83		0.361	0.366		878
Treasury Coupon Securities											
9128285R7 -	728	T Note	11/05/2020	10,113,556.14	10,000,000.00	10,116,800.00	2.625	0.137	0.139	12/15/2021	167
Subtotal and Average				10,113,556.14	10,000,000.00	10,116,800.00		0.138	0.140		167
BNY Mellon Cash											
X9USDGOLD	566	Goldman Fincl Sq Treas Oblig	08/01/2015	19,501,919.57	19,501,919.57	19,501,919.57	0.010	0.009	0.010		1
Subtotal and Average				19,501,919.57	19,501,919.57	19,501,919.57		0.010	0.010		1
Total Investments and Average				153,398,759.13	153,071,919.57	153,128,684.40		0.302	0.306		720

A Different Look

- The curve is reacting to an improving economy and feeding off the stimulus trough that promises even more funds thrown into the economy.
- The bond market is foreseeing inflation.
- The market will fight the Fed and their asset purchases on the long end. Usually the market wins. The rates are going up.
- The various Covid vaccines have been a major boost to confidence. A more robust economic recovery may require several more months.
- The Fed has stated its intention to stay at 0.0% Fed Funds through 2023. Looks like the curve will do its job for it.

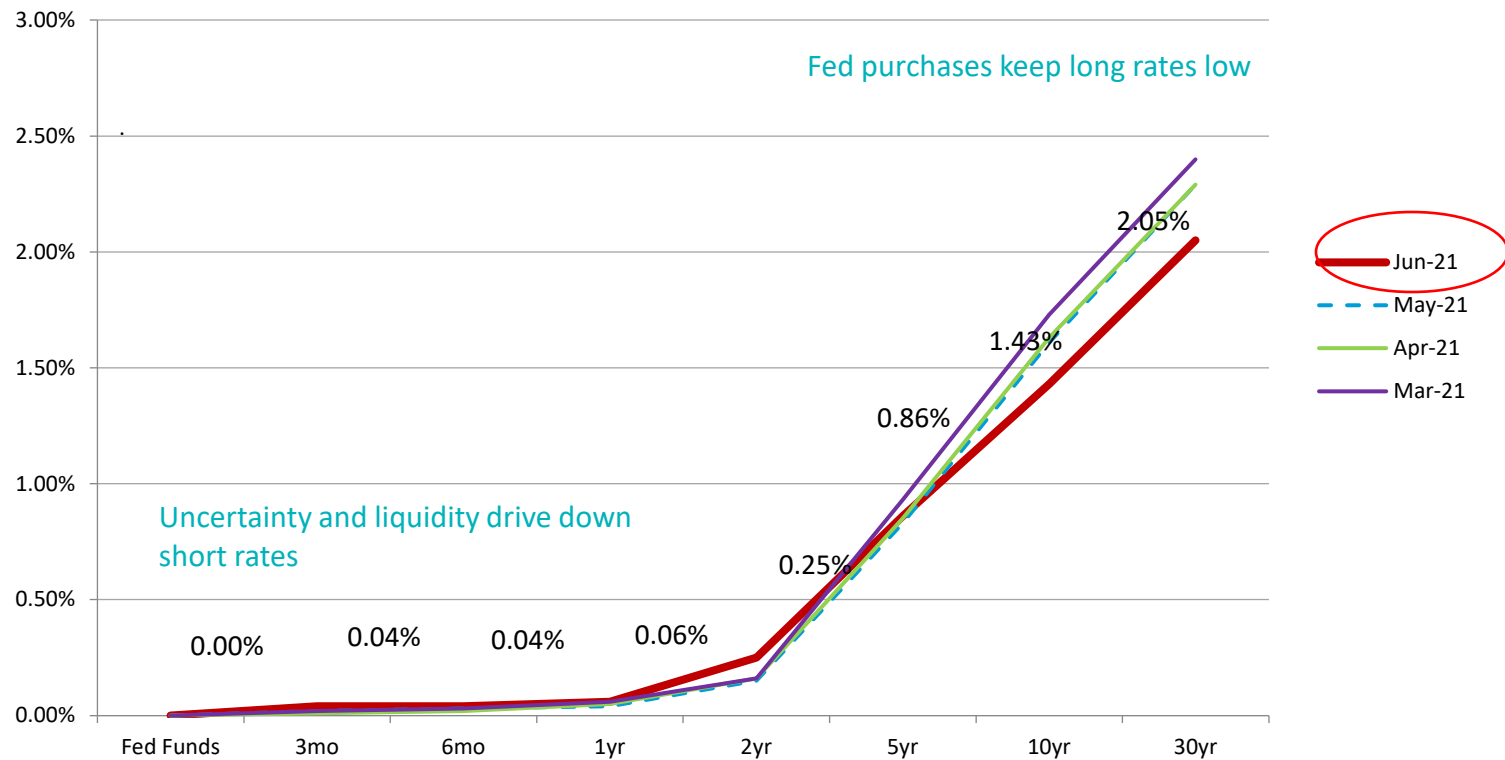


End of Month Rates - Full Yield Curve – Fed Funds to 30yr

Exhibit C

Why is the Curve Moving and Flattening?

- The curve has been flattening from 2 years to 10 years which seems to be from longer end rallies and short end selling. We have moved from the bear flattening seen previously. The effect seems the same however with rates so very low and little wiggle room.
- Short end investors remain liquid or short until some way forward is clearer and as definitive signs appear.
- The inflation narrative is being driven by the Fed speak giving recognition to higher prices bubbling into the conversation.
- At some point the Fed will begin to taper raining on the long end's long bull run.



End of Month Rates - Full Yield Curve – Fed Funds to 30yr
Exhibit D

Date: July 8, 2021

To: TAA Board of Directors

From: Kirk Eickhoff, Vice President/CFO

Re: **Summary of Financial Performance for May 2021**

Financial Performance

- Operating Income before Depreciation and Amortization (MTD & YTD vs budget)
 - Tucson Airport Authority generated operating income before depreciation and amortization of \$1,012,944 for May 2021, which is \$1,075,219 favorable to budget.
 - Year-to-date, TAA's operating income before depreciation and amortization of \$1,597,368 is favorable to budget by \$3,606,782 due to favorable operating revenues and expenses described below.
- Operating Revenues (MTD & YTD vs budget)
 - Total monthly operating revenue of \$3,510,286 is favorable to budget by \$833,953 or 31.2% and favorable to prior year by \$1,181,085 or 50.7%. The increase from prior year is largely due to a higher than anticipated recovery of passenger volumes. Total monthly operating revenues were down \$577,069 (14.1%) compared to FY 2019 (pre-COVID).
 - Year-to-date operating revenues were greater than budgeted by \$2,161,075 or 10.4%, with favorable variances in all categories. Other operating revenues and concession revenues contributed the largest variances.
 - The favorable variance in concession revenue is largely attributable to higher-than-expected rental car revenues. The variance in other operating revenues is the result of higher-than-expected royalties on sand and gravel mining.
- Operating Expenses (MTD vs YTD vs budget)
 - In May, total operating expenses were lower than budget by \$241,266, largely due to lower than anticipated personnel expenses.
 - Year-to-date operating expenses of \$21,339,739 are favorable to budget by \$1,445,707 or 6.3%. All expense categories were lower than budgeted, with contractual services driving most of the favorable variance due to timing on maintenance and repair contracts, airport consultant fees, advertising, and lower than expected utilities expense.

FINANCIAL SUMMARY



For the eight months ending May 31, 2021

**TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION**

	CURRENT MONTH - May			PRIOR YEAR - May
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL
OPERATING REVENUES:				
Landing fees	\$ 124,290	\$ 175,173	\$ 50,883	\$ 81,315
Space rentals	977,746	991,250	13,504	1,199,786
Land rent	296,440	307,054	10,614	317,878
Concession revenue	826,706	1,347,487	520,781	280,781
Reimbursed services	261,459	320,081	58,622	299,006
Other operating revenues	189,692	369,241	179,549	150,435
Total Operating Revenues	2,676,333	3,510,286	833,953	2,329,201
OPERATING EXPENSES:				
Personnel expenses	1,917,905	1,759,808	158,097	1,904,557
Contractual services	609,671	563,158	46,513	404,216
Materials and supplies	122,868	104,225	18,643	95,720
Other operating expenses	88,164	70,151	18,013	159,850
Total Operating Expenses	2,738,608	2,497,342	241,266	2,564,343
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	(62,275)	1,012,944	1,075,219	(235,142)
Depreciation and Amortization	1,578,198	1,602,671	(24,473)	1,558,200
OPERATING INCOME (LOSS)	(1,640,473)	(589,727)	1,050,746	(1,793,342)
NONOPERATING INCOME (EXPENSES)				
Interest Income	76,667	28,969	(47,697)	156,388
Net increase/(decrease) in fair value of investments	-	75,561	75,561	(64,451)
Passenger facility charges	331,478	434,504	103,026	93,814
Interest expense and fiscal charges	(70,591)	(66,510)	4,081	(78,028)
Other nonoperating revenues (expenses)	-	(50)	(50)	(7,273)
Total nonoperating revenues (expenses)	337,553	472,474	134,921	100,450
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,302,920)	(117,253)	1,185,667	(1,692,892)
CAPITAL CONTRIBUTIONS:				
Federal	919,384	156,933	(762,451)	5,305,509
State	45,131	104,766	59,635	272,532
Total capital contributions	964,515	261,699	(702,816)	5,578,041
INCREASE (DECREASE) IN NET POSITION	\$ (338,405)	\$ 144,446	\$ 482,851	\$ 3,885,149

TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION
For the eight months ending May 31, 2021

	CURRENT YEAR TO DATE			PRIOR YEAR
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL
OPERATING REVENUES:				
Landing fees	\$ 992,236	\$ 1,258,183	\$ 265,947	\$ 1,575,370
Space rentals	7,832,985	7,990,005	157,020	9,904,000
Land rent	2,371,518	2,476,039	104,521	2,459,946
Concession revenue	6,022,381	6,997,116	974,735	9,742,129
Reimbursed services	2,091,668	2,107,085	15,417	2,406,571
Other operating revenues	1,465,244	2,108,679	643,435	1,909,545
Total operating revenues	20,776,032	22,937,107	2,161,075	27,997,561
OPERATING EXPENSES:				
Personnel expenses	15,342,308	14,955,909	386,399	14,734,472
Contractual services	5,579,096	4,755,397	823,699	4,616,027
Materials and supplies	1,050,478	974,978	75,500	1,183,948
Other operating expenses	813,564	653,455	160,109	932,224
Total Operating Expenses	22,785,446	21,339,739	1,445,707	21,466,671
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	(2,009,414)	1,597,368	3,606,782	6,530,890
Depreciation and Amortization	12,558,637	12,638,932	(80,295)	12,304,210
OPERATING INCOME (LOSS)	(14,568,051)	(11,041,564)	3,526,487	(5,773,320)
NONOPERATING REVENUES (EXPENSES):				
Interest Income	613,334	307,484	(305,849)	1,929,006
Net increase/(decrease) in fair value of investments	-	2,237	2,237	290,210
Passenger facility charges	2,455,721	2,320,018	(135,703)	3,699,625
Interest expense and fiscal charges	(589,210)	(589,210)	-	(647,982)
Gain/(Loss) on disposition of capital assets	-	(22,866)	(22,866)	2,175,246
Other nonoperating revenues (expenses)	13,982,489	13,988,872	6,383	72,540
Total nonoperating revenues (expenses)	16,462,334	16,006,535	(455,798)	7,518,645
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,894,283	4,964,971	3,070,689	1,745,325
CAPITAL CONTRIBUTIONS:				
Federal	4,290,104	2,949,898	(1,340,206)	8,680,742
State	215,995	563,548	347,553	463,092
Total capital contributions	4,506,099	3,513,446	(992,653)	9,143,834
INCREASE (DECREASE) IN NET POSITION	\$ 6,400,382	8,478,417	\$ 2,078,035	10,889,159
TOTAL NET POSITION, (BEGINNING)		416,225,900		396,401,145
TOTAL NET POSITION, (ENDING)		\$ 424,704,317		\$ 407,290,304

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

ASSETS

CURRENT ASSETS

Unrestricted assets:

	May-21	May-20
Cash and cash equivalents	\$ 32,493,254	\$ 42,940,084
Investments	104,428,606	107,388,484
Accounts receivable, net of allowance for doubtful accounts of \$313,380 and \$210,550 for FY2021 and FY2020, respectively	3,235,585	3,218,180
Accrued interest receivable	179,503	365,835
Grants receivable	20,932	5,652,011
Inventories	375,745	325,731
Prepaid expenses and other assets	227,213	223,626
Total unrestricted current assets	140,960,838	160,113,951

Restricted assets:

Cash and cash equivalents	5,010,412	8,266,009
Investments	17,966,084	21,965,176
Accounts receivable	434,746	293,697
Accrued interest receivable	45,703	81,460
Total restricted current assets	23,456,945	30,606,342

Total current assets

164,417,783 190,720,293

Noncurrent assets:

Unrestricted assets:

Accounts receivable	154,825	358,108
Capital assets		
Not depreciated	140,644,260	121,610,405
Depreciated, net	192,014,095	197,028,321
Net capital assets	332,658,355	318,638,726
Total unrestricted noncurrent assets	332,813,180	318,996,834

Total noncurrent assets

332,813,180 318,996,834

TOTAL ASSETS

497,230,963 509,717,127

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from pensions	6,091,332	3,992,003
Total deferred outflows of resources	6,091,332	3,992,003

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 503,322,295 \$ 513,709,130

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

LIABILITIES

CURRENT LIABILITIES

Payable from unrestricted assets:

	May-21	May-20
Accounts payable	\$ 647,933	\$ 887,142
Accrued expenses	1,957,679	2,180,462
Unearned revenue	2,834,926	2,660,535
Current portion of environmental remediation payable	4,559,948	4,590,192
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,510,000	1,465,000
Total payable from unrestricted assets	<u>11,510,486</u>	<u>11,783,331</u>

Payable from restricted assets

Accrued interest payable:

Airport Subordinate Lien Revenue Bonds, Series 2018	151,502	167,852
	<u>151,502</u>	<u>167,852</u>

Current portion of environmental remediation payable	402,420	149,762
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Total payable from restricted assets	<u>553,922</u>	<u>317,614</u>
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Total current liabilities	<u>12,064,408</u>	<u>12,100,945</u>
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NONCURRENT LIABILITIES

Payable from unrestricted assets

Bonds payable, net of current portion:

Airport Subordinate Lien Revenue Bonds, Series 2018	26,693,090	29,827,964
Net pension liability	20,684,399	44,126,998
Environmental Remediation Payable, net of current portion	18,306,912	19,019,746
Total payable from unrestricted assets	<u>65,684,401</u>	<u>92,974,708</u>

Total noncurrent liabilities	<u>65,684,401</u>	<u>92,974,708</u>
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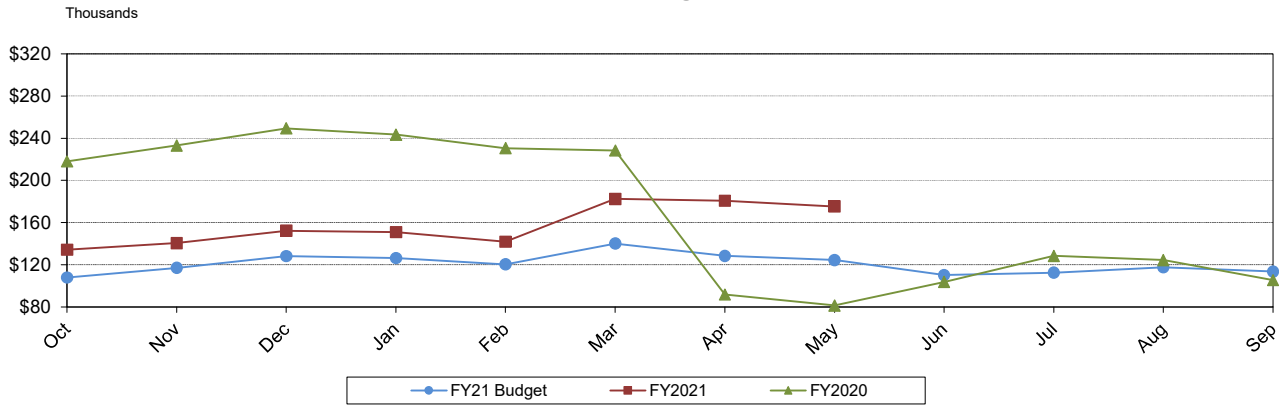
TOTAL LIABILITIES	<u>\$ 77,748,809</u>	<u>\$ 105,075,653</u>
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**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

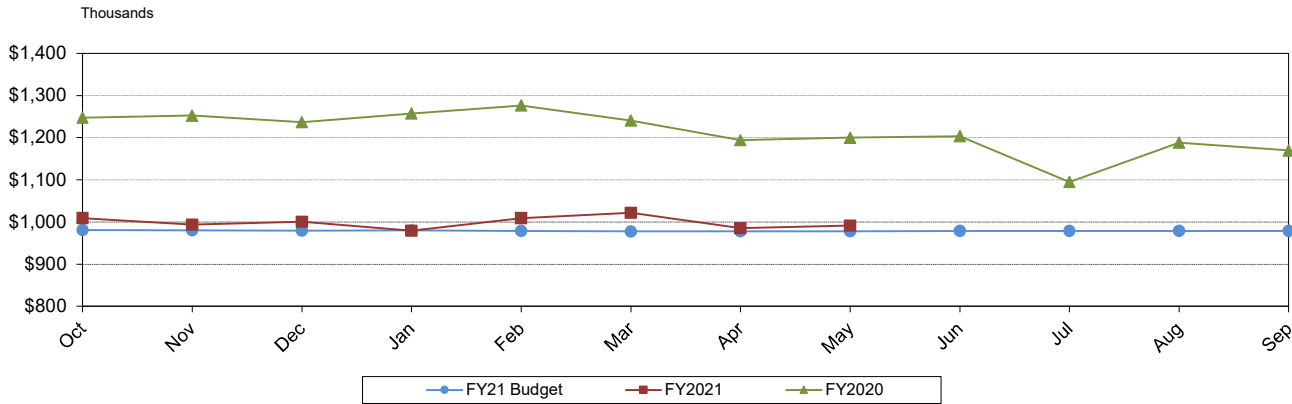
LIABILITIES & NET ASSETS (Con't)

	May-21	May-20
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	\$ 869,169	\$ 1,343,173
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>869,169</u>	<u>1,343,173</u>
NET POSITION		
Net Investment in capital assets	304,455,265	287,345,762
Restricted:		
Debt service	517,984	504,650
Capital projects	<u>22,787,460</u>	<u>29,933,840</u>
	<u>23,305,443</u>	<u>30,438,490</u>
Unrestricted	<u>96,943,609</u>	<u>89,506,052</u>
TOTAL NET POSITION	424,704,317	407,290,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 503,322,295	\$ 513,709,130

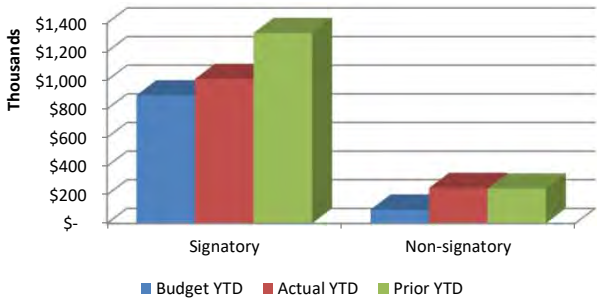
Landing Fees



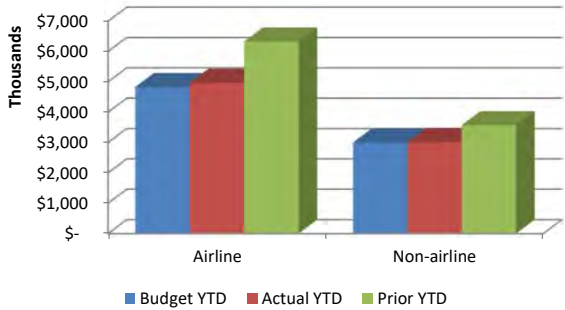
Space Rentals



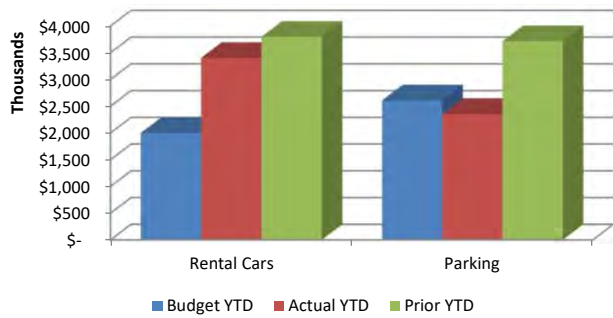
YTD Landing Fees



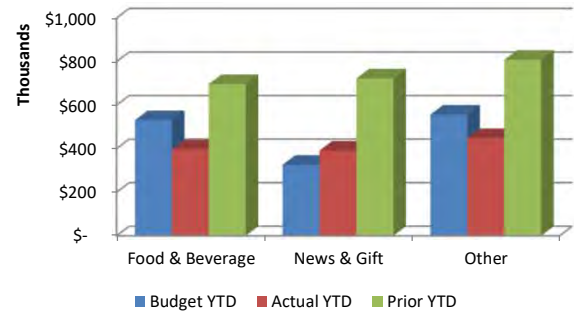
YTD Space Rentals



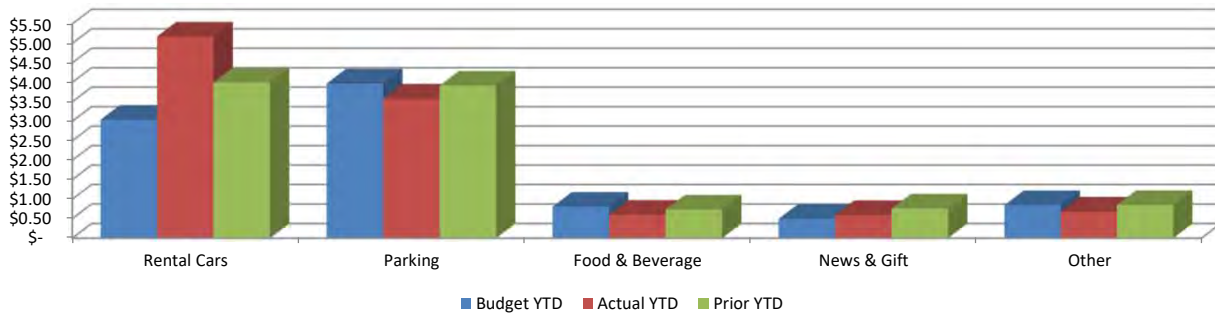
YTD Concession Revenue



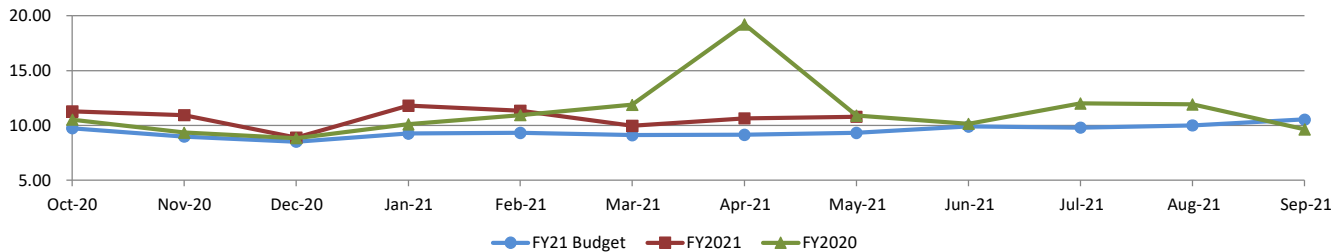
YTD Concession Revenue



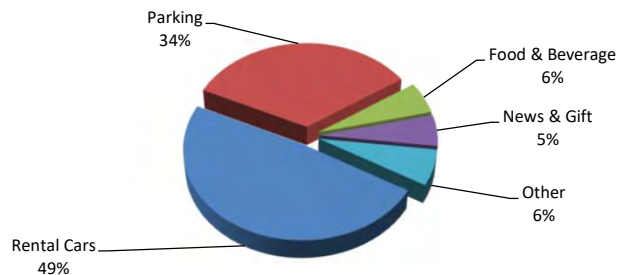
Year-to-Date Concession Revenue per Enplaned Passenger



Monthly Concession Revenue per Enplaned Passenger

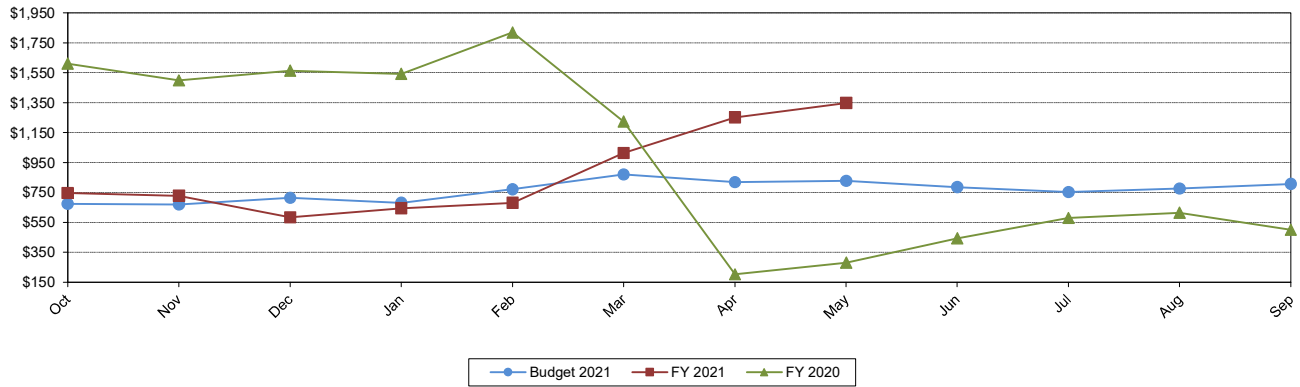


YTD Concession Revenue



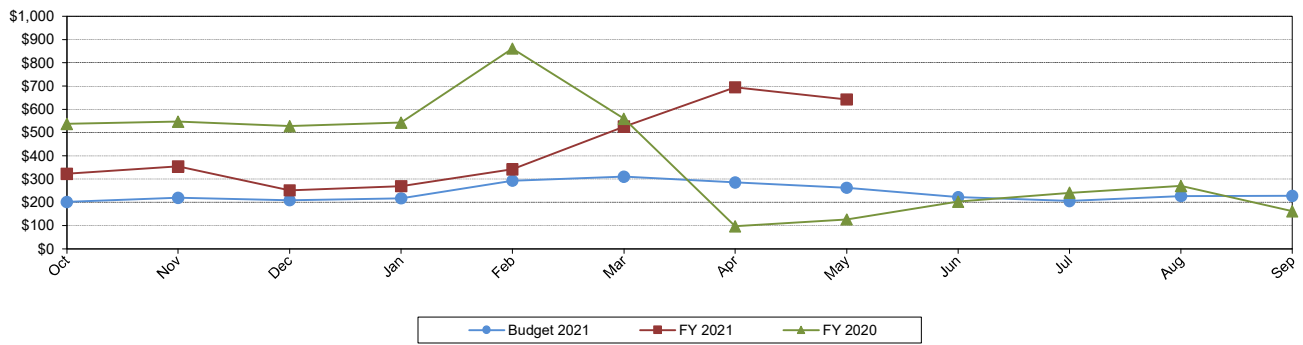
Total Concession Revenue

Thousands



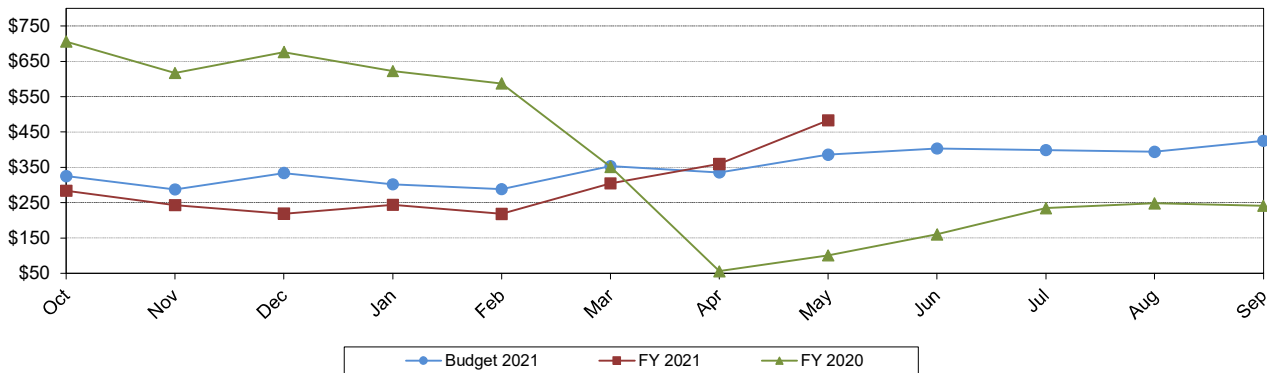
Rental Car Revenue

Thousands

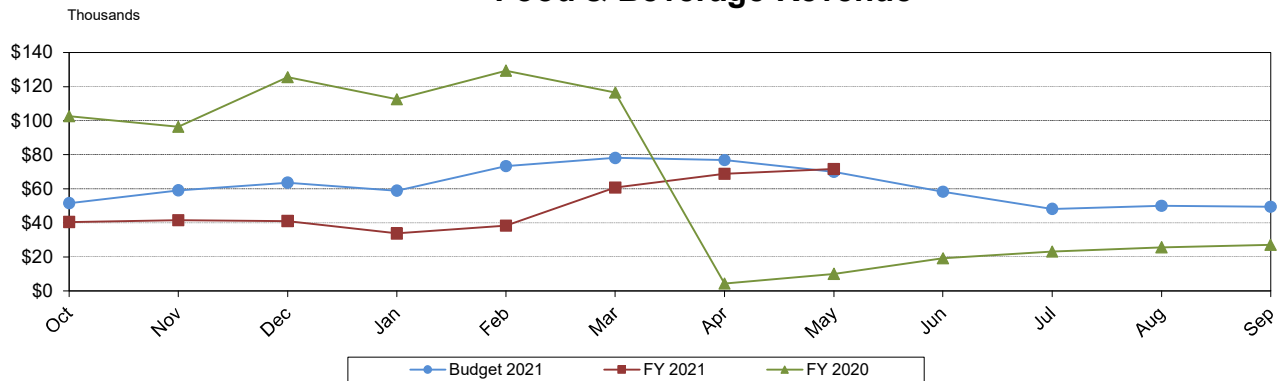


Parking Revenue

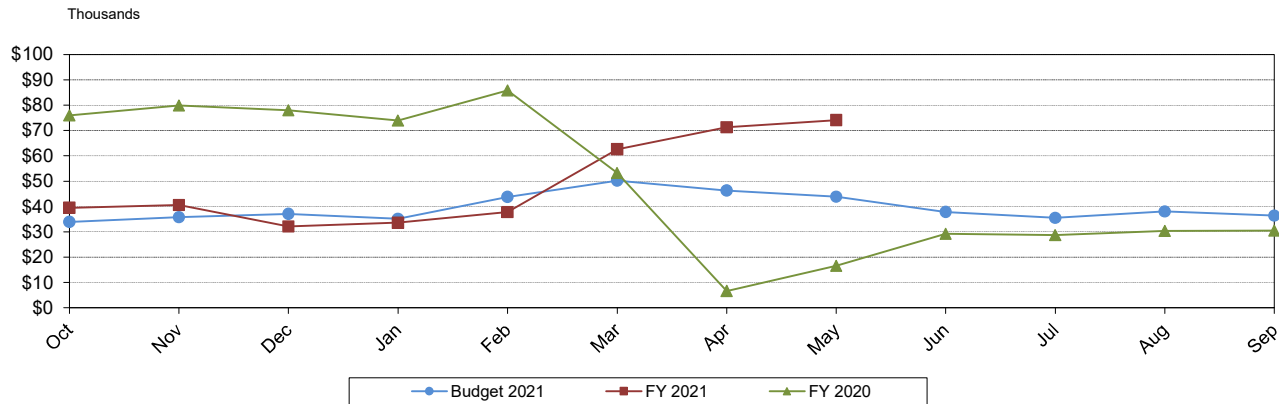
Thousands



Food & Beverage Revenue

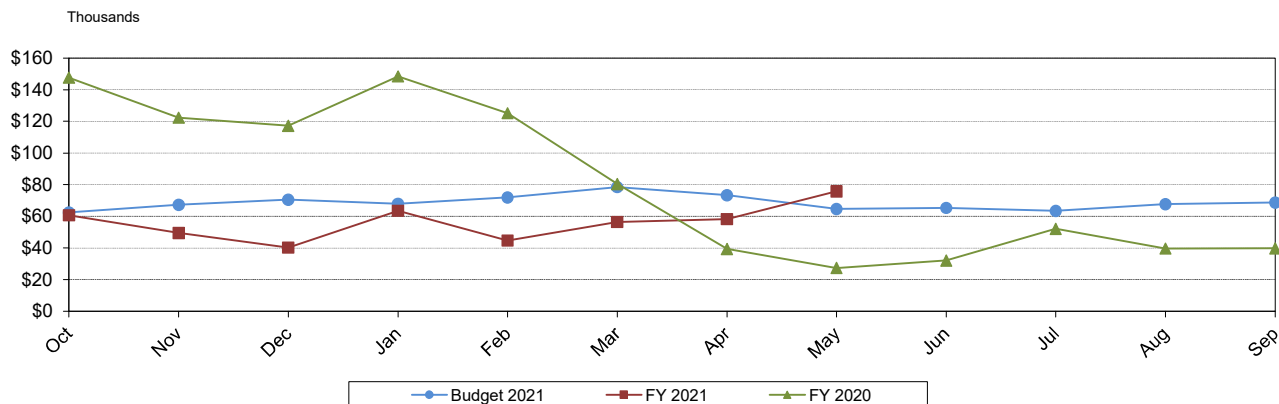


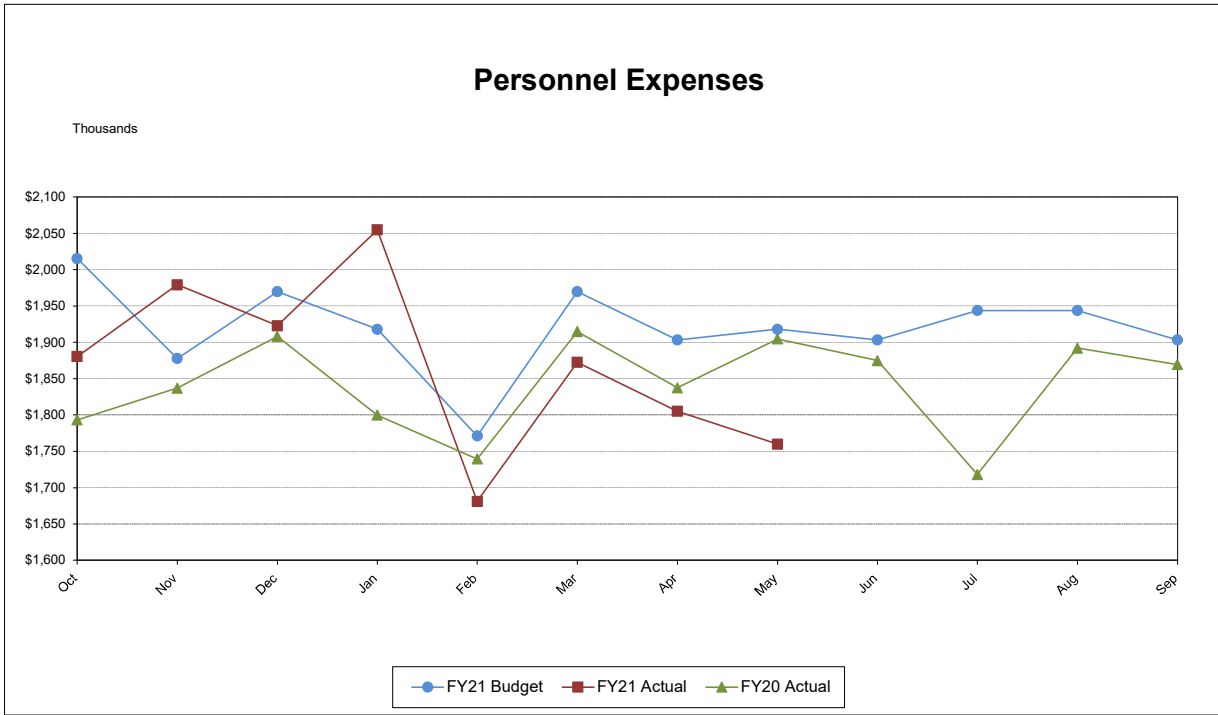
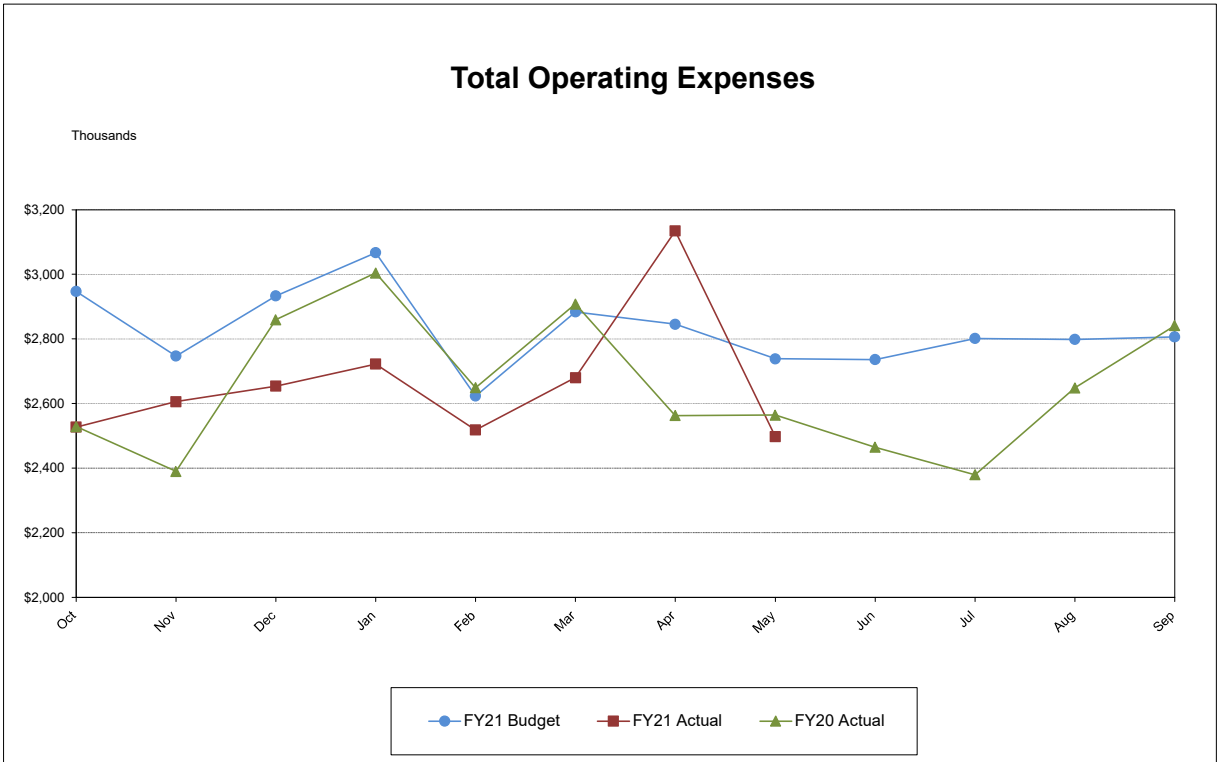
News & Gift*



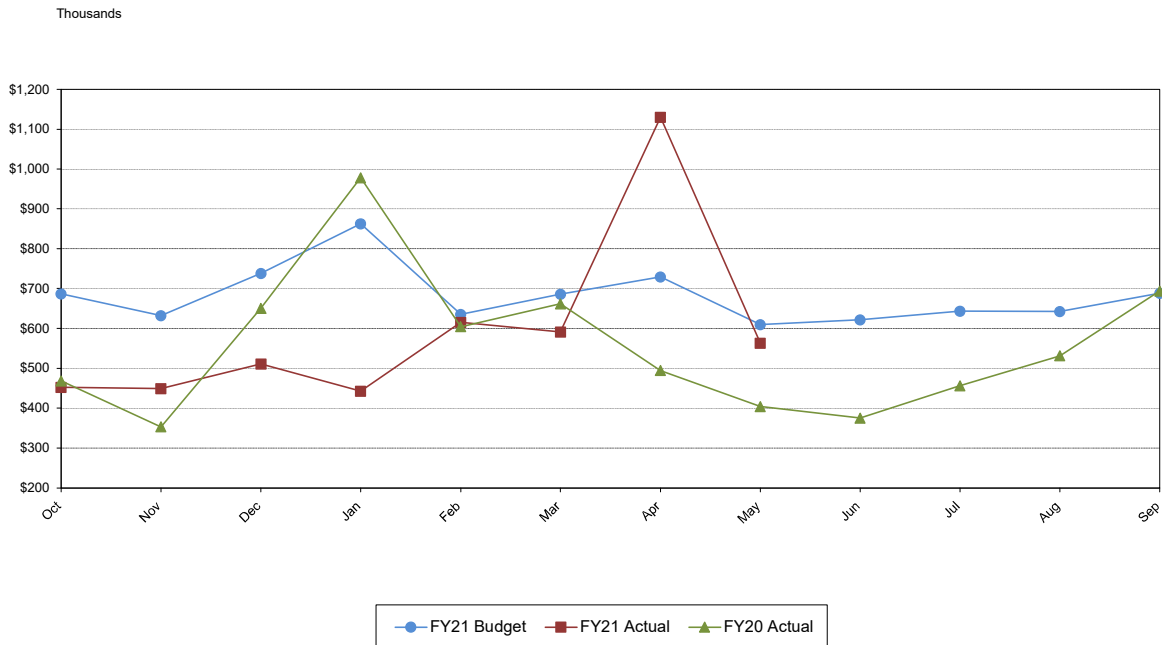
*Hudson News is required to pay the greater of a calculated percent of gross revenue or a monthly minimum guarantee (MAG) of \$117k. However, in light of the impact of COVID -19 on passenger volume, the MAG was suspended in April 2020.

Other Concession Revenue

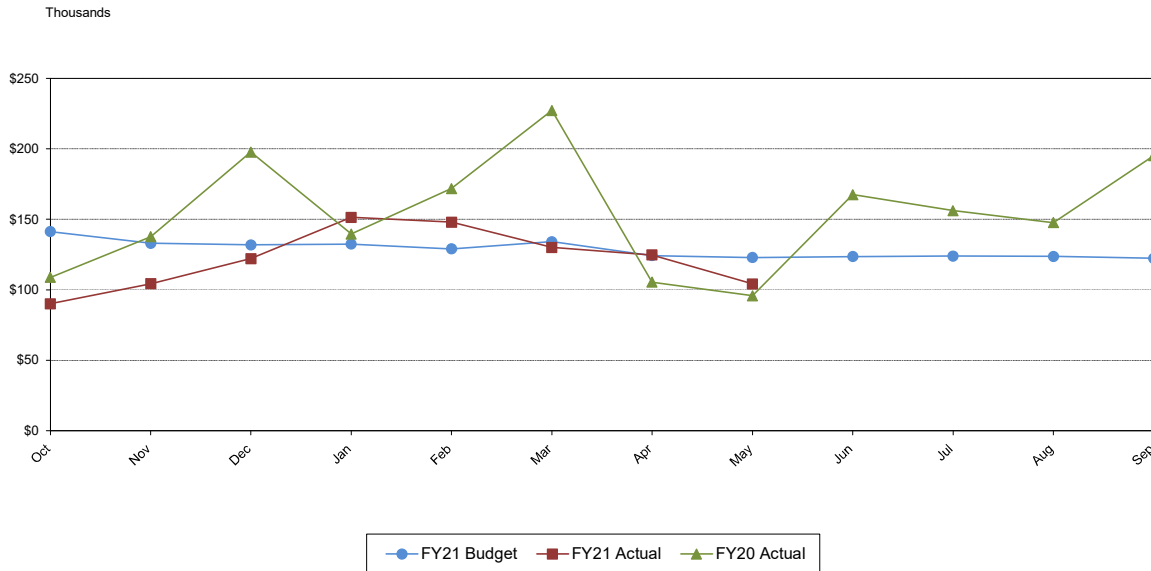




Contractual Services

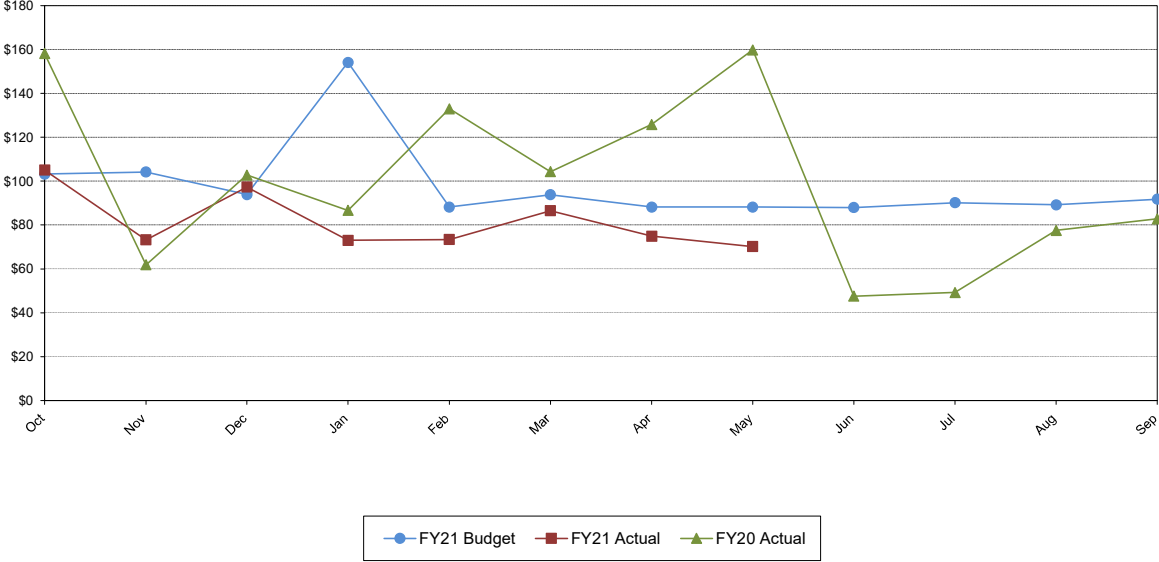


Materials and Supplies

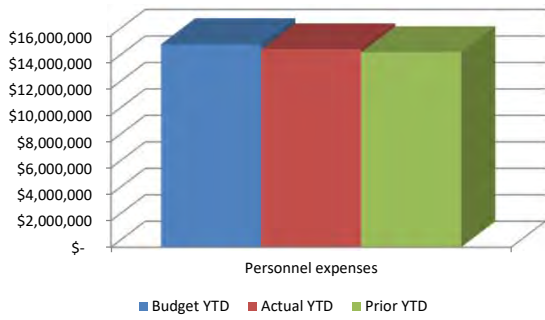


Other Operating Expenses

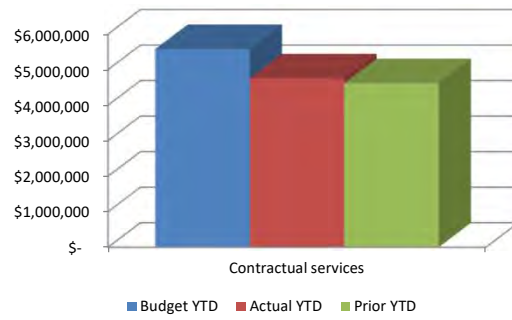
Thousands



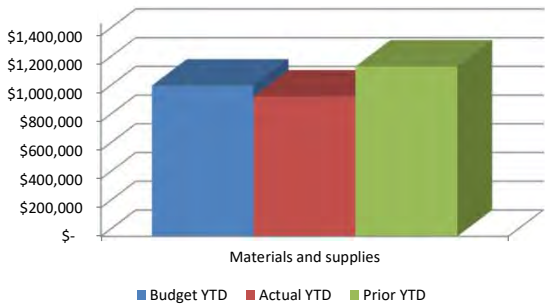
YTD Personnel Expenses



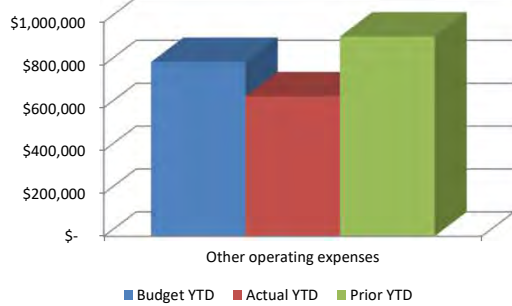
YTD Contractual Services



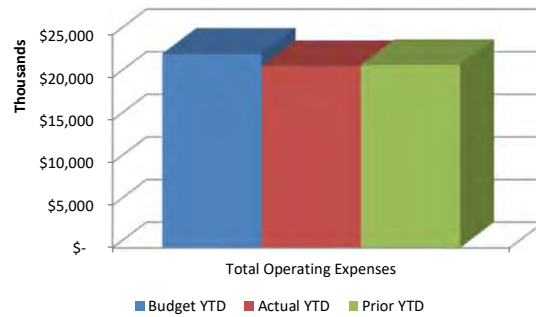
YTD Materials and Supplies



YTD Other Operating Expenses



YTD Total Operating Expenses



Date: July 8, 2021

To: TAA Board of Directors

From: Kirk Eickhoff, Vice President/CFO

Re: **Aviation Activity and Statistics for May 2021**

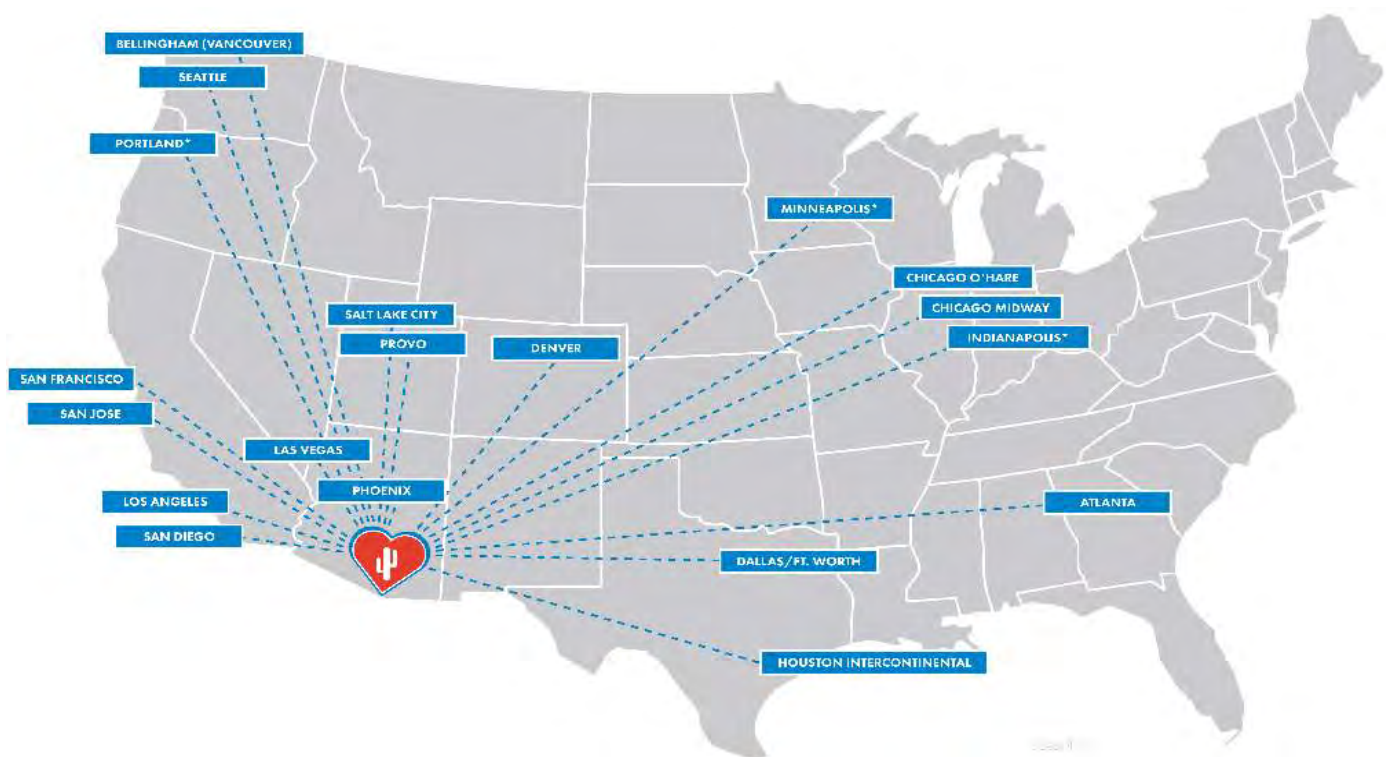
Summary of Operations and Statistics

- Total Passengers (MTD & YTD vs prior year)
 - Total passengers for the month of May 2021 were 391.0% higher than prior year.
 - YTD total passengers were 31.2% lower than prior year.
- Average Daily Scheduled Departures (MTD vs prior year, changes by routes & carrier)
 - The month of May had an average daily departure count of 40, which was 22 higher than prior year.
 - The increase was attributable to service to Atlanta (2), Denver (2), Dallas/Ft. Worth (3), Houston Hobby (1), Houston Bush (1), Las Vegas (1), Los Angeles (2), Chicago O'Hare (2), Portland (1), Phoenix (3), Seattle/Tacoma (2), and Salt Lake City (2).
 - Departure increases by carrier included American (7), Delta (7), United (3), Southwest (2), Alaska (2), and Allegiant (1).
- Average Daily Seat capacity (MTD vs prior years)
 - Seat capacity for May 2021 was 149.9% higher than prior year and 28.0% lower than 2019.
- Load Factors (MTD & YTD vs prior years)
 - The load factor for May was 89.4%, which is 43.3% higher than FY2020 and 0.7% lower than FY2019 for the same month.
 - The May year-to-date load factor of 66.6% was 3.5% lower than FY2020 and 16.8% lower than FY2019.
- Aircraft Operations (MTD & YTD vs prior year)
 - Freight, measured in pounds, is 4.2% higher in May compared the same month last year and year-to-date is 9.6% higher than prior year.
 - Total aircraft operations were 41.2% higher than the same month last year, with increases in all categories.
 - Year-to-date operations are 12.3% higher than prior year, with increases air taxi, military and general aviation offset a by decrease in air carrier.

AVIATION ACTIVITY REPORTS

Tucson International Airport (TUS)

For the eight months ending May 31, 2021



*Prepared by Tucson Airport Authority
Finance Department*

TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY

TUCSON AIRPORT AUTHORITY
TUS ACTIVITY OVERVIEW

PASSENGERS*				Fiscal YTD		% CHANGE
	May-21	May-20	% CHANGE	2021	2020	
ENPLANED	124,877	25,769	384.6%	657,479	948,722	-30.7%
DEPLANED	114,539	22,992	398.2%	648,685	948,604	-31.6%
TOTAL	239,416	48,761	391.0%	1,306,164	1,897,326	-31.2%

**Passenger figures include non-revenue passengers.*

LANDED WEIGHT**

AIR CARGO	12,723	13,163	-3.3%	109,376	109,137	0.2%
AIR CARRIER	132,877	50,707	162.0%	925,050	1,193,827	-22.5%
TOTAL	145,600	63,870	128.0%	1,034,426	1,302,964	-20.6%

***In thousand pound units.*

FREIGHT (in pounds)

ENPLANED	2,463,345	2,454,998	0.3%	21,118,789	19,909,018	6.1%
DEPLANED	2,892,938	2,684,406	7.8%	24,168,779	21,410,270	12.9%
TOTAL	5,356,283	5,139,404	4.2%	45,287,568	41,319,288	9.6%

MAIL (in pounds)

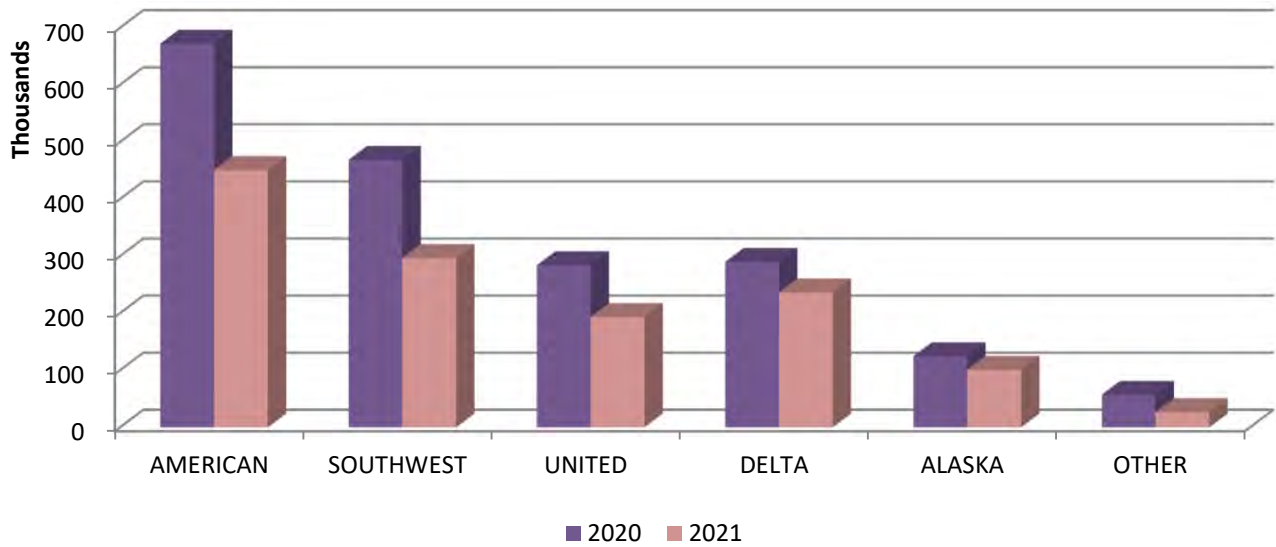
ENPLANED	0	0	0.0%	23	1,557	-98.5%
DEPLANED	8,250	1,693	387.3%	74,983	6,301	1090.0%
TOTAL	8,250	1,693	387.3%	75,006	7,858	854.5%

AIRCRAFT OPERATIONS

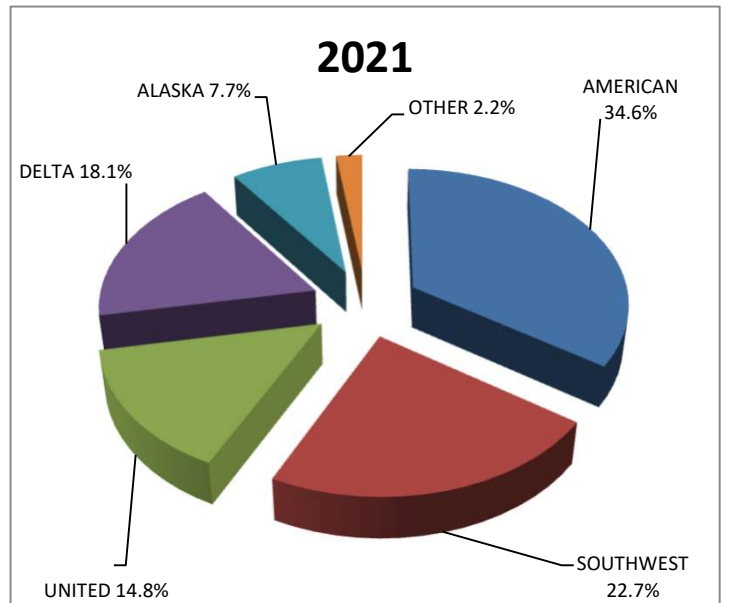
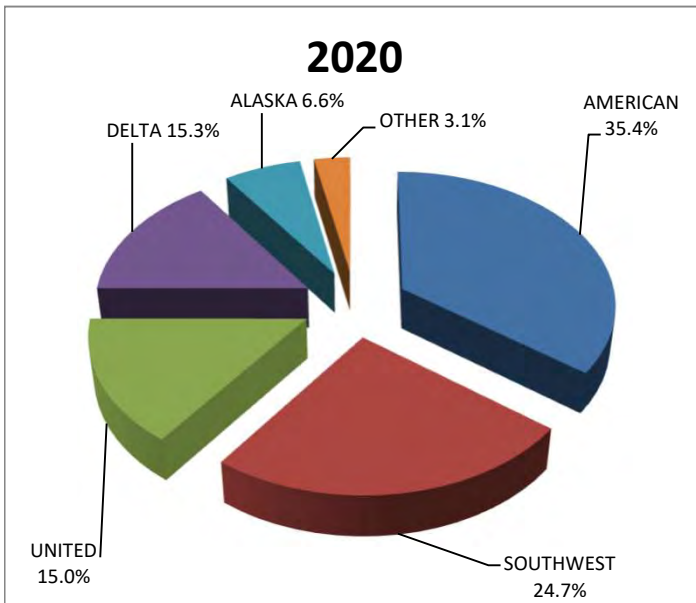
AIR CARRIER	2,565	1,200	113.8%	17,845	22,203	-19.6%
AIR TAXI	1,565	976	60.3%	11,298	10,092	12.0%
MILITARY	1,567	1,209	29.6%	13,927	11,423	21.9%
GENERAL AVIATION	6,693	5,392	24.1%	52,203	41,133	26.9%
TOTAL	12,390	8,777	41.2%	95,273	84,851	12.3%

TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

TOTAL PASSENGERS YTD BY AIR CARRIER



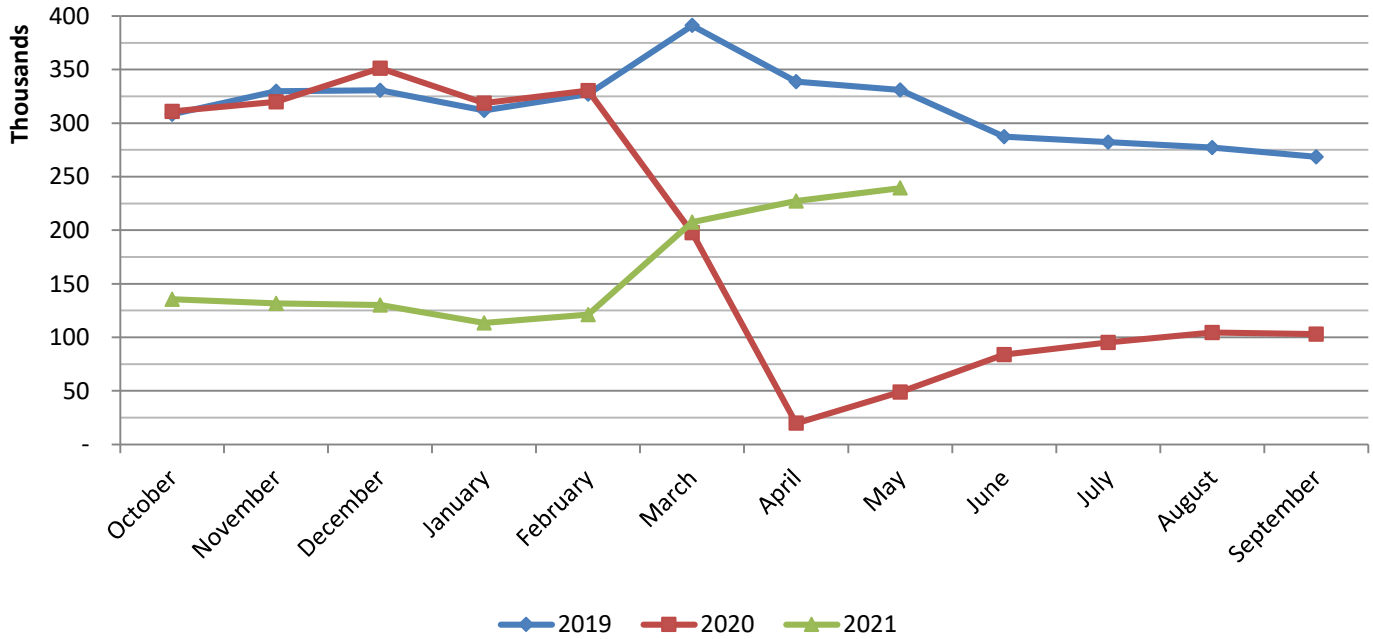
AIR CARRIER MARKET SHARE



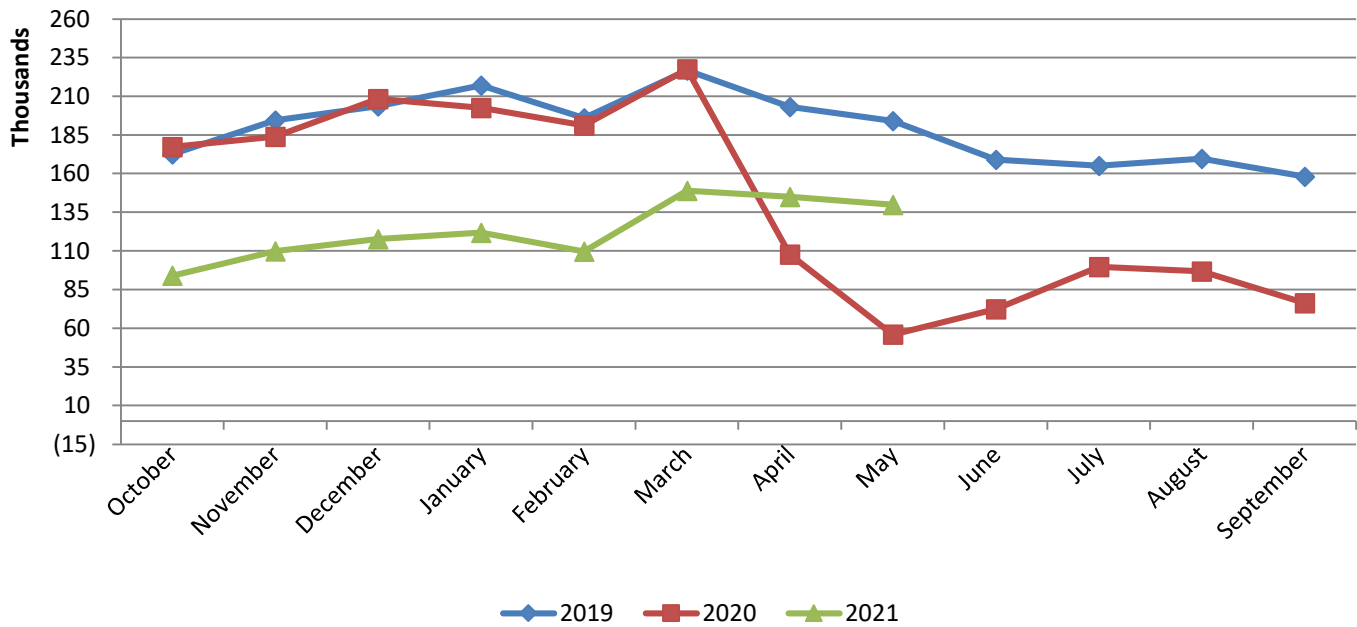
TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

TOTAL PASSENGERS BY MONTH



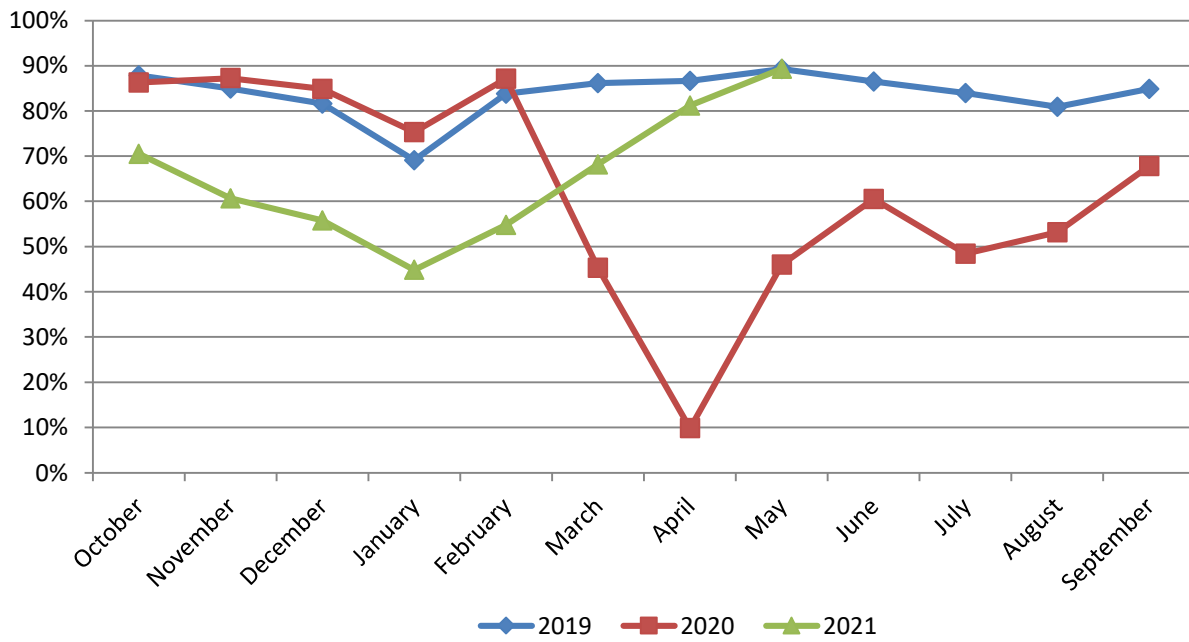
AVERAGE SEAT CAPACITY PER MONTH



TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

LOAD FACTORS (AVAILABLE SEATS / TOTAL ENPLANEMENTS)



TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

TUS MONTHLY FLIGHT SCHEDULE SUMMARY

NONSTOP DESTINATIONS and Airline	Code	Average Daily Departures			Average Daily Seats		
		Current Year	Prior Year	Difference	Current Year	Prior Year	Difference
ATLANTA <i>Delta (1.7)</i>	ATL	1.7	0.0	1.7	333	0	333
BELLINGHAM <i>Allegiant (0.0)</i>	BLI	0.0	0.0	0.0	0	0	0
DENVER <i>United (3.8), Southwest (2), Frontier (.2)</i>	DEN	6.0	3.7	2.3	579	382	197
DALLAS/FT WORTH <i>American (5.9)</i>	DFW	5.9	2.5	3.4	922	395	527
HOUSTON HOBBY <i>Southwest (1)</i>	HOU	1.0	0.0	1.0	153	0	153
HOUSTON BUSH <i>United (2)</i>	IAH	2.0	1.3	0.7	140	98	42
LAS VEGAS <i>Southwest (2) Allegiant (.3)</i>	LAS	2.3	1.0	1.3	371	150	221
LOS ANGELES <i>Delta (2.8)</i>	LAX	2.8	1.1	1.7	211	90	121
CHICAGO MIDWAY <i>Southwest (1)</i>	MDW	1.0	1.0	0.0	157	144	13
CHICAGO O'HARE <i>American (1.9), United (1.0)</i>	ORD	2.9	0.7	2.2	349	49	300
PORTLAND <i>Alaska (.6)</i>	PDX	0.6	0.0	0.6	47	0	47
PHOENIX <i>American (4.8)</i>	PHX	4.8	1.3	3.5	366	91	275
PROVO <i>Allegiant (0.3)</i>	PVU	0.3	0.0	0.3	54	0	54
SAN DIEGO <i>Southwest (0)</i>	SAN	0.0	0.1	(0.1)	0	16	(16)
SEATTLE/TACOMA <i>Alaska (2) Delta (1.0)</i>	SEA	3.0	1.0	2.0	426	76	350
SAN FRANCISCO <i>United (1.8)</i>	SFO	1.8	2.2	(0.4)	112	161	(49)
SALT LAKE CITY <i>Delta (4)</i>	SLC	4.0	2.0	2.0	289	152	137
TOTAL		40.1	17.9	22.2	4,509	1,804	2,705