

**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting  
Tuesday, August 24, 2021 | 3:30 p.m. | Virtual Meeting**

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**THIS ADVISORY COUNCIL MEETING WAS HELD BY REMOTE PARTICIPATION ONLY, WITH COUNCIL MEMBERS ATTENDING VIA THE REMOTE PARTICIPATION PLATFORM WEBEX. MEMBERS OF THE PUBLIC WERE PROVIDED A WEBEX LINK AND PHONE NUMBER/CODE INCLUDED IN THE PUBLIC MEETING NOTICE IN ORDER TO ATTEND.**

**1. CALL TO ORDER | ROLL CALL | WELCOME AND INTRODUCTIONS**

Chair Penn called the meeting to order at 3:30 p.m.

**Council Members Present:** Chair Tony Penn, Vice Chair June Crawford, Council Member Bill Assenmacher, Council Member Henry Boice, Council Member Fran Katz, Council Member Lea Márquez-Peterson, Council Member Vance Falbaum, Council Member Phil Swaim, Council Member Mike Stilb, and Council Member Brandt Hazen

**Council Members Absent:** Council Member Ron Sable

**Others Present:** TAA Chair Bruce Dusenberry, TAA Vice Chair Mike Hammond, Director Taunya Villicaña, and Director Sally Fernandez

**Staff Present:** President/Chief Executive Officer Danette Bewley, Vice President/General Counsel Christopher Schmaltz, Vice President/Chief Financial Officer Kirk Eickhoff, Deputy General Counsel Kim Ryan, IT Systems Administrator Matt Chandler, Insurance and Finance Coordinator Alexander St. Paul, and TAA Clerk Byron Jones

- Council Member Katz joined the meeting at 3:33 p.m.
- Due to technical issues, Council Member Boice left the meeting at 4:15 p.m.

**2. PRESIDENT/CEO REPORT**

President/CEO Danette Bewley presented on the following:

- The airport is beginning to see signs of a recovery from the COVID-19 pandemic. Airline service and passenger traffic are increasing and are closing in on 90% of pre-COVID levels.
- Staff is aggressively marketing the airport through the *Nonstop for Tucson*

campaign as well as forming strategic partnerships with Visit Tucson and other entities to saturate the various markets it reaches.

- Staff is pursuing opportunities for new air service with airlines interested in servicing the Tucson market.
- United States Senator Kyrsten Sinema (D-AZ) announced today that \$25B has been earmarked for airports in the federal infrastructure legislation. Of this, \$31M has been allocated to Tucson International Airport (TUS) and \$1.4M has been allocated to Ryan Airfield (RYN). These grant funds are intended to be used in the airport system for operational expenses and improvements.

### 3. ACTION ITEMS

#### a. APPROVAL OF MINUTES:

**MOTION BY Council Member Hazen, SECONDED BY Council Member Swaim, to APPROVE the minutes from the Finance and Risk Management Council meeting held on July 23, 2021. The motion carried by the following vote:**

**Ayes 10 Chair Penn, Vice Chair Crawford, Council Member Assenmacher, Council Member Boice, Council Member Katz, Council Member Márquez-Peterson, Council Member Falbaum, Council Member Swaim, Council Member Stilb, and Council Member Hazen**

**Nays 0**

#### b. TUCSON AIRPORT AUTHORITY BUDGET FOR FY 2022:

Vice President/Chief Financial Officer Kirk Eickhoff presented on the following:

##### REVENUE ASSUMPTIONS

Operating revenues at the beginning of FY 2021 were trending below budget because of COVID-19. This trend began to reverse in February 2021 and has steadily improved. Staff forecasts that revenue for the year will exceed budget by \$4.1M. Despite the positive trends, staff was conservative in forecasting the passenger activity in FY 2022. The budget assumes a gradual increase in passenger traffic from 87% to 95% throughout the year. This is 91% of pre-COVID levels and was the basis for budget calculations.

##### OPERATING REVENUE

- **Budget: \$38.1M** – This is a significant increase over FY 2021; however, revenues are continuing to be favorable to budget driven primarily by concession revenues.

- **Revenue from Signatory Airlines: \$8.2M** – This is significantly lower than pre-COVID due to rent reductions the airport system enacted to remain competitive during the pandemic. The rent reductions are continuing through FY 2022.
  - The Airline Use Agreement (AUA) was extended a further two years and amended to include a change in the baggage calculation fee, which will provide additional savings to the airlines. The landing fee of \$1.15 per thousand pounds of landed weight will continue through FY 2023 per the AUA.
- **Fees and Rental Revenue: \$8.5M** – An increase of 8.9%. This increase will be driven by the airport system beginning to charge non-signatory airlines a premium: \$1.44 per thousand pounds of landed weight. The increase was negotiated in the amended AUA.
- **Other & Net Fuel Revenue: \$3.7M** – This increase is the result of additional revenues from fuel sales and fees from rental car contracts.

#### OPERATING EXPENSES

- **Personnel: \$22.8M** – This is a decrease of \$300K from FY 2021 due to savings realized from fully funding the public safety personnel pension liability in April 2021. This will save the TAA \$2M per year in pension costs. These savings allowed the TAA to invest in other areas to attract and retain talent. These investments include fully implementing the compensation plan that was adopted in 2020, cost of living adjustments, and adding staff in key areas to meet long-term needs.
- **Contractual/Purchased Services: \$9.5M** – The higher budget is driven by the increased need for planning and engineering services related to business and commercial development projects, as well as marketing campaigns to reduce passenger leakage to Phoenix.
- **Other Operating Expenses: \$3.4M** – Increases are due to inflation; restoring travel, meetings, and conferences; and additional events held at the airport.

Eickhoff reviewed the budgeted amounts for debt service, special reserve advances, fund transfers, capital improvement projects, capital outlays, and capitalized major maintenance projects, as well as the rates and charges for FY 2022.

#### COUNCIL DISCUSSION:

- **Question: Are the rental reductions driving the increase in aviation activity?** Bewley stated that it is important for TUS to maintain its position as a low-cost airport. With so many aircraft, the airlines can only serve so many destinations. An important consideration when choosing

destinations is whether they can afford to enter the market. Therefore, TUS' approach is to keep the costs to the airlines as low as possible to retain and attract new air service. The airport system was able to do this by using federal rescue dollars.

- **Question: Will the TAA lose any unused rescue funds?** Eickhoff stated that the TAA would not lose any funds. Monies received from the federal government are reimbursements for prior expenditures, and entities have four years to collect the funds. The TAA is on track to exhaust the federal rescue dollars in FY 2024.
  - Bewley added that the \$44.5M the TAA has already been awarded does not include the allocation from the recently passed infrastructure legislation.
- **Question: What percentage/amount of funds will the TAA have to dedicate to the Airfield Safety Enhancement (ASE) Project that are not subject to reimbursement from the federal or state governments?** Bewley stated that the maximum amount the federal government will reimburse is 70%; however, the way the project has been broken up over several years, staff is projecting that reimbursement may be closer to 91%. Furthermore, the Arizona Department of Transportation has some funds it will contribute, which will reduce the TAA's exposure even further. Finally, the TAA has the option to apply for a portion of the Federal Aviation Administration's (FAA) discretionary funds, which are funds that are unspent at the end of the federal fiscal year.
  - Eickhoff added that there are several avenues of additional funding the TAA can pursue if the need arises. These include using funds allocated in the recently passed infrastructure legislation, using funds in the TAA's Special Reserve Fund, going to the bond market or, depending on the amount, financing it internally.

**MOTION BY Council Member Assenmacher, SECONDED BY Council Member Swaim, to RECOMMEND to the Board of Directors that it approve the budget and Capital Improvement Program for the Tucson Airport Authority for the fiscal year beginning October 1, 2021, and ending September 30, 2022. The motion carried by the following vote:**

**Ayes      9      Chair Penn, Vice Chair Crawford, Council Member Assenmacher, Council Member Katz, Council Member Márquez-Peterson, Council Member Falbaum, Council Member Swaim, Council Member Stilb, and Council Member Hazen**

Nays 0

**4. ADMINISTRATIVE UPDATES**

**a. June 2021 YTD Financials | Financial Summary/Aviation Activity Report**

Vice President/Chief Financial Officer Kirk Eickhoff presented a summary of financial results from June 2021 and the aviation activity statistics for July 2021.

- The average daily departures increased significantly from 2020 and are nearing the pre-pandemic levels. Also, the TAA now has the same number of destinations as in 2019.
- Operating revenues in June were \$800K favorable to budget due to receipts from rental-car transactions and parking fees.
- Operating income was slightly favorable to budget due to personnel vacancies and favorable timing on major maintenance expenses.

**ATTACHMENT ONE:** [Financial Update Presentation](#)

**5. NEXT MEETING**

No future meetings are scheduled at this time.

**6. ADJOURN**

There being no further business to discuss, Chair Penn adjourned the meeting at 5:05 p.m.

**PREPARED BY:**



Byron M. Jones, CMC, TAA Clerk

Date: August 9, 2023

**ATTACHMENT ONE**

**Financial Update**  
PRESENTATION

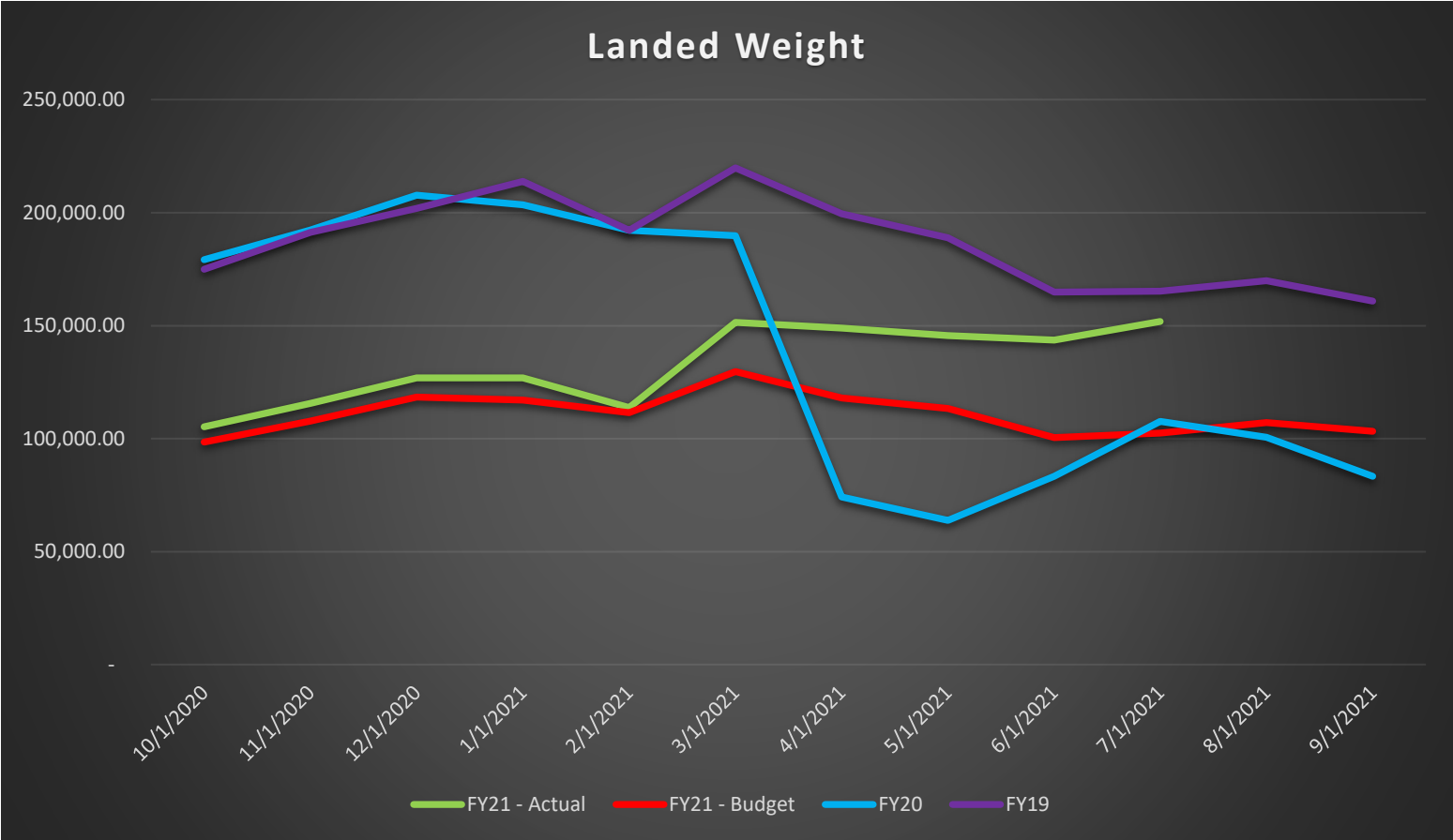


## **Financial Update**

Finance and Risk Management Council

August 24, 2021

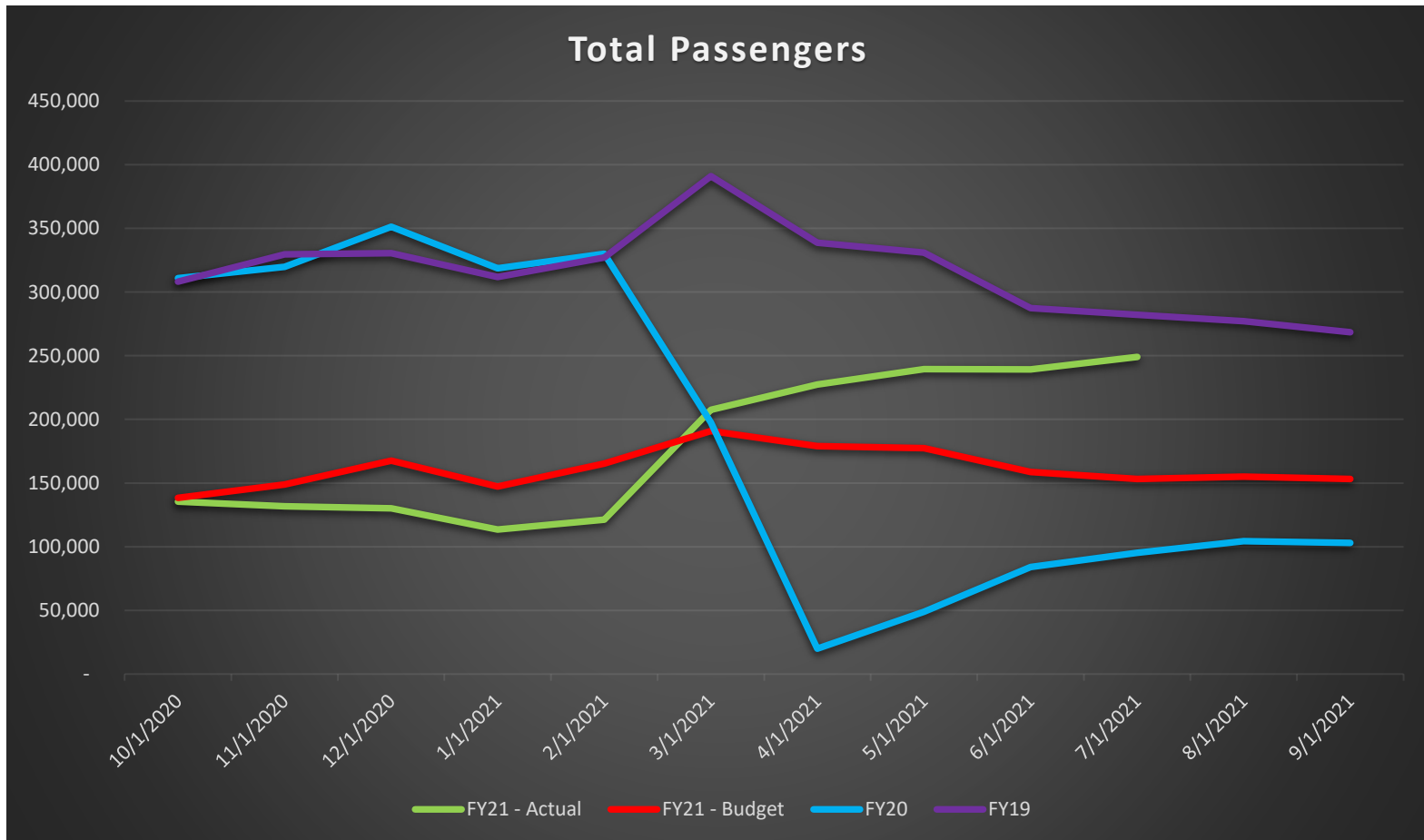
# July 2021 YTD Operating Statistics



-July Landed Weight is 48.2% greater than budget and 8.1% lower than FY2019  
-YTD Landed Weight is 19.0% greater than budget and 30.5% lower than FY2019



# July 2021 YTD Operating Statistics



-July Passengers are 62.6% greater than budget and 11.7% lower than FY2019  
-YTD Passengers are 10.3% greater than budget and 44.6% lower than FY2019

# July 2021 Other Statistics

	2021	2020	2019
Avg Daily Departures	42.2	28.7	47.5
Destinations	15	13	15
Avg Load Factor	84.3%	48.4%	84.0%

- Load factor is higher in 2021 than 2019

# June 2021 Financial Results

(\$ Millions)			Actual vs.		Prior	Current vs.	
	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>		<u>Year</u>	<u>Prior Year</u>	
<u>Month</u>							
Operating Revenues	3.4	2.6	0.8	30.8%	2.5	0.9	36.0%
Operating Expenses	2.6	2.7	0.1	3.7%	2.5	(0.1)	-4.0%
Operating Income (Loss)	0.8	(0.1)	0.9		-	0.8	
<u>Nine Months Year-To-Date</u>							
Operating Revenues	26.3	23.4	2.9	12.4%	30.5	(4.2)	-13.8%
Operating Expenses	23.9	25.5	1.6	6.3%	23.9	-	0.0%
Operating Income	2.4	(2.1)	4.5		6.6	(4.2)	

# June Revenue vs Historical

(\$ Millions)	FY2021		FY2020	FY2019
	<u>Actual</u>	<u>Budget</u>		
<u>Month</u>				
Revenue From Signatory Airlines	\$ 948,322	\$ 904,810	\$ 1,027,863	\$ 1,152,412
Land and Space (not including SAs)	708,890	693,727	792,988	788,381
Concessions	1,327,478	783,541	443,569	1,496,270
Other	386,365	229,438	259,606	353,326
<b>Total</b>	<b>\$ 3,371,055</b>	<b>\$ 2,611,516</b>	<b>\$ 2,524,026</b>	<b>\$ 3,790,389</b>

# Rescue Fund Updates

- Current forecast shows a \$7.0M net shortfall to be covered by rescue funds
- Major uses include:
  - Maintaining airport operations (staffing, materials and supplies, maintenance, repairs, and capital needs)
  - Relief to business partners (airlines and concessions)
- TAA is on pace to exhaust all rescue funds before 9/30/2024

# June 2021 Financial Update

Questions?