

**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting
August 24, 2021 | 3:30 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 **Tuesday, August 24, 2021, beginning at 3:30 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 no less than 24 hours prior to the meeting.

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

The agenda for the meeting is as follows:

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

- | | | |
|--|---|---------------------------------------|
| <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 Márquez Peterson | <input type="checkbox"/> Brandt Hazen |
| <input type="checkbox"/> Henry Boice | <input type="checkbox"/> Vance Falbaum | |

2. PRESIDENT/CEO REPORT

- a. State of the Industry | Update

3. ACTION ITEMS

- a. **APPROVAL OF MINUTES:** Approve the minutes from the Finance and Risk Management Council meeting held on July 23, 2021.
- b. **TUCSON AIRPORT AUTHORITY BUDGET FOR FY 2022:** The Finance and Risk Management Council will consider and may recommend to the Board of Directors approval of the budget for the Tucson Airport Authority for the fiscal year beginning October 1, 2021 and ending on September 30, 2022.

4. ADMINISTRATIVE UPDATES

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

5. NEXT MEETING

If necessary, the Finance and Risk Management Council will determine the date, time, and location of the next meeting or direct the TAA Clerk to schedule the next meeting.

6. ADJOURN

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

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

CALL TO ORDER | ROLL CALL

Chair Penn called the meeting to order at 1:00 p.m.

Members Present: Chair Tony Penn, Vice Chair June Crawford, Council Member Bill Assenmacher, Council Member Ron Sable, Council Member Fran Katz, Council Member Lea Márquez Peterson, Council Member Phil Swaim, and Council Member Brandt Hazen

Members Absent: Council Member Henry Boice, Council Member Vance Falbaum, and Council Member Mike Stilb

Others Present: TAA Chairperson Bruce Dusenberry; J.B. Shockey, representing Crest Insurance; Doug Adelberg, representing Lovitt & Touché; and Rex Jorgensen and Matt McManus, representing Alliance Insurance Services

Staff Present: President/Chief Executive Officer Danette Bewley; Vice President/Chief Financial Officer Kirk Eickhoff; Deputy General Counsel Kim Ryan; Director of People Operations Andy Votava; Manager of Financial Planning, Budgeting and Analysis Jon Wright; Insurance and Finance Coordinator Alexander St. Paul; Property Administrator Kathleen Stalter; and TAA Clerk Byron Jones

INTRODUCTIONS AND PURPOSE OF COUNCIL | INTRODUCTION OF SENIOR STAFF

President/CEO Danette Bewley introduced the staff members who were present.

ACTION ITEMS

1. APPROVAL OF MINUTES

MOTION BY Council Member Swaim, SECONDED BY Council Member Sable, to APPROVE the minutes of the Finance and Risk Management Council meeting held on August 21, 2020. The motion carried by the following vote:

Ayes 7 Chair Penn, Vice Chair Crawford, Council Member Sable, Council Member Katz, Council Member Márquez Peterson, Council Member Swaim, and Council Member Hazen

Nays 0 None

NOTE: Due to technical issues, Council Member Assenmacher did not participate in the vote.

2. GROUP INSURANCE PLAN RENEWALS

Director of People Operations Andy Votava introduced Doug Adelberg of Lovitt & Touché, who presented on the insurance plan renewals.

- Cigna will remain the TAA's medical plan provider for FY 2022 with a slight premium increase of 2.3%.
- Added an additional high deductible medical plan (HSA), which gives employees additional choices while reducing the costs to the TAA.
- Cigna's dental plan had a slight increase of 3%, which is below the 5% cap.
- All other benefits renewed at current rates.
- Added an identity theft benefit.

COUNCIL DISCUSSION

- **How many employees are projected to enroll in the high deductible HSA plan?** Adelberg stated that there is a high deductible plan in place which some employees are already using. He projected that between 10 and 15% would migrate to the new plan. They will have a better idea after open enrollment, which is a month away.
- **Is the maximum out-of-pocket still affordable?** Adelberg replied that it is competitive. Depending on the plan choice, employees can opt to have higher payroll deductions and lower out-of-pocket costs when the benefit is used, or lower payroll deductions and higher out-of-pocket costs at time of service.

MOTION BY Council Member Swaim, SECONDED BY Vice Chair Crawford, to RECOMMEND for approval to the Board of Directors the TAA's employee group insurance coverages, to be effective October 1, 2021. The motion carried by the following vote:

Ayes 8 Chair Penn, Vice Chair Crawford, Council Member Assenmacher, Council Member Sable, Council Member Katz, Council Member Márquez Peterson, Council Member Swaim, and Council Member Hazen

Nays 0 None

3. WORKERS' COMPENSATION INSURANCE RENEWAL

Director of People Operations Andy Votava introduced J.B. Shockey of Crest Insurance, who presented on the workers' compensation renewal.

- The TAA's experience modification rate increased from 2019 to 2020 (.63 to .76), but they were able to counter the rate increase by using scheduled credits.
- The renewal premium is \$152,849, which is lower than the expiring premium of \$155,544.
- There were only five claims this year.
- The Arizona Senate Bill 1451's mandate requiring insurers to accept cancer claims from firefighters, regardless of the cause, has driven most of the insurers out of the market. The renewal rate is still good under the circumstances, and the TAA has had a positive experience this year with AmTrust North America.

MOTION BY Council Member Sable, SECONDED BY Council Member Assenmacher, to RECOMMEND for approval to the Board of Directors the TAA's Worker's Compensation insurance coverage, to be effective September 1, 2021. The motion carried by the following vote:

Ayes 8 Chair Penn, Vice Chair Crawford, Council Member Assenmacher, Council Member Sable, Council Member Katz, Council Member Márquez Peterson, Council Member Swaim, and Council Member Hazen

Nays 0 None

4. COMMERCIAL LINES INSURANCE RENEWALS

Vice President/Chief Financial Officer Kirk Eickhoff introduced Rex Jorgensen and Matt McManus of Alliant Insurance Services, who presented on the commercial insurance renewals.

- This has been the most challenging insurance market since the 1980s. Despite the challenges, they were able to negotiate a flat renewal for the nine lines of coverage that comprise the property and casualty program.
- Cyber Security
 - This market is in freefall given recent security breaches involving public entities.
 - Cyber security has historically been underpriced, resulting in insurance companies sustaining huge losses. They are now adjusting their premiums to catch up and to make them measurable to the risk involved. Consequently, coverage limits are decreasing inversely to the rises in premiums. For example, Beazley's expiring premium of \$11K was for \$3M in coverage, but the renewal premium of \$200K only covers \$1M. This is the market trend.
 - Cowbell is new to this market. It relies heavily on artificial intelligence and data mining in assessing the vulnerabilities of public entities. Cowbell has some conditional technical requirements that the TAA must meet within 60 days.
 - Staff recommends moving ahead with Cowbell for cyber security coverage.
- Deadly Weapon Response Program
 - This is a new product that addresses areas not covered by the TAA's liability and property coverages. These include third party bodily injury liability, first party property damage, and business interruption/crisis-management consulting for deadly weapon events.
 - Alliance recommends the addition of this line of coverage as it provides significant protection at minimal cost.

MOTION BY Council Member Márquez Peterson, SECONDED BY Council Member Swaim, to 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. The motion carried by the following vote:

Ayes 8 Chair Penn, Vice Chair Crawford, Council Member Assenmacher,

Council Member Sable, Council Member Katz, Council Member Márquez Peterson, Council Member Swaim, and Council Member Hazen

Nays 0 None

FINANCIAL BRIEFING

Vice President/Chief Financial Officer Kirk Eickhoff gave a financial briefing as a preparation for next month's consideration of the FY 2022 budget.

ATTACHMENT ONE: Finance & Risk Management Council Briefing (Presentation)

Council Member Márquez Peterson left the meeting at 2:00 p.m.

ADMINISTRATIVE UPDATES

a. Investment Report for the Third Fiscal Quarter ended June 30, 2021

Vice President/Chief Financial Officer Kirk Eickhoff gave a report on the TAA's investment portfolio for the fiscal quarter that ended June 30, 2021.

ATTACHMENT TWO: FY 2021 3rd Quarter Investment Summary (Presentation)

b. May 2021 YTD Financial Report

- Landed weight has trended slightly favorable to budget for the year but began to recover significantly beginning in mid-February.
- Passenger levels were unfavorable to budget but also began to recover beginning in February. Activity is still well below FY 2019, but the trend continues to be upward.
- The Average Load Factor (ALF) for May was 89.4%, which was slightly higher than the same period in FY 2019. As the ALF increases, the likelihood increases that airlines will add additional air service.
- Operating income for May was \$1M favorable to budget, driven by the higher-than-expected passenger activity, parking revenues, and rental car revenues.
- Operating income for the year to date was \$3.6M favorable to budget.
- Staff has continued to work to reduce operating expenses, and the TAA is projected to end the year favorable to budget.

ATTACHMENT THREE: May 2021 YTD Financial Highlights (Presentation)

Council Member Sable left the meeting at 2:03 p.m.

President/CEO Danette Bewley stated that the TAA has been allocated \$44.5M from the federal relief programs. Last year \$2.5M was used to balance the books. This year slightly more will be used, but still less than was budgeted. In FY 2023, the remaining funds will be targeted towards capital development to coincide with the ramping up of the Airfield Safety Enhancement Project (ASE). The TAA will continue to pursue federal grants through the Federal Aviation Administration's Airport Improvement Program and discretionary grants;

however, these funds are not guaranteed. The Authority may have to offset the local matching shares with the federal relief funds.

COUNCIL DISCUSSION

- **Is there a deadline by which the federal relief funds must be used?**

President/CEO Bewley: Each of the grant funds has a sunset of four years. The TAA leadership has developed a plan to exhaust each of the funds within the four years.

- **Are excess funds at the end of the fiscal year transferred into the investment portfolio?**

- *VP/CFO Eickhoff:* Cash flow into the investment portfolio is driven by cash balances rather than the accounting cycle. General revenues are maintained in a separate operations and maintenance (O&M) account. Once the cash balance in the O&M account reaches a certain level, excess cash is transferred into the custodial investment portfolio.
- *President/CEO Bewley:* Alternatively, excess O&M funds may be transferred for use in capital outlays or other projects that were not anticipated earlier in the year.

NEXT MEETING

- Wednesday, August 24, 2021 | 3:30 p.m. | Remote Participation via Webex

ADJOURN

There being no further business to discuss, Chair Penn adjourned the meeting at 2:25 p.m.

Prepared by:

Byron M. Jones, CMC, TAA Clerk

Date: _____

ATTACHMENT ONE

Tucson Airport Authority

**FINANCE & RISK MANAGEMENT COUNCIL BRIEFING
PRESENTATION**

DRAFT



Finance & Risk Management Council Briefing

July 23, 2021

Airport Rates and Charges



- Requirements and restrictions for airport rates and charges
 - Self sustaining rate structure
 - Aeronautical – reasonable and not unjustly discriminatory
 - Non-aeronautical – Fair Market Value
 - Airport does not control airline fares, fees, routes or services

Airport Revenue



- Airport Revenue Must Be Used Only for Airport Purposes
 - Statutory
 - FAA Policy
 - Grant Assurances

Airport Revenue

- **Airport Revenue?**

- Fees, charges, and rent for use of the airport or airport properties
- Concession revenue – food and beverage, retail, rental cars
- Parking revenue
- Income from airport's own commercial activities
- Proceeds from sale of property

- **Airport Purposes?**

- Capital and operating costs of the airport or the airport system

Airport Revenue



- Airport Purposes – Permitted Uses
 - Capital Projects – development of airfield, terminal, access roads, etc.
 - Maintenance of airport facilities
 - Day-to-day operations
 - Airport-specific marketing

Revenue Diversion

Revenue diversion is the use of airport revenue for purposes not allowed by law

- Overpayment for goods and services
- General economic development efforts
- Air service subsidies
- General travel or community marketing
- Local government use or lease of airport property at below market rates
- Sales of airport property for less than FMV

Revenue Diversion

- **FAA monitors and investigates compliance with revenue use policies**
- **OIG may audit airport revenue use and diversion**
- **Airport users can file complaints with the FAA**
- **Potential penalties for unlawful revenue diversion include**
 - Loss of AIP grants (current and future)
 - Loss of authority to collect PFCs
 - Civil penalties

Airline Use Agreement (AUA)

Establishes fundamental business arrangement between airport and airlines

- Airline use of airport facilities
- Airport obligations
- Rates and charges
- Control of gates and facilities
- Control of capital program
- Risk and responsibility sharing

Airline Use Agreements

Two Major Business Models



Compensatory

- Airport takes financial risk
- Recover costs only from occupied facilities
- Airlines/Users pay only for what they use
- Airport keeps all non-airline revenue

Airline Use Agreements

Two Major Business Models

Residual

- Financial risk transferred to airlines
 - Recover net costs after credit of airport revenues
 - Landing Fee is calculated to cover difference between revenues and expenditures
- Signatory Airlines have approval rights for major capital improvements
 - Signatory vs. Non-Signatory Airlines
 - Majority-In-Interest (MII)

TAA Airline Use Agreement



TAA uses the **residual** model

- Original 30-year agreement entered into in 1976
- Significantly updated through amendments
 - Redefined airline space to ensure new airlines can be accommodated
 - Improved airline Majority-In-Interest (MII) provision
 - Enhanced TAA control and flexibility for capital program
 - Addition of Maintenance Reserve Fund

TAA Airline Use Agreement



A Few Unique Provisions

- Special Reserve Fund
 - Certain defined non-airline revenues are NOT credited to the airlines, but are reserved for TAA's use
 - Primary source is 52% of industrial area net revenues
 - Must be used for airport purposes
- Ryan Airfield expenses are included as part of the "airport system"

TAA Airline Use Agreement



Key Provisions – Landing Fee

- Landing Fees are the airlines' charge for using the airfield
- Landing Fees are calculated to cover the difference between expenditures and revenues
 - Revenues and expenditures are the cash inflows and outflows to the airport system as defined in the AUA
 - These consist of third-party inflows and outflows as well as required internal fund transfers
 - Landing fee capped through 9/30/2023

TAA Airline Use Agreement

Key Provisions – Landing Fee

- Annual airport system expenditure requirements are “charged” to the airport system
- Revenues are credited to the airport system
- Difference between expenditures and revenues equals the “Airport System Income Requirement”, or total Landing Fees required
- The Airport System Income Requirement divided by the total estimated landed weight = Landing Fee rate

TAA Airline Use Agreement

Outflows

- **Debt Service** (including 25% coverage), net of pledged PFCs
- **O&M Expenses** (Personnel, Contracted/Purchased Services, Expensed Major Maintenance, Materials/Supplies, Other)
- **Fund Replenishments/Transfers** (O&M Reserve Fund, Capital Improvement Fund, Special Reserve Fund, Maintenance Reserve Fund)
- **Capital Spending** (CIP, Capital Outlay, Capitalized Major Maintenance), net of grants and special funding sources

Minus: Inflows

- **Operating Revenues** (Airline Revenue other than landing fees, Fees and Rental Revenue, Concessions, Other)
- **Interest Income** (on airport system related funds only)
- **Airline Reserve Fund**

Equals: Airport System Requirement (or Total Landing Fees)

Result: Breakeven

Note: The most recent amendment to AUA includes landing fee rate cap. To the extent that funds are available, federal rescue dollars are being used to balance the Airport System Requirement.

TAA Airline Use Agreement



Landing Fee Reconciliation

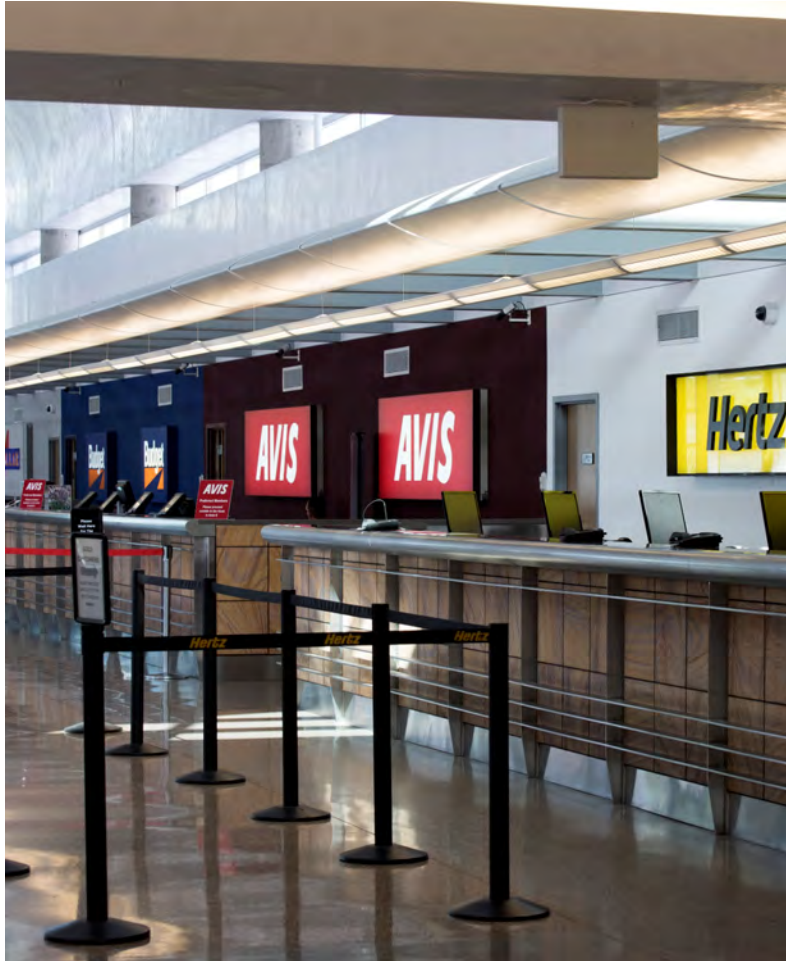
- Revenues < Expenses
 - Signatory Airlines are billed and pay deficit (has happened one time over course of AUA)
- Revenues > Expenses
 - Excess rolls over to reduce subsequent year's landing fee rate OR
 - Deposited in Airline Reserve Fund
 - Airlines determine – have consistently chosen to reduce landing fee

TAA AUA and Budget



- Financial terms of the AUA provide the foundation for TAA's budget
 - Airlines provide estimates of landed weights
 - TAA estimates passenger levels and revenues
 - Expense and capital requirements prepared
 - Signatory airlines review the overall budget and approve capital program (if necessary)
 - Budget presented to Finance Council in August and to Board in September

Monthly Financial Reporting



- Focus is on comparison to budget although prior year is shown for information
- TAA has little control over revenues in the short-run
 - Mostly driven by long-term contracts, leases and passenger numbers
 - Lowering expenses and capital spending are typically the only ways to offset budgeted revenue shortfalls

ATTACHMENT TWO

Tucson Airport Authority

**FY 2021 3RD QUARTER INVESTMENT SUMMARY
PRESENTATION**

DRAFT



FY 2021 3rd Quarter Investment Summary

Finance and Risk Management Council

July 23, 2021

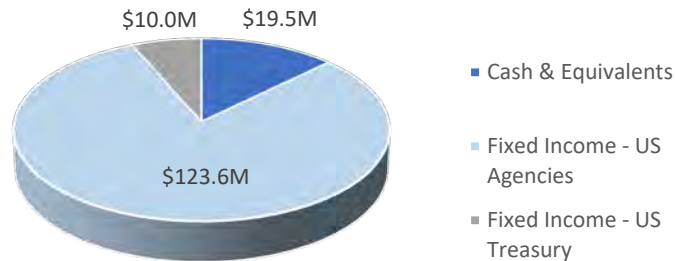
FY 2021 3rd Qtr Investment Summary

Key Points

- TAA holds cash and investments with Bank of New York
- Patterson & Associates is TAA's investment broker
- Investments options are limited by TAA policy and ARS § 35-323
- Cash balances can fluctuate based on maturity/call activity
- All investments are required to be held to maturity
- Maturities are laddered to ensure adequate liquidity to cover debt service and significant capital expenditures

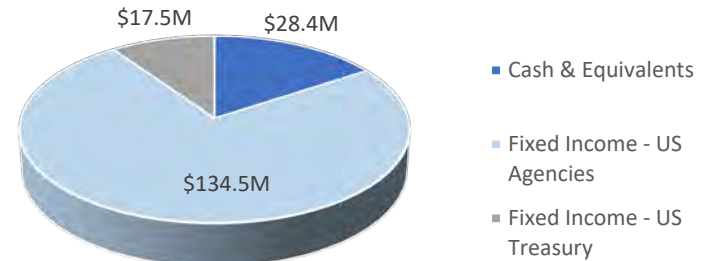
FY 2021 3rd Qtr Investment Summary

Investments at 6/30/2021



Total Value: \$153.1M
Non-cash YTM: 0.35%

Investments at 3/31/2021



Total Value: \$180.4M
Non-cash YTM: 0.29%

- In April 2021, TAA transferred \$27.2M out of the custodial fund to eliminate the public safety pension liability.
- TAA generally targets a cash balance of <\$6M in the custodial fund

FY 2021 3rd Qtr Investment Summary

Questions?

ATTACHMENT THREE

Tucson Airport Authority

**MAY 2021 YTD FINANCIAL HIGHLIGHTS
PRESENTATION**

DRAFT

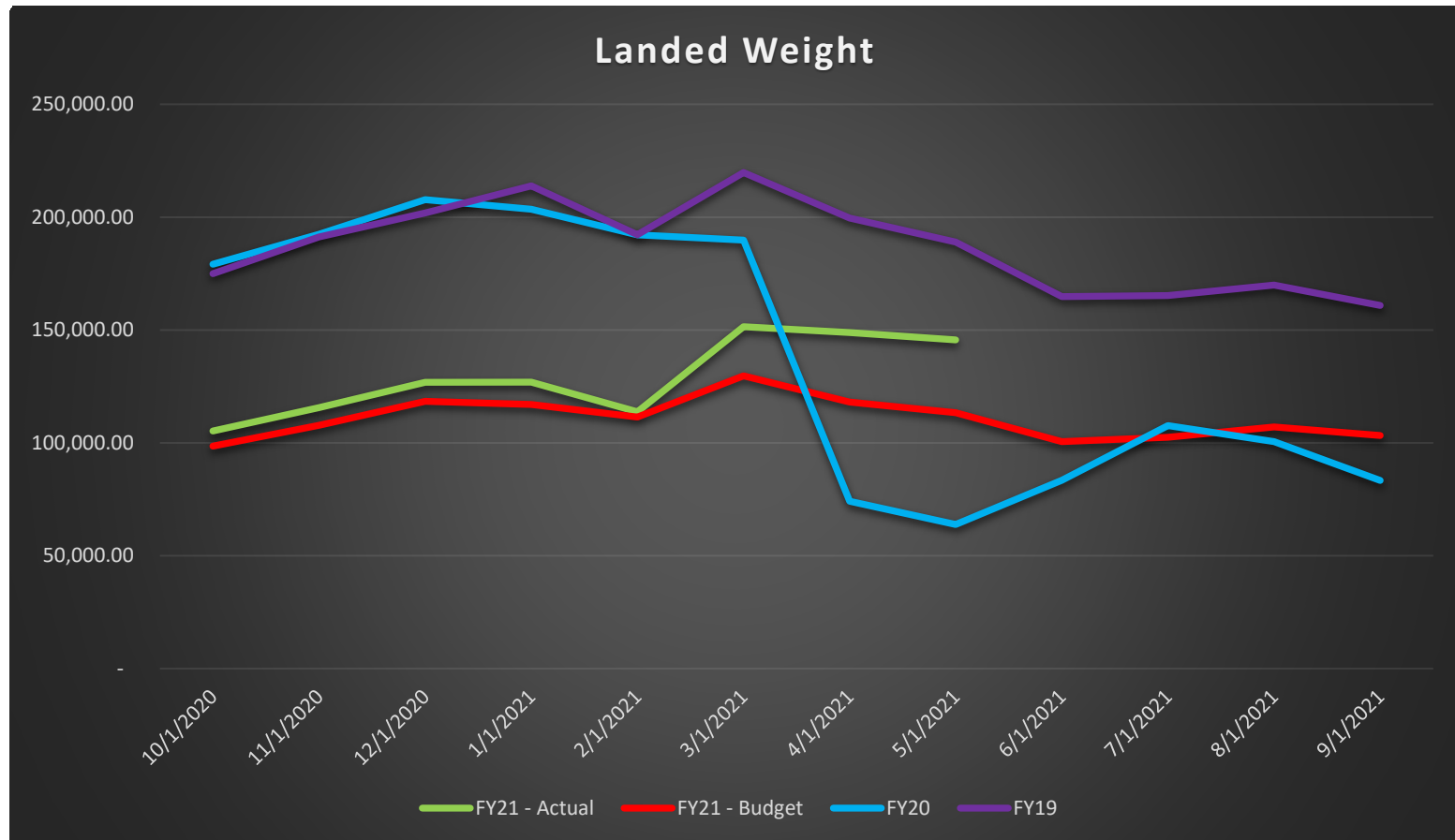


May 2021 YTD Financial Highlights

Finance and Risk Management Council

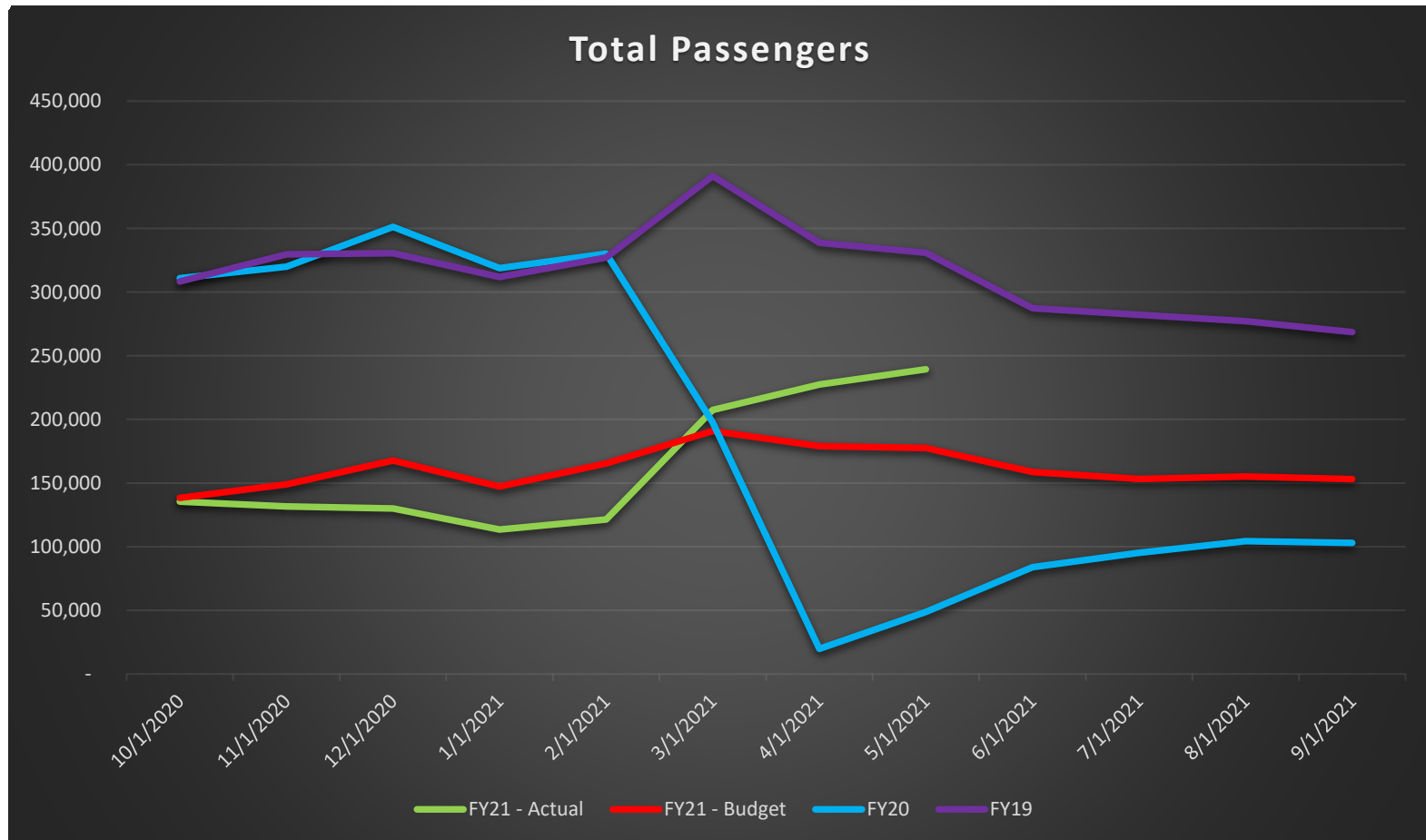
July 23, 2021

May 2021 YTD Operating Statistics



- May Landed Weight is 28.4% greater than budget and 23.0% lower than FY2019
- YTD Landed Weight is 13.1% greater than budget and 34.6% lower than FY2019

May 2021 YTD Operating Statistics



- May Passengers are 34.9% greater than budget and 27.7% lower than FY2019
- YTD Passengers are 0.7% below budget and 51.0% lower than FY2019

May 2021 Flight & Passenger Activity

<u>Month</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
Total Passengers	239,416	48,761	330,927
Average Load Factor	89.4%	46.0%	89.3%
Average Daily Departures	40.1	17.8	54.5
Average Daily Seat Capacity	139,743	55,979	194,054

Eight Months Year-To-Date

Total Passengers	1,306,164	1,897,326	2,668,305
Average Load Factor	66.6%	70.1%	83.5%
Average Daily Seat Capacity	4,061	5,550	6,614

May 2021 Financial Results

(\$ Millions)							
	<u>Actual</u>	<u>Budget</u>	<u>Actual vs. Budget</u>		<u>Prior Year</u>	<u>Current vs. Prior Year</u>	
<u>Month</u>							
Operating Revenues	3.5	2.7	0.8	29.6%	2.3	1.2	52.2%
Operating Expenses	2.5	2.7	0.2	7.4%	2.6	0.1	3.8%
Operating Income (Loss)	1.0	-	1.0		(0.3)	1.3	
<u>Eight Months Year-To-Date</u>							
Operating Revenues	22.9	20.8	2.1	10.1%	28.0	(5.1)	-18.2%
Operating Expenses	21.3	22.8	1.5	6.6%	21.5	0.2	0.9%
Operating Income	1.6	(2.0)	3.6		6.5	(4.9)	

May 2021 YTD Revenue vs Historical

(\$ Millions)

<u>Month</u>	<u>FY2021</u>		<u>FY2020</u>	<u>FY2019</u>
	<u>Actual</u>	<u>Budget</u>		
Revenue From Signatory Airlines	\$ 7.4	\$ 7.3	\$ 9.1	\$ 9.5
Land and Space (not including SAs)	5.8	5.6	6.3	6.4
Concessions	7.0	6.0	9.7	12.9
Other	2.7	1.9	2.9	2.9
Total	\$ 22.9	\$ 20.8	\$ 28.0	\$ 31.7

May 2021 Financial Highlights

Questions?

Date: August 17, 2021

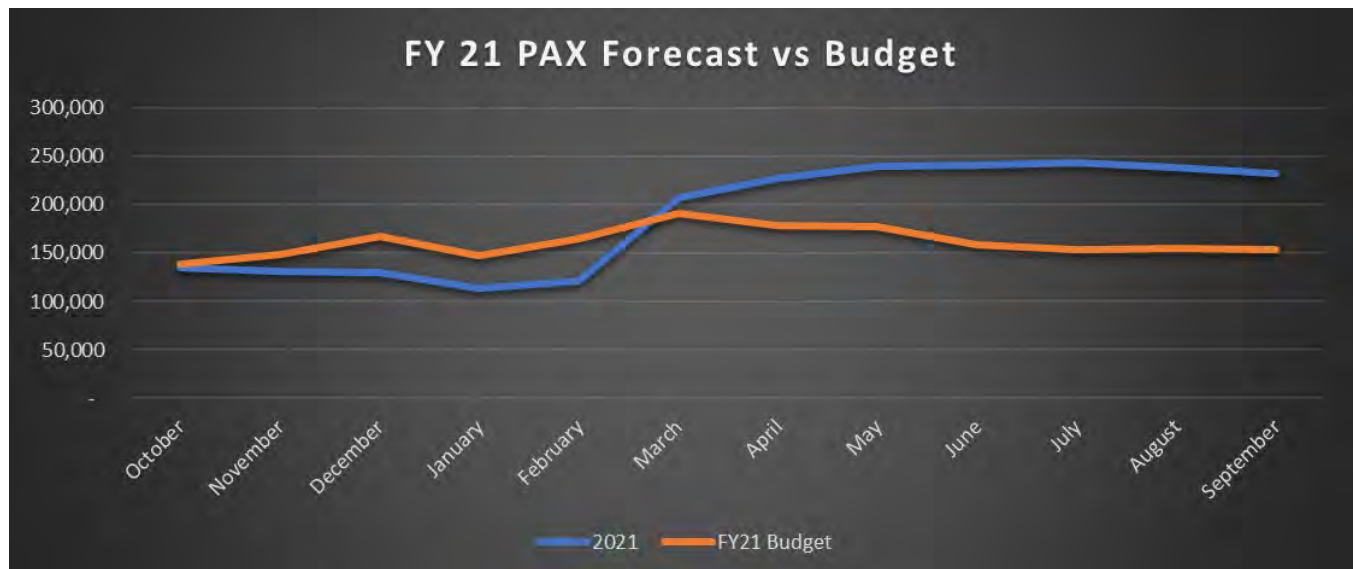
To: Chairman and Members of the Finance and Risk Management Council
From: Kirk Eickhoff, Vice President & CFO
Re: FY2022 Operating Budget

Purpose:

Attached for your review is the FY 2022 Tucson Airport Authority (TAA) Operating Budget. The document entitled, "Statement of Airport System Requirements" (Exhibit A) presents a comparative analysis of major revenue and expenditure categories for FY 2022, and the current fiscal year forecast and approved budget (FY 2021).

FY 2021 Forecast vs FY 2021 Budget:

The fiscal year began with a lower than expected passenger volumes trend, which extended through early February. However, beginning in mid-February 2021, the passenger volume trend began to show improvement and actual passengers have continued to exceed budget. This trend is expected to continue (see chart below). As a result, TAA expects FY2021 operating revenue to exceed budget by \$4.1M. The increase is mostly attributable to passenger driven revenues such as concessions (rental cars, food/beverage/merchandise, and parking). Operating expenses are also favorable by \$1.6M, largely due to personnel savings attributable to reduced public safety pension rates (from eliminating pension liability) and vacancy savings from positions held or eliminated during the first five months of the year. While FY2021 projections are favorable to budget, operating income is still significantly below pre-covid level and TAA expects to deploy \$7.0M of federal rescue funds to balance the airport system residual calculation.



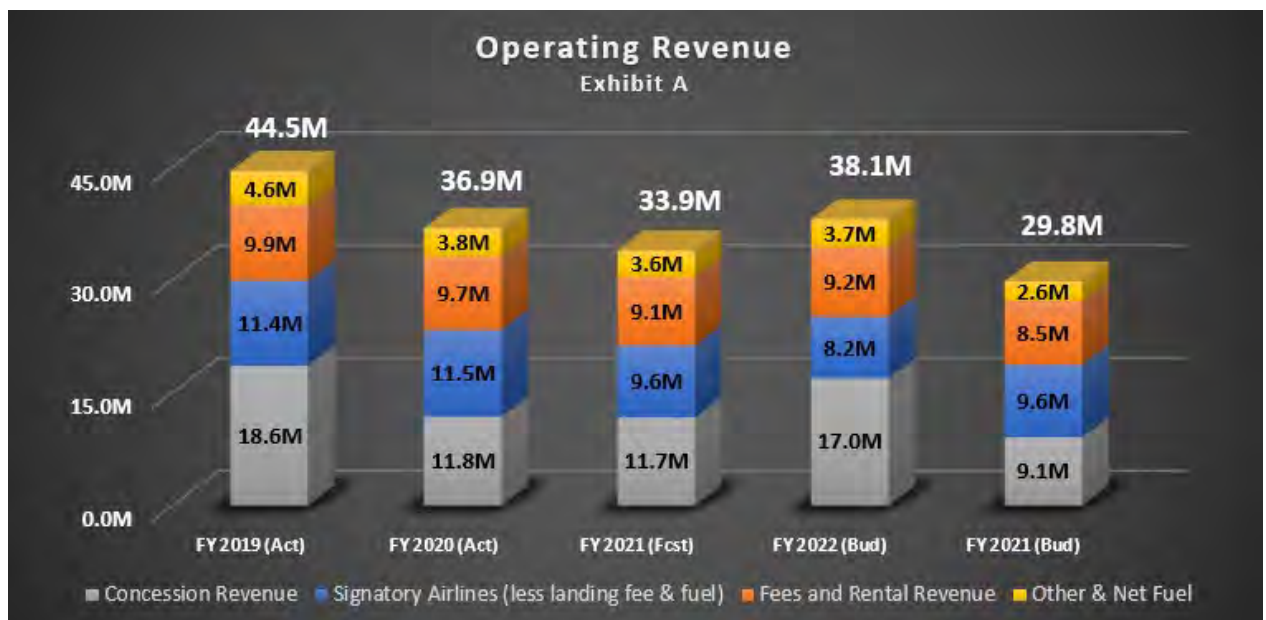
FY 2022 Budget Volume Assumptions and Targets:

FY 2022 passenger activity is expected to average 91% of pre-COVID volumes. The budget assumes a very gradual increase over the course of the year, beginning at 87% in October and finishing the year at 95%. Load factors have already returned to pre-COVID levels, so the signatory airline landed weight budget mirrors the passenger assumption of 91% of pre-COVID levels.

Revenue vs FY2021 Budget:

The FY2022 operating revenues are expected to grow \$8.3M or 27.7% vs the FY2021 budget and \$4.1M or 12.1% vs FY 2021 forecast (see chart below). The major components are as follows:

- Concession Revenue - \$7.8M (86.1%) increase due to higher passenger volumes and reinstatement of Minimum Annual Guarantees (MAG) for Food & Beverage and News & Gift. MAGs for rental car tenants (RAC) will remain suspended while the national emergency for COVID-19 remains in effect in accordance with the agreement. However, the rental car revenue is expected to exceed the foregone MAG, so there is no anticipated financial impact from the MAG waiver on RAC tenants.
- Revenue from Signature Airlines (other than landing fees and fuel) - \$1.4M (15.0%) decrease which is largely attributable to a 30% reduction in the bag claim rent calculation provided by the two-year use agreement amendment/extension.
- Other Revenue - \$1.1M (41.8%) increase due to increased rental car customer facility charges, sand and gravel royalties, and project reimbursements.
- Fees and Rental Revenue - \$0.8M (8.9%) increase due to higher non-signatory landing fees, higher anticipated count of per-turn gate use fees, and new leases.

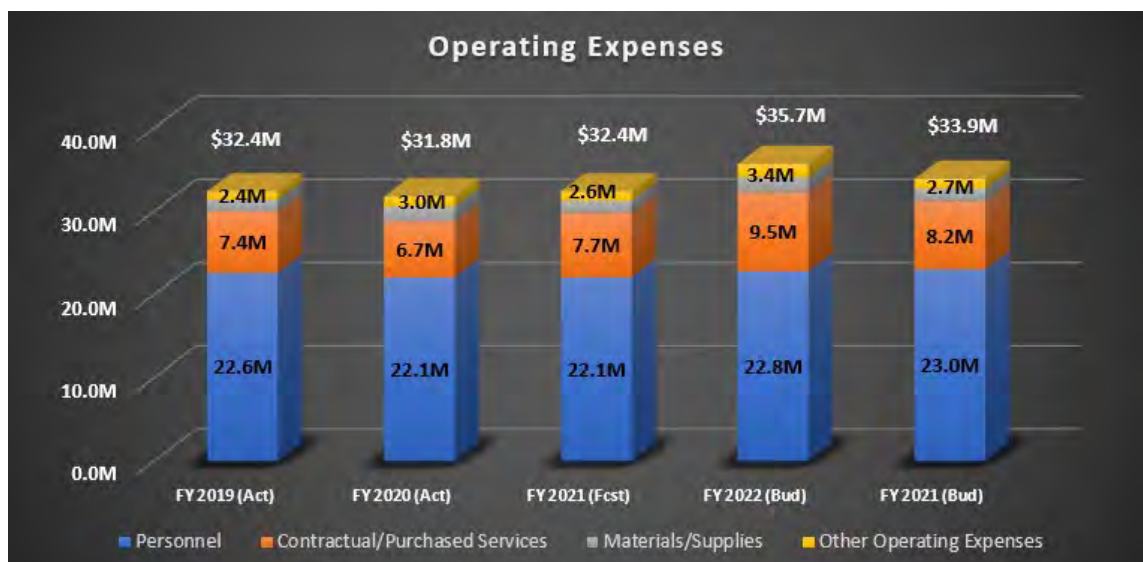


- Non-operating revenue is comprised solely of interest earnings on federally guaranteed debt securities, mainly agency notes and treasury bonds. Interest revenue is expected to decrease \$0.1M from the FY 2021 budget as Federal Reserve rates cuts implemented in March of 2020 are expected to continue throughout FY 2022.

Operating Expenses vs FY 2021 Budget:

The FY 2022 operating expenses are budgeted \$1.7M or 5.0% higher vs the FY2021 budget and \$3.3M or 10.2% vs FY 2021 forecast (see chart below). The major components are as follows:

- Personnel expense represents the majority of TAA's operating expenses. This year's budget is \$22.8M which is \$0.3M lower than FY21 budget. The decrease is attributable to reduced public safety pension expense resulting from TAA's elimination of the public safety pension liability in April of FY2021. The pension savings are partially offset by several necessary and strategic investments in TAA personnel, including cost of living adjustments, bringing compensation in-line with a competitive market, and restoring and adding personnel to appropriate levels to meet long-term needs.
- Contractual/purchased services is another investment focus area and is expected to increase \$1.3M or 22% compared to FY21 budget. Investments include a local marketing campaign, engineering design for land development, IT upgrades, and an increase in parking management fees.
- Materials and supplies are budgeted to increase by \$0.2M to meet the demand of increased passenger volumes on operating and maintenance supplies.
- Other operating expenses are up \$0.4M mainly due to restored travel and training and community events.



Debt Service:

Airport system debt service will increase by \$2.1M from FY2021 budget primarily due to an inter-fund loan used to eliminate the public safety pension liability. In April 2021, TAA deployed \$27.2M from its Special Reserve Fund to eliminate its public safety pension liability. This loan will be serviced by the airport system over 16 years at an interest rate of 2.50%. Over the life of the loan, the interest charges paid to the airport system will total \$4.5M. The net anticipated savings to the airport system over this period is \$15.4M. TAA's only series of outstanding revenue bonds are fully funded by passenger facility charges (PFCs) and do not impact the airport system or landing fee calculation.

Fund Transfers:

With the exception of the federal rescue funds, fund transfers are budgeted and executed in accordance with the terms of the Airport Use Agreement (AUA).

- The operations and maintenance reserve fund is required to be maintained at a balance of 25% of budgeted operating expenses. The \$0.5M transfer is required to maintain this balance.
- The transfer to the capital improvement fund is budgeted to increase 5.0% in FY 2022, as prescribed by the AUA.
- Transfers to the special reserve fund are expected to increase slightly due to anticipated industrial area revenues.
- Common area maintenance transfers are largely flat.
- The transfer from the federal rescue fund of \$8.1M is used to balance the Airport System and maintain a prescribed landing fee rate of \$1.15 per thousand-pound unit, as required by the AUA amendment.

Total Capital Requirements:

Total capital requirements are budgeted to increase by \$2.1M compared to FY2021 budget. Attached are three separate exhibits detailing budgeted project information for FY 2022 Major Maintenance (Exhibit B), Capital Outlay (Exhibit C), and the Capital Improvement Program (CIP) (Exhibit D).

Net Results and Summary:

All of the budgeted items described above result in a signatory landing fee requirement of \$2.1M, which is 51% higher than FY 2021 budget. When divided by the budgeted landed weight, the calculated landing fee is \$1.15 per thousand-pound unit, as required by the AUA amendment.

The total cumulative anticipated used of the federal rescue funds at the end of FY 2022 is \$17.4M (\$2.3M FY2020, \$7.0M FY2021, and \$8.1M budgeted for FY2022). In total, the three federal relief bills have provided TAA with \$44.5M in rescue grants. TAA is periodically submitting qualified payroll expenses to the FAA for reimbursement through these grant programs and expects to collect all available funds without issue. Once the rescue dollars are received, they are accounted for in a separate fund apart from the Airport System. At the close of each year, TAA transfers from these funds into the airport system the amount required to balance the residual calculation.

An anticipated remainder of \$27.1M of rescue funds will be available to carry forward to FY 2023 and beyond. The planning for this remainder was aimed to help ensure adequate funding of the airport system into the future and reduce the likelihood of a net shortfall situation (for which the signatory airlines are residually responsible) in FY 2022 or future fiscal years, should passenger volumes not recover to the budgeted amount. Should passenger trends continue favorably, as the airport system returns to self-sustainability, any remaining rescue funds will be used to offset the local portion of the capital costs associated with the Airfield Safety Enhancement Project.

Additional Information:

The TAA met with the Airline and Airport Affairs Committee (Airlines) on July 27, 2021 to discuss the TAA FY 2022 proposed budget. The Airlines commended the TAA for its responsible approach to budget management during the pandemic; they had no objections to the TAA proposed FY 2022 Budget.

Included with your agenda packet are updated summaries of the rates and charges that will become effective October 1, 2021. The information provided includes terminal rentals, general rental rates and charges and baggage claim allocations for the next six months of the fiscal year. The referenced rates will also be communicated to each airline's local station manager and accounts payable contact person.

Staff will be available at the August 24, 2021 meeting to discuss the budget and to answer any questions you may have. Should you wish to discuss the information prior to the meeting, feel free to call me at (520) 573-4862. You may also contact me through email at keickhoff@flytucson.com.

EXHIBIT A

**TUCSON AIRPORT AUTHORITY
STATEMENT OF AIRPORT SYSTEM REQUIREMENTS 2022**

	2022 Budget	2021		2020 Actual	2022 Budget vs 2021 Forecast	
		Forecast	Budget		\$ Inc/(Dec)	% Inc/(Dec)
Operating Revenue						
Revenue from Signatory Airlines						
(Other than landing fees and fuel sales)	\$ 8,184,184	\$ 9,611,645	\$ 9,633,325	\$ 11,536,423	\$ (1,427,460)	-14.9%
Fees and Rental Revenue	9,218,097	9,050,775	8,467,343	9,719,799	167,323	1.8%
Concession Revenue	16,955,814	11,717,916	9,113,134	11,847,739	5,237,898	44.7%
Fuel Sales (net of cost of sales)	35,365	32,696	25,743	23,989	2,669	8.2%
Other System Revenue	3,684,385	3,531,634	2,571,485	3,780,776	152,751	4.3%
	38,077,846	33,944,665	29,811,031	36,908,726	4,133,181	13.9%
Non-Operating Revenue						
Interest Revenue	143,373	120,538	268,333	677,243	22,836	18.9%
	143,373	120,538	268,333	677,243	22,836	8.5%
Total Revenue (1)	38,221,219	34,065,203	30,079,363	37,585,969	4,156,017	13.8%
Operating Expenses						
Personnel Expenses	22,769,868	22,064,183	23,036,573	22,088,911	705,686	3.2%
Contractual/Purchased Services	9,251,676	7,051,466	7,561,333	6,673,116	2,200,209	31.2%
Portion of Major Maintenance Expensed	236,268	615,259	615,259	-	(378,991)	(61.6%)
Materials/Supplies	1,652,658	1,430,146	1,439,894	1,728,912	222,512	15.6%
Other Operating Expenses	1,594,278	1,054,040	1,172,549	1,185,128	540,238	51.3%
Total Operating Expenses	35,504,748	32,215,094	33,825,607	31,676,066	3,289,654	10.2%
Net Operating Income (1)	2,716,471	1,850,108	(3,746,244)	5,909,903	866,362	46.8%

(1) Excludes Signatory Landing Fees

EXHIBIT A

TUCSON AIRPORT AUTHORITY
STATEMENT OF AIRPORT SYSTEM REQUIREMENTS 2022

	2022	2021		2020	2022 Budget vs 2021 Forecast	
	Budget	Forecast	Budget	Actual	\$ Inc/(Dec)	% Inc/(Dec)
Debt Service						
Airport Revenue Bonds (Subordinate Lien) (2)	4,003,208	3,998,498	3,998,498	4,010,869	4,710	0.1%
PFC Payment	(4,003,208)	(3,998,498)	(3,998,498)	(4,010,869)	(4,710)	0.1%
Special Reserve Advances	2,916,751	1,370,464	829,455	1,388,695	1,546,287	112.8%
Insurance Reserve Advances	956,829	956,829	956,829	956,829	-	0.0%
Total Debt Service	3,873,580	2,327,293	1,786,284	2,345,524	1,546,287	66.4%
Fund Transfers						
Operations & Maintenance Reserve	514,533	(113,197)	(113,197)	436,374	627,730	(554.5%)
Capital Improvement Fund	1,429,485	1,361,414	1,361,414	1,296,585	68,071	5.0%
Special Reserve Fund	2,194,491	2,019,868	1,935,005	1,851,369	174,623	8.6%
Maintenance Reserve Fund	-	2,000,000	-	-	(2,000,000)	(100.0%)
Common Area Major Maintenance Funds	144,014	143,785	144,932	143,688	230	0.2%
Airline Reserve Fund					-	0.0%
Federal Rescue Fund	(8,128,504)	(6,968,388)	(10,209,572)	(2,331,682)	(1,160,116)	16.6%
Total Fund Transfers	(3,845,981)	(1,556,519)	(6,881,418)	1,396,334	(2,289,462)	147.1%
Capital Requirements						
Capital Improvement Projects (CIP)	2,008,390	2,663,534	2,663,534	6,022,704	(655,144)	(24.6%)
Capital Outlay	1,114,858	1,147,906	1,147,906	-	(33,048)	(2.9%)
Capitalized Major Maintenance	4,463,533	912,462	912,462	-	3,551,071	389.2%
Special Funding Sources						
Capital Improvement Fund	(1,429,485)	(1,361,414)	(1,361,414)	(1,296,585)	(68,071)	5.0%
Special Reserve Fund	-	(607,316)	(607,316)		607,316	(100.0%)
Maintenance Reserve Fund	(750,000)		-		(750,000)	100.0%
FAA Land Fund					-	0.0%
Common Area Major Maintenance Funds	(623,791)	(22,110)	(22,110)		(601,681)	2721.3%
Total Capital Requirements	4,783,505	2,733,062	2,733,062	4,726,119	2,050,443	75.0%
Airline Reserve Fund (Beginning Balance)						
Coverage from prior fiscal year	-	-	-		-	0.0%
Excess / (Shortfall) from prior fiscal year operati	-	-	-	867,482	-	0.0%
Total Beginning Balance	-	-	-	867,482	-	
Signatory Landing Fee Requirement						
(Residual)	\$ 2,094,633	\$ 1,653,727	\$ 1,384,171	\$ 1,690,593	440,906	26.7%
Landed Weight Signatory Airlines	1,821,420	1,438,024	1,205,380	1,470,938	383,396	26.7%
Calculated Landing Fee	\$ 1.15		\$ 1.15		\$ -	0.0%

TUCSON AIRPORT AUTHORITY
2022 MAJOR MAINTENANCE

Tucson Airport Authority
FY22 Schedule of Major Maintenance

DESCRIPTION		AMOUNT
<u>Planning & Engineering</u>		
10219230 (802)	Entry Monument and Roadside Landscaping	415,000
10220436	Office Upgrades for Post-COVID Normal	400,000
10219243 (802)	Terminal Needs Assessment - Phase 2	400,000
10217924 (802)	B-23 Q Restroom Improvements	586,502 *
10219141	Sealcoat Runway 11L Shoulders	303,957
10220420	Sustainability Study for TUS	250,000
10220427	Taxiway A Patch and Repair	442,000
10220363	Plasma (Ionization) Systems for Air Handling Units	206,404
10213377	2" Mill & Overlay Executive Terminal Area Parking Lots (EXEC1-04 & FLTL-03)	191,335
10220378	Sealcoat Airport Drive (APT-20,21,FIRE-05) & Taxiway A Service Road (AROAD-10)	58,300
20220426	Sealcoat Airfield Drive (RYN)	32,450
20220355	Replace Reils Lights on RWY 6R	18,875
20220428	Sealcoat Aviator Lane & Tower Parking (RYN)	17,029
20220397	Sealcoat Aviator Lane Roadway & Parking Lot (ALROAD-02,03,04 & NPARK-01)	14,280
Planning & Engineering Total		3,336,132
<u>Maintenance (Facilities)</u>		
10219049 (802)	B-422 Modify Fleet Rollup Doors - Phase II	46,677
10220284	B-422 Maintenance Facility - Clean HVAC Ducts	41,731
10220283	B-419 RAC Bldg. - Clean HVAC Ducts	21,683 *
10219148	B-420 Replace Drywall and Flooring	15,606 *
10220422	B-299 Design for Boiler Replacement	12,942
Maintenance (Facilities) Total		138,639
<u>Maintenance</u>		
10220425	Land Improvements	110,000
1022-0401	B-230 Maintenance Shop Breakroom, Correct Health and Safety Issues	94,323
10220402	B-422 Maintenance Facility HVAC Service Improvement	20,211
10220403 (801)	B-230 Holdroom Seating Power Upgrade	23,452
Maintenance (Fleet) Total		247,986
<u>Fire</u>		
10213403	Fire Station Sound Attenuation (Health and Safety Project)	335,000
Fire Total		335,000
Materials Contingency for Major Maintenance Projects		405,776
Total Major Maintenance		4,463,533

(*) Project funded with Common Area Maintenance (CAM) reserve. Total: \$623,791

**TUCSON AIRPORT AUTHORITY
2022 CAPITAL OUTLAY**

Tucson Airport Authority

FY22 Schedule of Capital Outlay

PROJECT NUMBER	DESCRIPTION	AMOUNT
<u>Fire</u>		
10314486	AED Replacement	41,669
		41,669
<u>Marketing and External Relations</u>		
10395002 (803)	FY 22 Art Acquisition	25,000
		25,000
<u>Maintenance</u>		
10313442	Rubber and Paint Removal System	614,510
		614,510
<u>Fleet</u>		
10320406	2021 Chevrolet Silverado with K9 Package	68,427
10320441	Ford Transit Van	50,500
10320343	2021 Chevrolet Silverado	36,515
		155,442
<u>Information Technology</u>		
10320444	Video Management System for CCTV	136,206
10320418	EOC Technology Refresh	108,100
10320442	IDF UPS Battery Backup Replacement	33,931
		278,237
Total Capital Outlay		\$ 1,114,858

TUCSON AIRPORT AUTHORITY
Tucson International Airport (TUS) / Ryan Airfield (RYN)

FISCAL YEAR 2022 CAPITAL IMPROVEMENT PROGRAM

<u>2022 TUS AIP Projects:</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>TAA</u>	<u>See Note</u>
10119102 ASE Program	\$ 34,691,478	\$ 32,845,212	\$ 1,846,266	\$ -	*

TUS AIP Total:	\$ 34,691,478	\$ 32,845,212	\$ 1,846,266	\$ -
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<u>2022 TUS ADOT Projects:</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>TAA</u>
	\$ -	\$ -	\$ -	\$ -

TUS ADOT Total:	\$ -	\$ -	\$ -	\$ -
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<u>2022 RYN AIP Grant Projects:</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>TAA</u>	<u>See Note</u>
	\$ -	\$ -	\$ -	\$ -	*

RYN AIP Total:	\$ -	\$ -	\$ -	\$ -
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<u>2022 RYN ADOT Grant Projects:</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>TAA</u>	<u>See Note</u>
APMS - Overlay Taxiway B (Section 30)	\$ 158,843	\$ -	\$ 142,959	\$ 15,884	*

RYN ADOT Total:	\$ 158,843	\$ -	\$ 142,959	\$ 15,884
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Grant Total:	\$ 34,850,321	\$ 32,845,212	\$ 1,989,225	\$ 15,884
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<u>2022 TAA Funded Projects:</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>TAA</u>
10114596 (801) Access Control System (ACS) Design	\$ 300,000	\$ -	\$ -	\$ 300,000
10120379 Rehabilitate G Service Road (DROAD-01, GROAD2-01, 02 & GROAD-02,02A,03,04,05,06)	\$ 1,332,506	\$ -	\$ -	\$ 1,332,506

TAA Total:	\$ 1,632,506	\$ -	\$ -	\$ 1,632,506
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TOTAL TAA FUNDS NEEDED:	\$ 1,648,390
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<u>Special Reserve Financing</u>	<u>Total</u>	<u>AANG</u>	<u>State</u>	<u>TAA</u>	<u>See Note</u>
10119102 (806) ASE Program Design	\$ 704,906	\$ 704,906			*
10119102 (808) ASE Program Construction - Arm/De-Arm	\$ 5,382,000	\$ 5,382,000			*
10119102 (819) ASE Program Construction - BAK	\$ 6,006,000	\$ 6,006,000			*
10116836 Control Tower Elevator Modernization (B-040)	\$ 720,000	\$ 360,000		\$ 360,000	
Special Reserve Financing Total:	\$ 12,812,906	\$ 12,452,906	\$ -	\$ 360,000	

Note:

* Project does not require Majority-In-Interest (MII) approval pursuant to the threshold limit of Section 6.1 or is covered under an exception listed under section 6.3 of the Airline Use Agreement.

Date: July 27, 2021

To: TAA Board of Directors

From: Kirk Eickhoff, Vice President/CFO

Re: Summary of Financial Performance for June 2021

Financial Performance

- Operating Income before Depreciation and Amortization (MTD & YTD vs budget)
 - Tucson Airport Authority generated operating income before depreciation and amortization of \$808,759 for June 2021, which is \$933,652 favorable to budget.
 - Year-to-date, TAA's operating income before depreciation and amortization of \$2,406,126 is favorable to budget by \$4,540,434 due to favorable operating revenues and expenses described below.
- Operating Revenues (MTD & YTD vs budget)
 - Total monthly operating revenue of \$3,371,055 is favorable to budget by \$759,538 or 29.1% and favorable to prior year by \$847,029 or 33.6%. The increase from prior year is largely due to increased concession revenue, driven by a higher than anticipated recovery of passenger volumes. Total monthly operating revenues were down \$319,057 (10.4%) compared to FY 2019 (pre-COVID).
 - Year-to-date operating revenues were greater than budgeted by \$2,920,613 or 12.5%, 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 tie-down fees and royalties on sand and gravel mining.
- Operating Expenses (MTD vs YTD vs budget)
 - In June, total operating expenses were lower than budget by \$174,114, largely due to lower-than-anticipated personnel expenses and contractual services.
 - Year-to-date operating expenses of \$23,902,036 are favorable to budget by \$1,619,821 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 nine months ending June 30, 2021

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

	CURRENT MONTH - June			June 2020	June 2019
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
OPERATING REVENUES:					
Landing fees	\$ 110,255	\$ 172,818	\$ 62,563	\$ 103,678	\$ 222,690
Space rentals	978,711	989,573	10,862	1,203,425	1,256,691
Land rent	296,440	306,426	9,986	327,892	291,900
Concession revenue	785,935	1,327,478	541,543	443,569	1,496,270
Reimbursed services	261,459	347,449	85,990	261,971	270,072
Other operating revenues	178,717	227,311	48,594	183,491	224,489
Total Operating Revenues	2,611,517	3,371,055	759,538	2,524,026	3,762,112
OPERATING EXPENSES:					
Personnel expenses	1,903,393	1,833,388	70,005	1,874,919	1,710,994
Contractual services	616,531	526,722	89,809	375,157	603,961
Materials and supplies	128,562	118,601	9,961	167,447	106,737
Other operating expenses	87,924	83,585	4,339	47,541	74,490
Total Operating Expenses	2,736,410	2,562,296	174,114	2,465,064	2,496,182
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	(124,893)	808,759	933,652	58,962	1,265,930
Depreciation and Amortization	1,578,190	1,598,012	(19,822)	1,545,379	1,517,136
OPERATING INCOME (LOSS)	(1,703,083)	(789,253)	913,830	(1,486,417)	(251,206)
NONOPERATING INCOME (EXPENSES)					
Interest Income	76,667	50,226	(26,440)	138,612	270,798
Net increase/(decrease) in fair value of investments	-	(308,607)	(308,607)	(73,615)	159,926
Passenger facility charges	296,416	788,869	492,453	(4,728)	492,490
Interest expense and fiscal charges	(70,591)	(70,591)	-	(78,028)	(85,244)
Other nonoperating revenues (expenses)	-	-	-	-	28,251
Total nonoperating revenues (expenses)	302,491	459,897	157,406	(17,759)	866,221
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,400,592)	(329,356)	1,071,236	(1,504,176)	615,015
CAPITAL CONTRIBUTIONS:					
Federal	919,384	113,069	(806,315)	-	-
State	45,131	-	(45,131)	105,836	-
Total capital contributions	964,515	113,069	(851,446)	105,836	-
INCREASE (DECREASE) IN NET POSITION	\$ (436,077)	\$ (216,287)	\$ 219,790	\$ (1,398,340)	\$ 615,015

TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION
For the nine months ending June 30, 2021

	CURRENT YEAR TO DATE			YTD - JUNE 2020	YTD - JUNE 2019
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
OPERATING REVENUES:					
Landing fees	\$ 1,102,491	\$ 1,431,001	\$ 328,510	\$ 1,679,048	\$ 2,395,246
Space rentals	8,811,696	8,979,578	167,882	11,107,425	11,310,523
Land rent	2,667,958	2,782,466	114,508	2,787,839	2,637,800
Concession revenue	6,808,316	8,324,594	1,516,278	10,185,698	14,375,596
Reimbursed services	2,353,127	2,454,533	101,406	2,668,542	2,378,625
Other operating revenues	1,643,961	2,335,990	692,029	2,093,035	2,359,796
Total operating revenues	23,387,549	26,308,162	2,920,613	30,521,587	35,457,586
OPERATING EXPENSES:					
Personnel expenses	17,245,701	16,789,297	456,404	16,609,391	15,351,339
Contractual services	6,195,628	5,282,120	913,508	4,991,185	4,742,649
Materials and supplies	1,179,040	1,093,579	85,461	1,351,395	1,035,077
Other operating expenses	901,488	737,040	164,448	979,764	725,023
Total Operating Expenses	25,521,857	23,902,036	1,619,821	23,931,735	21,854,088
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	(2,134,308)	2,406,126	4,540,434	6,589,852	13,603,498
Depreciation and Amortization	14,136,827	14,236,944	(100,117)	13,849,589	13,644,768
OPERATING INCOME (LOSS)	(16,271,135)	(11,830,818)	4,440,317	(7,259,737)	(41,270)
NONOPERATING REVENUES (EXPENSES):					
Interest Income	690,000	357,711	(332,290)	2,067,618	2,229,533
Net increase/(decrease) in fair value of investments	-	(306,370)	(306,370)	216,595	1,640,894
Passenger facility charges	2,752,137	3,108,887	356,750	3,694,897	5,653,314
Interest expense and fiscal charges	(659,801)	(659,801)	-	(726,010)	(821,431)
Gain/(Loss) on disposition of capital assets	-	(22,866)	(22,866)	2,175,246	9,628
Other nonoperating revenues (expenses)	13,982,489	13,988,872	6,383	72,540	88,770
Total nonoperating revenues (expenses)	16,764,825	16,466,433	(298,393)	7,500,886	8,800,708
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	493,690	4,635,615	4,141,924	241,149	8,759,438
CAPITAL CONTRIBUTIONS:					
Federal	4,290,104	3,062,968	(1,227,136)	8,680,742	1,419,347
State	215,995	563,548	347,553	568,928	17,430
Total capital contributions	4,506,099	3,626,516	(879,583)	9,249,670	1,436,777
INCREASE (DECREASE) IN NET POSITION	\$ 4,999,790	8,262,131	\$ 3,262,341	9,490,819	10,196,215
TOTAL NET POSITION, (BEGINNING)		416,225,900		396,401,145	386,970,849
TOTAL NET POSITION, (ENDING)		\$ 424,488,031		\$ 405,891,964	\$ 397,167,064

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

ASSETS

CURRENT ASSETS

Unrestricted assets:

Cash and cash equivalents	\$ 21,914,552	\$ 40,685,788
Investments	113,562,189	109,419,082
Accounts receivable, net of allowance for doubtful accounts of \$313,380 and \$210,550 for FY2021 and FY2020, respectively	2,337,044	4,106,757
Accrued interest receivable	103,746	345,419
Grants receivable	133,325	381,871
Inventories	383,217	318,122
Prepaid expenses and other assets	184,825	181,846
Total unrestricted current assets	<u>138,618,898</u>	<u>155,438,885</u>

Restricted assets:

Cash and cash equivalents	3,301,518	7,132,380
Investments	20,064,668	23,109,129
Accounts receivable	759,645	196,591
Accrued interest receivable	32,857	77,308
Total restricted current assets	<u>24,158,688</u>	<u>30,515,408</u>

Total current assets

162,777,586 185,954,293

Noncurrent assets:

Unrestricted assets:

Accounts receivable	136,897	340,180
Notes receivable, net of current portion	-	-
Capital assets		
Not depreciated	143,291,984	126,172,473
Depreciated, net	<u>190,601,846</u>	<u>195,482,941</u>
Net capital assets	<u>333,893,830</u>	<u>321,655,414</u>
Total unrestricted noncurrent assets	<u>334,030,727</u>	<u>321,995,594</u>

Total noncurrent assets

334,030,727 321,995,594

TOTAL ASSETS

496,808,313 507,949,887

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from pensions	<u>6,091,332</u>	<u>3,992,003</u>
Total deferred outflows of resources	<u>6,091,332</u>	<u>3,992,003</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 502,899,646 \$ 511,941,891

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

LIABILITIES

CURRENT LIABILITIES

Payable from unrestricted assets:

	June-21	June-20
Accounts payable	\$ 560,221	\$ 427,634
Accrued expenses	2,088,183	2,342,408
Unearned revenue	2,609,586	2,620,784
Current portion of environmental remediation payable	4,465,542	4,480,576
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,510,000	1,465,000
Total payable from unrestricted assets	<u>11,233,532</u>	<u>11,336,402</u>

Payable from restricted assets

Accrued interest payable:

Airport Subordinate Lien Revenue Bonds, Series 2018	227,253	251,778
	<u>227,253</u>	<u>251,778</u>

Current portion of environmental remediation payable	402,420	149,762
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Total payable from restricted assets	<u>629,673</u>	<u>401,540</u>
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Total current liabilities	<u>11,863,205</u>	<u>11,737,942</u>
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NONCURRENT LIABILITIES

Payable from unrestricted assets

Bonds payable, net of current portion:

Airport Subordinate Lien Revenue Bonds, Series 2018	26,687,930	29,822,067
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Net pension liability	20,684,399	44,126,998
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Environmental Remediation Payable, net of current portion	18,306,912	19,019,746
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Total payable from unrestricted assets	<u>65,679,241</u>	<u>92,968,811</u>
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Total noncurrent liabilities	<u>65,679,241</u>	<u>92,968,811</u>
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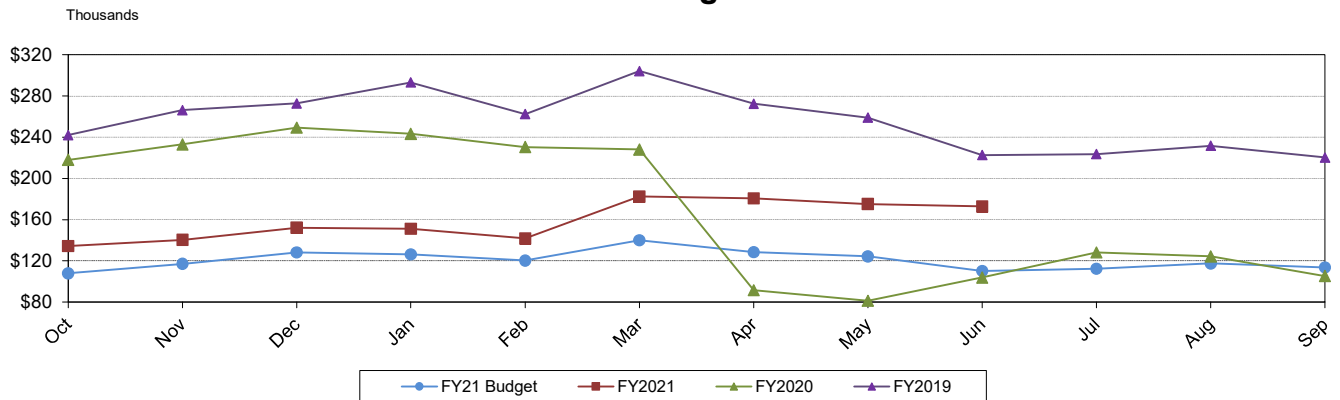
TOTAL LIABILITIES	<u>\$ 77,542,446</u>	<u>\$ 104,706,753</u>
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**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

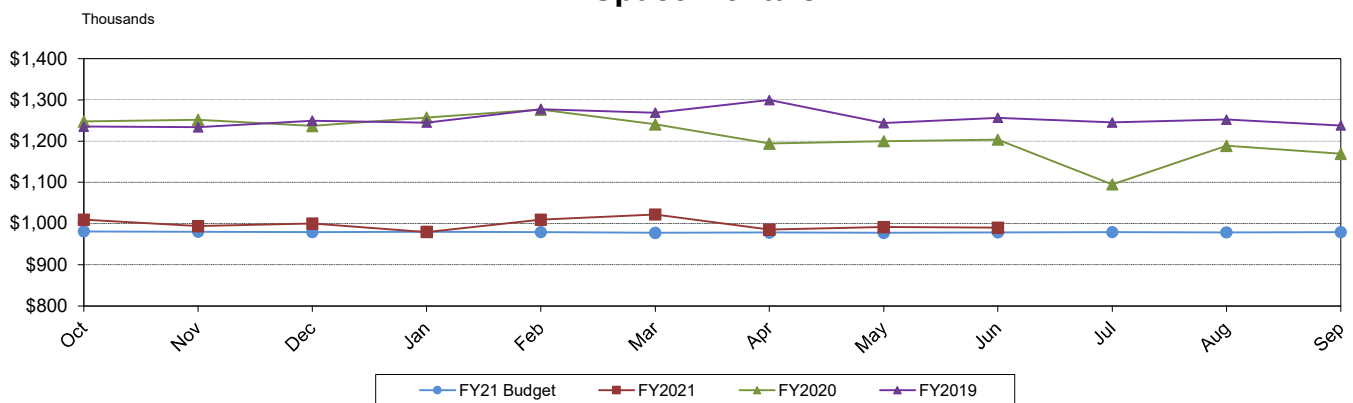
LIABILITIES & NET ASSETS (Con't)

	June-21	June-20
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	\$ 869,169	\$ 1,343,173
TOTAL DEFERRED INFLOWS OF RESOURCES	869,169	1,343,173
NET POSITION		
Net Investment in capital assets	305,695,900	290,368,347
Restricted:		
Debt service	777,150	757,150
Capital projects	23,154,285	29,506,480
	23,931,435	30,263,630
Unrestricted	94,860,696	85,259,987
TOTAL NET POSITION	424,488,031	405,891,964
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 502,899,646	\$ 511,941,891

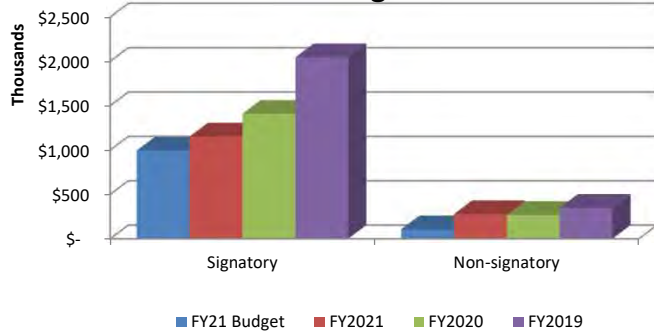
Landing Fees



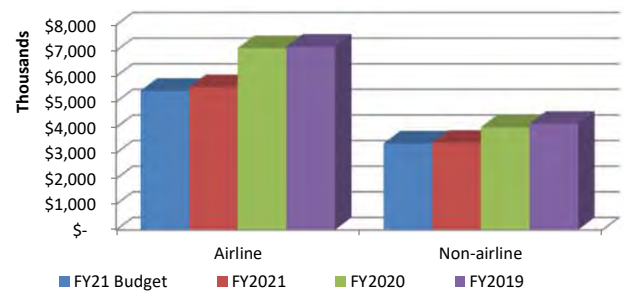
Space Rentals



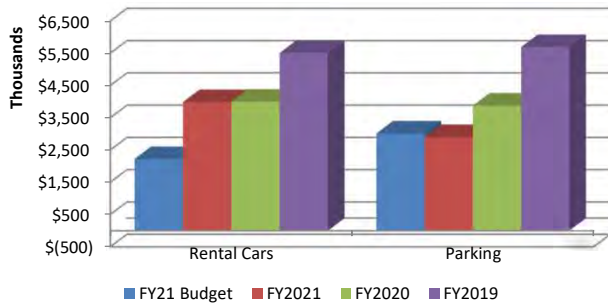
YTD Landing Fees



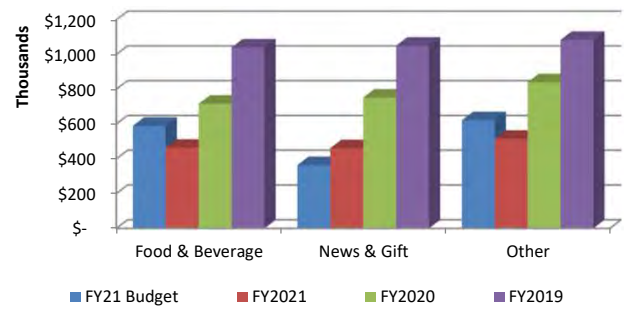
YTD Space Rentals



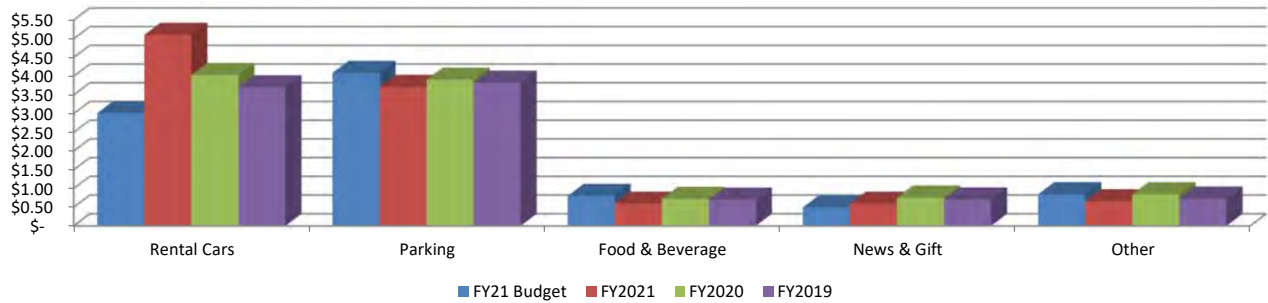
YTD Concession Revenue



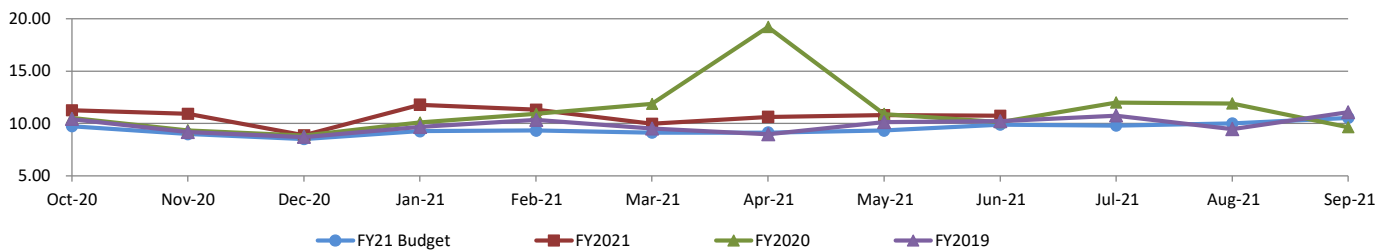
YTD Concession Revenue



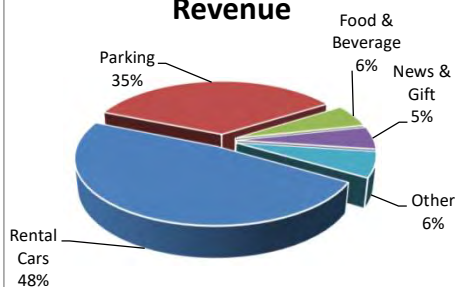
Year-to-Date Concession Revenue per Enplaned Passenger



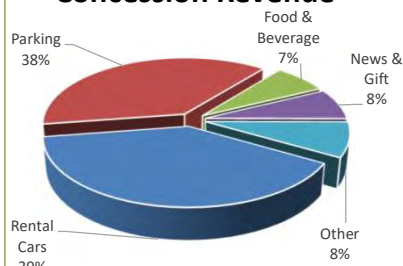
Monthly Concession Revenue per Enplaned Passenger



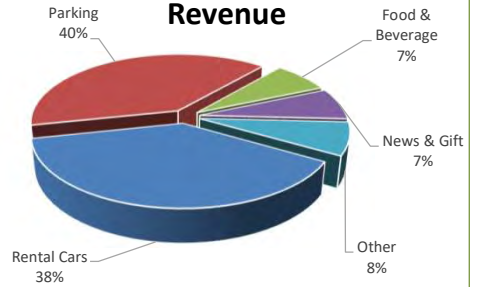
FY-2021 YTD Concession Revenue



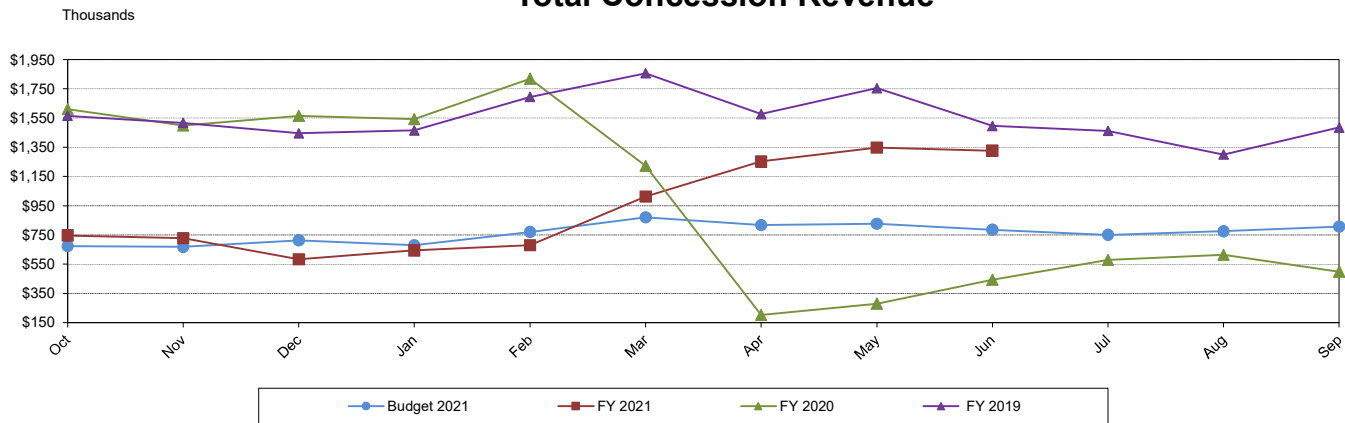
FY-2020 YTD Concession Revenue



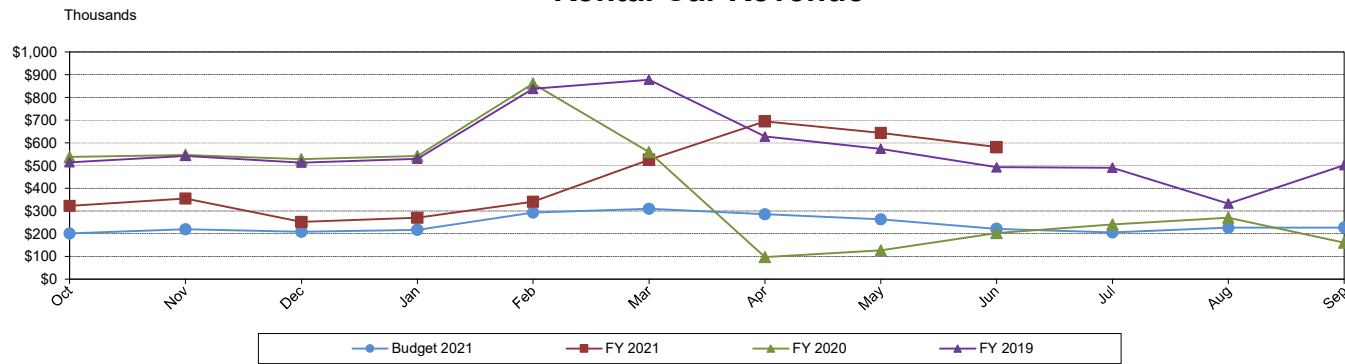
FY-2019 YTD Concession Revenue



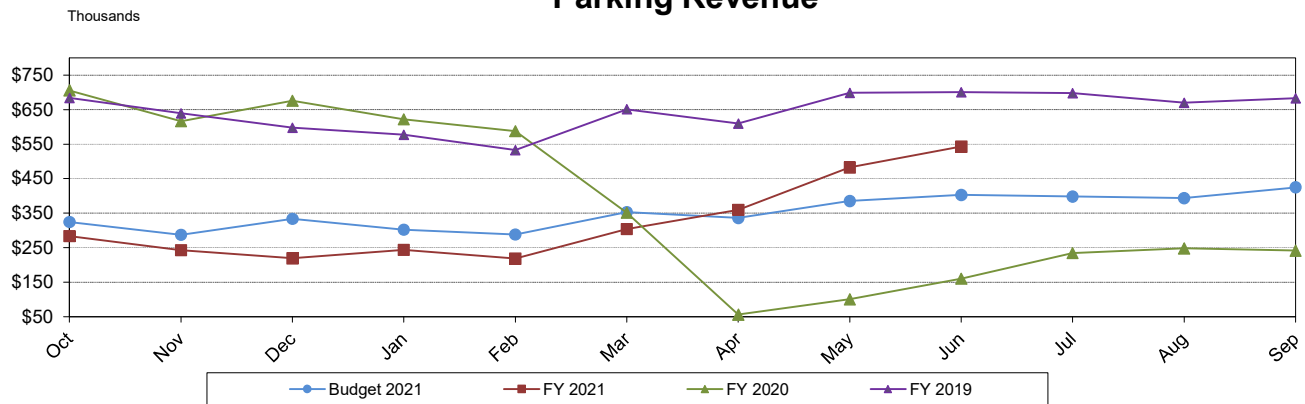
Total Concession Revenue

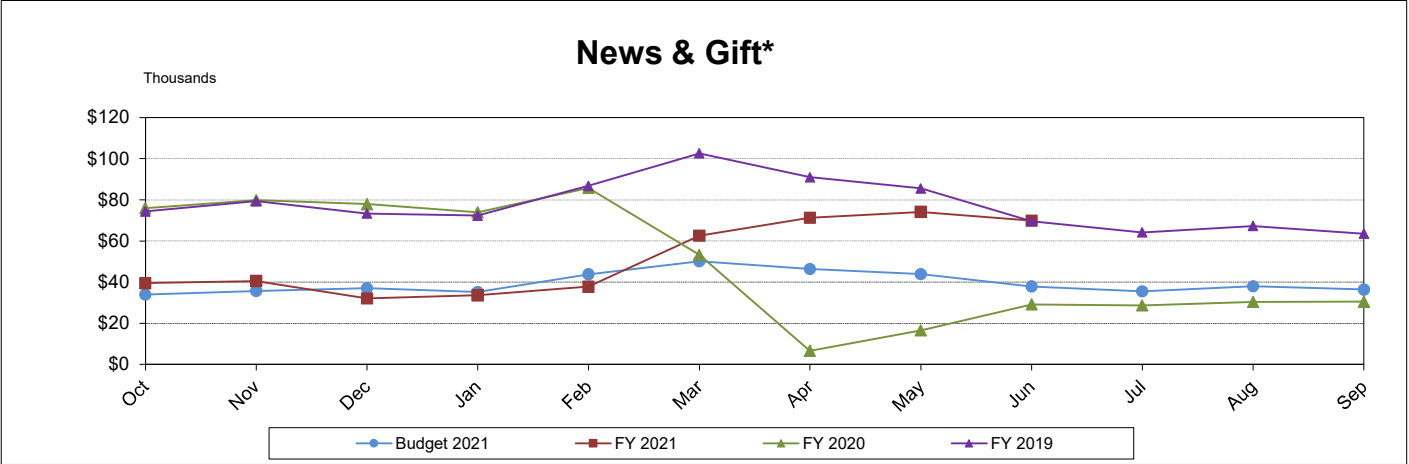
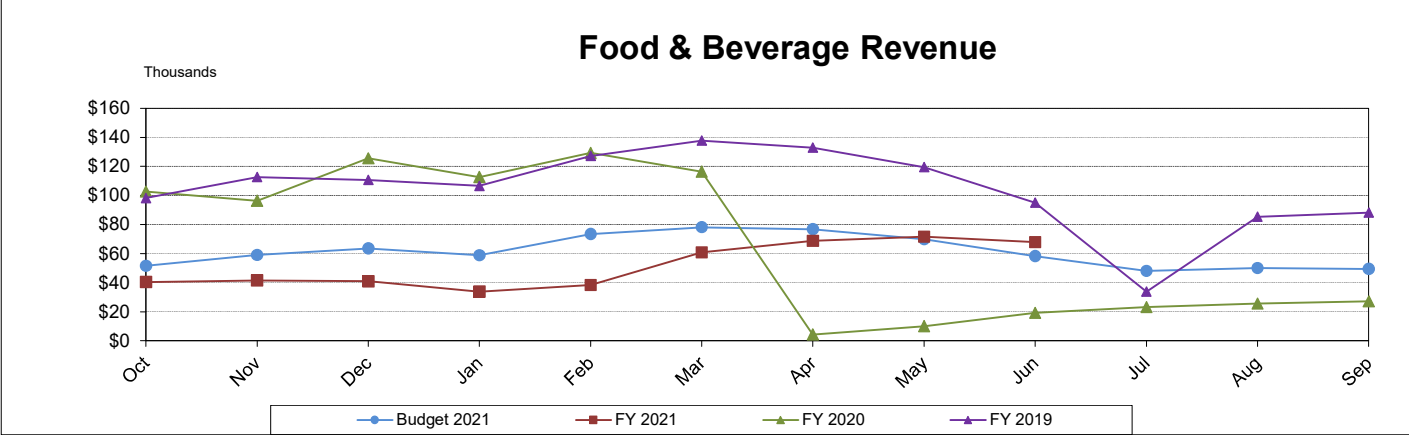


Rental Car Revenue

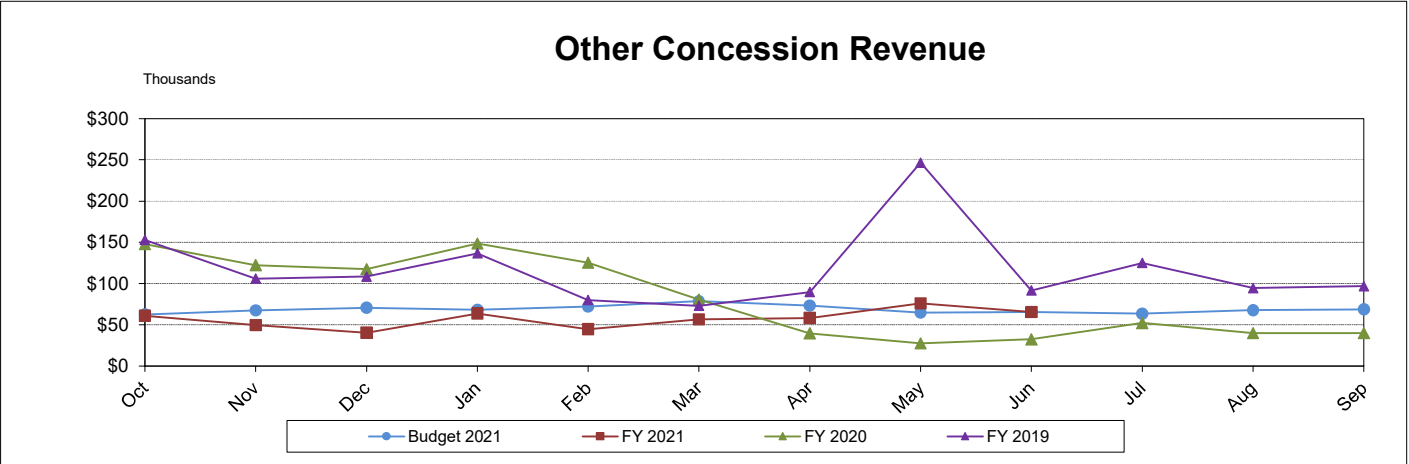


Parking Revenue



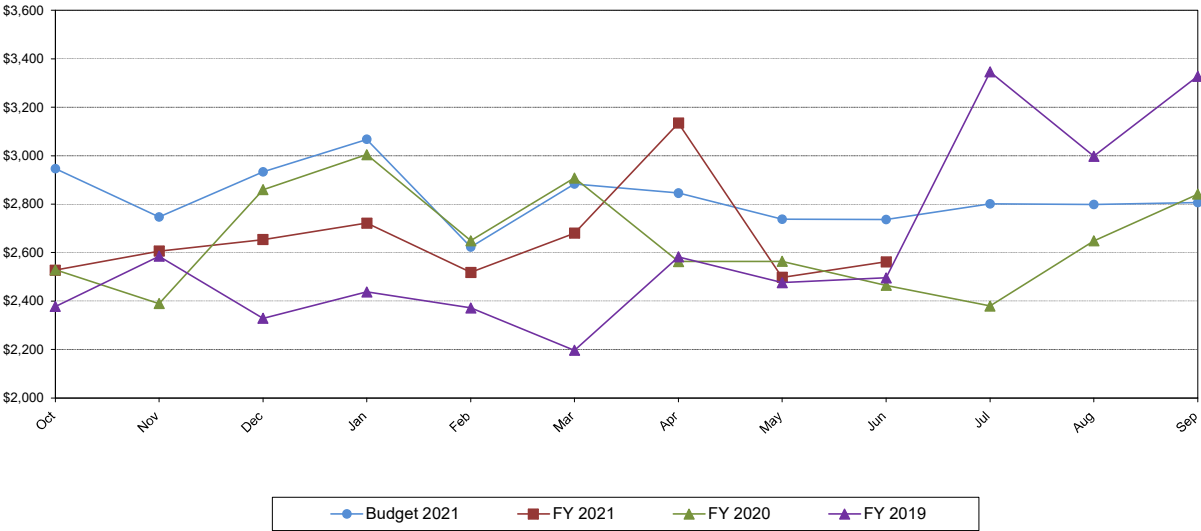


*Hudson News is required to pay the greater of a calculated percent of gross revenue or a monthly minimum guarantee (MAG) of \$117k. However, in light of the impact of COVID -19 on passenger volume, the MAG was suspended in April 2020.



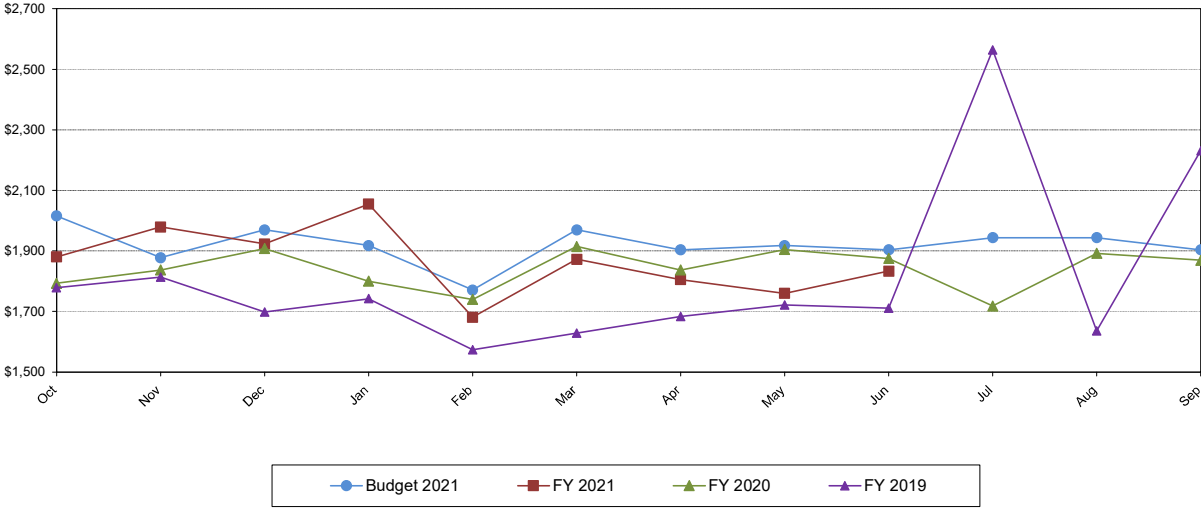
Total Operating Expenses

Thousands

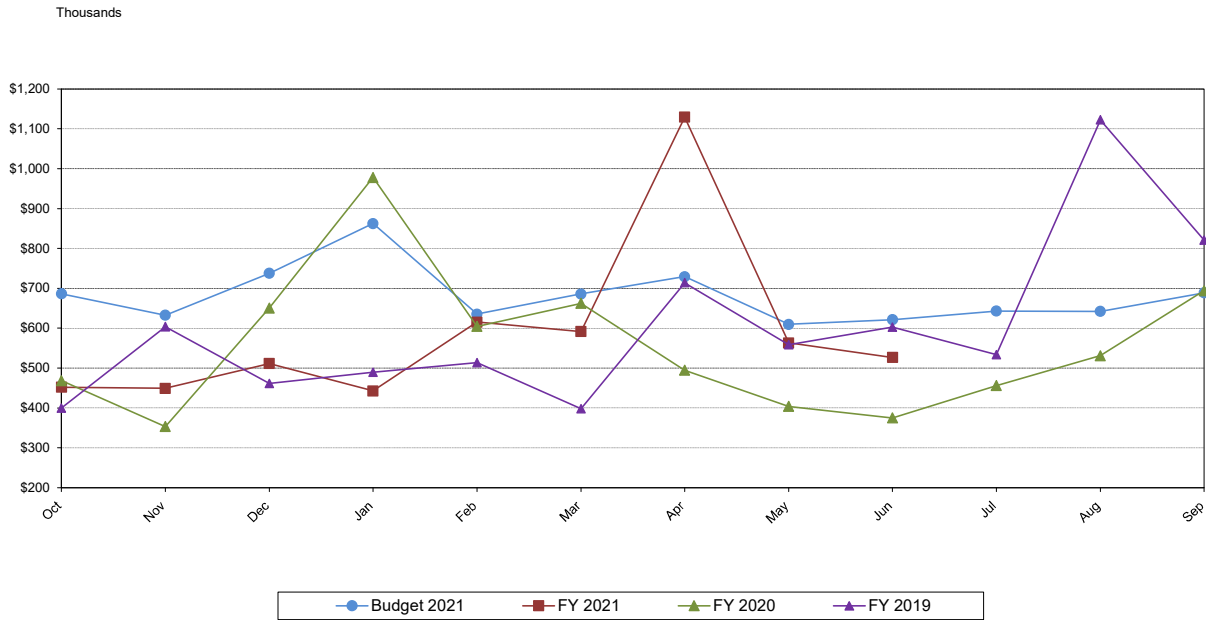


Personnel Expenses

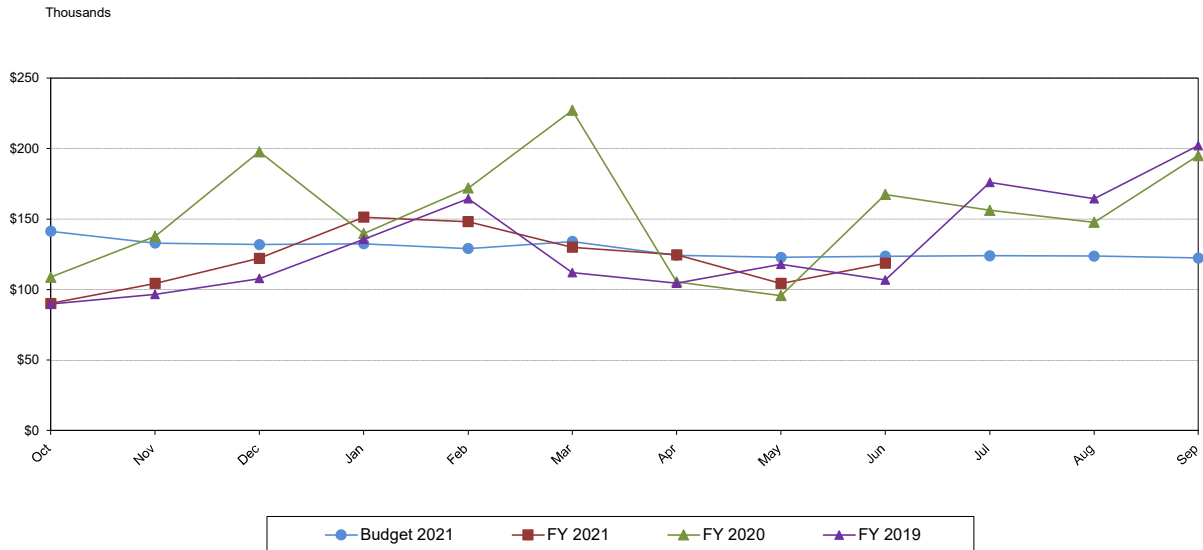
Thousands



Contractual Services

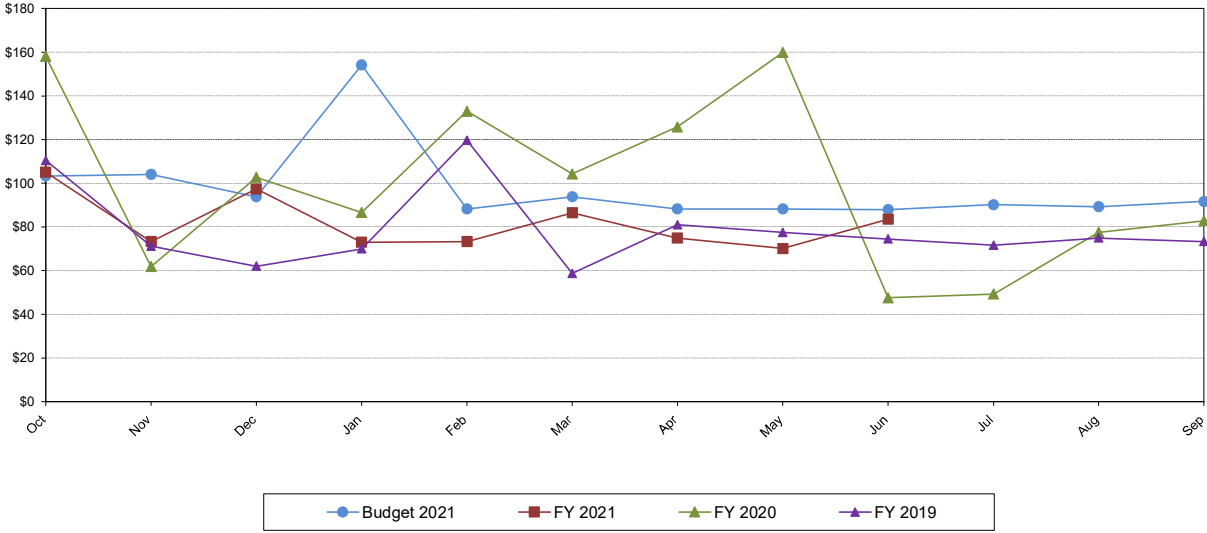


Materials and Supplies

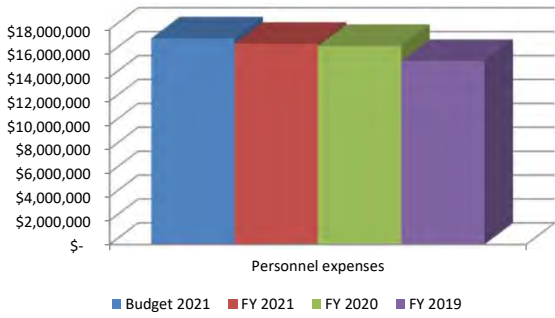


Other Operating Expenses

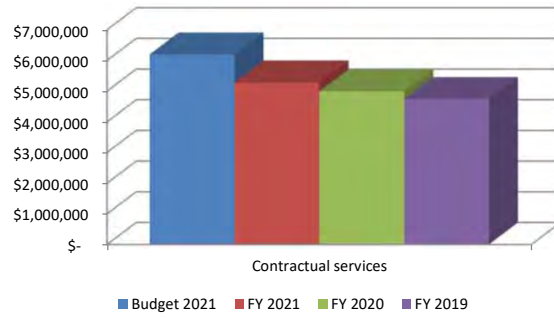
Thousands



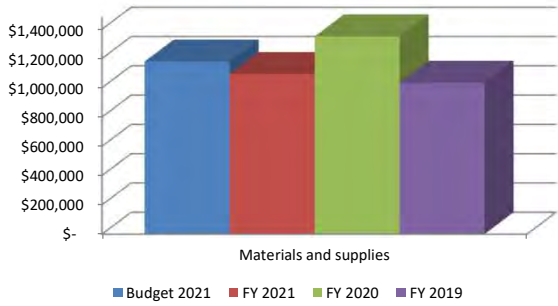
YTD Personnel Expenses



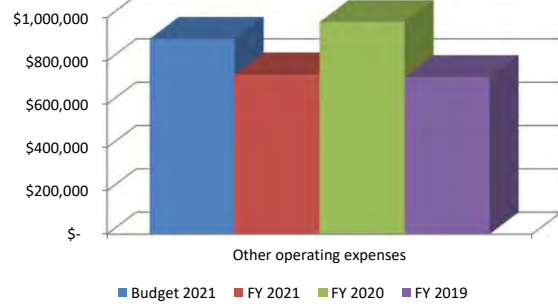
YTD Contractual Services



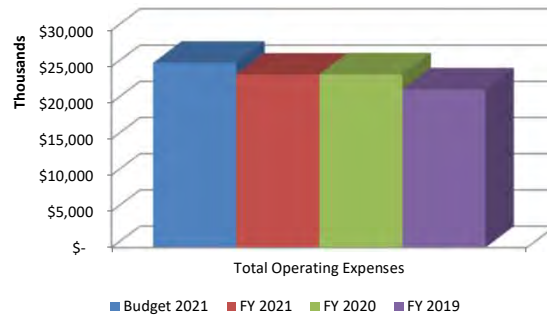
YTD Materials and Supplies



YTD Other Operating Expenses



YTD Total Operating Expenses



Date: July 27, 2021

To: TAA Board of Directors

From: Kirk Eickhoff, Vice President/CFO

Re: Aviation Activity and Statistics for June 2021

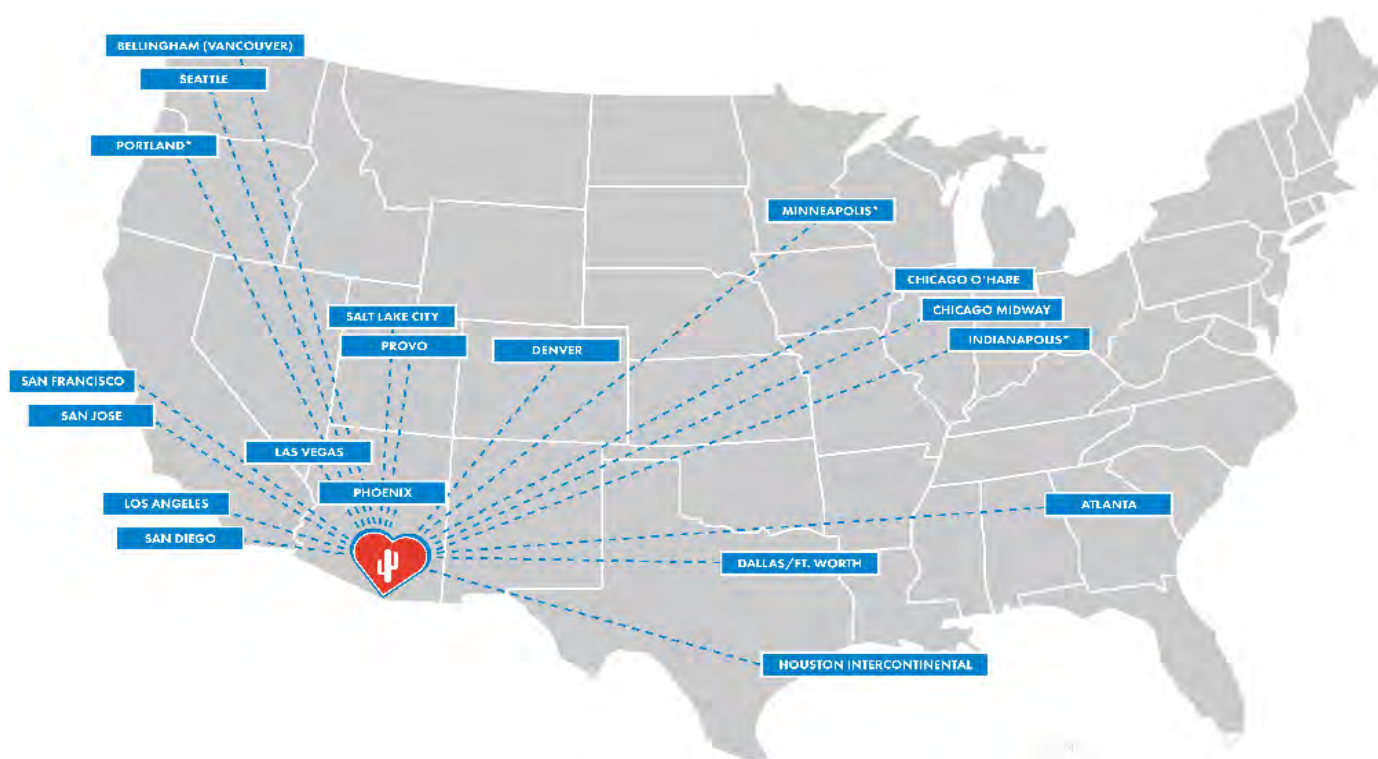
Summary of Operations and Statistics

- Total Passengers (MTD & YTD vs prior year)
 - Total passengers for the month of June 2021 were 185.0% higher than prior year.
 - YTD total passengers were 22.0% lower than prior year.
- Average Daily Scheduled Departures (MTD vs prior year, changes by routes & carrier)
 - The month of June had an average daily departure count of 42, which was 20 higher than prior year.
 - The increase was attributable to service to Atlanta (2), Denver (1), Dallas/Ft. Worth (2), Houston Hobby (1), Houston Bush (1), Los Angeles (5), Chicago O'Hare (2), Phoenix (3), San Diego (1), and Seattle/Tacoma (2).
 - Departure increases by carrier included American (8), Delta (5), United (4), Southwest (2), and Alaska (1).
- Average Daily Seat capacity (MTD vs prior years)
 - Seat capacity for June 2021 was 98.1% higher than prior year and 15.4% lower than 2019.
- Load Factors (MTD & YTD vs prior years)
 - The load factor for June was 86.5%, which is 26.0% higher than FY2020 and 0.01% lower than FY2019 for the same month.
 - The June year-to-date load factor of 69.1% was 0.5% lower than FY2020 and 14.6% lower than FY2019.
- Aircraft Operations (MTD & YTD vs prior year)
 - Freight, measured in pounds, is 4.7% higher in June compared the same month last year and year-to-date is 9.0% higher than prior year.
 - Total aircraft operations were 17.5% higher than the same month last year, with increases in all categories except General Aviation (decrease of 2.9% compared to June 2020).
 - Year-to-date operations are 12.8% 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 nine months ending June 30, 2021



*Prepared by Tucson Airport Authority
Finance Department*

TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY
TUCSON AIRPORT AUTHORITY
TUS ACTIVITY OVERVIEW

PASSENGERS*				Fiscal YTD		
	Jun-21	Jun-20	% CHANGE	2021	2020	% CHANGE
ENPLANED	123,583	43,740	182.5%	781,062	992,462	-21.3%
DEPLANED	115,637	40,197	187.7%	764,322	988,801	-22.7%
TOTAL	239,220	83,937	185.0%	1,545,384	1,981,263	-22.0%

*Passenger figures include non-revenue passengers.

LANDED WEIGHT**

AIR CARGO	13,107	13,135	-0.2%	122,483	122,272	0.2%
AIR CARRIER	130,505	70,288	85.7%	1,055,554	1,264,115	-16.5%
TOTAL	143,612	83,423	72.1%	1,178,037	1,386,387	-15.0%

**In thousand pound units.

FREIGHT (in pounds)

ENPLANED	2,596,489	2,572,250	0.9%	23,715,278	22,481,268	5.5%
DEPLANED	3,101,554	2,869,629	8.1%	27,270,333	24,279,899	12.3%
TOTAL	5,698,043	5,441,879	4.7%	50,985,611	46,761,167	9.0%

MAIL (in pounds)

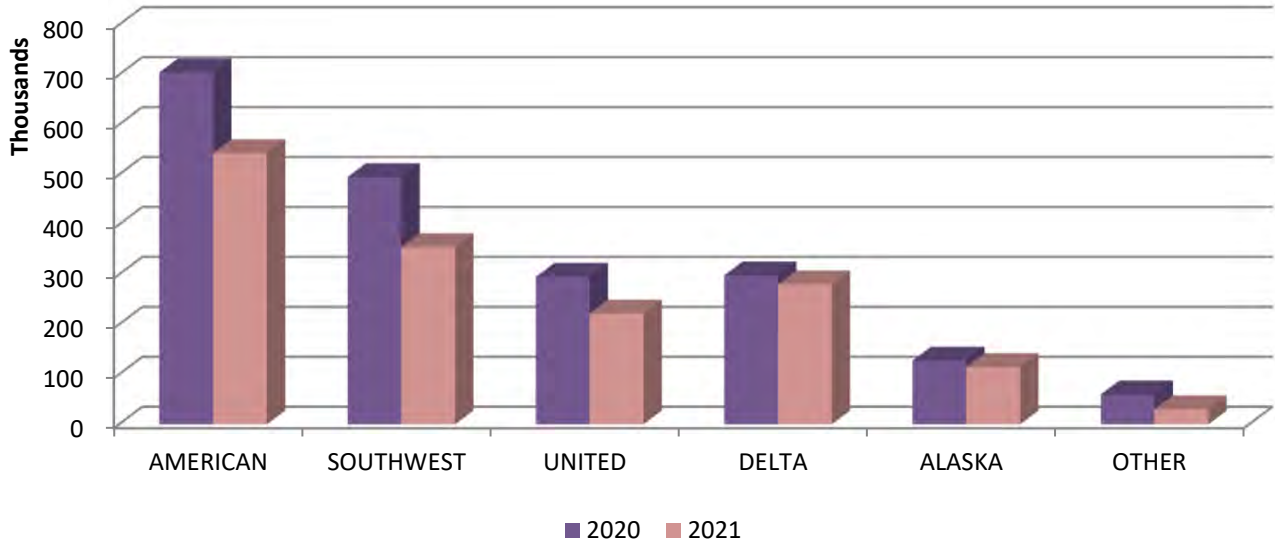
ENPLANED	0	0	0.0%	23	1,557	-98.5%
DEPLANED	1,813	1,239	46.3%	76,796	7,540	918.5%
TOTAL	1,813	1,239	46.3%	76,819	9,097	744.4%

AIRCRAFT OPERATIONS

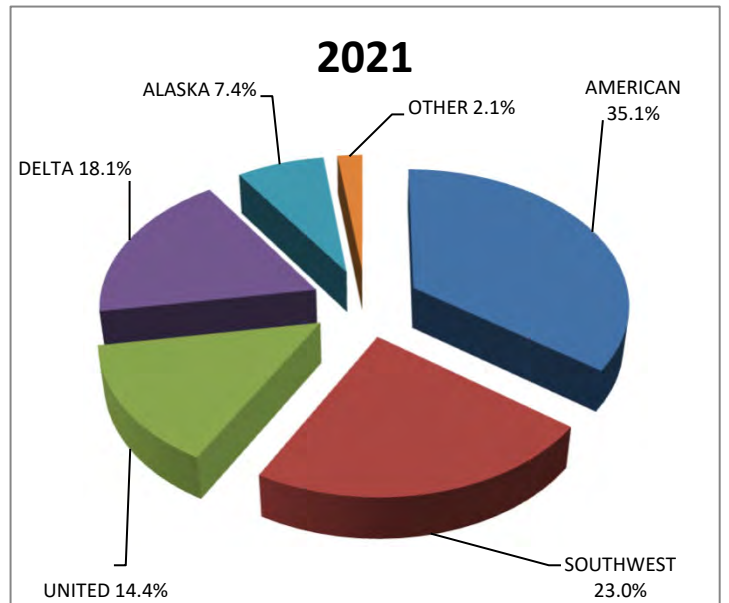
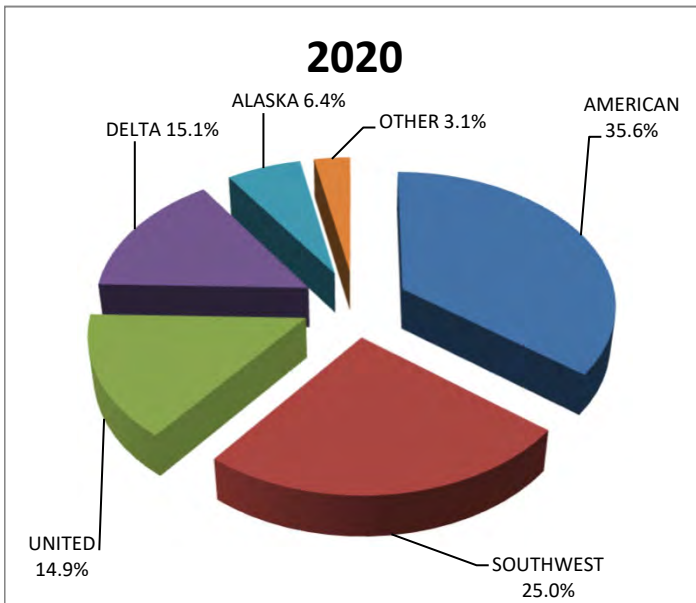
AIR CARRIER	2,344	1,506	55.6%	20,189	23,709	-14.8%
AIR TAXI	1,684	1,170	43.9%	12,982	11,262	15.3%
MILITARY	1,771	1,257	40.9%	15,698	12,680	23.8%
GENERAL AVIATION	5,600	5,765	-2.9%	57,803	46,898	23.3%
TOTAL	11,399	9,698	17.5%	106,672	94,549	12.8%

TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

TOTAL PASSENGERS YTD BY AIR CARRIER



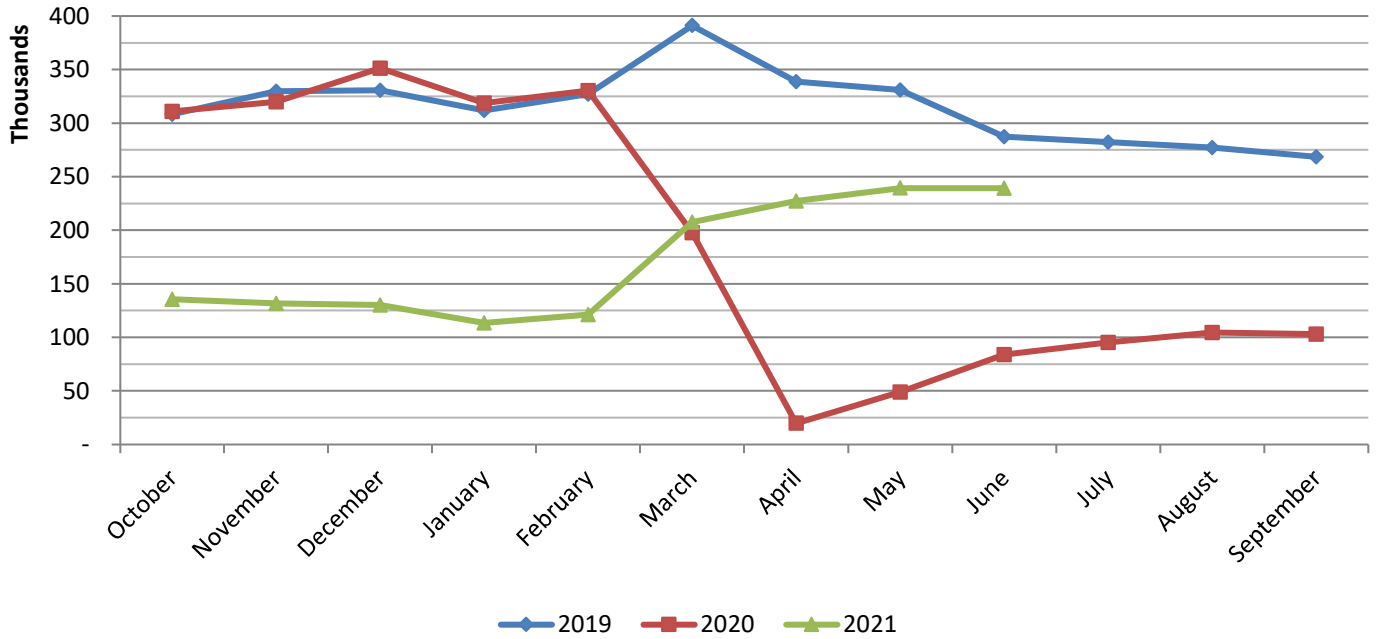
AIR CARRIER MARKET SHARE



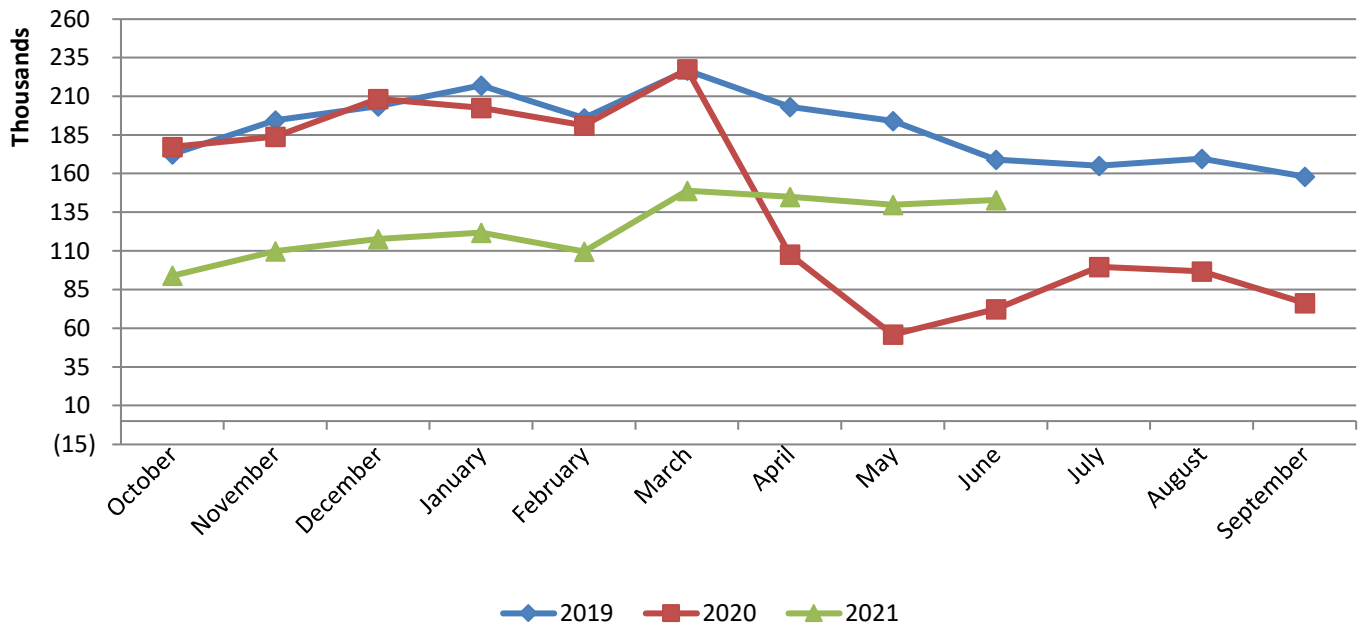
TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

TOTAL PASSENGERS BY MONTH



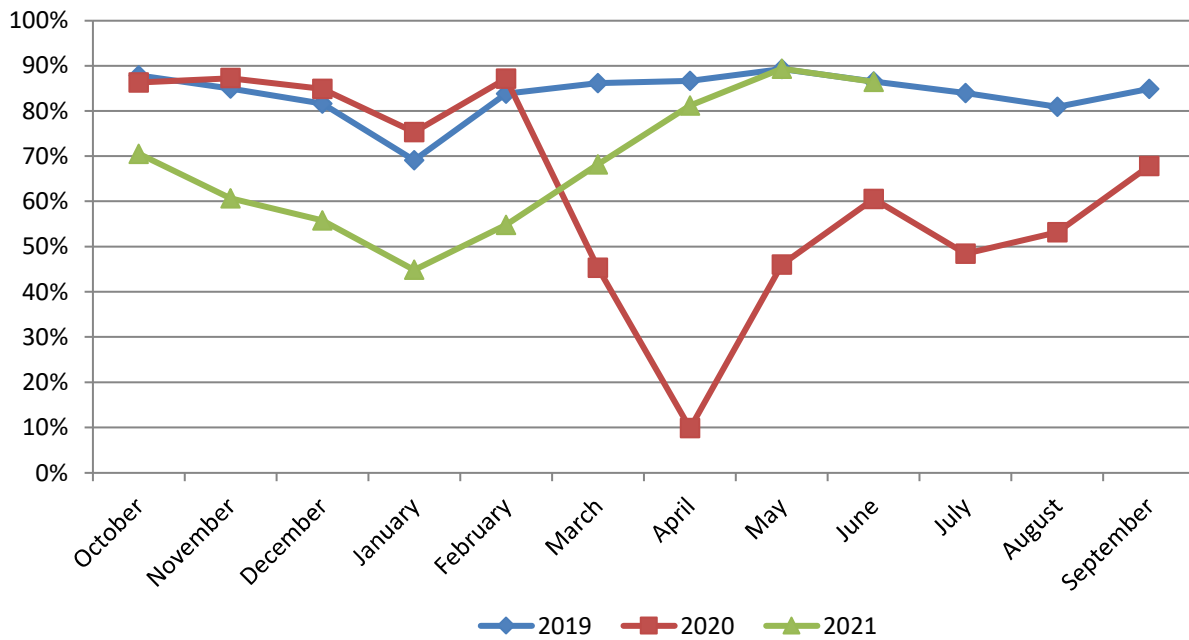
AVERAGE SEAT CAPACITY PER MONTH



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	318	0	318
DENVER <i>United (4), Southwest (2), Frontier (.1)</i>	DEN	6.1	4.7	1.4	547	519	28
DALLAS/FT WORTH <i>American (6)</i>	DFW	6.0	3.9	2.1	1,045	509	536
HOUSTON HOBBY <i>Southwest (1)</i>	HOU	1.0	0.0	1.0	157	0	157
HOUSTON BUSH <i>United (2)</i>	IAH	2.0	1.0	1.0	152	76	76
LAS VEGAS <i>Southwest (2) Allegiant (.3)</i>	LAS	2.3	2.6	(0.3)	350	372	(22)
LOS ANGELES <i>Delta (3), American (1.9) Southwest (.8)</i>	LAX	5.7	1.1	4.6	485	90	395
CHICAGO MIDWAY <i>Southwest (1)</i>	MDW	1.0	1.0	0.0	147	144	3
CHICAGO O'HARE <i>American (2), United (1)</i>	ORD	3.0	0.7	2.3	336	56	280
PHOENIX <i>American (4.5)</i>	PHX	4.5	1.9	2.6	384	135	249
PROVO <i>Allegiant (0.3)</i>	PVU	0.3	0.3	0.0	50	53	(3)
SAN DIEGO <i>Southwest (.7)</i>	SAN	0.7	0.0	0.7	118	0	118
SEATTLE/TACOMA <i>Alaska (2) Delta (1.0)</i>	SEA	3.0	1.0	2.0	357	107	250
SAN FRANCISCO <i>United (2)</i>	SFO	2.0	1.7	0.3	100	132	(32)
SALT LAKE CITY <i>Delta (3.1)</i>	SLC	3.1	2.8	0.3	220	213	7
TOTAL		42.4	22.7	19.7	4,766	2,406	2,360