

**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting  
Tuesday, August 9, 2022 | 9:00 a.m. | Virtual Meeting**

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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 9, 2022, beginning at 9:00 a.m.** The meeting will be held by video and telephonically via the remote participation platform Microsoft Teams. The registration form may be accessed via the hyperlink below. Upon submitting the registration form, attendees will receive an email confirmation containing the information to join the meeting virtually or by phone.

**MICROSOFT TEAMS REGISTRATION FORM**

The agenda for the meeting is as follows:

**1. CALL TO ORDER | ROLL CALL**

- |   |   |
|---|---|
| <input type="checkbox"/> Tim Overton, Chair | <input type="checkbox"/> Omar Mireles, Vice Chair |
| <input type="checkbox"/> Mike Hannley       | <input type="checkbox"/> Rob Draper               |
| <input type="checkbox"/> Ricardo Platt      | <input type="checkbox"/> Tony Penn                |
| <input type="checkbox"/> Angela Gee         |   |

**2. APPROVAL OF MINUTES**

Approve the minutes of the Finance and Risk Management Council meeting held on August 24, 2021.

**3. PRESIDENT/CEO REPORT**

- a. State of the Industry | Update

**4. ACTION ITEMS**

- a. **EMPLOYEE GROUP INSURANCE FOR FY 2023:** The Council will consider and may recommend to the Board of Directors approval of the Tucson Airport Authority's employee group insurance coverages for the policy year beginning October 1, 2022 and ending September 30, 2023.
- b. **WORKERS' COMPENSATION INSURANCE FOR FY 2023:** The Council will consider and may recommend to the Board of Directors approval of the Tucson Airport Authority's Workers' Compensation insurance coverage for the policy year beginning September 1, 2022 and ending August 31, 2023.
- c. **COMMERCIAL LINES OF INSURANCE FOR FY 2023:** The Council will consider and may recommend to the Board of Directors approval of the Tucson Airport Authority'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 for the policy year beginning August 15, 2022 and ending August 14, 2023.

**5. 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 2023 budget to be presented for review and recommendation at the next council meeting.

**6. ADMINISTRATIVE UPDATES**

- a. Investment Report for the Third Fiscal Quarter ended June 30, 2022.
- b. June 2022 YTD Financial Report.

**7. ADJOURN**

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

**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: \_\_\_\_\_

**ATTACHMENT ONE**

**Financial Update  
PRESENTATION**

DRAFT



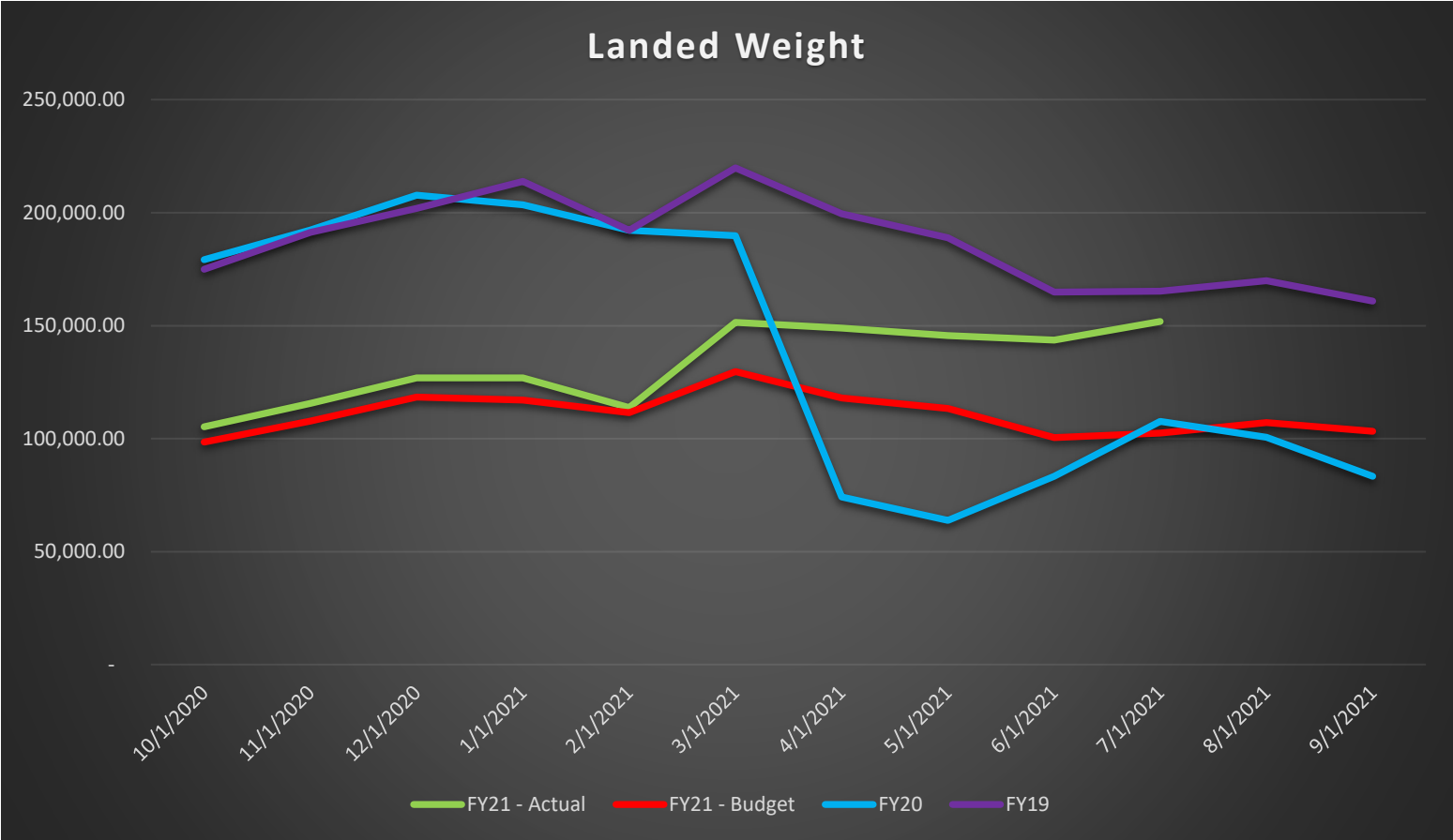


## **Financial Update**

Finance and Risk Management Council

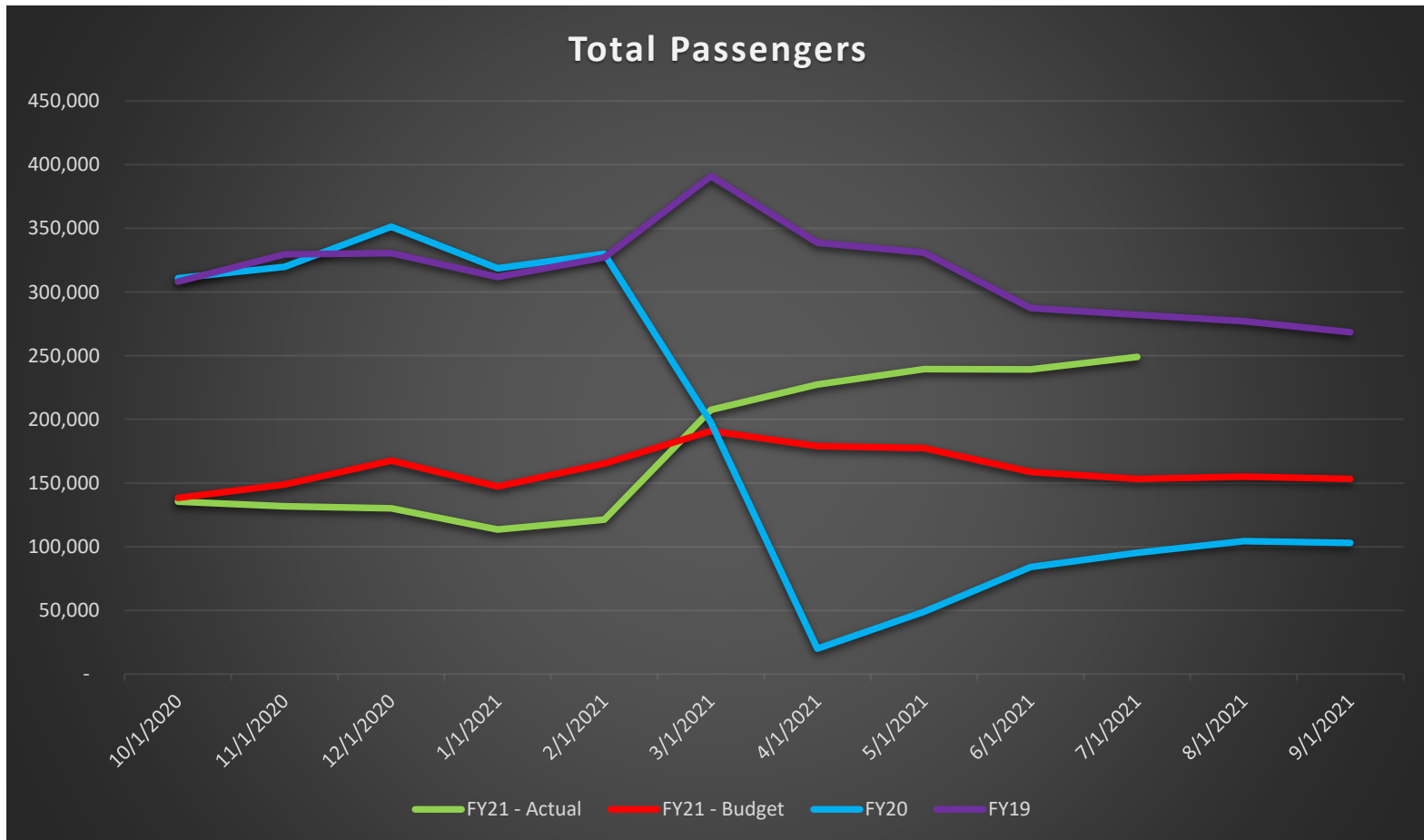
August 24, 2021

# 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
Total	\$ 3,371,055	\$ 2,611,516	\$ 2,524,026	\$ 3,790,389

# 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?



**Date:** August 9, 2022

**To:** Finance and Risk Management Council

**From:** Twyla Salaiz, Vice President/Chief People Officer  
Kirk Eickhoff, Vice President/Chief Financial Officer

**Re:** Employee Group Insurance Renewals – October 1, 2022 to September 30, 2023

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**Background:**

The Tucson Airport Authority (TAA) provides a comprehensive benefits program for its employees designed to be competitive with other local employers 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:**

TAA's overall approach to control health insurance costs was to:

- Offer a choice of health insurance plan designs at varying costs to the employee to encourage our employees to be active and informed consumers of health care products and services
- Implement wellness initiatives to assist employees with a healthy lifestyle and well-being
- Utilize our broker's expertise to explore alternative options available in the marketplace

TAA currently offers employees a choice of three medical plans. The plans include a Cigna Preferred Provider Organization (PPO) plan with a lower deductible, coinsurance and copays, and two high deductible health plans (HDHP) with a health savings account (HSA) option. Coverage summaries of these existing plans are shown in Exhibit A. Because of the higher deductible, HDHPs promote more responsible consumer behavior, which is needed to control overall claims (and therefore cost). To encourage our employees to select HDHPs, TAA contributes different amounts to the three plan's premium amounts, generally favoring HDHPs and discouraging the PPO. Aligned with this approach, TAA also contributes to the employee health savings accounts (\$600 per year for a single plan, \$1,200 per year for employee plus dependent coverage) for those participating in the HDHPs. With the above plan options, TAA's estimated portion of the premium cost (including employer HSA contributions) is approximately \$2.7M for FY 2023.

Cigna has partnered on wellness initiatives, including direct cash subsidies to TAA for wellness incentives, educational programs for employees, free employee health risk assessments and on-site employee biometric screenings. Employee participation in such activities can earn TAA up to a 3% reduction in renewal premiums.

For the 2021/2022 plan year, our loss ratio, which heavily influences the premium calculation, was 107%. This means that claims paid by Cigna were higher than the total premiums collected. Within our PPO plan, the loss ratio was 156%. Currently, half of our employees participate in the PPO plan. Our HDHPs realized a loss ratio of less than 57%. With an overall loss ratio above 100%, L&T anticipated a substantial premium increase from Cigna. The initial renewal quote for continuing the historical plan designs was 23% higher than the prior year and significantly above the national average medical insurance cost increase trend of 3.5%. TAA elected to have L&T obtain competitive quotes to attempt a lower rate. While providers came in close to Cigna, none offered a rate increase cap that we have from Cigna. Due to the contractual cap and pressure from competition, Cigna's final renewal quote on the same plan designs was limited to a 15% increase. To further control costs and influence selection behavior, TAA and Cigna modified the existing plans. The most significant change is the increase of the annual PPO deductible from \$500 to \$2,000. By doing this, the increase was limited to 9.7%.

Because the annual deductible for the PPO plan is increasing from \$500 to \$2,000, TAA elected to not increase the employee portion of premium cost. However, there will be increases in employee contributions for both HDHPs. For employees enrolled in the 1500 HDHP, contributions will increase 25% (an additional \$8 - \$24 per pay period, depending on coverage). The 3000 HDHP is currently offered at no cost to employees, however, we believe that it is important for all employees to bear some of the cost associated with medical coverage, so the FY 2023 contributions will be set at half of the cost of the 1500 plan (\$20 - \$61 per pay period).

See *Exhibit A* for proposed coverage and premium details.

**Dental Insurance:**

For our dental plan offerings, we recommend transitioning from CignaDental to Delta Dental. Delta offers a wider network and a less complicated claims process. We will continue to offer HMO and PPO options. In addition, Delta Dental will cost 6% less than our current provider and provide a 2-year rate guarantee.

See *Exhibit B* for proposed coverage and premium details.

**Basic Life Insurance/AD&PL/Voluntary Life:**

TAA currently pays 100% of the premium for employee life insurance in the amount of 1-1/2 times annual wages up to \$150,000. TAA's 2-year rate guarantee ended with the 2021/2022 plan year. However, The Hartford offered renewal with the same rates and an additional 2-year rate guarantee.

**Short-Term Disability/Long-Term Disability:**

TAA currently pays 100% of the premium for short-term disability (STD) and long-term disability (LTD) insurance plans with Hartford. This coverage will pay a portion of an employee's salary in the event of a non-occupational disability. TAA's 2-year rate guarantee ended with the

2021/2022 plan year and The Hartford increased our rates significantly due to high claims from public safety employees. Due to the difficulty of obtaining STD/LTD providers willing to cover Police and Fire organizations, we recommend continuing with The Hartford and have a new 2-year rate guarantee until October 1, 2024.

See *Exhibit C* for proposed coverage and premium details.

**Vision Insurance:**

TAA currently offers vision coverage to TAA employees through EyeMed. TAA pays \$2.00 per employee per month, with the employee paying the remaining premium cost. 80% of TAA's employees electing this coverage. We are in our third year of a 4-year rate guarantee, and recommend continuing coverage with EyeMed.

See *Exhibit D* for proposed coverage and premium details.

**Employee Assistance Program:**

TAA currently pays 100% of the cost of an Employee Assistance Program with Cigna for employees and their family members. Cigna quoted renewal of the same plan with no cost increase. We recommend continuing EAP coverage with Cigna.

See *Exhibit E* for proposed coverage and premium details along with other additional products offered to TAA employees.

**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 beginning October 1, 2022.

**Exhibit A**  
**Group Medical Insurance**

Carrier				Cigna Option 1a			
Benefit Feature (In Network)				HSA OAP 1500 80	Local Plus 2000	HSA OAP 3000 80	
Current Enrollment				58	88	31	
Network				Open Access	Local Plus	Open Access	
Embedded vs Non-Embedded				Embedded	Embedded	Embedded	
Deductible (Single / Family)				\$1,500 / \$3,000	\$2,000 / \$4,000	\$3,000 / \$6,000	
Coinsurance				20%	20%	20%	
OOP Maximum (Single / Family)				\$3,000 / \$6,000	\$6,000 / \$12,000	\$6,000 / \$12,000	
Office Visit Copays (PCP / Specialist)				20% after deductible	\$25 / \$50	20% after deductible	
Mental Health Copay (Outpatient)				20% after deductible	\$25 Copay	20% after deductible	
Emergency Room				20% after deductible	\$400 Copay	20% after deductible	
Urgent Care				20% after deductible	\$60 Copay	20% after deductible	
Diagnostic Lab & X-Ray				20% after deductible	0% after deductible	20% after deductible	
Advanced Imaging - MRI, CT, PET				20% after deductible	\$400 Copay	20% after deductible	
Rx Deductible				Integrated w/ Medical	None	Integrated w/ Medical	
Retail Rx				\$10 / \$35 / \$70 after deductible	\$15 / \$40 / \$60	\$10 / \$35 / \$70 after deductible	
Specialty Rx Copay				\$70 after deductible	\$80	\$70 after deductible	
Rx Mail Order Copay				2.5x Retail Copay after deductible	2.5x Retail Copay	2.5x Retail Copay after deductible	
<b>Monthly Gross Rates</b>				<b>Proposed</b>	<b>Proposed</b>	<b>Proposed</b>	
Employee	24	39	5	\$663.37	\$626.89	\$569.78	
Employee + Spouse	12	13	9	\$1,393.06	\$1,316.43	\$1,196.52	
Employee + Child(ren)	9	14	4	\$1,260.39	\$1,191.06	\$1,082.57	
Family	13	22	13	\$1,990.09	\$1,880.63	\$1,709.33	
Monthly Premium				\$69,852	\$99,611	\$40,169	
Annual Premium				\$838,227	\$1,195,332	\$482,031	
Annual Premium					\$2,515,590		
Total Change (%)					9.7%		
Total Change (\$)					\$222,289		

## Exhibit B Group Dental

Carrier		Delta Dental	
Benefit Features (In Network)		DHMO	PPO \$1,500 100/60/50
Current Enrollment:		23	169
Contribution Structure:		Contributory	Contributory
Passive vs Incentive:		N/A	Incentive
Office Visit Copay:		See Schedule	None
Deductible (Single / Family):		See Schedule	\$50 / \$150
Plan Maximum:		See Schedule	\$1,500
Diagnostic & Preventive Care:		See Schedule	0% no deductible
Basic Care:		See Schedule	0% after deductible
Major Care:		See Schedule	40% after deductible
Endodontics:		See Schedule	Basic
Periodontics:		See Schedule	Basic
Implants:		See Schedule	Major
DHMO Specialists:		See Schedule	N/A
Orthodontics:		See Schedule	50% up to \$1,000 (Child up to 19 years)
OON Reimbursement:		None	MAC
Rate Guarantee:		24 Months (10/01/2022-9/30/2024)	24 Months (10/01/2022-9/30/2024)
Monthly Gross Rates		Proposed	
	Lives		
Employee:	11 / 59	\$14.52	\$33.20
Employee + Spouse:	3 / 38	\$28.12	\$66.40
Employee + Child(ren):	2 / 21	\$28.70	\$79.05
Family:	7 / 51	\$42.95	\$110.41
Monthly Premium:		\$602	\$11,773
Annual Premium:		\$7,226	\$141,276
		Qualify for a one-time implementation credit of \$50 per subscriber based on group size	
Annual Premium:			\$148,501
Total Change (%)			-6%
Total Change (\$)			-\$8,905

**Exhibit C**  
**Group Vision**

Carrier & Policy #		Current/Renewal - EyeMed (Policy #: 9854951)
<b>Benefit Features</b> (In Network)		\$120 12/12/12
Current Enrollment		173
Contribution Structure		Contributory
Eye Exam Copay		\$0
Standard Lenses Copay		\$10
Frames Allowance		\$120 Allowance, then 20% discount
Contact Lenses Allowance		\$120 Allowance, then 15% discount
Frequency (Exams/Lenses or Contacts/Frames)		12 / 12 / 12
Rate Guarantee		4 years (10/01/2020 - 09/30/2024)
Monthly Gross Rates		Rate Guarantee
Employee	65	\$6.91
Employee + Spouse	35	\$13.13
Employee + Child(ren)	25	\$13.83
Family	48	\$20.32
Monthly Premium		<b>\$2,230</b>
Annual Premium		<b>\$26,758</b>

**Exhibit D**  
**Disability, STD and LTD**

**STD**

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)	
Benefit Feature			
Eligibility		Class 1 - All Active Full-Time Employees working at least 30 hours per week excluding Fire and Police Class 2 - All Active Full-Time Fire and Police Employees working at least 30 hours per week	
% of Income Replacement		66.67% of Weekly Earnings	
Weekly Benefit Maximum		\$3,000	
Elimination Period		29 Days / 29 days	
Benefit Duration		Class 1 - 22 Weeks / Class 2 - 9 weeks	
Definition of Disability		Unable to perform own occupation and have a 20% or more earnings loss	
Pre-Existing Conditions		None	
W-2, FICA Match		Not Included	
EAP		Included with Life	
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)	
Rates per \$10		Current	Renewal
C1 per \$10	\$146,803	\$0.180	\$0.282
C2 per \$10	\$33,158	\$0.120	\$0.188
Annual Premium		\$36,484	\$57,159
Total Change (%)		-	57%
Total Change (\$)		-	\$20,674

**LTD**

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)	
Benefit Feature			
Eligibility		All Active Full-Time Fire and Police Employees working at least 30 hours	
% of Income Replacement		66.67%	
Monthly Benefit Maximum		\$6,600	
Elimination Period		90 Days	
Benefit Duration		SSNRA	
Definition of Disability		Inability to perform own occupation and have a 20% or more earnings loss (80% earnings test) for the first 24 months. Thereafter the inability to perform any occupation and have a 40% or more earnings loss (60% earnings test).	
Own Occ		24 Months	
Exclusions / Limitations		24 Months MNDA / None for Self Reported	
Pre-Existing Conditions		3/12	
W-2, FICA Match		Included	
EAP		Included	
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)	
Rates per \$100		Current	Renewal
Volume	\$215,528	\$0.610	\$0.715
Annual Premium		\$15,777	\$18,492
Total Change (%)		-	17%
Total Change (\$)		-	\$2,716

## Exhibit E Life, AD&D Plans

### Basic Life and AD&D

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)
Benefit Feature		
Eligibility		All Active Full-Time Employees working at least 30 hours
Employee Benefit		1.5X Basic Earnings to Maximum of \$150K
Spouse Benefit		\$1,000
Child(ren) Benefit		\$1,000 (ages 14 days - 26)
Accelerated Death Benefit		80% of Life Amount
Reduction Schedule		65% at age 65; 50% at age 70
Portability		Included
Travel Assistance		Included
EAP		Included
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)
Rates per \$1,000		Rate Pass
Life	\$19,349,000	\$0.130
AD&D		\$0.020
Dependent Life		\$0.220
Annual Premium		\$35,417

### Voluntary Life and AD&D

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)
Benefit Feature		
Eligibility		All Active Full-Time Employees working at least 30
Employee Benefit		\$10,000 Increments up to \$300,000
Spouse Benefit		\$10,000 Increments up to \$150,000
Child(ren) Benefit		\$10,000 age 14 days to 26 years
Reduction Schedule		65% at age 65; 50% at age 70
Guarantee Issue		Employee: \$150,000; Spouse: \$30,000; Child(ren): \$10,000
Portability		Included
Travel Assistance		Included
EAP		Included
Evidence of Insurability		Any purchase / increase after 31 days is subject to Evidence of Insurability
Participation Requirement		20%
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)
Rates per \$1,000		Rate Pass
Ages <20		\$0.052
Ages 20-24		\$0.052
Ages 25-29		\$0.052
Ages 30-34		\$0.061
Ages 35-39		\$0.088
Ages 40-44		\$0.160
Ages 45-49		\$0.268
Ages 50-54		\$0.412
Ages 55-59		\$0.637
Ages 60-64		\$1.092
Ages 65-69		\$2.032
Ages 70-74		\$2.968
Ages 75+		\$4.939
Employee AD&D		\$0.020
Spouse AD&D		\$0.020
Child(ren) Life		\$0.085
Child(ren) AD&D		\$0.030



**Exhibit F**  
**Additional Offerings**

Additional Product Offerings	Carrier / Vendor & Policy #	Lives	PEPM	Current	Renewal	Change		Rate Guarantee	
				Annual Premium	Annual Premium	Total Change (%)	Total Change (\$)		
Worksite (Accident, Hospital, Cancer, & Specified Event)	AFLAC (Policy #: DVU64) - Tiered Rates	26	N/A	\$18,062	N/A	\$18,062	0%	\$0	10/01/2021-09/30/2023
COBRA	BASIC (Policy #: 129609) Term BASIC and implement WEX	181	\$0.75	\$1,629	\$0.68	\$1,477	-9%	-\$152	10/01/2021-09/30/2027
FSA	BASIC (Policy #: 129609) Term BASIC and implement WEX	39	\$4.00	\$1,872	\$4.05	\$1,895	1%	\$23	10/01/2021-09/30/2027
HSA	HSA Bank	89	\$1.75	\$1,869	\$1.75	\$1,869	0%	\$0	10/01/2021-09/30/2023
EAP	Cigna/Evernorth (Policy #: 3699)	213	\$1.94	\$4,959	\$1.94	\$4,959	0%	\$0	10/01/2021-09/30/2023
ID Theft	InfoArmor/Allstate Family - \$17.95 Individual \$9.95	22	N/A	\$3,971	N/A	\$3,971	0%	\$0	10/01/2021-09/30/2023

**Date:** August 9, 2022

**To:** Finance and Risk Management Council

**From:** Twyla Salaiz, Vice President/Chief People Officer  
Kirk Eickhoff, Vice President/Chief Financial Officer

**Re:** Workers' Compensation Renewal – September 1, 2022 to August 31, 2023

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**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. Two years ago, TAA's longtime incumbent carrier, CopperPoint, announced it was cancelling all Arizona workers' compensation policies for employers with firefighters in their workforce. This was due to a law enacted in Arizona that requires workers' compensation policies to cover all cancer claims filed by firefighters regardless of cause. At the time, TAA was fortunate to contract with 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.

Based on our good relationship with AmTrust over the last two years, we chose not to seek quotes from alternative providers. The 2022/2023 quote from AmTrust yielded an estimated premium of \$156,420 which is an increase of \$3,571 or 2.3% from the current year's estimated premium of \$152,849.

AmTrust specializes in small business workers' compensation insurance and is rated "A-" by insurance rating agency A.M. Best. Generally, Crest's clients have reported positive experiences with AmTrust's handling of claims. TAA has had no reportable issues with claims handling while under contract with AmTrust.

**Recommendation:**

Based on an evaluation of available options, historical context, and the recommendation of Crest Insurance Group, TAA management requests that 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, 2022.

**Date:** August 9, 2022

**To:** Finance and Risk Management Council

**From:** Kirk Eickhoff, Vice President/Chief Financial Officer

**Re:** Commercial Lines Insurance Renewals – August 15, 2022 to August 14, 2023

**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	Travelers
Airport Liability	Preferred Aviators – AIG
Commercial Auto	Preferred Aviators – AIG
Inland Marine	Preferred Aviators – AIG
Management Liability (Directors & Officers)	RSUI
Crime and Special Risk	Chubb
Cyber Security	Obsidian (Cowbell)
Law Enforcement Liability	QBE
Deadly Weapon Response Program	Lloyd’s of London

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, 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.

The recommended renewal quotes reflect a total increase of 17.1% compared to the expiring premiums.

**Summary of Specific Coverage Recommendations:**

**Property** – Travelers quoted a renewal premium of \$240,000, an increase of 19.4% (\$39,022). This quote contemplates a 10% change in total insured values due to the high inflation costs. To control costs, TAA considered increasing the deductible from \$50,000 (expiring) to \$100,000. However, the premium savings would only be \$10,500. This small savings does not appear to be a fair trade-off of additional \$50,000 in out-of-pocket expense to TAA in the event of a claim. TAA management recommends renewing this coverage with Travelers at an annual premium of \$240,000 and the \$50,000 deductible.

**Airport Liability** – AIG quoted a renewal premium of \$115,255, an increase of 28.1% (\$25,285). The premium rise is largely attributable to the exposure increase, attributable to the expected increase in passenger enplanements. TAA management recommends renewal of its airport liability policy with AIG.

**Commercial Auto** – Preferred Aviators proposed a renewal premium of \$147,347, an increase of 12.22% (\$16,049) from the expiring premium. TAA management recommends renewal of its Commercial Auto policy with Preferred Aviators.

**Inland Marine** – Preferred Aviators proposed a premium of \$12,876, an increase of 13% (\$1,511). TAA management recommends renewing this coverage with Preferred Aviators.

**Management Liability (Directors and Officers)** – RSUI Indemnity Co. proposed a renewal of \$59,910, an increase of 10% (\$5,480). With significantly escalated claims activity in this risk market (discrimination, harassment, etc.), this increase is viewed favorably relative to overall rate increases. 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). TAA management recommends renewal of this policy with Chubb Group.

**Cyber Liability** – Cowbell proposed a renewal premium of \$15,176, an increase of 14% (\$1,903). The cyber insurance market continues to experience significant increases with some insureds, especially in the public entity sector, seeing 80%+ premium increases. The TAA IT team has been proactive in strengthening cyber security, and those efforts are documented and shared with the carrier, helping to increase TAA's cyber security and therefore reducing risk, when helps to control costs for this coverage. TAA recommends renewing this coverage with Cowbell.

**Law Enforcement Liability** – QBE quoted a renewal premium of \$25,063 which is 14.0% (\$3,098) higher than the expiring coverage. TAA management recommends renewing this coverage with QBE.

**Deadly Weapon Response Program** – The TAA Board chose to add participation in this program in 2021. This product provides third party bodily injury liability, first party property damage, business interruption and 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 \$5,875 which reflects a 6% (\$347) increase.

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, 2022.

## TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

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### STATE OF THE INSURANCE MARKET

In recent years, the commercial property insurance market has continually hardened, resulting in a range of coverage and underwriting challenges, and continued upward pressure on pricing. Several factors have contributed to the current state of the property market. Namely, a rise in the frequency and severity of natural disasters has subsequently caused a surge in commercial property claims and related costs. Extreme weather events (e.g., hurricanes, tornadoes, winter storms and wildfires) have become increasingly catastrophic over the years, leaving behind significant damages the last five years (between 2017 and 2021).

The scrutiny on total insurable values is also rising. The increases in labor and material costs directly affect the property market. The pressure to capture accurate values remains high, there is an increased focus on underwriting. Such challenges highlight how critical it is for underwriters to adapt to current market trends and update their evaluation strategies in this evolving risk landscape.

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 continue to cause carriers to be risk adverse, offering up restricted capacity at increased pricing. The cyber market in general, and especially so for public entities, is still an extremely unstable coverage line with many insurers exiting the market due to catastrophic ransomware attacks. Ransomware is one of the most pressing issues for cyber insurers today. The continuous and ongoing hardening of the Cyber market is addressed with a hardening view on pricing, capacity and terms.

Below provides an executive summary of Tucson Airport Authority's (TAA) 2022-2023 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:

- Alliant marketed the account to all airport property insurance carriers for the 2021-2022 renewal. Property coverage was bound with Travelers for the 2021-2022 term (moved from Affiliated FM).

## TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

- As discussed with TAA staff during our renewal strategy meeting, it was agreed Alliant would focus on seeking favorable renewal pricing, terms and conditions from Travelers.
- Travelers quoted a renewal premium of \$240,000, an increase of 19% (\$39,022). This quote contemplates the 10% change in total insured values due to the high inflation costs, the 10% trending of values is in line with market.
- Travelers provided an option to increase the deductible from \$50,000 (expiring) to \$100,000; the premium savings would be \$10,500. This does not appear to be a fair trade-off of additional \$50,000 in potential out-of-pocket expense to TAA in the event of a claim.

Program Highlights	Travelers 2021-2022 Expiring	Travelers 2022-2023 Renewal
Policy Limit	\$261,880,866	\$286,853,664
All-Risk Deductible	\$50,000	\$50,000
Total Insured Values	\$261,880,866	\$261,880,866
TIV Increase	16%	16%
Business Income	\$7,350,000	\$7,350,000
Extra Expense	\$5,000,000	\$5,000,000
Earthquake	\$25,000,000 Aggregate	\$25,000,000 Aggregate
Flood All-Other	\$25,000,000 Aggregate	\$25,000,000 Aggregate
Flood Zone A&V	\$5,000,000 Aggregate	\$5,000,000 Aggregate
Boiler & Machinery	\$100,000,000	\$100,000,000
All-Risk Deductible	\$50,000	\$50,000
Wind/Hail Deductible	\$50,000	\$50,000
Earthquake Deductible	\$100,000	\$100,000
Flood All-Other Deductible	\$100,000	\$100,000
Flood Zone A&V Deductible	\$500,000	\$500,000
Annual Premium incl. SLT&F if applicable	\$200,978	\$240,000
Total Rate / \$100 TIV	\$0.0767	\$0.0836
Rate Change vs. Expiring	-	9.00%

**Alliant recommendation:** recommends renewing the property renewal coverage with Travelers at an annual premium of \$240,000 with the expiring \$50,000 deductible.

Appendix A  
**TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal**

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**2. AIRPORT LIABILITY**

The Airport Liability market is trending towards a hardening cycle. Contributing factors include: social inflation, reduced capacity in the marketplace and the limited availability of qualified airport liability insurance carriers.

**Marketing Efforts:**

- Alliant conducted a thorough marketing effort when we became TAA’s broker in 2021. The airport liability coverage was bound with AIG for the 2021-2022 term (moved from Global Aerospace). AIG is the preeminent airport insurer and in renewal strategy discussions, TAA agreed with the approach to continue developing the relationship with AIG. Despite the increase in passengers (exposure) and overall market conditions, AIG was able to hold the premium increase to just 9% for the 2022-2023 renewal, which is very much in line with what we are seeing in the airport liability insurance market for renewals.

Program Highlights	AIG 2021-2022 Expiring	AIG 2022-2023 Renewal
Each Occurrence Limit	200,000,000	200,000,000
Products& Completed Ops.	200,000,000	200,000,000
Hangar Keepers Liability	200,000,000	200,000,000
Premises Rented	1,000,000	1,000,000
Med Pay	50,000	50,000
Personal Injury	25,000,000	25,000,000
Deductible	Nil	Nil
Excess Auto Liability	25,000,000	25,000,000
Excess Employers Liability	25,000,000	25,000,000
Excess Police Professional Liability	25,000,000	25,000,000
Total Cost	\$89,970	97,945

**Alliant Recommendation:** Alliant recommends renewing the airport liability with AIG. AIG is reputable insurance carrier in the aviation insurance marketplace and has the specialization to partner with TAA.



## TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 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 for the 2021-2022 renewal. The commercial auto liability coverage was bound with Preferred Aviators for the 2021-2022 term (moved from Philadelphia).
- Preferred Aviators 2022-2023 quoted premium is still less than the next best competing quote in 2021-2022 at \$178,571.
- The one caveat with Preferred Aviators is they require at least one other coverage to be bound with them or with AIG. TAA has achieved this by purchasing the inland marine and airport liability coverage lines from AIG.

	Preferred Aviators 2021-2022 Expiring	Preferred Aviators 2022-2023 Renewal
Covered Autos Liability:	\$1,000,000 each accident	\$1,000,000 each accident
Auto Medical Payments:	\$5,000 each insured	\$5,000 each insured
Uninsured Motorists – UM:	\$1,000,000 each accident	\$1,000,000 each accident
Underinsured Motorist – UIM:	\$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
Physical Damage: Collision Coverage:	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
Total Cost:	\$131,298	\$147,347

**Alliant Recommendation:** Alliant recommends binding the auto liability with Preferred Aviators due to the significant reduction in cost received in 2021-2022 and them being a stable carrier for the aviation industry.

Appendix A  
**TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal**

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**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 all key markets that are currently writing inland marine for the 2021-2022 renewal. The inland marine coverage was bound with Preferred Aviators for the 2021-2022 term (moved from Travelers).
- Preferred Aviators renewal quote represents a 13% year-over-year premium increase but includes the 3% exposure increase as well.
- Preferred Aviators 2022-2023 premium is still less than the next best competing quote in 2021-2022 at \$14,705.

	Preferred Aviators 2021-2022 Expiring	Preferred Aviators 2022-2023 Renewal
Contractors Equipment – Leased or rented from others	\$500,000	\$500,000
Contractors Equipment – Scheduled Equipment	\$5,947,561	\$6,137,061
TRIA	Included	Included
Total Cost:	\$11,365	\$12,876

**Alliant Recommendation:** Alliant recommends binding the inland marine with Preferred Aviators due to the reduction in cost received in 2021-2022 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.

## TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 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, wrongful termination, improper conduct and other risks faced while managing the organization.

#### **Marketing efforts:**

- Alliant approached key markets that are currently writing management liability for the 2021-2022 renewal. The coverage was renewed with incumbent carrier, RSUI, for the 2021-2022 term as they were most competitive on cost and coverage.
- As discussed with TAA staff during our renewal strategy meeting, it was agreed Alliant would focus on seeking favorable renewal pricing, terms and conditions from Travelers.
- The 10% premium increase is a very good renewal result in this market for D&O coverage. This coverage includes claims for employment practices (discrimination, harassment, etc.) which is seeing large uptick in claim values nationwide, and market premium increases between 10%-30% and higher depending on claim activity.

	RSUI 2021-2022 Expiring	RSUI 2022-2023 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	\$54,430	\$59,910

**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.

Appendix A  
**TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal**

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**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 marketed to all key markets writing crime for the 2021-2022 renewal. The crime coverage was renewed with incumbent, Chubb, for the 2021-2022 term.
- We received a renewal quote from the incumbent Chubb at flat premium (same as expiring).

	<b>Chubb 2021-2022 Expiring</b>	<b>Chubb 2022-2023 Renewal</b>
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
<b>Total Cost:</b>	<b>\$13,219</b>	<b>\$13,219</b>

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

## TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 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 organizations.

#### **Marketing efforts:**

- Alliant conducted extensive marketing last year when incumbent Beazley quoted over \$100,000 and Cowbell offered the only alternative
- Incumbent Cowbell offered an extremely favorable quote with the same terms and conditions as expiring.

	Obsidian (Cowbell) 2021-2022 Expiring	Obsidian (Cowbell) 2022-2023 Renewal
Liability Costs	\$1,000,000	\$1,000,000
Payment Card Industry (PCI) Costs	\$1,000,000	\$1,000,000
Regulatory Costs	\$1,000,000	\$1,000,000
Cowbell Breach Fund	\$1,000,000	\$1,000,000
Data Restoration Costs	\$1,000,000	\$1,000,000
Extortion Costs	\$1,000,000	\$1,000,000
Business Impersonation Costs	\$1,000,000	\$1,000,000
Business Interruption Loss	\$1,000,000	\$1,000,000
Contingent Business Interruption Loss	\$1,000,000	\$1,000,000
System Failure and Contingent System Failure	\$1,000,000	\$1,000,000
Cyber Crime Loss	\$250,000	\$250,000
Bricking Costs	\$1,000,000	\$1,000,000
Criminal Reward Costs	\$100,000	\$100,000
Deductible	\$25,000	\$25,000
Premium	\$13,273	\$15,177

**Alliant Recommendation:** Alliant recommends renewing the cyber coverage with Cowbell.

## TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 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). The current insurance market conditions for this coverage can be very difficult as a result of the rise in scrutiny, allegations, and investigations against law enforcement officials. Pricing continues to rise and there are only a handful of insurance carriers willing to offer coverage

#### Marketing Efforts:

- Alliant marketed the account to all law enforcement liability insurance carriers for the 2021-2022 renewal. Coverage was bound with QBE for the 2021-2022 term (moved from AXA).
- As discussed with TAA staff during our renewal strategy meeting, it was agreed Alliant would focus on seeking favorable renewal pricing, terms and conditions from QBE.
- We received a very favorable quote from QBE

	QBE 2021-2022 Expiring	QBE 2022-2023 Renewal
Each Law Enforcement Occurrence	\$1,000,000	\$1,000,000
Police Aggregate Limit of Liability	\$2,000,000	\$2,000,000
Retention	\$25,000	\$25,000
Total Cost Incl. Taxes & Stamping Fee	\$21,965	\$25,063

**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.

## TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 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. This was a new line of coverage for TAA in 2021-2022; which was bound last year.

	Lloyd's of London 2021-2022 Expiring	Lloyd's of London 2022-2023 Renewal
Each Occurrence Limit	\$500,000	\$500,000
Annual Aggregate Limit	\$500,000	\$500,000
Crisis Management Services Sublimit	\$250,000	\$250,000
Counseling Services Sublimit	\$250,000	\$250,000
Business Interruption Sublimit	\$250,000	\$250,000
Funeral Expenses Sublimit	\$250,000	\$250,000
Deductible Each Event	\$10,000	\$10,000
Total cost incl. Taxes and Stamping Fee	\$5,528	\$5,875

**Alliant Recommendation:** Alliant recommends binding the ADWRP coverage with Lloyd's of London again due to the prevalence of attacks with deadly weapons. This program can provide meaningful financial protection and services for minimal cost. Note: this coverage is in a program which has a policy period of July 1 to July 1 and has already been renewed as of July 1, 2022.



As of: 7/28/22

# Appendix A



## 2021-22 Expiring Insurance Program and Quoted / Not To Exceed Premium for 2022-23 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	Travelers	\$ 200,978	\$ 261,880,866	\$ 50,000	240,000	\$286,853,664	\$50,000	10%	19.42%	X	Removed 1% deductible for wind/hail damage Business Interruption coverage of \$12M requires updated worksheet completed; If TAA believes there could be a loss > \$100K, we recommend the expiring deductible amount of \$50K
Option:	Travelers	\$ -	\$ -	\$ -	229,500	\$286,853,664	\$100,000	10%	14.19%		Premium savings = \$10,500 to increase deductible from \$50K to \$100K;
2 Airport Liability	AIG	\$ 89,970	\$ 200,000,000	\$ -	\$ 115,255	\$ 200,000,000	\$ -	29%	28.10%	X	Exposure change is # of enplanements; Preferred Aviators require the binding of at least one other line of coverage. i.e. Airport Liability and/or Inland Marine
3 Commercial Auto	Preferred Aviators-AIG	\$ 131,298	\$ 1,000,000	\$ 1,000	\$ 147,347	\$1,000,000	\$1,000	0%	12.22%	X	Satisfies requirement for bundling multiple lines of coverage with Preferred Aviators, offers competitive coverage and reduced cost
4 Inland Marine	Preferred Aviators-AIG	\$ 11,365	\$ 5,947,561	\$ 2,500	\$ 12,876	\$6,137,061	\$2,500	3%	13.30%		10% increase is a good result in this market for D&O coverage as this also includes claims for employment practices (discrimination, harrassment etc.) which is seeing large uptick in claim values nationwide)
5 Management Liability (Directors & Officers)	RSUI	\$ 54,430	\$ 5,000,000	\$ 50,000	\$ 59,910	\$5,000,000	\$50,000	NIL	10.07%	X	
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
7 Cyber Security	Obsidian (Cowbell)	\$ 13,273	\$ 1,000,000	\$ 25,000	\$ 15,176	\$1,000,000	\$25,000	NIL	14.34%		Cyber market continues experiencing unparalleled pricing increases and fewer insurance carriers. Coverage was moved to Cowbell in 2021 and they are a great partner to continue providing this cover at a reasonable increase.
8 Law Enforcement Liability	QBE	\$ 21,965	\$ 1,000,000	\$ 25,000	\$ 25,063	\$1,000,000	\$25,000	NIL	14.10%		Coverage was moved to QBE in 2021 and they continue to be a great partner
9 Deadly Weapon Response	Lloyd's of London	\$ 5,528	\$ 500,000	\$ 10,000	\$ 5,875	\$500,000	\$10,000	NIL	6.28%		This was new coverage for TAA in 2021; renewal date is 7/1/22
<b>TOTALS (Expiring)</b>		<b>\$ 542,026</b>									
<b>TOTALS (Recommended Renewal)</b>					<b>\$ 634,721</b>				<b>17.10%</b>		Not including the cyber, the renewal premium is 2% over expiring



**Date:** August 9, 2022

**To:** Finance and Risk Management Council

**From:** Kirk Eickhoff, Vice President/Chief Financial Officer

**Re:** **Investment Review for Quarter Ended June 30, 2022**

The following information provided for your review covers the quarter ending June, 30, 2022. The investment advisor for Tucson Airport Authority (TAA), Meeder Investment Management (Meeder), provided the reports TAA will use for this analysis.

- Investments by Fund (Exhibit A) (03/30/2022)
- Investments by Fund (Exhibit B) (06/30/2022)
- Yield curve graph with narrative (Exhibit C) (03/30/2022)
- Yield curve graph with narrative (Exhibit D) (06/30/2022)

The average yield of the non-cash portion of the Authority’s investment portfolio was unchanged this quarter, remaining at 0.32%. The securities held in the portfolio were also unchanged, as there were no maturities or calls during the reporting period. TAA’s cash balance decreased due to a \$5.0M cash transfer in April to pay contractors for work on the Airfield Safety Enhancement Project (ASE). Such transfers are likely to continue through the life the ASE project.

	Par Value (Jun)	Average YTM (Jun)
U.S. Agency Call Note	\$76,070,000	0.36%
U.S. Agency Note	27,500,000	0.25%
Treasury Bill	0	0
Treasury Notes	38,000,000	0.28%
<b>Total Investment</b>	<b>\$141,570,000</b>	<b>0.32%</b>

	Par Value (Mar)	Average YTM (Mar)
U.S. Agency Call Note	\$76,070,000	0.36%
U.S. Agency Note	27,500,000	0.25%
Treasury Bill	0	0
Treasury Notes	38,000,000	0.28%
<b>Total Investment</b>	<b>\$141,570,000</b>	<b>0.32%</b>

Cash	\$5,551,482	
------	-------------	--

Cash	\$10,430,395	
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According to the advance estimate published by the Bureau of Economic Analysis, real gross domestic product (GDP) decreased 0.9% in the second calendar quarter of 2022. This follows a 1.6% decline recorded in the prior quarter. Yet, despite the recessionary indicators, the US labor market remained tight, with the Bureau of Labor Statistics reporting a nearly historical low unemployment rate of 3.6%. If real GDP continues to decline, it is likely that the labor markets will loosen as companies work to right-size their workforces.

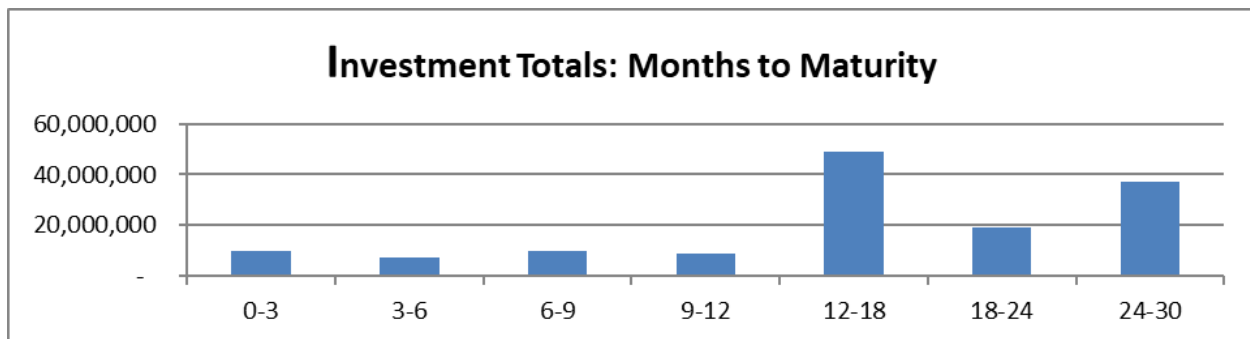
Inflation is a key concern for both consumers and monetary policy makers. Consumers and corporations are still holding cash from COVID-19 stimulus programs, facilitating strong demand for goods and services. However, the supply chain disruptions largely caused by COVID-19 have

not yet resolved. This has created a supply-side inflationary market. To combat inflation, the Federal Reserve raised their target rate by 50 basis points (bps) in May, after a 25bps increase in March. The FOMC acted again in June, by adding another 0.75bps to the Fed Funds rate, setting the target at 1.75%. (Note: At the time of writing this memo, the Fed acted again, raising rates another 0.75%, escalating the target to 2.5% in late July.)

The yield curve is relatively flat but has not inverted. There is little to no increase in yields from the two to ten-year marks. For the TAA, this means that calls on agency bonds with lower states rates are highly unlikely, and we will be required to hold them to maturity earning yields below the current market. However, \$36M of our investments (25% of the total portfolio) will mature in the next 12 months. As those funds are reinvested, TAA’s non-cash yield will increase.

Meeder Investment Group provides the TAA 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. To provide for the uncertain capital requirement of the ASE project, TAA is currently limiting all investment maturity periods to a maximum of 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 Meeder to ensure timely reinvestment of called and matured bond funds.



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

Please feel free to contact me via telephone at 520-573-4862 or email [keickhoff@flytucson.com](mailto:keickhoff@flytucson.com) if you have any questions.



# Exhibit A

## Tucson Airport Authority Fund GENOPER - General Operating Fund Investments by Fund March 31, 2022

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
<b>Federal Agency Coupon Securities</b>											
31422B4N7	736	Farmer Mac Note	01/07/2021	10,005,931.57	10,000,000.00	9,685,311.50	0.250	0.212	0.215	12/18/2023	626
31422XCQ3	740	Farmer Mac Note	03/23/2021	7,500,000.00	7,500,000.00	7,186,298.63	0.400	0.394	0.400	07/01/2024	822
3133EMMN9	738	FFCB Call Note	01/11/2021	7,500,000.00	7,500,000.00	7,233,178.43	0.190	0.248	0.252	01/11/2024	650
313380GJ0	730	FHLB Note	11/06/2020	10,080,131.98	10,000,000.00	10,044,525.80	2.000	0.168	0.170	09/09/2022	161
3130AKY34	739	FHLB Call Note	02/16/2021	7,500,000.00	7,500,000.00	7,166,037.30	0.250	0.246	0.250	08/16/2024	868
3130ALUG7	741	FHLB Call Note	03/30/2021	7,500,000.00	7,500,000.00	7,155,247.95	0.500	0.493	0.500	09/30/2024	913
3130AMKX9	742	FHLB Call Note	06/07/2021	4,170,000.00	4,170,000.00	3,989,072.00	0.400	0.394	0.400	06/07/2024	798
3130AMPF3	743	FHLB Call Note	06/10/2021	4,900,000.00	4,900,000.00	4,677,930.82	0.500	0.500	0.507	12/10/2024	984
3130AMRF1	744	FHLB Call Note	06/10/2021	10,000,000.00	10,000,000.00	9,551,836.70	0.520	0.512	0.520	12/10/2024	984
3134GW6E1	729	FHLMC Call Note	11/05/2020	10,000,000.00	10,000,000.00	9,707,322.30	0.320	0.322	0.326	11/02/2023	580
3134GXBC7	734	FHLMC Call Note	11/18/2020	7,000,000.00	7,000,000.00	6,950,609.75	0.180	0.177	0.180	11/18/2022	231
3134GXGS7	737	FHLMC Call Note	01/08/2021	7,500,000.00	7,500,000.00	7,180,408.05	0.430	0.398	0.403	06/18/2024	809
3135G06F5	731	FNMA Call Note	11/16/2020	9,998,750.00	10,000,000.00	9,742,946.50	0.310	0.318	0.323	11/16/2023	594
<b>Subtotal and Average</b>				<b>103,654,813.55</b>	<b>103,570,000.00</b>	<b>100,270,725.73</b>		<b>0.329</b>	<b>0.333</b>		<b>672</b>
<b>Treasury Coupon Securities</b>											
91282CBU4	745	T Note	07/15/2021	8,992,207.03	9,000,000.00	8,861,832.00	0.125	0.209	0.211	03/31/2023	364
91282CAF8	746	T Note	07/15/2021	8,983,104.21	9,000,000.00	8,767,269.00	0.125	0.258	0.262	08/15/2023	501
91282CAP6	747	T Note	08/27/2021	9,979,145.94	10,000,000.00	9,696,480.00	0.125	0.257	0.260	10/15/2023	562
912828P38	748	T Note	12/17/2021	10,115,944.17	10,000,000.00	10,018,750.00	1.750	0.352	0.357	01/31/2023	305
<b>Subtotal and Average</b>				<b>38,070,401.35</b>	<b>38,000,000.00</b>	<b>37,344,331.00</b>		<b>0.271</b>	<b>0.275</b>		<b>432</b>
<b>BNY Mellon Cash</b>											
X9USDGOLD	566	Goldman Fincl Sq Treas Oblig	08/01/2015	10,430,394.88	10,430,394.88	10,430,394.88	0.010	0.009	0.010		1
<b>Subtotal and Average</b>				<b>10,430,394.88</b>	<b>10,430,394.88</b>	<b>10,430,394.88</b>		<b>0.010</b>	<b>0.010</b>		<b>1</b>
<b>Total Investments and Average</b>				<b>152,155,609.78</b>	<b>152,000,394.88</b>	<b>148,045,451.61</b>		<b>0.292</b>	<b>0.297</b>		<b>566</b>



# Exhibit B

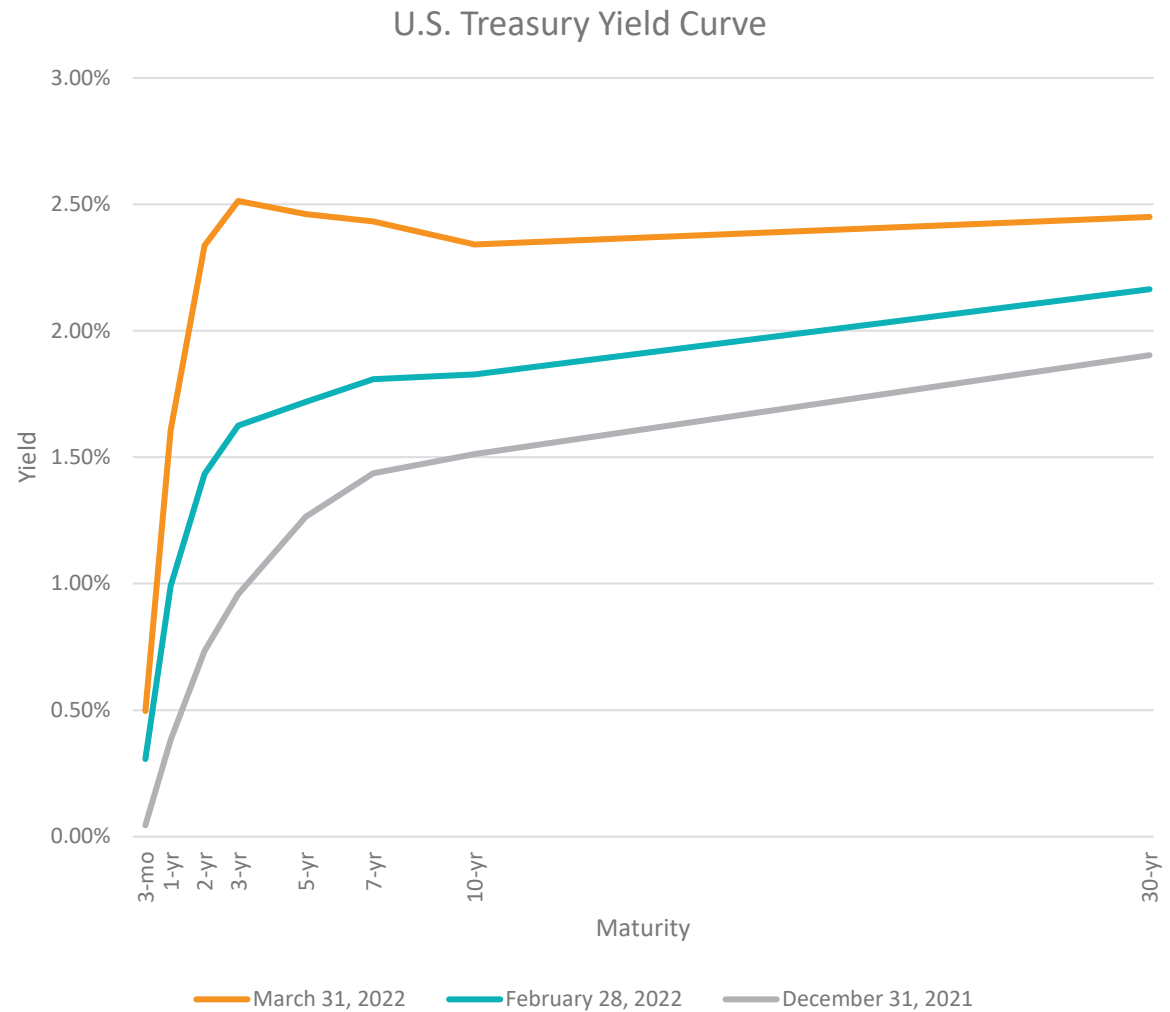
## Tucson Airport Authority Fund GENOPER - General Operating Fund Investments by Fund June 30, 2022

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
<b>Federal Agency Coupon Securities</b>											
31422B4N7	736	Farmer Mac Note	01/07/2021	10,005,066.35	10,000,000.00	9,619,309.70	0.250	0.212	0.215	12/18/2023	535
31422XCQ3	740	Farmer Mac Note	03/23/2021	7,500,000.00	7,500,000.00	7,134,236.40	0.400	0.394	0.400	07/01/2024	731
3133EMMN9	738	FFCB Call Note	01/11/2021	7,500,000.00	7,500,000.00	7,188,922.35	0.190	0.248	0.252	01/11/2024	559
313380GJ0	730	FHLB Note	11/06/2020	10,034,487.18	10,000,000.00	10,003,911.10	2.000	0.168	0.170	09/09/2022	70
3130AKY34	739	FHLB Call Note	02/16/2021	7,500,000.00	7,500,000.00	7,110,997.73	0.250	0.246	0.250	08/16/2024	777
3130ALUG7	741	FHLB Call Note	03/30/2021	7,500,000.00	7,500,000.00	7,096,355.40	0.500	0.493	0.500	09/30/2024	822
3130AMKX9	742	FHLB Call Note	06/07/2021	4,170,000.00	4,170,000.00	3,963,189.18	0.400	0.394	0.400	06/07/2024	707
3130AMPF3	743	FHLB Call Note	06/10/2021	4,900,000.00	4,900,000.00	4,634,313.67	0.500	0.500	0.507	12/10/2024	893
3130AMRF1	744	FHLB Call Note	06/10/2021	10,000,000.00	10,000,000.00	9,462,421.60	0.520	0.512	0.520	12/10/2024	893
3134GW6E1	729	FHLMC Call Note	11/05/2020	10,000,000.00	10,000,000.00	9,665,295.50	0.320	0.322	0.326	11/02/2023	489
3134GXBC7	734	FHLMC Call Note	11/18/2020	7,000,000.00	7,000,000.00	6,947,844.19	0.180	0.177	0.180	11/18/2022	140
3134GXGS7	737	FHLMC Call Note	01/08/2021	7,500,000.00	7,500,000.00	7,143,029.48	0.430	0.398	0.403	06/18/2024	718
3135G06F5	731	FNMA Call Note	11/16/2020	9,999,250.00	10,000,000.00	9,629,899.10	0.310	0.318	0.323	11/16/2023	503
<b>Subtotal and Average</b>				<b>103,608,803.53</b>	<b>103,570,000.00</b>	<b>99,599,725.40</b>		<b>0.329</b>	<b>0.333</b>		<b>581</b>
<b>Treasury Coupon Securities</b>											
91282CBU4	745	T Note	07/15/2021	8,994,155.28	9,000,000.00	8,824,572.00	0.125	0.209	0.211	03/31/2023	273
91282CAF8	746	T Note	07/15/2021	8,986,173.11	9,000,000.00	8,719,101.00	0.125	0.258	0.262	08/15/2023	410
91282CAP6	747	T Note	08/27/2021	9,982,522.67	10,000,000.00	9,646,480.00	0.125	0.257	0.260	10/15/2023	471
912828P38	748	T Note	12/17/2021	10,081,350.99	10,000,000.00	9,950,780.00	1.750	0.352	0.357	01/31/2023	214
<b>Subtotal and Average</b>				<b>38,044,202.05</b>	<b>38,000,000.00</b>	<b>37,140,933.00</b>		<b>0.271</b>	<b>0.275</b>		<b>341</b>
<b>BNY Mellon Cash</b>											
X9USDGOLD	566	Goldman Fincl Sq Treas Oblig	08/01/2015	5,551,481.71	5,551,481.71	5,551,481.71	1.140	1.124	1.140		1
<b>Subtotal and Average</b>				<b>5,551,481.71</b>	<b>5,551,481.71</b>	<b>5,551,481.71</b>		<b>1.124</b>	<b>1.140</b>		<b>1</b>
<b>Total Investments and Average</b>				<b>147,204,487.29</b>	<b>147,121,481.71</b>	<b>142,292,140.11</b>		<b>0.344</b>	<b>0.349</b>		<b>497</b>

# Fed Moves Foretell More Curve Changes

- The Federal Reserve’s increase in the overnight rate in March has finally moved the curve off zero.
- The Fed’s *hawkish* tone has the market and some Fed Governors calling for six or more hikes this year. That will bring the short end up to meet the long end.
- The market had already moved in anticipation of the Fed hike rising in the *belly of the curve*.
- As the short end rises on Fed m moves it produces a flatter curve while cross currents at the long end have brought on-and-off inversions.

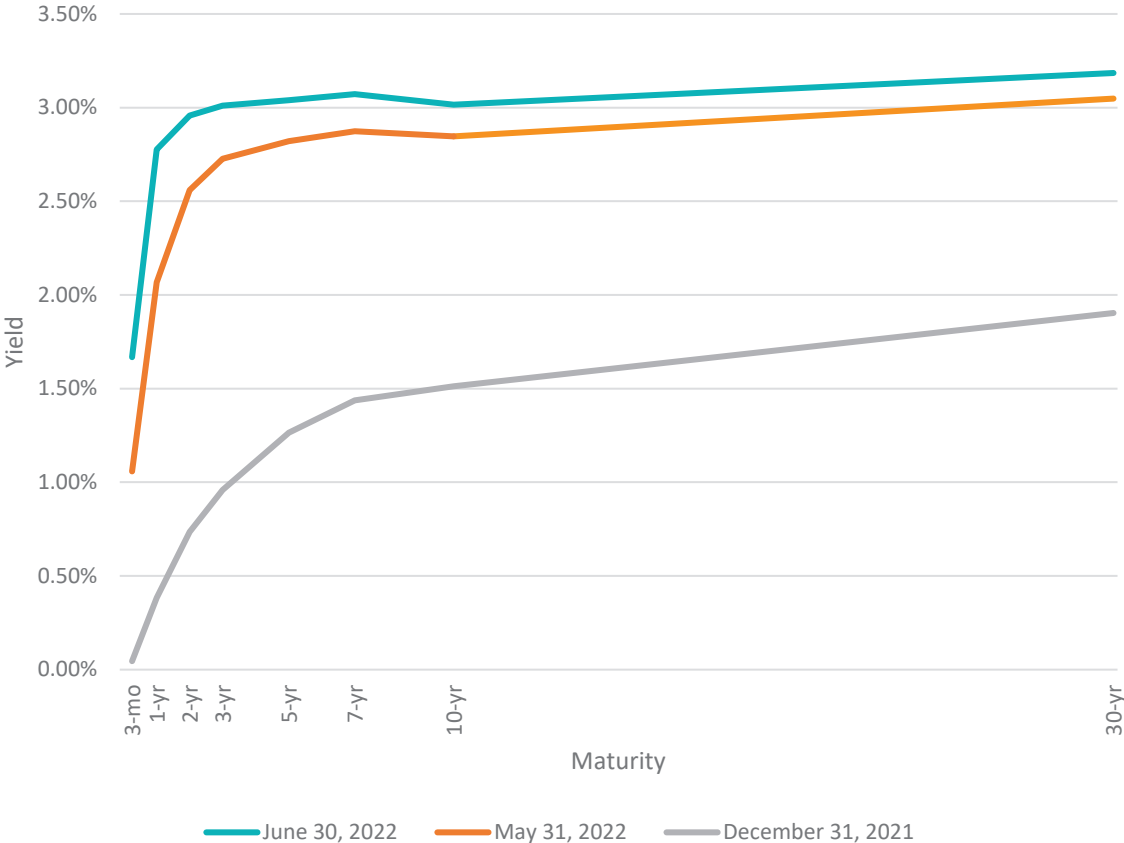


# Built in Rate Increases

The Fed raised the overnight rate in June 0.75%. The move was directed at slowing inflation.

The Fed has conceded that raising rates will slow growth. It also reduces access to financing for those that need it, possibly putting at risk the prospect for a *soft landing*.

U.S. Treasury Yield Curve



SOURCE: BLOOMBERG

**Date:** August 9, 2022

**To:** Finance and Risk Management Council

**From:** Kirk Eickhoff, Vice President/Chief Financial Officer

**Re:** **Summary of Financial Performance for June 2022**

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Financial Performance

- Operating Income before Depreciation and Amortization (YTD vs budget)
  - Tucson Airport Authority generated operating income before depreciation and amortization of \$613,087 for June 2022, which is \$314,381 favorable to budget due to favorable operating revenues and expenses described below.
  
- Operating Revenues (YTD vs budget)
  - In June, operating revenue of \$3,520,097 is favorable to budget by \$302,400 or 9.4% and favorable to prior year by \$149,042 or 4.4%. The increase from prior year is largely due to increased concession revenues, driven by the general recovery of passenger volumes and higher-than-expected percentage revenue from rental car contracts. Operating revenues for the month were down \$242,015 (6.4%) compared to June 2019 (pre-COVID).
  - Year-to-date operating revenues were greater than budgeted by \$1,705,412 or 5.6%, with favorable variances in landing fees, concession revenues, and other operating revenues partially offset by unfavorable variances in reimbursed services, land rent, and space rentals.
    - The favorable variance in landing fees is largely attributable to back billings of landing fees. The favorable variance in concession revenue is a result of higher-than-expected rental car revenues and parking revenues.
  
- Operating Expenses (YTD vs budget)
  - In June, total operating expenses were lower than budget by \$11,981, largely due to lower-than-anticipated contractual services expenses.
  - Year-to-date operating expenses of \$24,929,059 are favorable to budget by \$1,934,336 or 7.2%. All expense categories were lower than budgeted, with contractual services and personnel expenses driving the majority of the favorable variance.

# FINANCIAL SUMMARY



For the nine months ending June 30, 2022



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

	CURRENT MONTH - June			June 2021	PRE-COVID June 2019
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
<b>OPERATING REVENUES:</b>					
Landing fees	\$ 181,770	\$ 184,522	\$ 2,752	\$ 172,818	\$ 222,690
Space rentals	913,235	883,423	(29,812)	989,573	1,256,691
Land rent	306,460	304,943	(1,517)	306,426	291,900
Concession revenue	1,311,418	1,513,729	202,311	1,327,478	1,496,270
Reimbursed services	266,225	354,100	87,875	347,449	270,072
Other operating revenues	238,589	279,380	40,791	227,311	224,489
<b>Total Operating Revenues</b>	<b>3,217,697</b>	<b>3,520,097</b>	<b>302,400</b>	<b>3,371,055</b>	<b>3,762,112</b>
<b>OPERATING EXPENSES:</b>					
Personnel expenses	1,814,205	1,842,033	(27,828)	1,833,388	1,711,074
Contractual services	834,179	770,024	64,155	526,722	603,961
Materials and supplies	136,830	189,316	(52,486)	118,601	106,737
Other operating expenses	133,777	105,637	28,140	83,585	74,490
<b>Total Operating Expenses</b>	<b>2,918,991</b>	<b>2,907,010</b>	<b>11,981</b>	<b>2,562,296</b>	<b>2,496,262</b>
<b>NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>298,706</b>	<b>613,087</b>	<b>314,381</b>	<b>808,759</b>	<b>1,265,850</b>
Depreciation and Amortization	1,600,000	1,682,020	(82,020)	1,598,012	1,517,136
<b>OPERATING INCOME (LOSS)</b>	<b>(1,301,294)</b>	<b>(1,068,933)</b>	<b>232,361</b>	<b>(789,253)</b>	<b>(251,286)</b>
<b>NONOPERATING INCOME (EXPENSES)</b>					
Interest Income	36,945	38,960	2,015	50,226	270,798
Net increase/(decrease) in fair value of investments	-	(716,207)	(716,207)	(308,607)	159,926
Passenger facility charges	468,819	383,670	(85,149)	788,869	492,490
Interest expense and fiscal charges	(62,934)	(62,934)	-	(70,591)	(85,244)
Other nonoperating revenues (expenses)	-	(23,854)	(23,854)	-	28,251
<b>Total nonoperating revenues (expenses)</b>	<b>442,830</b>	<b>(380,365)</b>	<b>(823,195)</b>	<b>459,897</b>	<b>866,221</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(858,464)</b>	<b>(1,449,298)</b>	<b>(590,834)</b>	<b>(329,356)</b>	<b>614,935</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Federal	2,824,345	-	(2,824,345)	113,069	-
State	10,881	-	(10,881)	-	-
<b>Total capital contributions</b>	<b>2,835,226</b>	<b>-</b>	<b>(2,835,226)</b>	<b>113,069</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 1,976,762</b>	<b>\$ (1,449,298)</b>	<b>\$ (3,426,060)</b>	<b>\$ (216,287)</b>	<b>\$ 614,935</b>

**TUCSON AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES , EXPENSES AND**  
**CHANGES IN NET POSITION**  
*For the nine months ending June 30, 2022*

	CURRENT YEAR TO DATE			YTD -	PRE-COVID
				June 2021	YTD -
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	June 2019
<b>OPERATING REVENUES:</b>					
Landing fees	\$ 1,858,527	\$ 1,933,523	\$ 74,996	\$ 1,431,001	\$ 2,395,246
Space rentals	8,219,118	8,055,960	(163,158)	8,979,578	11,310,523
Land rent	2,757,119	2,756,708	(411)	2,782,466	2,637,800
Concession revenue	13,144,613	14,685,925	1,541,312	8,324,594	14,375,596
Reimbursed services	2,421,029	2,229,181	(191,848)	2,454,533	2,378,625
Other operating revenues	2,285,599	2,730,120	444,521	2,335,990	2,359,796
<b>Total operating revenues</b>	<b>30,686,005</b>	<b>32,391,417</b>	<b>1,705,412</b>	<b>26,308,162</b>	<b>35,457,586</b>
<b>OPERATING EXPENSES:</b>					
Personnel expenses	17,016,946	16,418,702	598,244	16,789,297	15,351,419
Contractual services	7,233,969	6,228,923	1,005,046	5,282,120	4,742,649
Materials and supplies	1,403,231	1,380,692	22,539	1,093,579	1,035,077
Other operating expenses	1,209,249	900,742	308,507	737,040	725,023
<b>Total Operating Expenses</b>	<b>26,863,395</b>	<b>24,929,059</b>	<b>1,934,336</b>	<b>23,902,036</b>	<b>21,854,168</b>
<b>NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>3,822,610</b>	<b>7,462,358</b>	<b>3,639,748</b>	<b>2,406,126</b>	<b>13,603,418</b>
Depreciation and Amortization	14,400,000	15,114,281	(714,281)	14,236,944	13,644,768
<b>OPERATING INCOME (LOSS)</b>	<b>(10,577,390)</b>	<b>(7,651,923)</b>	<b>2,925,467</b>	<b>(11,830,818)</b>	<b>(41,350)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest Income	332,507	347,609	15,102	357,711	2,229,533
Net increase/(decrease) in fair value of investments	-	(4,772,414)	(4,772,414)	(306,370)	1,640,894
Passenger facility charges	4,717,469	4,912,138	194,669	3,108,887	5,653,314
Interest expense and fiscal charges	(591,783)	(591,783)	-	(659,801)	(821,431)
Gain/(Loss) on disposition of capital assets	-	3,250	3,250	(22,866)	9,628
Other nonoperating revenues (expenses)	497,507	426,028	(71,479)	13,988,872	88,770
<b>Total nonoperating revenues (expenses)</b>	<b>4,955,700</b>	<b>324,828</b>	<b>(4,630,872)</b>	<b>16,466,433</b>	<b>8,800,708</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(5,621,690)</b>	<b>(7,327,095)</b>	<b>(1,705,405)</b>	<b>4,635,615</b>	<b>8,759,358</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Federal	36,458,708	14,424,022	(22,034,686)	3,062,968	1,419,347
State	647,210	232,651	(414,559)	563,548	17,430
<b>Total capital contributions</b>	<b>37,105,918</b>	<b>14,656,673</b>	<b>(22,449,245)</b>	<b>3,626,516</b>	<b>1,436,777</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 31,484,228</b>	<b>7,329,578</b>	<b>\$ (24,154,650)</b>	<b>8,262,131</b>	<b>10,196,135</b>
<b>TOTAL NET POSITION, (BEGINNING)</b>		<b>439,473,808</b>		<b>423,861,784</b>	<b>386,970,849</b>
<b>TOTAL NET POSITION, (ENDING)</b>		<b>\$ 446,803,386</b>		<b>\$ 432,123,915</b>	<b>\$ 397,166,984</b>

**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

<b>ASSETS</b>	<b>June-22</b>	<b>June-21</b>
<b>CURRENT ASSETS</b>		
Unrestricted assets:		
Cash and cash equivalents	19,359,540	\$ 21,914,552
Investments	111,999,194	113,562,189
Accounts receivable, net of allowance for doubtful accounts of \$328,609 and \$313,380 for FY2022 and FY2021, respectively		
	2,447,036	2,337,044
Accrued interest receivable	159,063	103,746
Grants receivable	6,020,959	9,165,066
Inventories	382,934	383,217
Prepaid expenses and other assets	585,525	184,825
Total unrestricted current assets	<u>140,954,251</u>	<u>147,650,639</u>
Restricted assets:		
Cash and cash equivalents	1,080,973	3,301,518
Investments	24,741,438	20,064,668
Accounts receivable	528,837	759,645
Accrued interest receivable	42,346	32,857
Total restricted current assets	<u>26,393,594</u>	<u>24,158,688</u>
<b>Total current assets</b>	<b><u>167,347,845</u></b>	<b><u>171,809,327</u></b>
<b>Noncurrent assets:</b>		
Unrestricted assets:		
Accounts receivable	-	136,897
Capital assets		
Not depreciated	146,222,105	122,588,514
Depreciated, net	201,298,958	209,909,459
Net capital assets	<u>347,521,063</u>	<u>332,497,973</u>
Total unrestricted noncurrent assets	<u>347,521,063</u>	<u>332,634,870</u>
<b>Total noncurrent assets</b>	<b><u>347,521,063</u></b>	<b><u>332,634,870</u></b>
<b>TOTAL ASSETS</b>	<b><u>514,868,908</u></b>	<b><u>504,444,197</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pensions	4,259,455	6,091,332
Total deferred outflows of resources	<u>4,259,455</u>	<u>6,091,332</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>519,128,363</u></b>	<b><u>\$ 510,535,530</u></b>

**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

**LIABILITIES & NET ASSETS (Con't)**

**LIABILITIES**

**CURRENT LIABILITIES**

**Payable from unrestricted assets:**

	<u>June-22</u>	<u>June-21</u>
Accounts payable	1,817,534	\$ 560,221
Accrued expenses	3,058,525	2,088,183
Unearned revenue	3,105,889	2,609,586
Current portion of environmental remediation payable	2,398,643	4,465,542
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,565,000	1,510,000
Total payable from unrestricted assets	<u>11,945,591</u>	<u>11,233,532</u>

Payable from restricted assets

Accrued interest payable:

Airport Subordinate Lien Revenue Bonds, Series 2018	201,958	227,253
	<u>201,958</u>	<u>227,253</u>

Current portion of environmental remediation payable	389,951	402,420
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Total payable from restricted assets	<u>591,909</u>	<u>629,673</u>
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<b>Total current liabilities</b>	<b><u>12,537,500</u></b>	<b><u>11,863,205</u></b>
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**NONCURRENT LIABILITIES**

Payable from unrestricted assets

Bonds payable, net of current portion:

Airport Subordinate Lien Revenue Bonds, Series 2018	23,457,982	26,687,930
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Net pension liability	11,019,309	20,684,399
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Environmental Remediation Payable, net of current portion	17,852,422	18,306,912
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Total payable from unrestricted assets	<u>52,329,713</u>	<u>65,679,241</u>
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<b>Total noncurrent liabilities</b>	<b><u>52,329,713</u></b>	<b><u>65,679,241</u></b>
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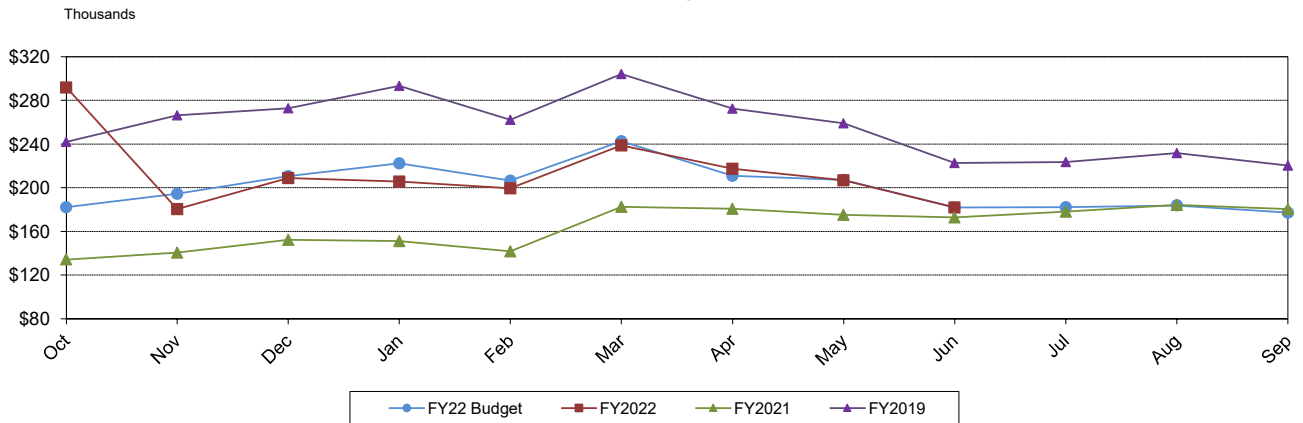
<b>TOTAL LIABILITIES</b>	<b><u>64,867,213</u></b>	<b><u>\$ 77,542,446</u></b>
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**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

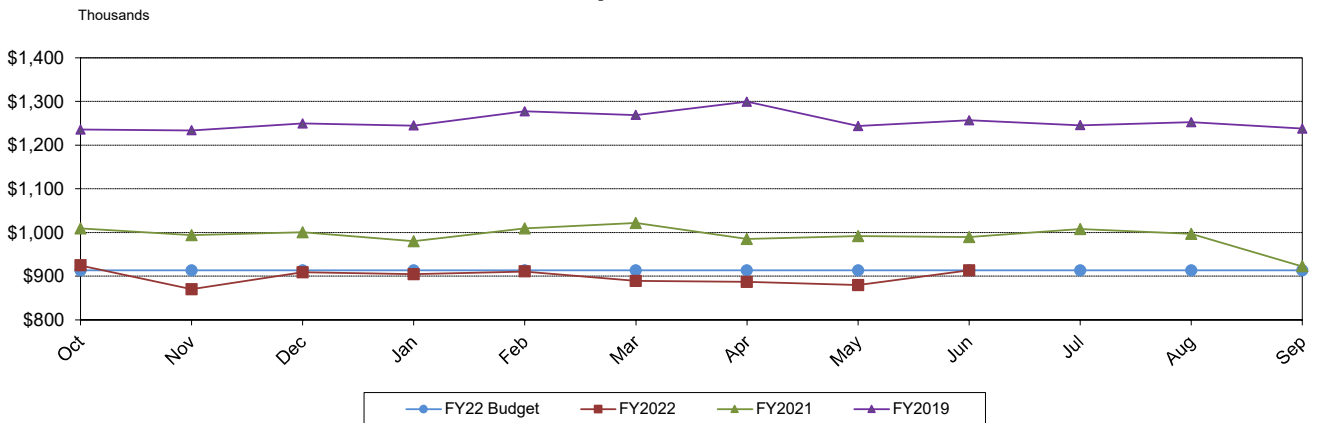
**LIABILITIES & NET ASSETS (Con't)**

	<u>June-22</u>	<u>June-21</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pensions	7,457,764	\$ 869,169
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>7,457,764</u>	<u>869,169</u>
<b>NET POSITION</b>		
Net Investment in capital assets	322,498,081	304,300,043
Restricted:		
Debt service	802,500	777,150
Capital projects	25,389,136	23,154,285
	<u>26,191,636</u>	<u>23,931,435</u>
Unrestricted	<u>98,113,669</u>	<u>103,892,437</u>
<b>TOTAL NET POSITION</b>	<b><u>446,803,386</u></b>	<b><u>432,123,915</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>519,128,363</u></b>	<b><u>\$ 510,535,530</u></b>

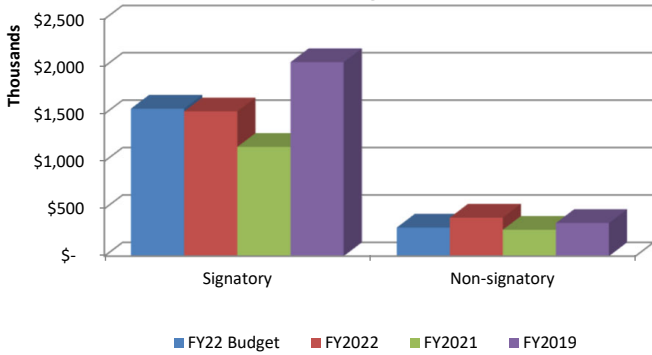
### Landing Fees



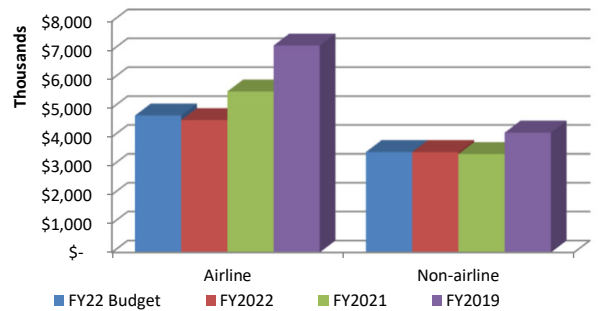
### Space Rentals



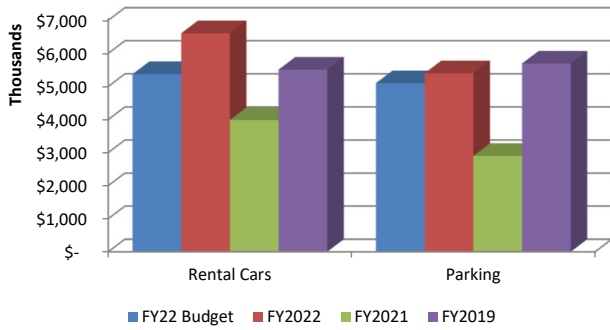
### YTD Landing Fees



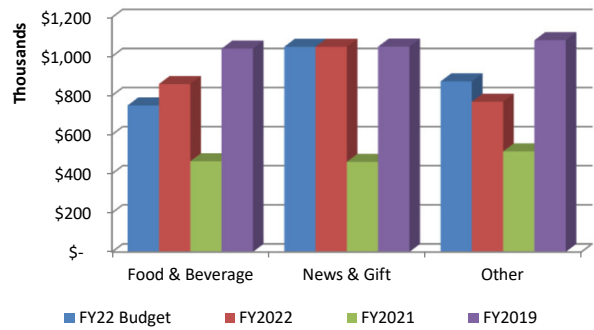
### YTD Space Rentals



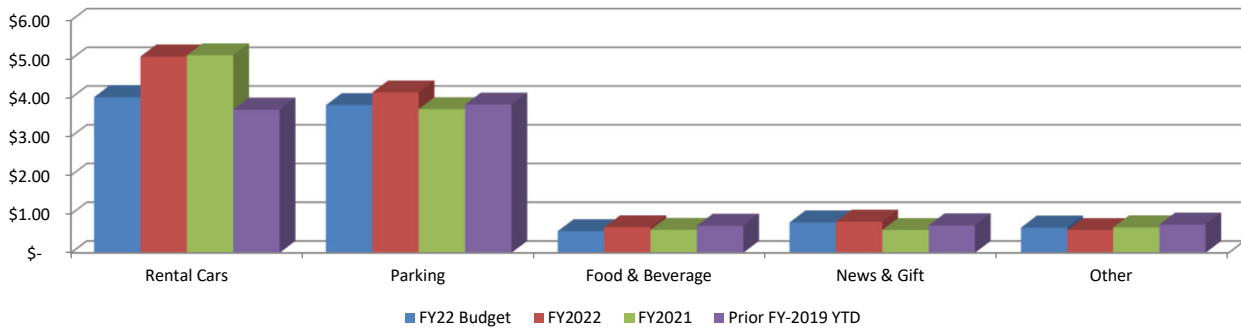
### YTD Concession Revenue



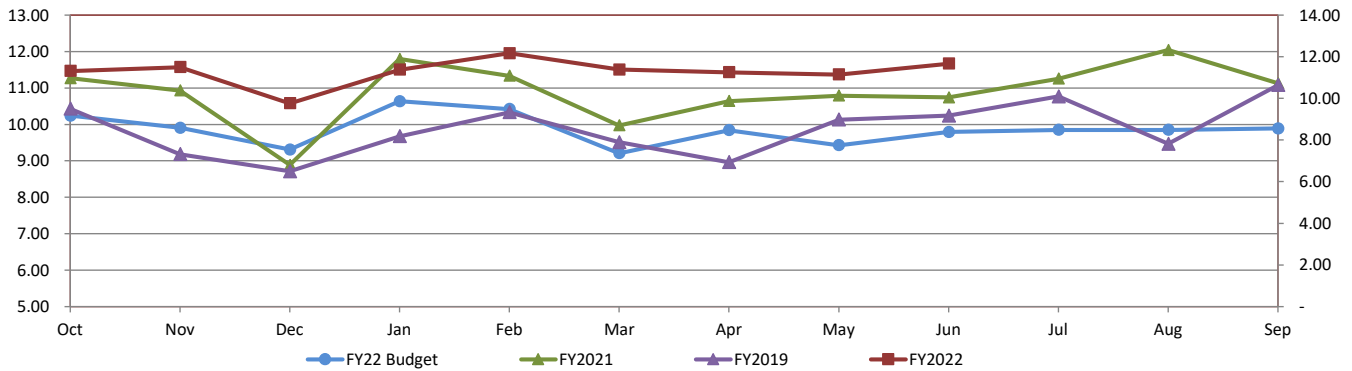
### YTD Concession Revenue



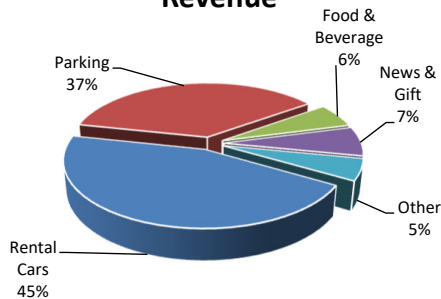
### Year-to-Date Concession Revenue per Enplaned Passenger



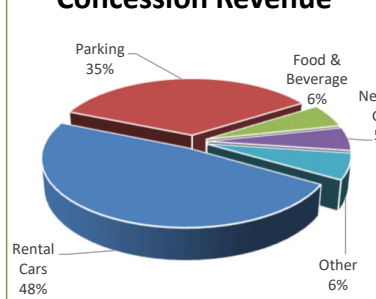
### Monthly Concession Revenue per Enplaned Passenger



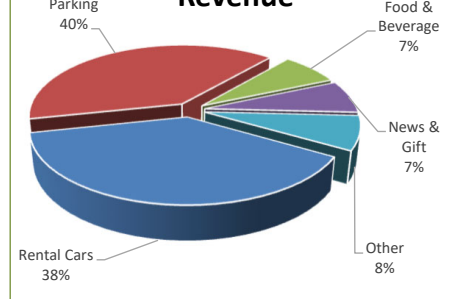
### FY-2022 YTD Concession Revenue



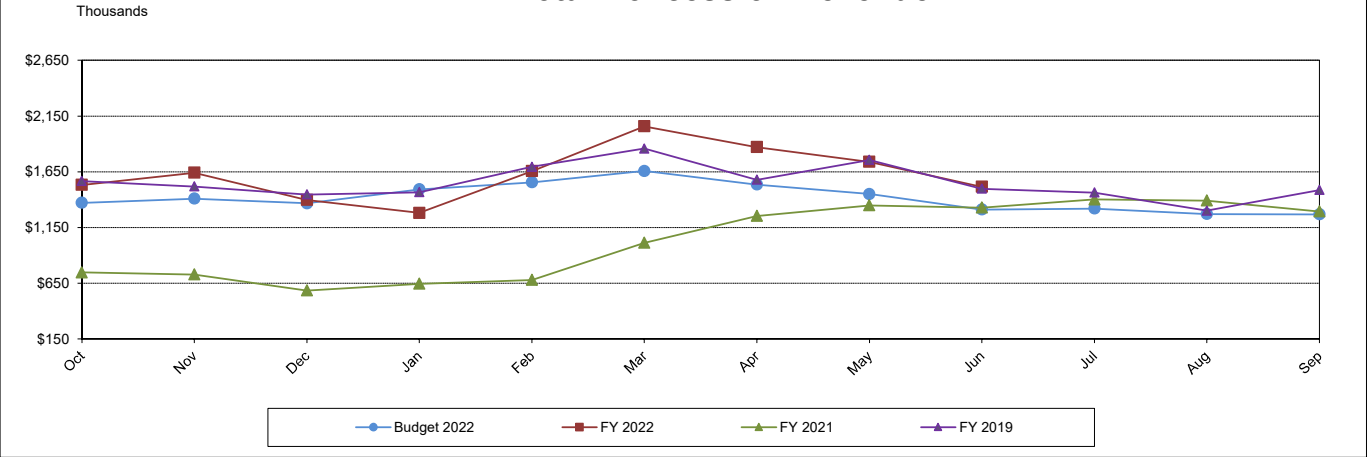
### FY-2021 YTD Concession Revenue



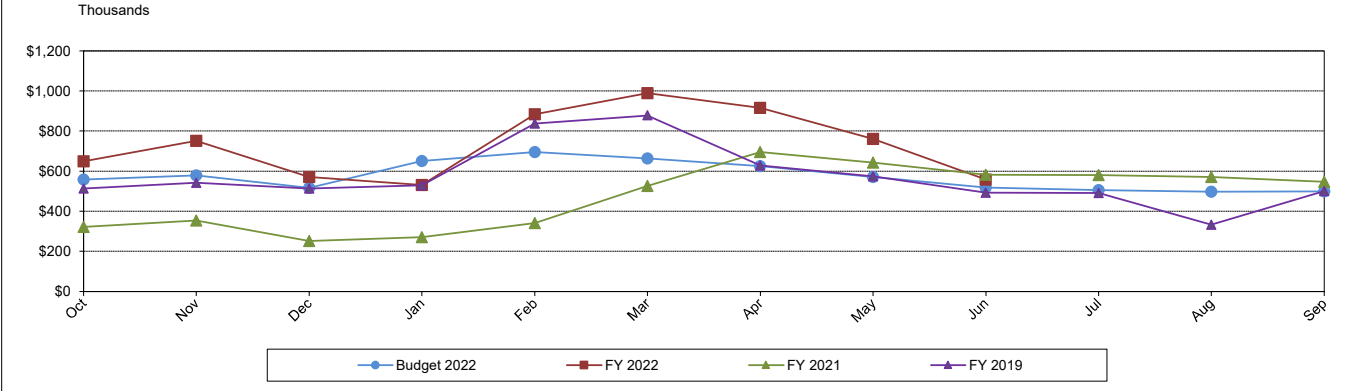
### FY-2019 YTD Concession Revenue



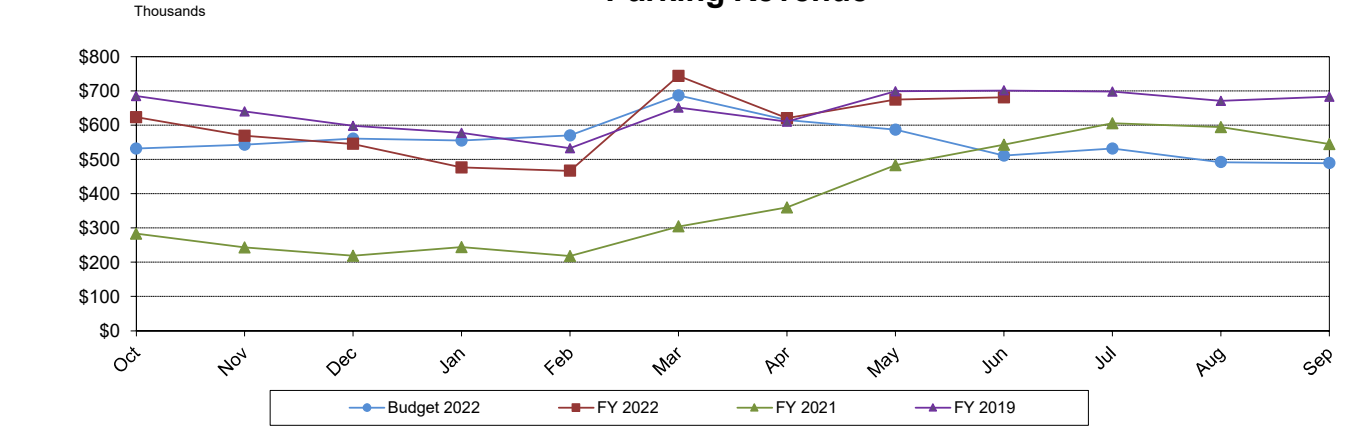
### Total Concession Revenue



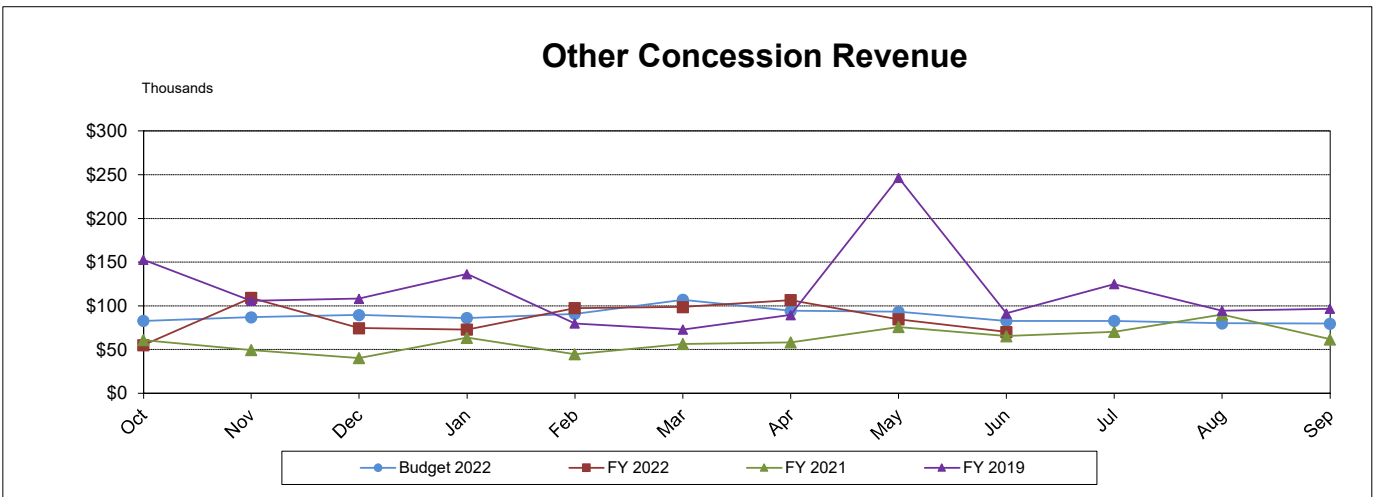
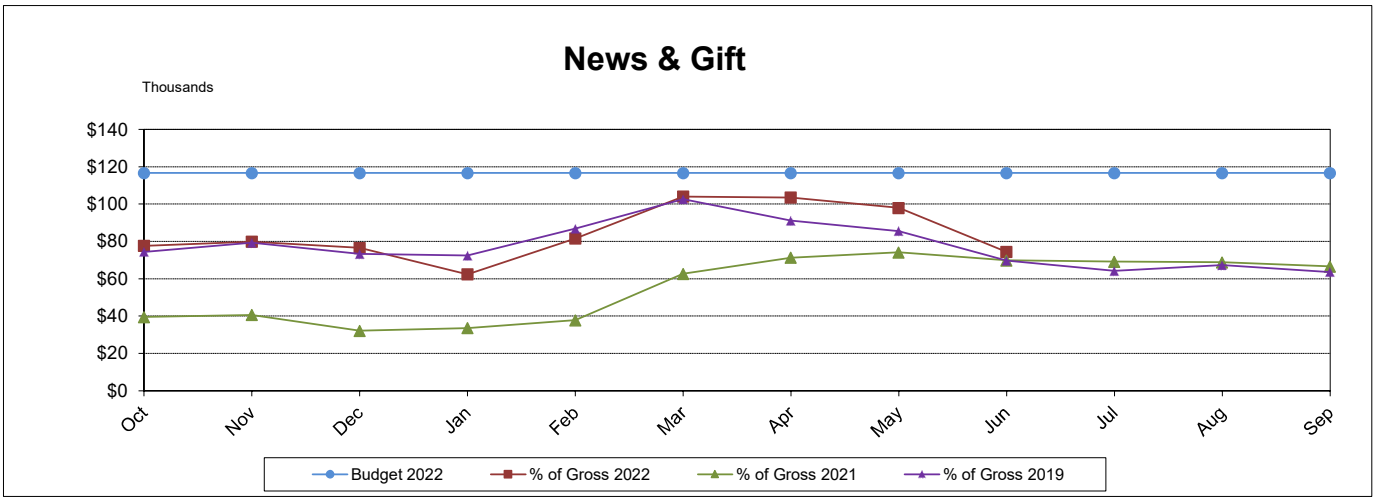
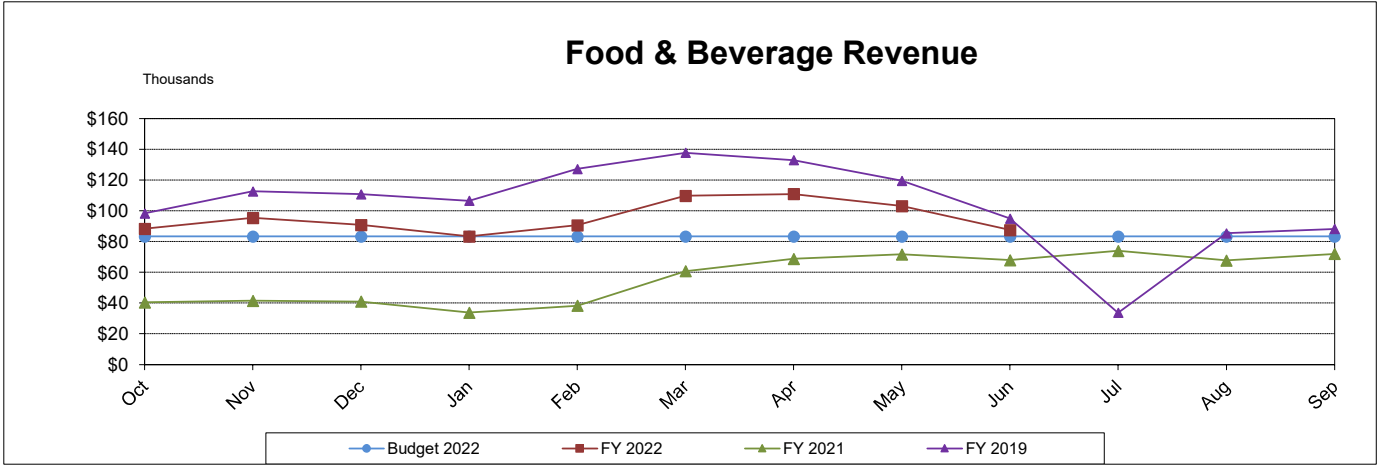
### Rental Car Revenue



### Parking Revenue

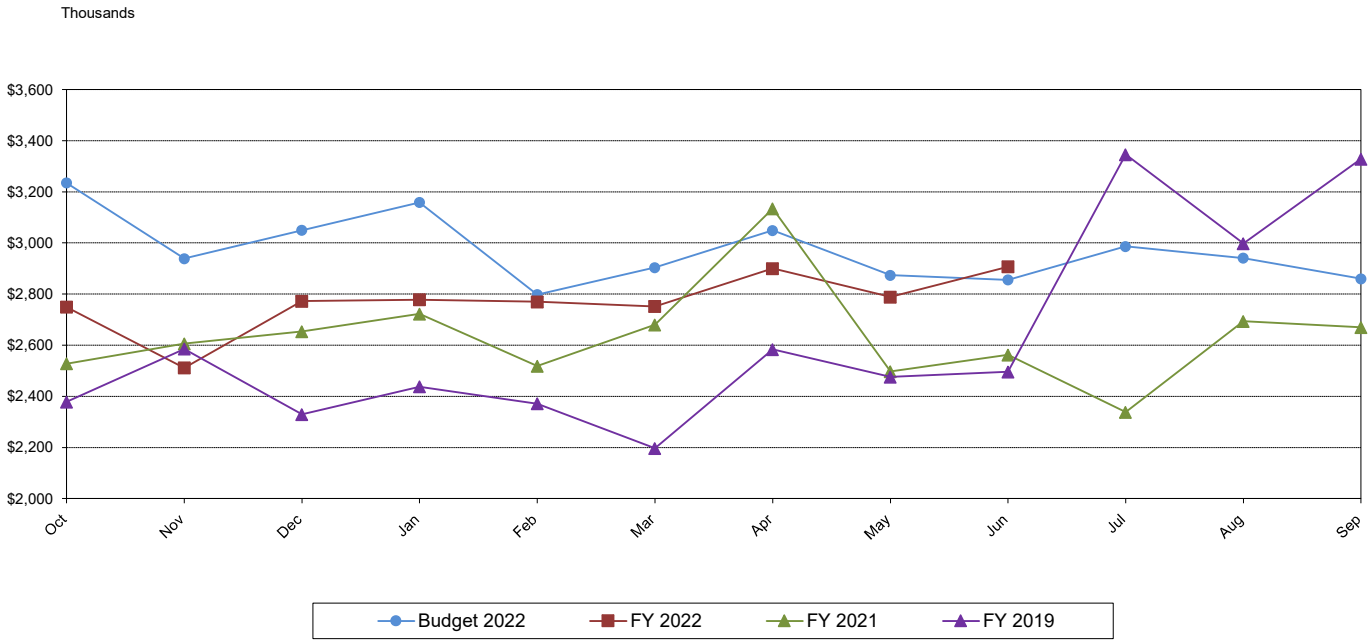




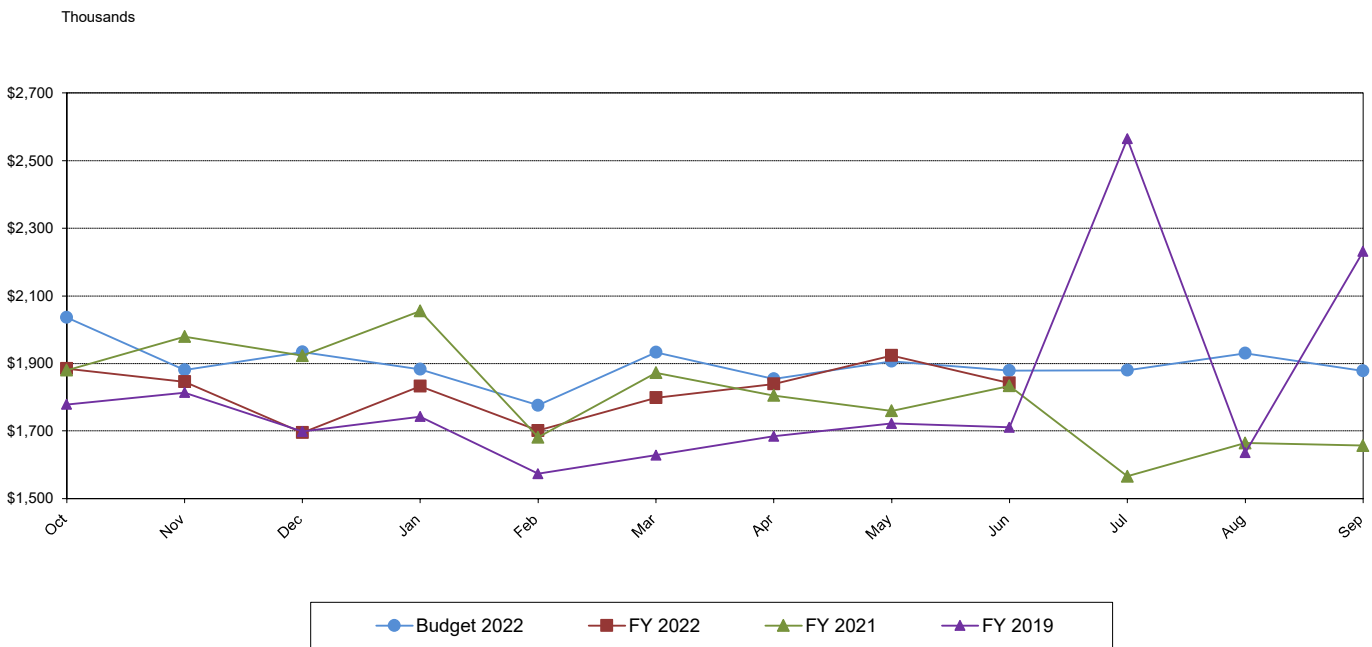


\* Minimum Annual Guarantees were waived from April 2020 to September 2021

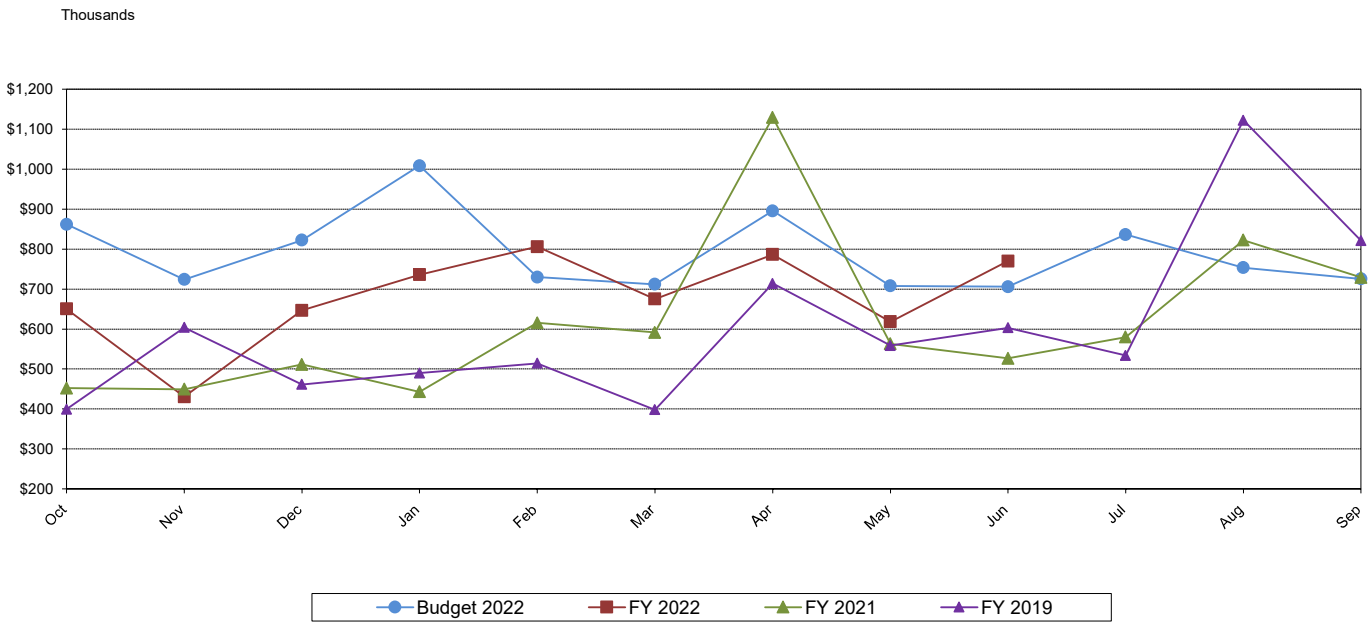
## Total Operating Expenses



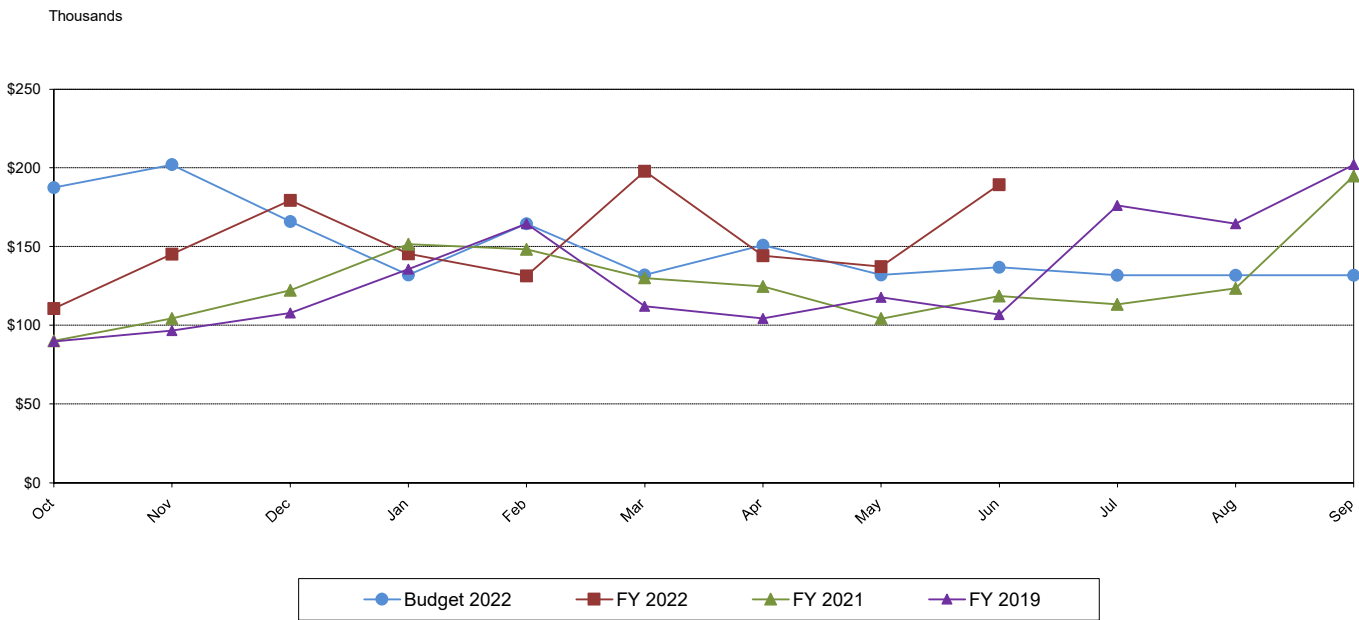
## Personnel Expenses



## Contractual Services

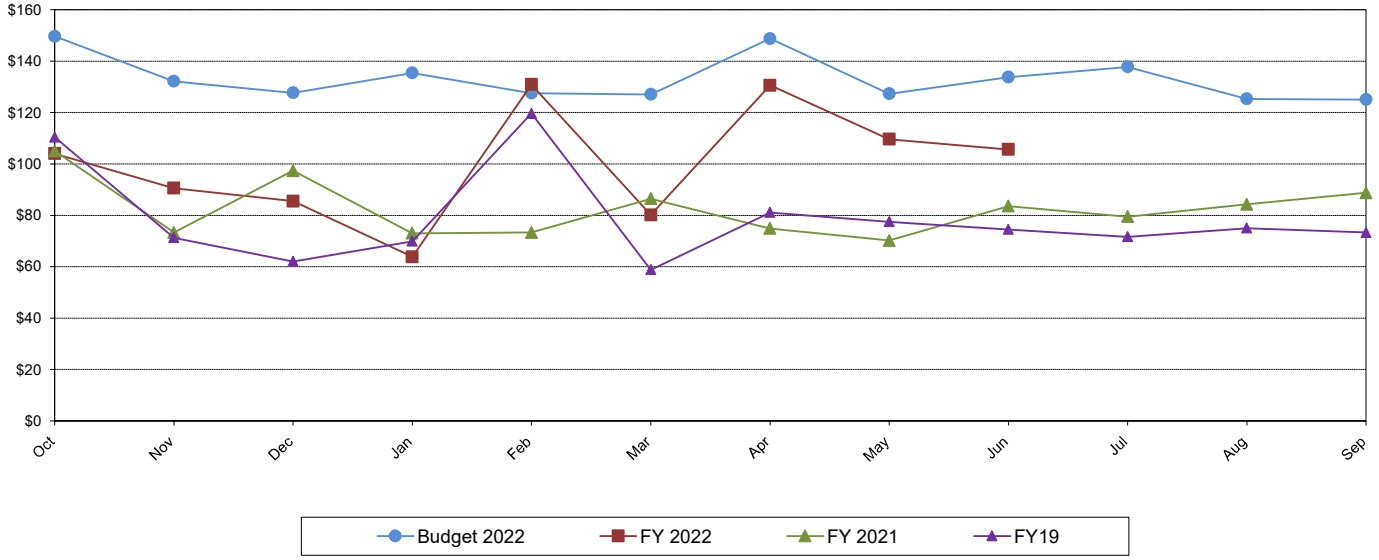


## Materials and Supplies

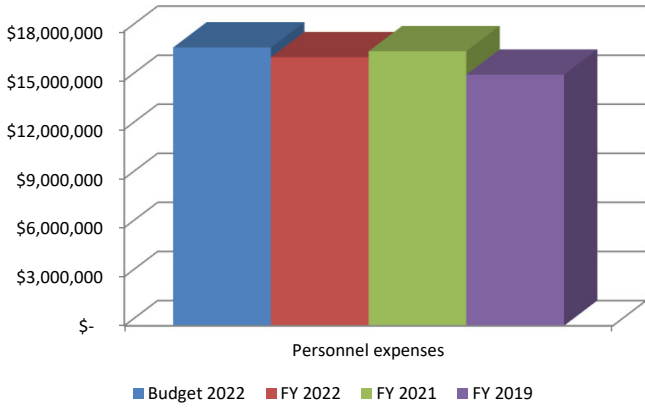


# Other Operating Expenses

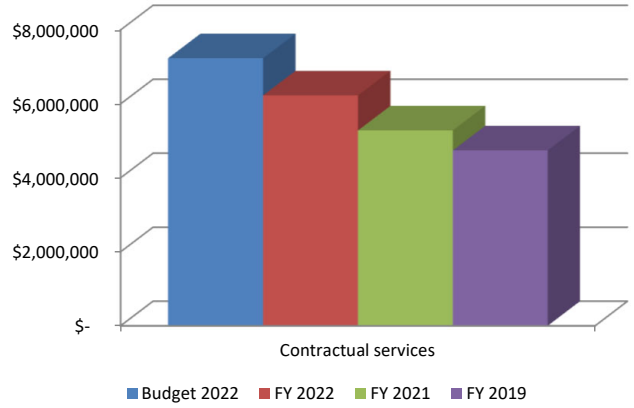
Thousands



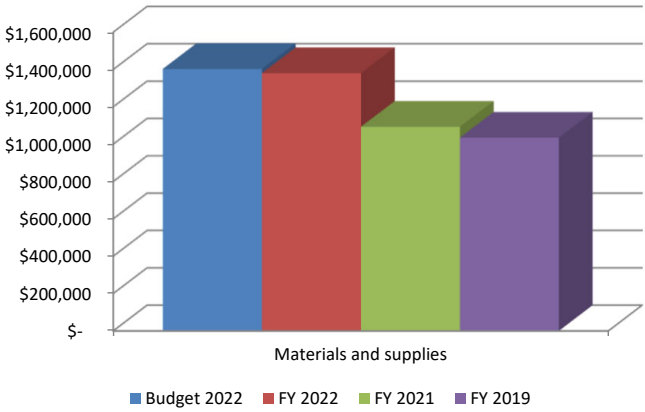
### YTD Personnel Expenses



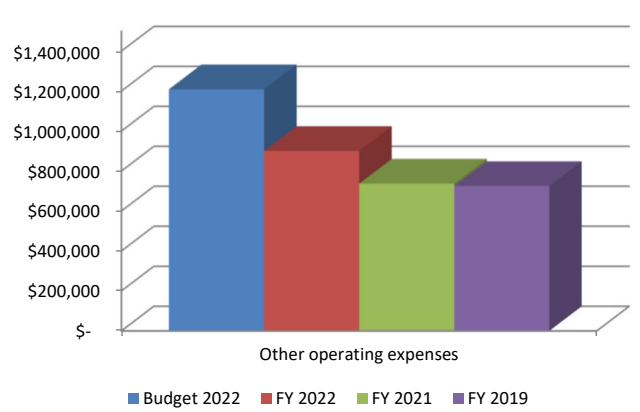
### YTD Contractual Services



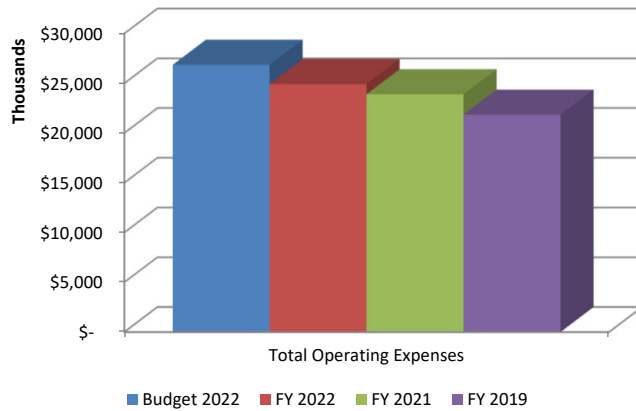
### YTD Materials and Supplies



### YTD Other Operating Expenses



### YTD Total Operating Expenses



**Date:** August 9, 2022

**To:** Finance and Risk Management Council

**From:** Kirk Eickhoff, Vice President/Chief Financial Officer

**Re:** **Aviation Activity and Statistics for June 2022**

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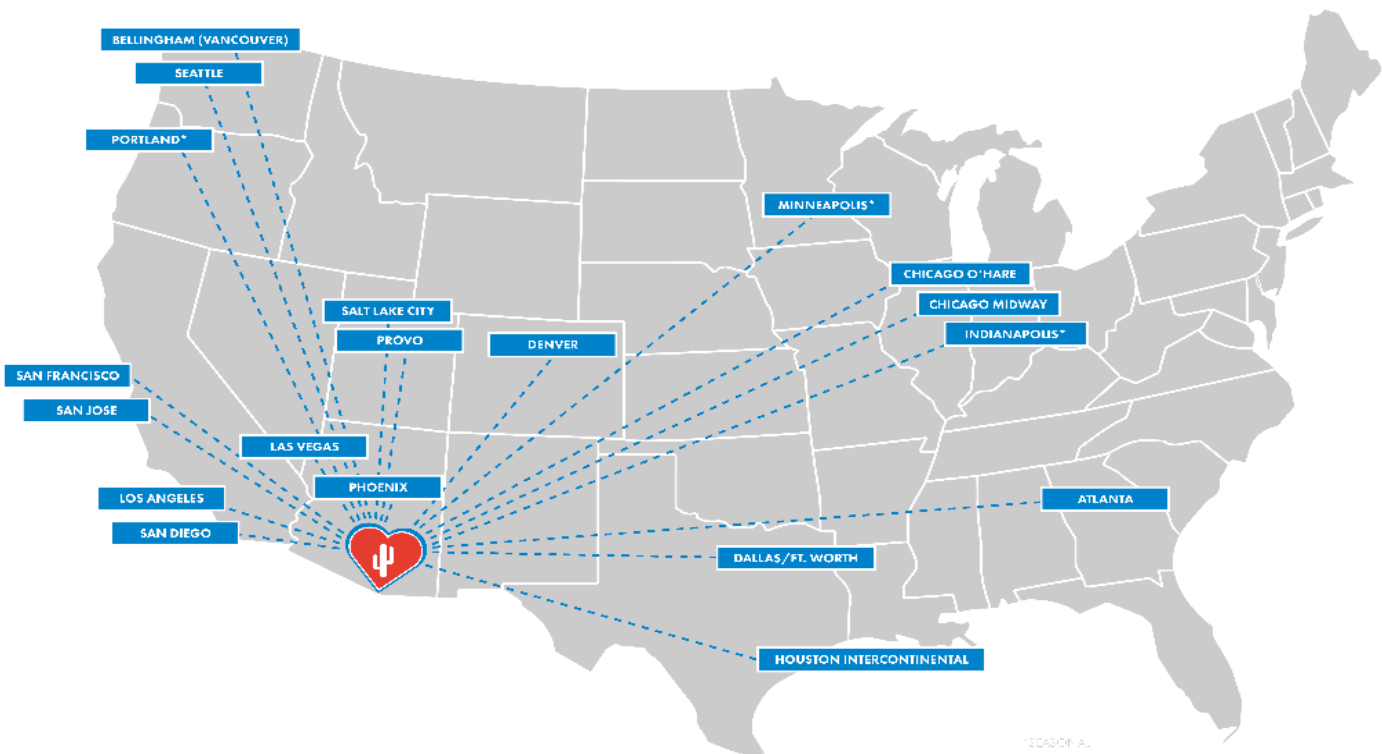
Summary of Operations and Statistics

- Total Passengers (YTD vs prior year)
  - Total passengers for the month of June 2022 were 5.1% higher than prior year and 12.5% lower than June 2019 (pre-COVID).
  - YTD total passengers were 65.6% higher than prior year and 13.4% lower than the same period in 2019 (pre-COVID).
- Average Daily Scheduled Departures (YTD vs prior year, changes by routes & carrier)
  - The month of June had an average daily departure count of 42, which was 1 lower than prior year.
  - The decrease was attributable to additional service to Las Vegas (1), Phoenix (2) that was offset by decreases in service to Denver (1), Chicago Midway (1), and Chicago O’Hare (2).
  - A departure increase for American (2) was offset by decreases in service by United (2) and Allegiant (1).
- Average Daily Seat capacity (YTD vs prior years)
  - Seat capacity for June 2022 was 3.4% higher than June 2021 and 12.5% lower than June 2019.
- Load Factors (MTD & YTD vs prior years)
  - The load factor for June was 87.8%, which is 1.4% higher than June 2021 and 1.3% higher than June 2019.
- Aircraft Operations (MTD & YTD vs prior year)
  - Freight, measured in pounds, is 0.9% higher in June compared the same month last year.
  - Total aircraft operations were 5.5% higher than the same month last year, with increases in air carrier and military operations and decreases in air taxi and general aviation operations.
  - Year-to-date operations are flat compared to prior year, with increases in air carrier, air taxi, and military operations offsetting a decrease in general aviation operations.

# AVIATION ACTIVITY REPORTS

## Tucson International Airport (TUS)

For the nine months ending June 30, 2022



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

PASSENGERS*				Fiscal YTD		
	Jun-22	Jun-21	% CHANGE	2022	2021	% CHANGE
ENPLANED	129,769	123,583	5.0%	1,302,827	781,062	66.8%
DEPLANED	121,667	115,637	5.2%	1,255,884	764,322	64.3%
<b>TOTAL</b>	<b>251,436</b>	<b>239,220</b>	<b>5.1%</b>	<b>2,558,711</b>	<b>1,545,384</b>	<b>65.6%</b>

\*Passenger figures include non-revenue passengers.

**LANDED WEIGHT\*\***

AIR CARGO	13,863	13,108	5.8%	120,278	122,483	-1.8%
AIR CARRIER	137,413	130,504	5.3%	1,381,302	1,055,554	30.9%
<b>TOTAL</b>	<b>151,276</b>	<b>143,612</b>	<b>5.3%</b>	<b>1,501,580</b>	<b>1,178,037</b>	<b>27.5%</b>

\*\*In thousand pound units.

**FREIGHT (in pounds)**

ENPLANED	2,862,636	2,596,489	10.3%	23,653,190	23,715,278	-0.3%
DEPLANED	2,885,978	3,101,554	-7.0%	27,100,173	27,270,333	-0.6%
<b>TOTAL</b>	<b>5,748,614</b>	<b>5,698,043</b>	<b>0.9%</b>	<b>50,753,363</b>	<b>50,985,611</b>	<b>-0.5%</b>

**MAIL (in pounds)**

ENPLANED	0	0	0.0%	300	23	1204.3%
DEPLANED	79	1,813	-95.6%	79	76,796	-99.9%
<b>TOTAL</b>	<b>79</b>	<b>1,813</b>	<b>-95.6%</b>	<b>379</b>	<b>76,819</b>	<b>-99.5%</b>

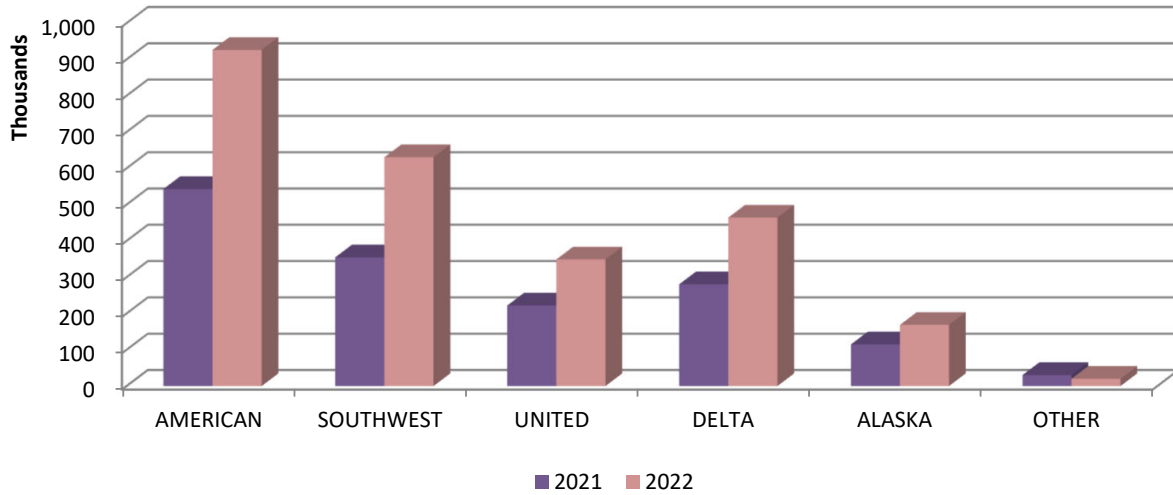
**AIRCRAFT OPERATIONS**

AIR CARRIER	2,516	2,344	7.3%	24,490	20,189	21.3%
AIR TAXI	1,449	1,684	-14.0%	14,174	12,982	9.2%
MILITARY	2,668	1,771	50.6%	18,998	15,698	21.0%
GENERAL AVIATION	5,390	5,600	-3.8%	48,711	57,803	-15.7%
<b>TOTAL</b>	<b>12,023</b>	<b>11,399</b>	<b>5.5%</b>	<b>106,373</b>	<b>106,672</b>	<b>-0.3%</b>

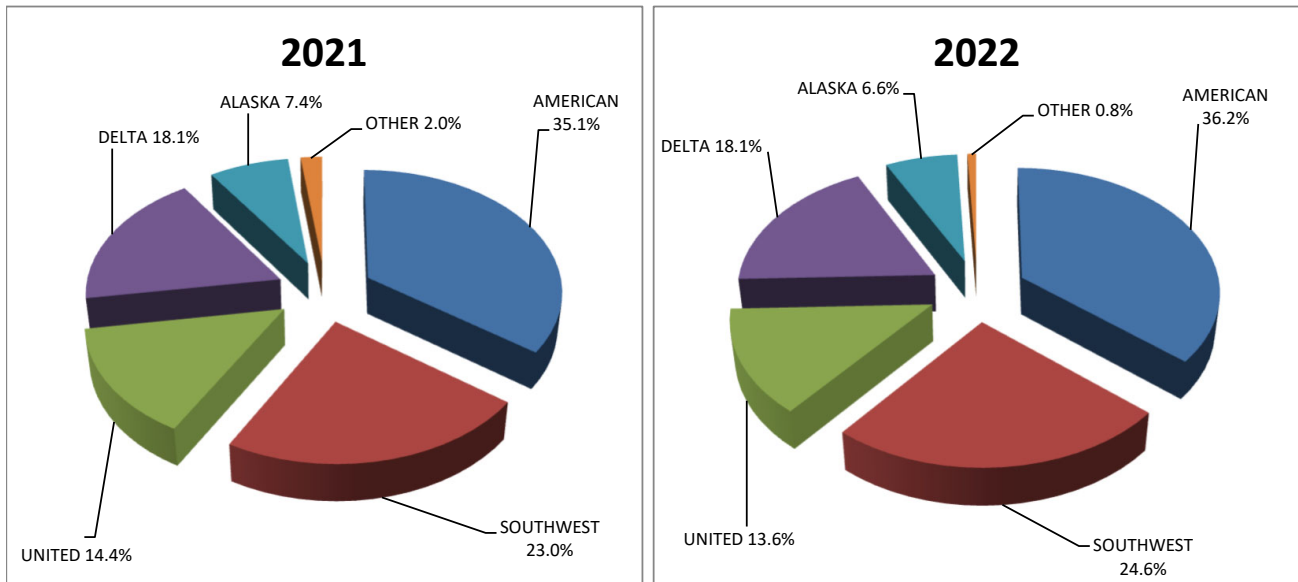


# TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

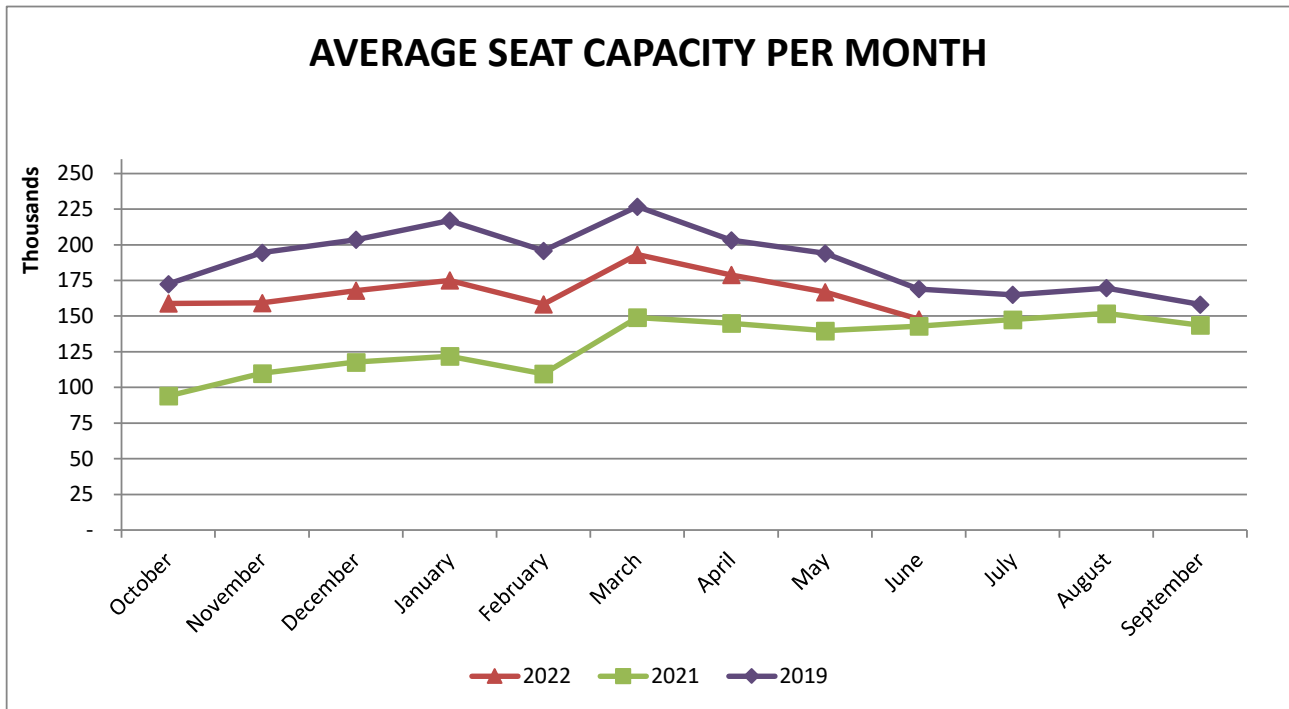
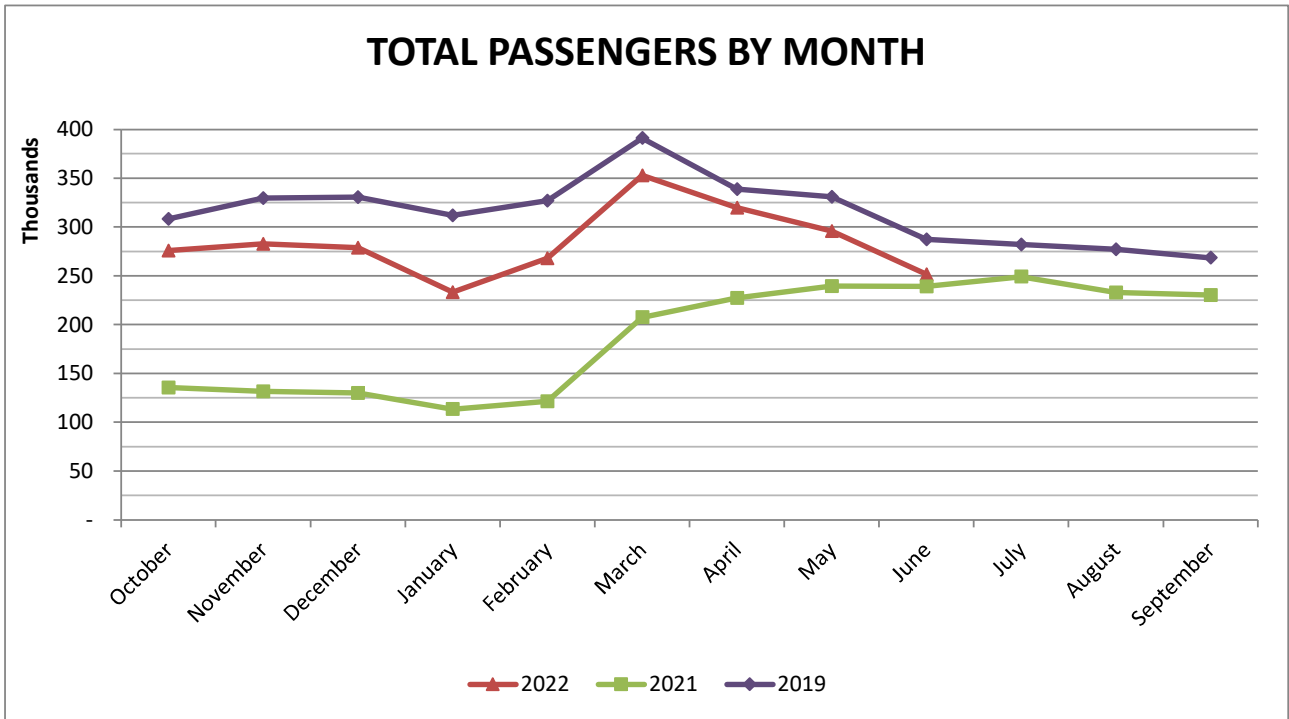
## TOTAL PASSENGERS YTD BY AIR CARRIER



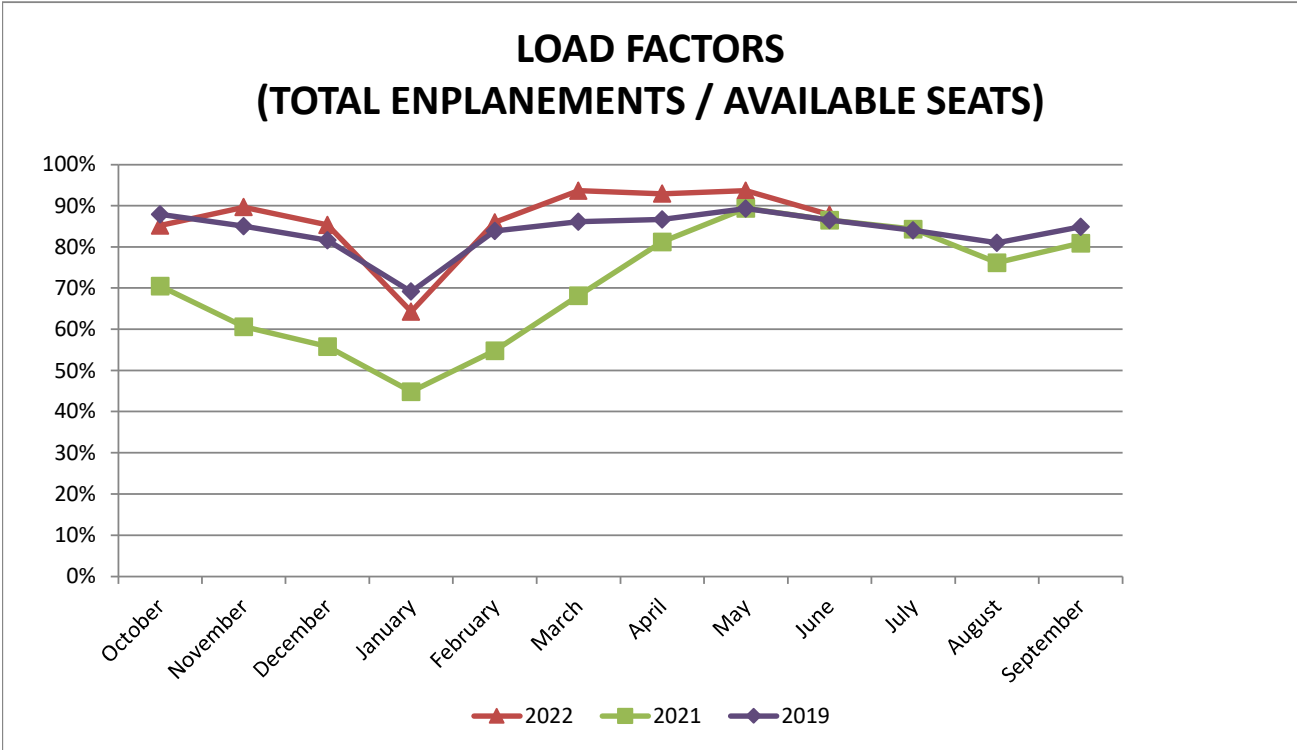
## AIR CARRIER MARKET SHARE



# TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY



# TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY



**TUCSON AIRPORT AUTHORITY  
TUS PASSENGER ACTIVITY**

**TUS MONTHLY FLIGHT SCHEDULE SUMMARY**

NONSTOP DESTINATIONS <i>and Airline</i>	Code	Average Daily Departures			Average Daily Seats		
		Current Year	Prior Year	Difference	Current Year	Prior Year	Difference
ATLANTA <i>Delta (2)</i>	ATL	2.0	1.7	0.3	382	318	64
DENVER <i>United (3), Southwest (2.1)</i>	DEN	5.1	6.1	(1.0)	548	547	1
DALLAS/FT WORTH <i>American (6)</i>	DFW	6.0	6.0	0.0	1,140	1,045	95
HOUSTON HOBBY <i>Southwest (.9)</i>	HOU	0.9	1.0	(0.1)	148	157	(9)
HOUSTON BUSH <i>United (2)</i>	IAH	2.0	2.0	0.0	152	152	0
LAS VEGAS <i>Southwest (2.8)</i>	LAS	2.8	2.3	0.5	427	350	77
LOS ANGELES <i>Delta (3), American (2) Southwest (1.1)</i>	LAX	6.1	5.7	0.4	541	484	57
CHICAGO MIDWAY <i>Southwest (.1)</i>	MDW	0.1	1.0	(0.9)	23	147	(124)
CHICAGO O'HARE <i>American (1), United ()</i>	ORD	1.0	3.0	(2.0)	128	335	(207)
PHOENIX <i>American (6.8)</i>	PHX	6.8	4.5	2.3	595	384	211
PROVO <i>Allegiant ()</i>	PVU	0.0	0.3	(0.3)	0	50	(50)
SAN DIEGO <i>Southwest (1)</i>	SAN	1.0	0.7	0.3	145	118	27
SEATTLE/TACOMA <i>Alaska (2) Delta (1)</i>	SEA	3.0	3.0	0.0	344	357	(13)
SAN FRANCISCO <i>United (2)</i>	SFO	2.0	2.0	0.0	125	100	25
SALT LAKE CITY <i>Delta (3)</i>	SLC	3.0	3.1	(0.1)	228	220	8
<b>TOTAL</b>		<b>41.8</b>	<b>42.4</b>	<b>(0.6)</b>	<b>4,926</b>	<b>4,764</b>	<b>162</b>