

**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting
Tuesday, August 22, 2023 | 1:30 p.m. | Virtual Meeting**

THIS ADVISORY COUNCIL MEETING WAS HELD VIRTUALLY, WITH COUNCIL MEMBERS ATTENDING VIA MICROSOFT TEAMS OR TELEPHONICALLY. MEMBERS OF THE PUBLIC WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.

1. CALL TO ORDER | ROLL CALL

Chair Overton called the meeting to order at 1:31 p.m.

Council Members Present: Chair Tim Overton, Vice Chair Omar Mireles, Council Member Rob Draper, Council Member Ricardo Platt, Council Member Tony Penn, and Council Member Angela Gee

Council Members Absent: Council Member Mike Hannley

Others Present: Director Bruce Dusenberry, Director Vance Falbaum, Director Fran Katz, Director Rhonda Piña, Member Michael Stilb, and Member Michael McGrath

Staff Present: President/CEO Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Vice President/General Counsel Christopher Schmaltz, Vice President/Chief Financial Officer Kim Allison, Deputy General Counsel Kim Outlaw Ryan, Director of Finance Clark Wager, and TAA Clerk Byron Jones

2. APPROVAL OF MINUTES

Motion by Council Member Draper, seconded by Council Member Penn, to approve the minutes of the Finance and Risk Management Council meeting held on August 31, 2022. The motion carried by the following vote:

Ayes 6 Chair Overton, Vice Chair Mireles, Council Member Draper, Council Member Platt, Council Member Penn, and Council Member Gee

Nays 0

3. PRESIDENT/CEO REPORT

a. State of the Industry | Update

President/CEO Danette Bewley reported the following:

- The Federal Aviation Administration (FAA) reauthorization bill has passed through both houses of the United States Congress and is now

in reconciliation. Congress may vote on a Continuing Resolution (CR) if they fail to pass a final bill by September 30. The Airport Improvement Program would be funded at the FY 2023 level of \$3.5B until Congress passes a new bill. This funding is important to TAA to keep the Airfield Safety Enhancement (ASE) Program on schedule. The FAA and TAA have agreed on a funding strategy that will allow construction of the new runway to be completed in two years rather than the four years from previous negotiations.

- ❑ TAA was part of a coalition of nine airports that recommended to Congress that it make exceptions to the Perimeter Rule. Under this rule, airports that are more than 1,250 miles from Washington, D.C., are unable to offer nonstop flights. Despite their efforts, Congress has refused to open any more slots into or out of the D.C. airports.
- ❑ TUS forecasts that 3.8M passengers will travel through TUS this year. This represents an almost complete recovery of the 3.9M passengers in 2019 (pre-pandemic).

4. PRESENTATION

Vice President/Chief Financial Officer Kim Allison presented.

a. TAA Budget and Capital Improvement Program for FY 2024 | Presentation

- ❑ **FY 2023 Year-to-Date Financials (June 2023):**
 - The year-to-date landed weight was 10.6% above budget, while passenger volumes were slightly below budget (-0.7%).
 - A decrease in the average load factors is attributable to airlines using airplanes with higher seat capacity but are in line with the budget.
 - Operating income is \$4.2M favorable to budget due to higher revenues from concessions, space rentals, parking, elevated rental car rates, and unbudgeted tiedown fees.
 - Operating expenses are \$1M favorable to budget in all categories except for personnel. TAA anticipated a higher vacancy rate based on the high turnover rate from FY 2022; however, employee retention has been much higher due to efforts to retain talent. Expenses in FY 2023 are approaching normal levels, and full recovery will be achieved in FY 2024.

❑ **FY 2024 Budget Assumptions:**

- Based on projections provided by the airlines, TAA is forecasting a 6.8% increase in passenger volumes over FY 2023.
- Landed weight is forecasted to increase by 10.72% over FY 2023.
- Increases in operating revenue are due to TAA bringing its rates and charges back to pre-pandemic levels and adjusting for inflation.
- Increases in operating expenses are attributable to several factors, including being able to more accurately project vacancies in personnel, cost-of-living adjustments, merit increases, inflation, and adding additional safety and security positions to comply with Transportation Security Administration mandates.
- To balance the budget, the FY 2024 landing fee will increase from \$1.15 to \$1.50. The airlines are in full support of the increase.

❑ **FY 2024 Capital Improvements:**

- TAA expects to spend \$34.8M on capital projects, with the Airfield Safety Enhancement (ASE) Program being the highest beneficiary.
 - \$21.7M from the Airline Reserve Fund.
 - \$18.4M from federal relief funds (CARES, CRRSAA, and ARPA).
 - \$3.1M of ASE funds which were previously approved but have not been spent.
 - Because of efforts in recent years to control costs, there will be no new debt service in FY 2024.

❑ **Environmental Remediation Program:**

- As of September 2022, TAA's estimated liability for the Soils Remediation Project (SRP) and the Tucson Airport Remediation Project (TARP) was \$21.6M.
- The balance in the Insurance Reserve Fund—the fund used to pay for environmental remediation—is \$31M.

b. TAA PSPRS Funding Policy for FY 2024 | Presentation

Director of Finance Clark Wager presented.

TAA is required by statute to update annually its policy for funding its obligations to the Public Safety Personnel Retirement System (PSPRS). The policy recognizes the net pension liability that TAA records on its books for Tier One and Tier Two police and fire employees.

TAA relies on reporting from the PSPRS system, which includes unfunded actuarial accrued liability and annual required contribution estimates separated for the police and fire programs. The statute requires that TAA formally accept the reported share of pension assets and liabilities for both programs and provide a plan for meeting those obligations in future years. As of June 30, 2022, TAA's combined net pension liability is \$3.9M (Fire - \$2.2M, Police – \$1.7M).

c. TAA Commercial Insurance Line Policies for FY 2024 | Presentation

Vice President/General Counsel Chris Schmaltz stated that this item was placed on the agenda for informational purposes and to answer any questions the council may have. Because the terms for the insurance policies are not aligned with TAA's fiscal year, in previous years the Council and the Board of Directors had to hold special meetings to review and approve the policy renewals. The Board of Directors adopted a new Resolution on Delegated Authority in September 2022. The President/CEO now has the authority to approve insurance policies where the premiums are no greater than \$500K more than the Board approved existing budget amount.

5. ACTION ITEMS

a. TAA Budget and Capital Improvement Program for FY 2024

Motion by Vice Chair Mireles, seconded by Council Member Penn, to recommend to the Board of Directors that it approve as presented the TAA's Budget and Capital Improvement Program for the fiscal year beginning October 1, 2023, and ending September 30, 2024. The motion carried by the following vote:

Ayes 6 Chair Overton, Vice Chair Mireles, Council Member Draper, Council Member Platt, Council Member Penn, and Council Member Gee

Nays 0

a. TAA PSPRS Funding Policy for FY 2024

Motion by Council Member Penn, seconded by Council Member Draper, to recommend to the Board of Directors that it approve as presented the TAA's Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy for FY2024. This document is to maintain compliance with A.R.S. § 38-863.01. The motion carried by the following vote:

**Ayes 6 Chair Overton, Vice Chair Mireles, Council Member Draper,
Council Member Platt, Council Member Penn, and Council
Member Gee**

Nays 0

6. ADJOURN

There being no further business to discuss, Chair Overton adjourned the meeting at 2:22 p.m.

PREPARED BY:

Byron M. Jones, CMC, TAA Clerk

Date: _____

DRAFT