
TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting
Tuesday, August 22, 2023 | 1:30 p.m. | [Microsoft Teams](#)

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 22, 2023, beginning at 1:30 p.m.** Council members and the public may attend virtually via the remote participation platform Microsoft Teams.

Members of the public interested in observing the proceedings may do so through Microsoft Teams. Click [HERE](#) to be taken to the registration form. Upon registering, you will receive an email confirmation containing the hyperlink, telephone number, and access code to join the meeting online or by phone.

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 31, 2022.

3. PRESIDENT/CEO REPORT

State of the Industry | Update

4. PRESENTATION/DISCUSSION

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

The Council will receive a presentation regarding the TAA's FY 2024 Budget and Capital Improvement Program.

b. TAA PSPRS Funding Policy for FY 2024 | Presentation

The Council will receive a presentation regarding TAA's Public Safety Personnel Retirement System Pension Funding Policy for FY 2024.

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

The Council will receive a presentation regarding the TAA's renewal of its commercial insurance line policies which were renewed in August 2023.

5. ACTION ITEMS

a. TAA Budget and Capital Improvement Program for FY 2024

The Council will consider and may vote on whether 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.

b. TAA PSPRS Funding Policy for FY 2024

The Council will consider and may vote on whether 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.

6. ADJOURN

**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting
Wednesday, August 31, 2022 | 3:00 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 3:03 p.m.

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

Council Members Absent: Council Member Tony Penn

Others Present: Director Todd Jackson, Director Sally Fernandez, and Director Vance Falbaum

Staff Present: President/CEO Danette Bewley, Vice President/General Counsel Christopher Schmaltz, Vice President/Chief Financial Officer Kirk Eickhoff, Deputy General Counsel Kim Outlaw Ryan, Financial Controller Clark Wager, and TAA Clerk Byron Jones

2. APPROVAL OF MINUTES

Motion by Council Member Draper, seconded by Chair Overton, to approve the minutes of the Finance and Risk Management Council meeting held on August 9, 2022. The motion carried by the following vote:

Ayes 5 Chair Overton, Vice Chair Mireles, Council Member Draper, Council Member Platt, and Council Member Gee

Nays 0

3. PRESIDENT/CEO REPORT

a. State of the Industry | Update

President/CEO Danette Bewley reported the following:

- Airlines continue to face workforce challenges due to pilot shortages. This has led to many flight cancellations. Although Tucson International Airport (TUS) has maintained most of its routes, passengers traveling to and from TUS are being affected by delays at other airports.

- TUS has recovered between 85% and 90% of pre-COVID passenger volumes. Industry analysts are forecasting that a full recovery from the pandemic will not occur until 2024; as a result, TAA is anticipating that passenger volumes in FY 2023 will remain flat.

4. PRESENTATION

a. FY 2023 Budget and Capital Improvement Program | Discussion

Vice President/CFO Kirk Eickhoff presented:

- **FY 2022 Forecast vs FY 2022 Budget:**
 - Operating revenues are projected to come in \$1.5M favorable to budget. This is due primarily to concession revenues derived from rental car transactions.
 - Operating expenses are projected to come in \$1.6M favorable to budget. Savings in operating expenses were attributable to historically high personnel vacancy rates and lower-than-expected contractual services.
 - TAA will use \$6.9M in federal rescue funds to balance the airport system residual calculation in FY 2022.
- **FY 2023 Budget Assumptions:**
 - The projections are for passenger volumes to increase 7.9% vs FY 2022; this equates to a 94.5% recovery of pre-COVID passenger volumes.
 - Operating revenues are budgeted to grow \$2.4M (+6.3%) vs the FY 2022 budget and \$1.0M (+2.6%) vs the FY 2022 forecast.
 - Key to the revenue increase is additional concessions revenue driven by higher passenger volumes and a proposed parking rate increase.
 - Also factored in is \$600K in relief to airport concessionaires related to the pandemic-related American Rescue Plan Act of 2021 (ARPA).
 - Operating expenses are budgeted to increase \$3.4M (+9.7%) compared to the FY 2022 budget and rise \$5.0M (+14.8%) over the FY 2022 forecast. Increases in operating expenses are attributed to the following:
 - A graduated cost of living adjustment.
 - Increases in contractual and purchased services related to developing a new Airline Use Agreement (AUA) and property development.

- Increases in materials and supplies for additional software licenses and replacement of small machinery and equipment.
- Other expenses tied to restored travel and training, community events, and employee tuition reimbursement.
- The calculated landing fee for FY 2023 is \$1.15 per thousand pounds of landed weight.
- The TAA plans to use \$7.6M in federal rescue funds to balance the airport system residual calculation. This will leave \$23.6M in FY 2024 and beyond.

Council Member Hannley joined the meeting at 3:59 p.m.

5. ACTION ITEM

a. TAA BUDGET AND CAPITAL IMPROVEMENT PROGRAM FOR FY 2023:

The council members' questions were answered during the presentation. There was no further discussion prior to the vote.

Motion by Vice Chair Mireles, seconded by Council Member Hannley, 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, 2022 and ending September 30, 2023. The motion carried by the following vote:

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

Nays 0

6. ADJOURN

There being no further business to discuss, Chair Overton adjourned the meeting at 4:06 p.m.

PREPARED BY:

Byron M. Jones, CMC, TAA Clerk

Date: _____



FY 2024 TAA Operating Budget

TAA Finance and Risk Management Council Meeting

August 22, 2023

Overview

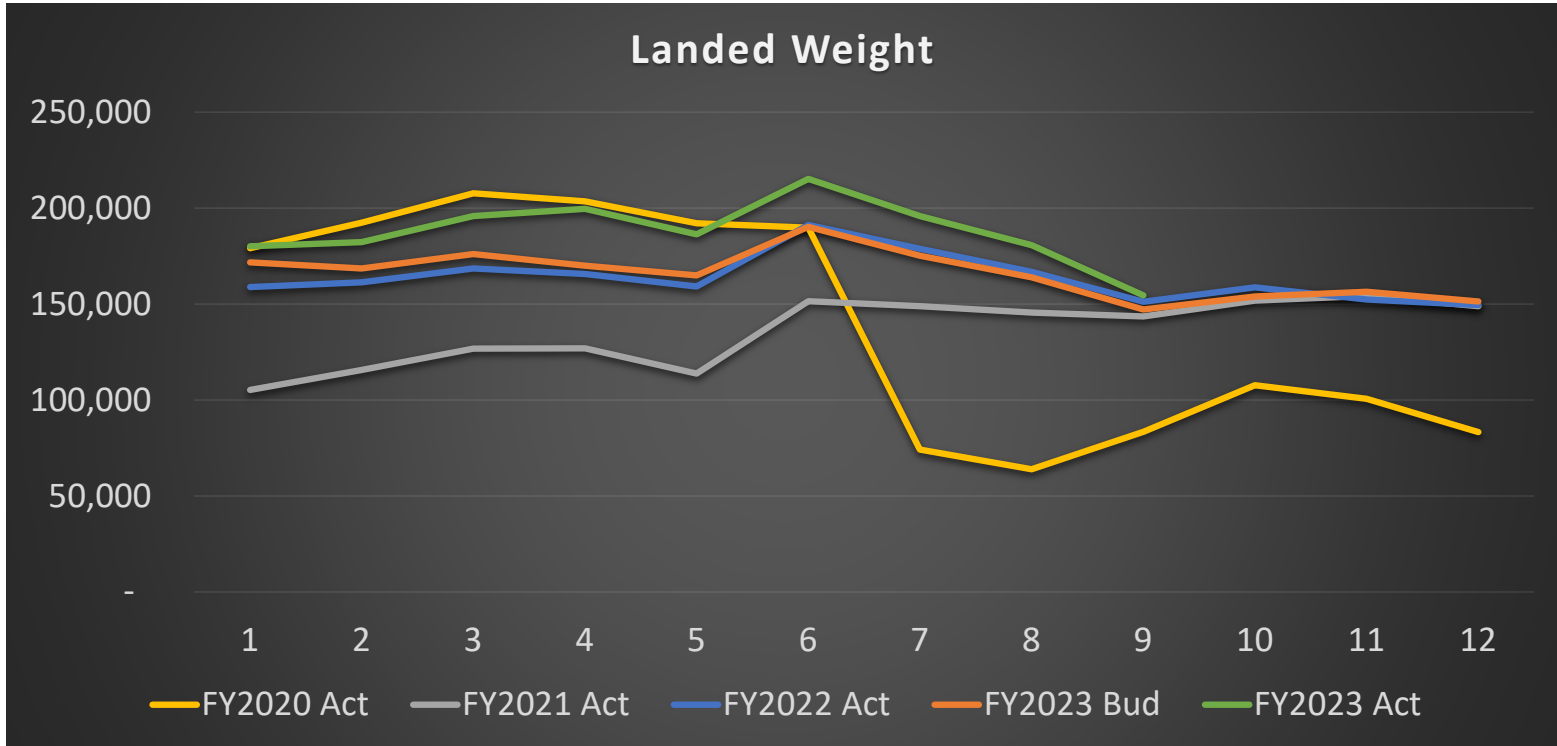
- YTD 2023 Results (through June 2023)
- FY 2024 Budget Presentation

Financial results for FY23 are unaudited.



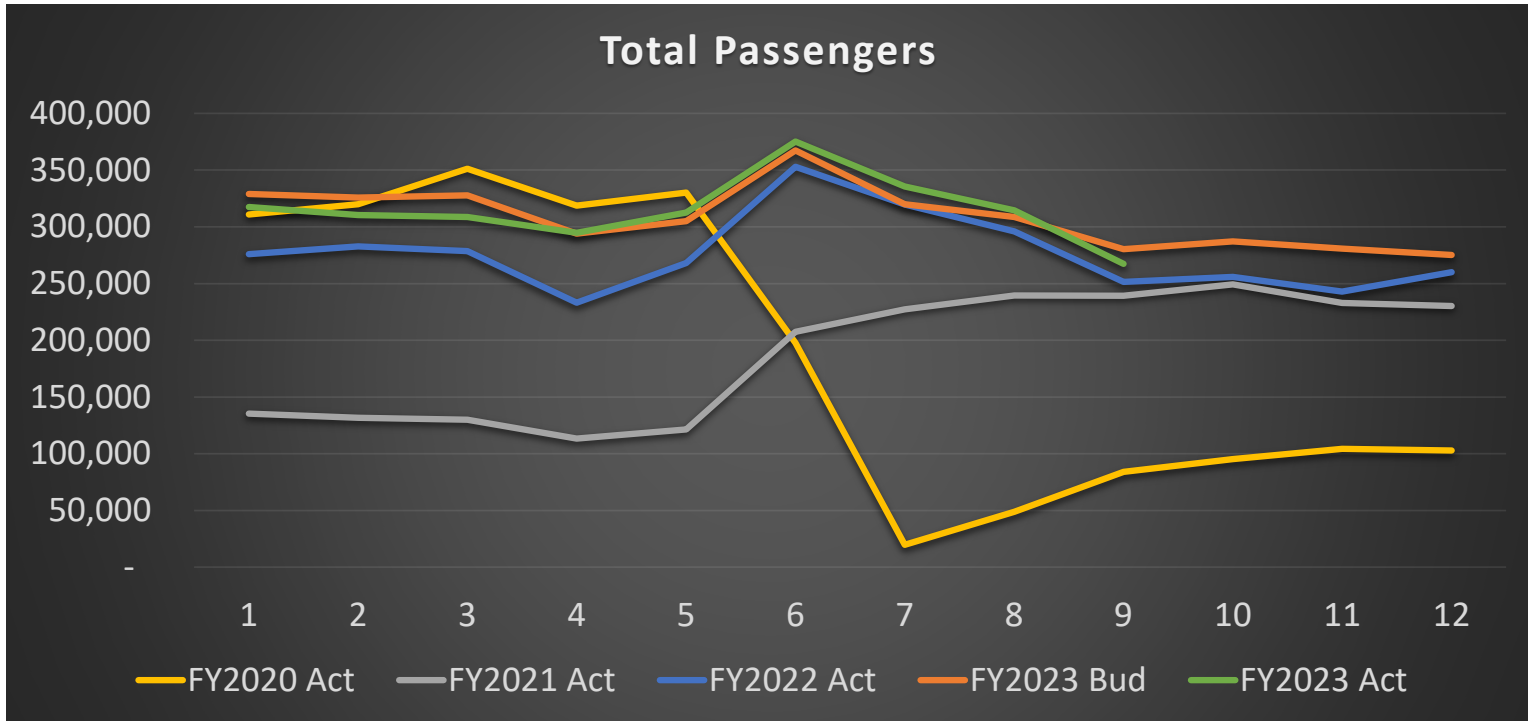
YTD 2023 Results

FY 2023 Operating Statistics



- June Landed Weight is 5.0% above budget
- YTD Landed Weight is 10.6% above budget and 43.5% higher than FY2021

FY 2023 Operating Statistics



- June passenger volume is 4.6% below budget
- YTD passenger volume is 0.7% below budget and 83.5% higher than FY2021

YTD 2023 Flight & Passenger Activity

	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
<u>Nine Months Year-To-Date</u>					
Total Passengers	2,836,550	2,558,711	1,545,384	1,981,263	2,955,673
Average Load Factor	85.2%	86.5%	69.1%	69.6%	83.8%
Average Daily Seat Capacity	6,270	5,516	4,138	5,225	6,482
Average Seat Count per Departure	125.9	117.8	112.5	105.9	112.5

YTD 2023 Financial Results

	<u>Actual</u>	<u>Budget</u>	<u>Actual vs. Budget</u>		<u>Prior Year (2022)</u>	<u>Current vs. Prior Year</u>		<u>Pre-Covid June 2019</u>
<u>Nine Months Ended 6/2023</u>								
Operating Revenues	\$ 35,195,702	\$ 32,088,609	\$ 3,107,093	9.7%	\$ 32,391,417	\$ 2,804,285	8.7%	\$ 35,457,586
Operating Expenses	28,581,911	29,701,122	1,119,211	3.8%	24,929,059	(3,652,852)	-14.7%	21,854,168
Operating Income	<u>\$ 6,613,791</u>	<u>\$ 2,387,487</u>	<u>\$ 4,226,304</u>		<u>\$ 7,462,358</u>	<u>\$ (848,567)</u>		<u>\$ 13,603,418</u>

Date: August 22, 2023

To: Finance and Risk Management Council
From: Kim Allison, Vice President/Chief Financial Officer
Re: May 2023 Year-to-Date Financial Review

Attached is the Tucson Airport Authority's (TAA) financial report for the eight months ended May 31, 2023, entitled Status of Airport System Income Requirements. This report tracks and reconciles our financial results and full year forecast in accordance with the provisions of the airport use agreement.

The first page of the report reflects the year-to-date operating results compared to the approved budget and prior year. The second page details the calculation of the estimated Airline Reserve Fund balance as of the end of the current fiscal year. Also included are current airline and operations activity information compared to last year.

Year-to-date, net income from operations is \$4.3 million favorable to budget due to favorable revenues and expenses described below. The FY 2023 budget assumed an average passenger volume of 98% of pre-COVID-19 level, with a forecasted return to the seasonal patterns TUS experienced prior to the COVID-19 pandemic. Actual volumes tracked closely to budget throughout the year, and slightly exceeded budget during the high-travel season at TUS (January to May). From March through June, passenger volumes have generally aligned with the budgeted counts. Overall, TUS passenger volumes year-to-date are approximately 96% of pre-COVID-19 levels.

Operating revenue is \$2.9 million higher than budgeted, driven primarily by higher-than-expected concession revenues and space rental revenues. The favorable variance in concession revenue is largely the result of higher-than-expected parking revenue and elevated car rental rates. Other operating revenues are higher than budget due to unbudgeted tie-down fees resulting from aircraft storage in response to COVID-19.

Operating expenses are \$1.0 million less than budgeted with favorable variances in all expense categories except personnel expense. Personnel expenses are \$0.5 million unfavorable to budget. A high vacancy allowance was budgeted for FY 2023, which was in response to the high vacancy factor that TAA experienced during FY 2022. TAA experienced greater employee retention during FY 2023 than expected. The variances from contractual services, materials and supplies, and other operating expenses are largely due to timing and TAA expects the overall variance to decrease over the remainder of the fiscal year.

To date, TAA has received \$44.5 million in rescue grant allocations (CARES Act, CRSSA, ARPA). To date, TAA has collected virtually all the available grant funds, except for less than \$0.1 million in

operation relief funds provided by CRRSAA and ARPA for Ryan Airfield. TAA expects that these remaining relief funds will be collected before Dec. 2023 as operation expenses eligible for reimbursement are incurred. The TAA has applied \$7.4 million from these grants to balancing the airport system for fiscal years FY 2020 to FY 2022. TAA forecasts that an additional \$2.7 million will be needed to balance the airport system in FY 2023.

TUCSON AIRPORT AUTHORITY

STATUS OF AIRPORT SYSTEM INCOME REQUIREMENTS

For the eight months ending May 31, 2023


	CURRENT YEAR			PRIOR YEAR	
	BUDGET	ACTUAL	% FAV (UNFAV)	ACTUAL	% FAV (UNFAV)
OPERATING REVENUES:					
Landing Fees	\$ 1,638,390	\$ 1,919,803	17.2%	\$ 1,749,001	9.8%
Space Rentals	7,123,761	7,539,395	5.8%	7,172,537	5.1%
Land Rent	2,433,331	2,478,350	1.9%	2,451,765	1.1%
Concession Revenue	12,966,284	14,883,727	14.8%	13,172,197	13.0%
Reimbursed Services	2,134,525	2,075,366	(2.8%)	1,875,081	10.7%
Other Operating Revenues	2,163,491	2,432,538	12.4%	2,450,740	(0.7%)
CARES, CRRSAA, ARPA Funding	-	45,893	0.0%	497,507	(90.8%)
Total Operating Revenues	\$ 28,459,782	\$ 31,375,072	10.2%	\$ 29,368,828	6.8%
OPERATING EXPENSES:					
Personnel Expenses	16,307,889	16,784,574	(2.8%)	14,576,670	15.1%
Contractual Services	7,229,783	5,930,897	21.9%	5,458,899	8.6%
Materials and Supplies	1,804,384	1,712,774	5.3%	1,191,377	43.8%
Other Operating Expenses	1,257,076	1,215,722	3.4%	795,105	52.9%
Total Operating Expenses	\$ 26,599,132	\$ 25,643,967	3.7%	\$ 22,022,051	16.4%
INTEREST:					
Interest Income	150,969	614,569	100.0%	160,584	100.0%
Less Interest Expense	-	-	0.0%	-	0.0%
Net Interest Income (Expense)	\$ 150,969	\$ 614,569	100.0%	\$ 160,584	100.0%
NET INCOME (LOSS) - OPERATIONS **	\$ 2,011,619	\$ 6,345,674	100.0%	\$ 7,507,361	(15.5%)

**Equal to "Net Income (Loss)" net of Depreciation, Amortization, Construction Interest, and Other Expenses

THE NET INCOME (LOSS) FROM OPERATIONS, ALONG WITH ANY BEGINNING OF THE YEAR TRANSFER FROM THE AIRLINE RESERVE FUND, IS USED TO FUND THE FOLLOWING REQUIREMENTS AS SET FORTH IN THE AIRPORT USE AGREEMENT.

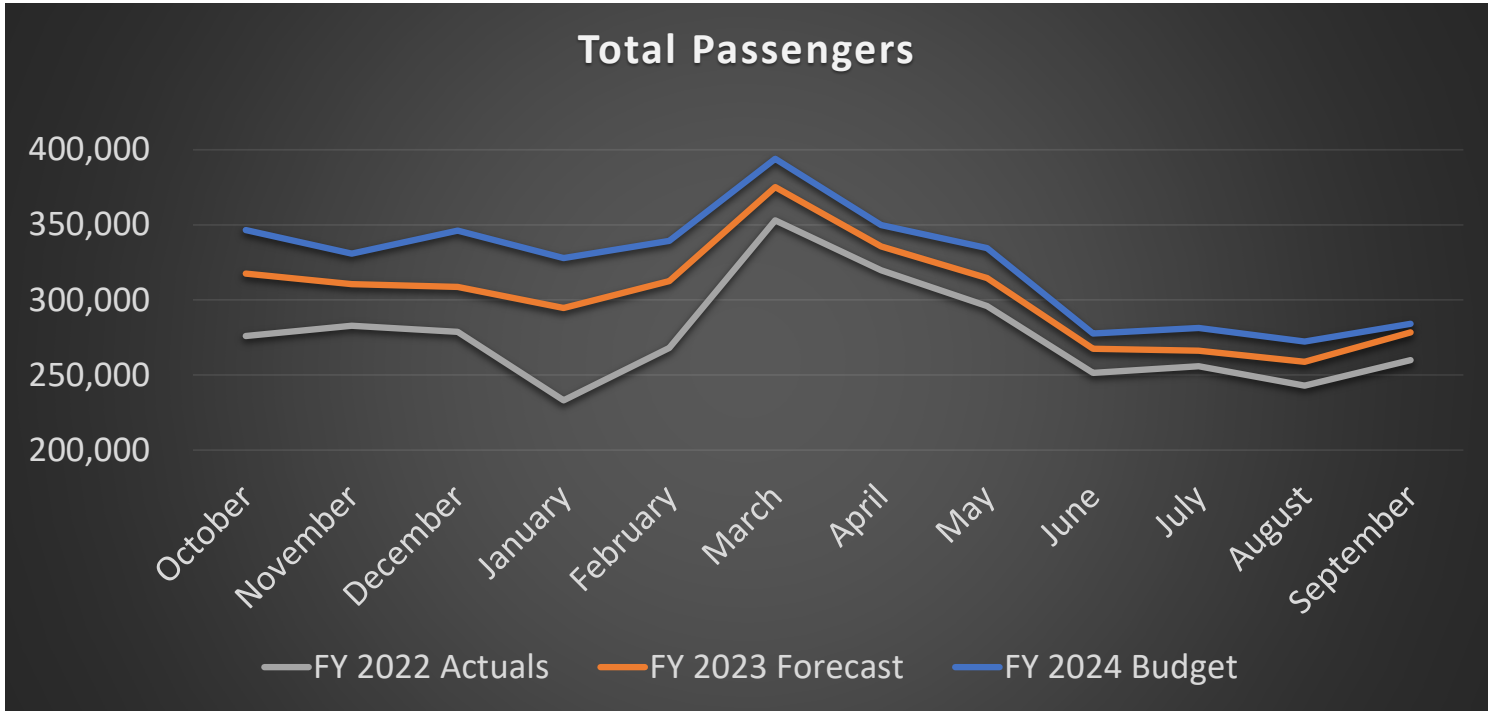
	CURRENT YEAR			PRIOR YEAR	
	BUDGET	ACTUAL	% FAV (UNFAV)	ACTUAL	% FAV (UNFAV)
NET INCOME (LOSS) - OPERATIONS	\$ 2,011,619	\$ 6,345,674	100.0%	\$ 7,507,361	(15.5%)
Net Income (Loss) - Estimate vs. Budget for the Remainder of the Year	2,023,441	3,199,469		(1,330,107)	
Transfer from Airline Reserve Fund Beginning of the Year	0	0	0.0%	0	0.0%
Transfer from Reserve Funds for Approved Budget Expenditures	6,597,119	7,804,432	18.3%	1,990,840	100.0%
TOTAL FUNDS AVAILABLE	10,632,178	17,349,575	63.2%	8,168,094	100.0%
DEDUCT TRANSFERS REQUIRED BY OPERATING BUDGET:					
- 10% Additional Debt Service Coverage (1)	0	0	0.0%	0	0.0%
- To Maintain Required Level in Operations and Maintenance Reserve Fund	857,027	857,027	0.0%	(113,197)	(100.0%)
CAPITAL EXPENDITURES:					
- To Fund Capital Improvement Fund	1,500,959	1,500,959	0.0%	1,361,414	10.3%
- Capital Outlays, Major Maintenance and Capital Improvement Projects	9,067,749	11,044,456	21.8%	4,723,902	100.0%
TRANSFERS TO CAM FUND:					
- To Maintain Required Level in CAM Reserve Fund	143,670	143,670	0.0%	143,688	(0.0%)
TRANSFERS TO MAINTENANCE RESERVE FUND:					
- Discretionary Transfer to Maintenance Reserve Fund	0	0	0.0%	2,000,000	(100.0%)
TRANSFERS TO INSURANCE RESERVE FUND:					
- Payments on RAC Advances (P & I)	956,829	956,829	0.0%	956,829	0.0%
TRANSFERS TO SPECIAL RESERVE FUND:					
- Payments on Interfund Financing (P & I)	3,728,357	3,728,357	0.0%	1,370,464	100.0%
- 52% of Net Industrial Area Revenues	1,929,881	1,733,381	(10.2%)	1,875,056	(7.6%)
- C-Gate Net Revenue	0	0	0.0%	25,000	(100.0%)
- Ryan Restaurant Revenue	22,000	21,840	(0.7%)	11,764	85.6%
Total Transfers to Other Funds	18,206,472	19,986,519	9.8%	12,354,920	61.8%
Transfer from Federal Stimulus Grant Fund	7,574,294	2,636,943	(65.2%)	4,186,826	(37.0%)
BALANCE AVAILABLE FROM OPERATIONS FOR TRANSFER TO AIRLINE RESERVE FUND AT SEPTEMBER 30 (in addition to debt service coverage - see note (1) below)	\$ (0)	\$ -	(100.0%)	\$ -	0%

(1) Additional debt service coverage required by the Airport Use Agreement. If unused at year-end, this amount will be transferred to the Airline Reserve Fund.



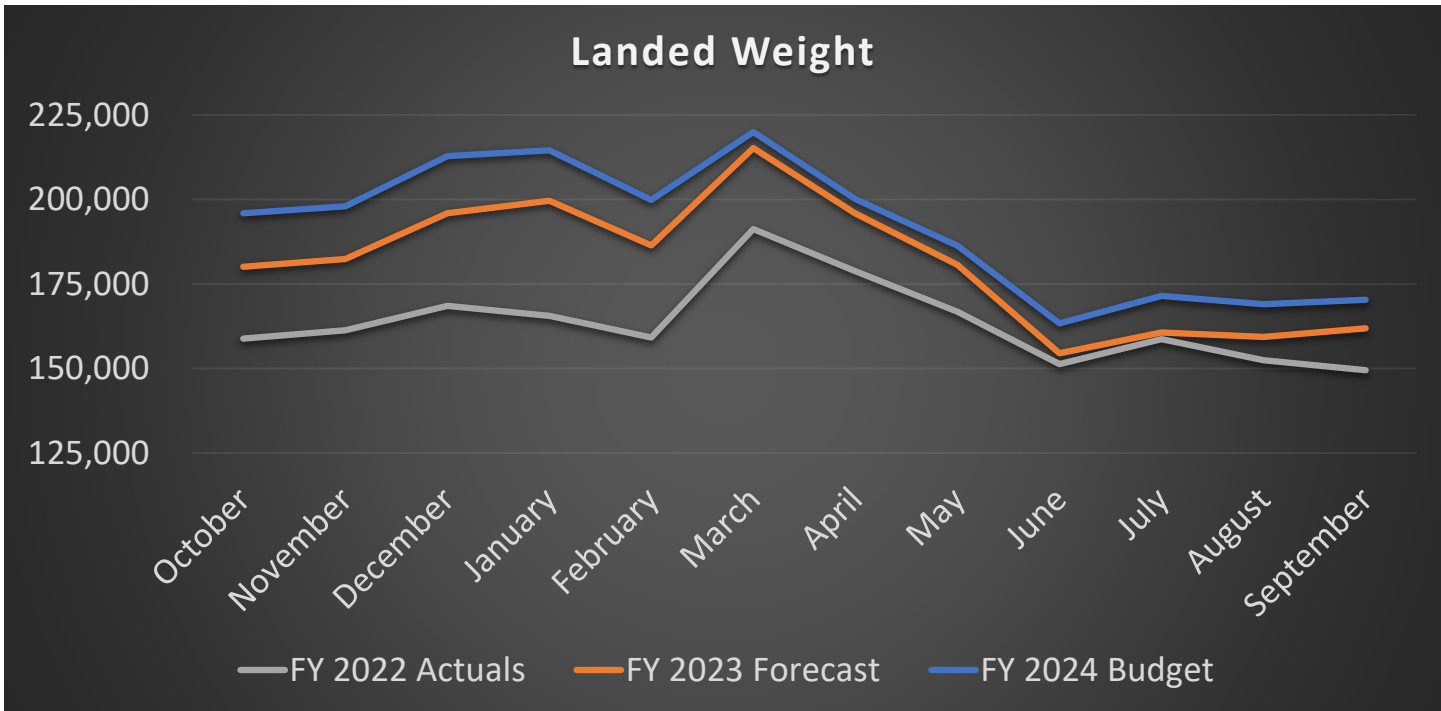
FY 2024 Budget

FY 2024 Passenger Budget



- Forecasted 6.81% increase in total passengers over FY 2023

FY 2024 Landed Weight Budget



- Forecasted 10.72% increase in total landed weight over FY 2023

FY 2024 Revenues

	2024	2023	2023	2022	2024 Budget vs 2023 Forecast	
	Budget	Forecast	Budget	Actual	Dollar Inc/(Dec)	% Inc/(Dec)
<u>Operating Revenue</u>						
Revenue from Signatory Airlines						
(Other than landing fees and fuel sales)	\$ 9,671,803	\$ 8,504,402	\$ 8,401,847	\$ 8,210,992	\$ 1,167,401	13.73%
Fees and Rental Revenue	10,511,128	9,581,720	8,733,696	8,466,501	929,409	9.70%
Concession Revenue	22,390,019	22,289,906	19,726,626	18,741,847	100,113	0.45%
Fuel Sales (net of cost of sales)	26,136	26,136	33,501	40,324	-	0.00%
Other System Revenue	4,035,087	3,962,505	3,591,490	3,972,189	72,582	1.83%
	<u>46,634,174</u>	<u>44,364,669</u>	<u>40,487,160</u>	<u>39,431,853</u>	<u>2,269,505</u>	<u>5.12%</u>
<u>Non-Operating Revenue</u>						
Interest Revenue	526,646	921,631	226,453	264,669	(394,985)	-42.86%
Total Revenue	\$ 47,160,820	\$ 45,286,299	\$ 40,713,613	\$ 39,696,522	\$ 1,874,520	4.14%

FY 2024 Expenses

	2024	2023	2023	2022	2024 Budget vs 2023 Forecast	
	Budget	Forecast	Budget	Actual	Dollar Inc/(Dec)	% Inc/(Dec)
Total Revenue	\$ 47,160,820	\$ 45,286,299	\$ 40,713,614	\$ 39,696,522	\$ 1,874,520	4.1%
<u>Operating Expenses</u>						
Personnel Expenses	26,835,175	25,009,124	24,248,404	23,398,275	1,826,051	7.3%
Contractual/Purchased Services	11,670,643	8,896,346	10,444,775	8,954,187	2,774,297	31.2%
Materials/Supplies	3,288,132	2,359,996	2,390,561	1,704,130	928,136	39.3%
Other Operating Expenses	1,813,709	1,823,583	1,849,118	1,315,735	(9,874)	-0.5%
Total Operating Expenses	43,607,659	38,089,049	38,932,858	35,372,328	5,518,610	14.5%
Net Operating Income	\$ 3,553,161	\$ 7,197,251	\$ 1,780,756	\$ 4,324,194	\$ (3,644,090)	-50.6%

FY 2024 Landing Fee Requirement

	2024	2023	2023	2022	2024 Budget vs 2023 Forecast	
	Budget	Forecast	Budget	Actual	Dollar Inc/(Dec)	% Inc/(Dec)
Net Operating Income	\$ 3,553,161	\$ 7,197,251	\$ 1,780,756	\$ 4,324,194	\$ (3,644,090)	-50.6%
Total Debt Service	4,969,887	4,685,186	4,685,186	4,225,865	284,701	6.1%
Total Fund Transfers	(11,242,662)	1,574,040	(3,120,756)	3,115,094	(12,816,702)	-814.3%
<u>Capital Requirements</u>						
Capital Improvement Projects (CIP)	33,654,907	7,917,408	7,917,408	2,008,390	25,737,499	325.1%
Capital Outlay	1,706,591	140,975	140,975	1,114,858	1,565,616	1110.6%
Capitalized Major Maintenance	996,004	2,986,073	1,009,366	4,463,533	(1,990,069)	-66.6%
<u>Special Funding Sources</u>						
Capital Improvement Fund	(1,576,007)	(1,500,959)	(1,500,959)	(1,429,485)	(75,048)	5.0%
Special Reserve Fund	-	(4,326,766)	(4,326,766)	(6,515,453)	4,326,766	-100.0%
Maintenance Reserve Fund	-	(1,976,707)	(769,394)	-	1,976,707	-100.0%
Common Area Major Maintenance Funds	-	-	-	(602,108)	-	0.0%
Total Capital Requirements	34,781,495	3,240,024	2,470,630	(960,265)	31,541,471	973.5%
Airline Reserve Funds Applied to System	21,732,745	-	-	-	21,732,745	100.0%
Signatory Landing Fee Requirement (Residual)	\$ 3,222,815	\$ 2,301,999	\$ 2,254,303	\$ 2,056,501	\$ 920,816	40.0%

FY 2024 Landing Fee

	2024		2023		2023		2022		2024 Budget vs 2023 Forecast		
	Budget		Forecast		Budget		Actual		Dollar Inc/(Dec)	% Inc/(Dec)	
Signatory Landing Fee Requirement (Residual)	\$	3,222,815	\$	2,301,999	\$	2,254,303	\$	2,056,501	\$	920,816	40.0%
Landed Weight Signatory Airlines	\$	2,142,102	\$	2,001,739	\$	1,962,252	\$	1,788,249	\$	140,364	7.0%
Calculated Landing Fee	\$	1.50			\$	1.15			\$	0.35	30.4%

FY 2024 Funding Highlights

- \$34.8 million in Capital Requirements
- \$21.7 million of funds from Airline Reserve Fund
- \$18.4 million of CARES, CRRSAA, ARPA collections
- \$3.1 million of available ASE program capacity
- No new debt service in FY24 (SRF, IRF)

ASE Program

- \$180 million of construction between FY24 & FY25
- \$3.1 million of program capacity used for FY24
- Remaining CARES, CRRSAA, ARPA in FY25

Environmental Remediation

- Long-term programs: SRP and TARP
- Annual liability includes expense forecast
- Liability as of Sept. 30, 2022:
 - SRP: \$12,166,804
 - TARP: \$9,400,495
 - **Total: \$21,567,299**
- Insurance Reserve Fund balance: \$31 million
 - *as of Sept. 30, 2022*

FY 2024 Budget

Questions?

THANK YOU





U.S. Department
of Transportation
**Federal Aviation
Administration**

Western-Pacific Region
Office of Airports
Phoenix Airports District Office

3800 N Central Avenue
Suite 1025, 10th Floor
Phoenix, AZ 85012

August 3, 2023

Tucson Airport Authority
ATTN: Danette Bewley, A.A.E.
President/CEO

via email – dbewley@flytucson.com

Tucson International Airport
7250 S Tucson Boulevard
Suite 300
Tucson, AZ 85756

Dear Ms. Bewley:

The purpose of this letter is to reaffirm the Federal Aviation Administration's (FAA) appreciation and support for the leadership and attention demonstrated by the Tucson Airport Authority (TAA) to address important airfield safety improvements at the Tucson International Airport (TUS).

Beginning in 2010, TAA began the planning process to enhance the airfield operating environment of TUS. At that time, TUS was incurring numerous runway incursions, in which taxiing aircraft interfered with aircraft that were taking off and/or landing. In response, TAA developed a collaborative partnership with FAA and other stakeholders that resulted in an Airfield Safety Enhancement (ASE) program, which identified needed airfield improvements and resulted in a FAA 2018 Record of Decision (ROD) from the Environmental Impact Statement (EIS).

Since 2018, TAA has been working on the actual construction changes for ASE, such as drainage, grading and other construction activities that will ultimately be utilized for the completion of ASE. TAA is currently working to initiate the most substantial components of ASE:

1. the demolition of Runway 11R/29L;
2. the relocation and construction of Runway 12L/30R (runway heading changes are a result of the magnetic variation changes);
3. the construction of a center parallel taxiway;
4. the construction of a full-length taxiway adjacent to the TAA property boundary with Raytheon Missile Systems (RMS). In addition, TAA is finalizing a property exchange with the United States Air Force (USAF) to ensure TAA has the necessary Runway Safety Area for Runway 12R/30L (where RMS bunkers exist today), and;
5. RMS has the appropriate property and replacement munition storage bunkers so they can continue their mission.


The TAA is also working on residential sound insulation, which is required by the 2018 EIS.

The FAA values the long-term partnership with TAA and their approach to safety and standards. Federal Funding assistance has been provided to TAA since ASE was initiated and we look forward to assisting TAA with the upcoming phases of ASE as federal resources allow.

We applaud TAA for their commitment and dedication to enhancing the safety of TUS and the National Airspace System. You are a model for other airports.

Sincerely,

**MICHAEL N
WILLIAMS**

 Digitally signed by MICHAEL
N WILLIAMS
Date: 2023.08.03 18:35:50
-07'00'

Mike N Williams, A.A.E.
Manager

CC Mark McClardy, Director, Airports Division, Western-Pacific Region

Date: August 22, 2023

To: Finance and Risk Management Council
From: Kim Allison, Vice President/Chief Financial Officer
Re: FY 2024 Tucson Airport Authority Operating Budget

Purpose:

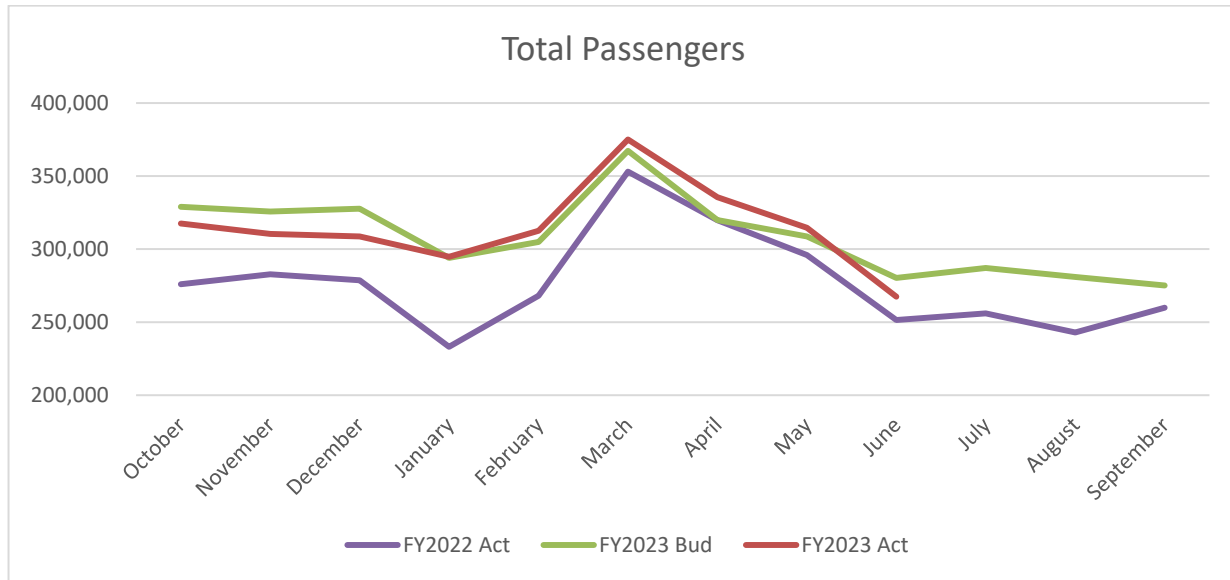
Attached for your review is the FY 2024 Tucson Airport Authority (TAA) Operating Budget. The document entitled, “Statement of Airport System Requirements” (Exhibit A) presents a comparative analysis of major revenue and expense categories for the FY 2024 budget, the current fiscal year forecast and approved budget (FY 2023).

FY 2023 Forecast vs FY 2023 Budget:

Overall, the fiscal year has tracked closely to the annual budget, as TAA continued its recovery from the economic effects of the COVID-19 pandemic. Year-to-date through June 2023, enplaned passenger activity has exceeded budget by 2.1%. The higher-than-expected enplaned passenger volume, as well as higher-than-expected concession revenue per enplaned passenger during FY 2023 have contributed to an optimistic forecast for operating revenues. TAA expects FY2023 operating revenue to exceed budget by \$3.9 million. This increase is largely driven by higher-than-expected parking and rental car revenues. TAA implemented a planned increase in parking rates in all its lots, effective November 1, 2022. It is noteworthy that TAA has experienced favorable parking revenues to budget despite this increase. TAA has also maintained in FY 2023 the strong recovery from the COVID-19 pandemic that it began to experience in the second half of FY 2022. The overall passenger volume expectation for FY 2023 was approximately 98% of pre-COVID-19 levels. The current year-to-date volume is just over 96.0% of pre-COVID-19 levels. Operating expenses are also favorable by \$1.0 million, due to contractual services savings. TAA continues to look for ways to manage expenses during a period of historically high inflation and instability in the hiring market.

FY 2023 Budget Volume Assumptions:

Volume assumptions drive critical components of airport revenue planning, including Concessions and Landing Fees. Significant changes in volume have the potential to affect operating expenses as well. Overall, TAA’s operating costs are largely fixed. The most significant cost drivers are FAA Part 139 requirements and the specific infrastructure and resources managed and maintained, which do not significantly change year-to-year. For FY 2024, budgeted landed weight volume for signatory airlines is expected to increase by 9.2% over the budgeted volume for FY 2023. Accordingly, this is expected to be a driver in increasing TAA’s Operating Revenue for the year.



FY 2024 passenger activity is budgeted to increase 5.0% compared to the FY 2023 budget, with 3.9 million total expected passengers at TUS. The budget resembles the FY 2019 passenger volume, with a return to pre-COVID seasonality. Load factors are expected to remain relatively high, resulting in a budgeted passenger volume of 102.7% of FY 2019 (pre-COVID-19) levels.

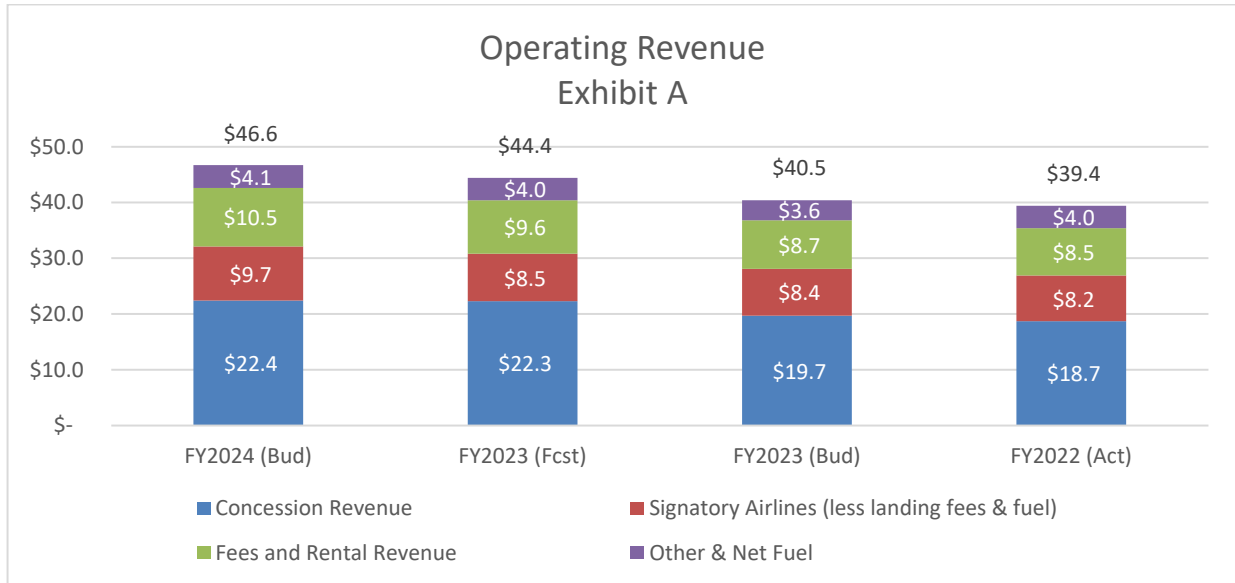
Landed weight is highly correlated with passenger volume. With the expectation of elevated load factors, the budgeted landed weight for FY 2024 is 15.7% higher than the FY 2023 budget and 102.6% of FY 2019 (pre-COVID-19).

Revenue vs. FY2023 Budget:

The FY 2024 operating revenues are expected to grow \$6.1 million (15.2%) vs the FY 2023 budget and \$2.3 million (5.1%) vs FY 2023 forecast (see chart below). The overall changes by revenue category are as follows:

- Concession Revenue - \$2.7 million (13.5%) increase due to higher passenger volumes, increased parking rates for all lots, and a continuation of escalated rental car revenue. Minimum annual guarantees (MAG) for rental car tenants (RAC) have been restored this fiscal year; however, the rental car revenue is expected to exceed the MAG, so there is no financial risk from this change. Food & Beverage and Retail are also exceeding MAG due to new operations management as well as general increased pricing due to inflation.
- Revenue from Signatory Airlines (other than landing fees and fuel) - \$1.3 million (15.1%) increase which is largely attributable to an increase in terminal rate charges. Terminal rate charges increased as part of the FY 2024 AUA extension agreement and the discontinuation of the 25% discount on fixed terminal rents that TAA offered in response to the impacts of the COVID-19 pandemic.

- Fees and Rental Revenue - \$1.8 million (20.4%) increase due to higher non-signatory landing fees and facility terminal rent.
- Other Revenue - \$0.4 million (12.4%) increase primarily due to including budget for tie-down revenues, which were not budgeted in prior years.



- Non-operating revenue is comprised of interest earnings on federally guaranteed debt securities, mainly agency notes and treasury bonds. Interest revenue is expected to increase \$0.3 million from the FY 2023 budget as Federal Reserve rate increases implemented in 2023 are expected to continue into FY 2024.

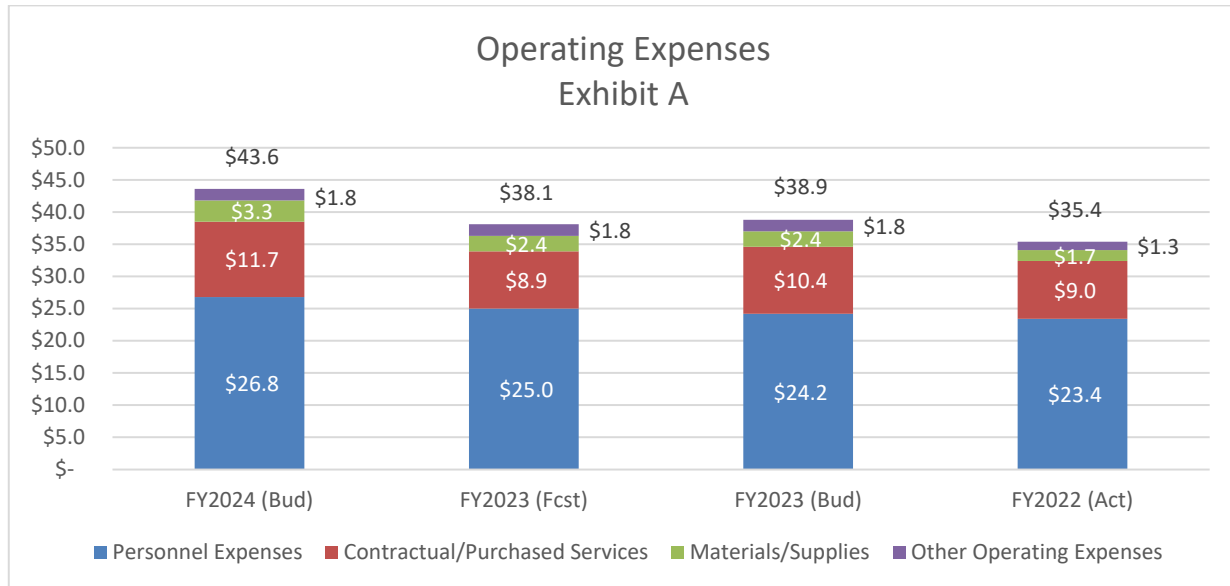
Operating Expenses vs FY 2023 Budget:

The FY 2024 operating expenses are budgeted to increase \$4.7 million or 12.0% compared to the FY 2023 budget and increase \$5.5 million or 14.5% over the FY 2023 forecast (see chart below). The overall changes by expense category are described below:

- Personnel expenses represent the majority of TAA’s operating expenses. The FY 2024 budget is \$26.8 million which is \$2.6M (10.7%) higher than FY23 budget. Factored into the Personnel expense category are fully burdened employee salaries (salary and benefits); funds to increase positions related to safety, security, and federal mandates; a Cost-of-Living Adjustment, performance management recognition and adjustments to the TAA Compensation Plan (to allow the TAA to retain and attract highly skilled talent). In addition, the increase is attributable to a lower vacancy allowance assumption. TAA experienced improved employee retention factors in FY 2023 than what was budgeted. As the vacancy allowance serves as an offset to the personnel budget, a reduced vacancy assumption will increase the overall budget.
- Contractual/Purchased Services is expected to increase \$1.2 million or 10.7% compared to FY 2023 budget. The increase is due to increases in engineering fees, airport consultant

fees, and other professional services. TAA also budgeted for increases in utilities expenses due to scheduled rate increases in FY 2024.

- Materials and supplies are budgeted to increase by \$0.9 million or 37.6% due to multiple factors including inflation and additional software licenses.
- Other operating expenses are down 1.9% compared to the FY 2023 budget, mainly due to reduced travel and training expenses.



Debt Service:

Airport system debt service will increase by \$0.3M from FY 2023 budget primarily due to special reserve loan funding of capital projects funded by the Special Reserve Fund during FY 2023. These projects include improvements to the Executive Ramp and reconstruction of AANG road. See the Appendix section for additional details on current outstanding airport system debt service.

Fund Transfers:

All fund transfers are budgeted and executed in accordance with the terms of the Airport Use Agreement (AUA), an agreement between the TAA and the signatory airlines at Tucson International Airport (TUS).

- The Operations and Maintenance Reserve Fund is required to be maintained at a balance of 25% of budgeted operating expenses. The \$3.2M transfer is required to maintain this balance.
- The transfer to the Capital Improvement Fund is budgeted to increase 5.0% in FY 2023, as prescribed by the AUA.
- Transfers to the Special Reserve Fund are expected to be \$1.8 million, which largely represents 52% of anticipated net operating income of the industrial area.
- A planned transfer of \$500,000 to the Maintenance Reserve fund for unplanned maintenance expenditures. The balance of this fund is currently \$905,556.

- Common area maintenance transfers are largely flat.
- Prior collections of the CARES, CRRSAA, and ARPA grants of \$18.4 million will be used to fund capital program expenses in FY 2024.
- The transfer from the Airline Reserve Fund of \$21.7 million is used to fund the capital program for FY 2024.

Total Capital Requirements:

Total capital requirements are budgeted to increase by \$32.3M compared to the FY 2023 budget. This increase is due in large part to the Airfield Safety Enhancement Program and the timing of specific phases of work. Attached are three separate exhibits detailing budgeted project information for FY 2024 Major Maintenance (Exhibit B), Capital Outlay (Exhibit C), and the Capital Improvement Program (CIP) (Exhibit D).

Funding of Capital Requirements:

TAA will be continuing work on the Airfield Safety Enhancement Project (ASE) in FY 2024. TAA has performed a reconciliation of the ASE program approved budget to date and has identified \$42.5 million of available program capacity (of which \$3.1 million is local program capacity) that it will apply to upcoming project phases. Such capacity arose as grant funding for certain ASE project phases was awarded by the FAA at higher levels than originally budgeted.

TAA is in the favorable position of having cash on hand to fund the local portion of planned ASE project phases in FY 2024 and other capital project priorities at TUS, while it continues to aggressively seek grant funding from federal and state sources. TAA has identified \$18.4 million of receipts from the CARES, CRRSAA, and ARPA grants and \$21.7 million of Airline Reserve Funds for use in funding the capital program for FY 2024. (TAA is reserving \$2.7 million of CARES, CRRSAA, and ARPA grant collections to cover the forecasted shortfall of the airport system in FY 2023.) TAA recommends this fiscally responsible approach, as it avoids adding debt financing to the airport system during this time of elevated interest rates.

The table below represents the balance of the Airline Reserve Fund as of May 31, 2023, following a reconciliation of the airport system.

Balance as of 5/31/2023	\$ 2,370,167.86
<i>Transfer In: Revenue Fund (110) excess balance</i>	<i>\$ 799,660.69</i>
<i>Transfer In: O&M Capital Fund (113) & O&M Misc. Reimbursements (114) balance</i>	<i>\$ 8,408.78</i>
<i>Transfer In: O&M Rollover Fund (115) balance</i>	<i>\$ 13,991,700.78</i>
<i>Transfer In: Maintenance Reserve Fund (130) excess balance</i>	<i>\$ 435,205.93</i>
<i>Transfer In: Capital Improvement Fund (140) excess balance</i>	<i>\$ 5,537,850.60</i>
<i>Transfer In: Federal Rescue Fund (141)</i>	<i>\$ 7,397,227.00</i>
<i>Transfer In: FAA Land Acquisition Fund (210) balance</i>	<i>\$ 3,722,083.97</i>
<i>Transfer Out: Special Reserve Fund (150) income</i>	<i>\$ (9,846,724.49)</i>
Reconciled Balance as of 5/31/2023	\$ 24,415,581.12

Net Results and Summary:

All budgeted items described above result in a signatory landing fee requirement of \$3.2 million. When divided by the budgeted signatory landed weight, the calculated landing fee is \$1.50 per thousand-pound unit, as required by the AUA amendment and extension.

The ASE program will continue to require significant investment by TAA through its completion. TAA has committed to the airlines it will use the remaining balance of the Airline Reserve Fund and any remaining CARES, CRRSAA, and ARPA collections remaining after the airport system is balanced for FY 2023 for the capital program in FY 2025. The fund balances above do not include the \$31M allocation from the Bipartisan Infrastructure Law (BIL), as TAA also plans to apply all BIL proceeds directly to the ongoing Airfield Safety Enhancement (ASE) project. The increase in landing fee for FY 2024 will allow the TAA to preserve airport system funds for future phases of the ASE program. Additionally, it will require the non-signatory and cargo operators to contribute more into the airport system.

Environmental Remediation Liability:

TAA currently manages two environmental remediation programs at TUS: the Tucson Airport Remediation Project (TARP) and the Soils Remediation Project (SRP). TAA participates with the Environmental Protection Agency (EPA) on TARP through a consent decree. TAA is engaged with the EPA, Arizona Department of Environmental Quality (ADEQ) and City of Tucson and shares liability with Boeing and General Dynamics.

TAA staff perform an annual calculation of the remaining liability for these two programs. This calculation considers the current year's expenses, outstanding invoices to be paid, and future cost projections. TAA pays for any expenses incurred from an internal fund named the Insurance Reserve Fund. Although these funds are not legally restricted, TAA has designated these funds for the purpose of paying future environmental remediation costs. As such, TAA has historically not included environmental remediation liability expenses in the annual Operating & Maintenance Budget, and it is not included in the airport system landing fee calculation. It is included in this memo for informational purposes.

TAA staff presented to the TAA Environmental and Sustainability Sub-council on July 10, 2023 the revised estimated liability for both TARP and SRP. As of September 30, 2022, the estimated remaining liability is \$12,166,804 for TARP and \$9,400,495 for SRP, a total estimated liability of \$21,567,299. The balance of the Insurance Reserve Fund as of September 30, 2022 was \$31 million.

TAA staff will perform another estimated calculation of the environmental remediation liability as of September 30, 2023 during the course of the financial statement audit for FY 2023.

Additional Information:

Included with the agenda packet are updated summaries of the rates and charges that will become effective October 1, 2023. The information provided includes terminal rentals, general rental rates and charges and baggage claim allocations for the next fiscal year. The referenced rates will also be communicated to each airline operator (corporate accounts payable and local station manager).

In addition, on August 15, 2023, the TAA met with the Airline and Airport Affairs Committee (AAAC), a group of designated representatives from each airline (corporate executives). Members of the AAAC indicated no issue with the TAA's proposed FY24 Budget.

Staff will be available at the August 22, 2023 meeting to discuss the budget and to answer any questions you may have. Should you wish to discuss the information prior to the meeting, feel free to call me at (520) 573-4862. You may also contact me through email at kallison@flytucson.com.

Recommendation:

The Finance and Risk Management Council recommend that the President/CEO or her designee present the FY24 Budget to the Board of Directors on September 6, 2023 for approval.

Attachments:

1. Appendix A – FY 2024 Interfund Loans Summary
2. Exhibit A – Statement of Airport System Requirements 2023
3. Exhibit B – FY 2024 Major Maintenance Program
4. Exhibit C – FY 2024 Capital Outlay Program
5. Exhibit D – FY 2024 Capital Improvement Program
6. Majority-in-Interest (Landed Weights Summary) – July 2022 through June 2023
7. Signatory Airline Majority-in-Interest Voting Ballot – FY 2024 Budget Items
8. TUS General Rates and Charges (Effective October 1, 2023)
9. Monthly Baggage Claim Area Rental Charges – October 2023 through September 2024

Appendix

The tables below provide details of the interfund loans included in the budget assumption for FY 2024.

Special Reserve Fund Loans	Principal Payments	Interest Payments	Total Payments
ARDCO Hangar	\$17,002	\$22,130	\$39,132
HIDTA Hangar	32,761	44,626	77,386
Jet Bridges	96,915	95,847	192,762
Public Safety Personnel Retirement System	1,406,167	653,894	2,060,061
Series 2018 Refunding	252,315	85,825	338,140
TSA Offsite Leasehold 2110 E Airport Drive	3,128	7	3,135
Universal Hangar	39,457	35,878	75,336
Velocity Ryan Apron Improvement	39,925	4,635	44,560
Total	\$1,887,670	\$942,843	\$2,830,513
<i>Estimated payments on current and new projects completed in FY 2024</i>			1,182,545
Total Budgeted Special Reserve Fund Interfund Loan Payment FY 2024			\$4,013,059

Insurance Reserve Fund Loans	Principal Payments	Interest Payments	Total Payments
QTA Expansion	\$45,959	\$20,908	\$66,867
RAC & Garage	619,908	270,054	889,962
Total	\$665,866	\$290,962	\$956,829
Total Budgeted Insurance Reserve Fund Interfund Loan Payment FY 2024			\$956,829

TUCSON AIRPORT AUTHORITY
STATEMENT OF AIRPORT SYSTEM REQUIREMENTS 2023

	2024		2023		2022 Actual	2024 Budget vs 2023 Forecast	
	Budget	Forecast	Budget	Forecast		Dollar Inc/(Dec)	% Inc/(Dec)
Operating Revenue							
Revenue from Signatory Airlines (Other than landing fees and fuel sales)	\$ 9,671,803	\$ 8,504,402	\$ 8,401,847	\$ 8,210,992	\$ 1,167,401	13.7%	
Fees and Rental Revenue	10,511,128	9,581,720	8,733,696	8,466,501	929,409	9.7%	
Concession Revenue	22,390,019	22,289,906	19,726,626	18,741,847	100,113	0.4%	
Fuel Sales (net of cost of sales)	26,136	26,136	33,501	40,324	-	0.0%	
Other System Revenue	4,035,087	3,962,505	3,591,490	3,972,189	72,582	1.8%	
	46,634,174	44,364,669	40,487,161	39,431,853	2,269,505	5.1%	
Non-Operating Revenue							
Interest Revenue	526,646	921,631	226,453	264,669	(394,985)	-42.9%	
	526,646	921,631	226,453	264,669	(394,985)	-42.9%	
Total Revenue (1)	47,160,820	45,286,299	40,713,614	39,696,522	1,874,520	4.1%	
Operating Expenses							
Personnel Expenses	26,835,175	25,009,124	24,248,404	23,398,275	1,826,051	7.3%	
Contractual/Purchased Services	11,670,643	8,896,346	10,444,775	8,954,187	2,774,297	31.2%	
Portion of Major Maintenance Expensed	-	-	-	-	-	0.0%	
Materials/Supplies	3,288,132	2,359,996	2,390,561	1,704,130	928,136	39.3%	
Other Operating Expenses	1,813,709	1,823,583	1,849,118	1,315,735	(9,874)	-0.5%	
Total Operating Expenses	43,607,659	38,089,049	38,932,858	35,372,328	5,518,610	14.5%	
Net Operating Income (1)	3,553,161	7,197,251	1,780,756	4,324,194	(3,644,090)	-50.6%	

(1) Excludes Signatory Landing Fees

TUCSON AIRPORT AUTHORITY
STATEMENT OF AIRPORT SYSTEM REQUIREMENTS 2023

	2024		2023		2022	2024 Budget vs 2023 Forecast	
	Budget	Forecast	Budget	Actual	Dollar Inc/(Dec)	% Inc/(Dec)	
Debt Service							
Airport Revenue Bonds (Subordinate Lien) (2)	3,996,652	3,996,806	3,996,806	4,003,799	(154)	0.0%	
PFC Payment	(3,996,652)	(3,996,806)	(3,996,806)	(4,003,799)	154	0.0%	
Special Reserve Advances	4,013,059	3,728,357	3,728,357	3,269,037	284,701	7.6%	
Insurance Reserve Advances	956,829	956,829	956,829	956,829	-	0.0%	
Total Debt Service	4,969,887	4,685,186	4,685,186	4,225,865	284,701	6.1%	
Fund Transfers							
Operations & Maintenance Reserve	3,215,192	857,027	857,027	514,533	2,358,165	275.2%	
Capital Improvement Fund	1,576,007	1,500,959	1,500,959	1,429,485	75,048	5.0%	
Special Reserve Fund	1,753,553	1,755,220	1,951,881	1,456,253	(1,668)	-0.1%	
Maintenance Reserve Fund	500,000	-	-	-	500,000	0.0%	
Common Area Major Maintenance Funds	144,899	143,670	143,670	143,498	1,230	0.9%	
Airline Reserve Fund	-	-	-	-	-	0.0%	
Federal Rescue Funds	(18,432,313)	(2,682,836)	(7,574,294)	(428,674)	(15,749,477)	587.0%	
Total Fund Transfers	(11,242,662)	1,574,040	(3,120,756)	3,115,094	(12,816,702)	-814.3%	
Capital Requirements							
Capital Improvement Projects (CIP)	33,654,907	7,917,408	7,917,408	2,008,390	25,737,499	325.1%	
Capital Outlay	1,706,591	140,975	140,975	1,114,858	1,565,616	1110.6%	
Capitalized Major Maintenance	996,004	2,986,073	1,009,366	4,463,533	(1,990,069)	-66.6%	
Special Funding Sources							
Capital Improvement Fund	(1,576,007)	(1,500,959)	(1,500,959)	(1,429,485)	(75,048)	5.0%	
Special Reserve Fund	-	(4,326,766)	(4,326,766)	(6,515,453)	4,326,766	-100.0%	
Maintenance Reserve Fund	-	(1,976,707)	(769,394)	-	1,976,707	-100.0%	
Common Area Major Maintenance Funds	-	-	-	(602,108)	-	0.0%	
Total Capital Requirements	34,781,495	3,240,024	2,470,630	(960,265)	31,541,471	973.5%	
Airline Reserve Fund (Beginning Balance)							
Coverage from prior fiscal year		-	-	-	-	0.0%	
Excess / (Shortfall) from prior fiscal year operations	24,415,581	-	-	-	24,415,581	0.0%	
Total Beginning Balance	24,415,581	-	-	-	24,415,581	0.0%	
Airline Reserve Funds Applied to System	21,732,745	-	-	-	21,732,745	0.0%	
Signatory Landing Fee Requirement (Residual)	\$ 3,222,815	\$ 2,301,999	\$ 2,254,303	\$ 2,056,501	\$ 920,816	40.0%	
Landed Weight Signatory Airlines	2,142,102	2,001,739	1,962,252	1,788,249	140,364	7.0%	
Calculated Landing Fee	\$ 1.50	\$ 1.15	\$ 1.15	\$ 0.35	\$ 0.35	0.0%	

EXHIBIT B



Portfolio Planning Dashboard

Plan Year: 2024
 Program: MM
 Portfolio Name: FY 2024 MM Program - EXHIBIT B
 Currency: Dollars (USA)
 Revision: 0
 Status: Draft

Plan Total: \$996,004.00
 Selected To Fund: \$0.00

Initiative ID	Initiative	Funding Year	Project Manager	Total	Dept.	Workflow Status	Score	2024	2025	2026	2027	2028	Beyond 5
10220455	10220455 B-230 Replace Flooring in Custodial Supervisor Office	2024	Robert Madrigal	\$21,488.00	521 - Maintenance	Approved	0.00000	\$21,488.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10223495	10223495 Install cameras around maintenance yard and warehouse	2024	Leslie Atkinson	\$25,000.00	521 - Maintenance	Approved	0.00000	\$25,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10223570	10223500 Fire Extinguisher Prop (1)	2024	Tom Tucker	\$17,270.00	503 - Fire	Draft	0.00000	\$17,270.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10223571	10223515 TUS APMS Update(1)	2024	Dexter DeVera	\$370,163.00	402 - Civil Development	Draft	0.00000	\$370,163.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10223572	10223533 Utilities and Road to support Engine Test Facility(1)	2024	Victor Palma	\$287,083.00	203 - Commercial & Business Development	Draft	0.00000	\$287,083.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10223573	10223541 Common Use - Gates and Gate Management - Phase 1 (1)	2024	Anthony Casella	\$275,000.00	302 - Information Technology & Telecommunications	Draft	0.00000	\$275,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total				\$996,004.00				\$996,004.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

EXHIBIT C



Portfolio Planning Dashboard

Plan Year: 2024
 Program: CO
 Portfolio Name: FY 2024 CO Program - EXHIBIT C
 Currency: Dollars (USA)
 Revision: 0
 Status: Draft

Plan Total: \$1,706,591.00
 Selected To Fund: \$0.00

Initiative ID	Initiative	Funding Year	Project Manager	Total	Dept.	Workflow Status	Score	2024	2025	2026	2027	2028	Beyond 5
10395002 (805)	10395002 FY 24 Art Aquisition	2024	Danette Bewley	\$35,000.00	104 - Marketing & External Relations	Approved	0.00000	\$35,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10322466	10322466 Airport Management System Modules-SaaS	2024	Leslie Atkinson	\$284,050.00	302 - Information Technology & Telecommunications	Approved	0.00000	\$284,050.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10322472	10322472 Art Gallery Seating - Area C & D	2024	Tyler Rothe	\$50,000.00	104 - Marketing & External Relations	Approved	0.00000	\$50,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10322474	10322474 4x4 Pickup Truck 4 Door for Director of Maintenance	2024	Alan Moseley	\$31,000.00	521 - Maintenance	Approved	0.00000	\$31,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10322482	10322482 2023 Chevrolet Silverado 2500 for RYN Airfield specialist	2024	Alan Moseley	\$59,069.00	521 - Maintenance	Approved	0.00000	\$59,069.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323501	10323501 New Track Loader to replace TAA 155 Case Uniloader	2024	Alan Moseley	\$84,603.00	521 - Maintenance	Approved	0.00000	\$84,603.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323527	10323527 New Payroll System	2024	Clark Wager	\$100,000.00	311 - Finance	Approved	0.00000	\$100,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323528	10323528 New ERP Software	2024	Clark Wager	\$190,000.00	311 - Finance	Approved	0.00000	\$190,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323534	10323534 Upgrade Oracle servers to the Cloud	2024	Anthony Casella	\$280,000.00	302 - Information Technology & Telecommunications	Approved	0.00000	\$280,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323536	10323536 TLMP - Replace Meraki WiFi Units (49ea)	2024	Anthony Casella	\$58,800.00	302 - Information Technology & Telecommunications	Approved	0.00000	\$58,800.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323537	10323537 TLMP - Marketing Monitor replacement in Baggage 4ea	2024	Anthony Casella	\$15,000.00	302 - Information Technology & Telecommunications	Approved	0.00000	\$15,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323538	10223538 Replace TAA Fuel Farm Controller	2024	Anthony Casella	\$30,000.00	302 - Information Technology & Telecommunications	Approved	0.00000	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

EXHIBIT C



Portfolio Planning Dashboard

Initiative ID	Initiative	Funding Year	Project Manager	Total	Dept.	Workflow Status	Score	2024	2025	2026	2027	2028	Beyond 5
10323542	10323542 TLMP - Call Recorders for ACC	2024	Anthony Casella	\$75,000.00	302 - Information Technology & Telecommunications	Approved	0.00000	\$75,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323548	10323548 Ride on vacuum to replace TAA520	2024	Adam Kretschmer	\$14,000.00	505 - Custodial	Approved	0.00000	\$14,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20323566	20323566 RYN Airfield Lighting ATS Replacement	2024	Leonard Ward	\$40,000.00	521 - Maintenance	Submitted	0.00000	\$40,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10322481	10322481 2023 Chevrolet Silverado 2500 to replace TAA 388	2024	Alan Moseley	\$59,069.00	521 - Maintenance	Approved	0.00000	\$59,069.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323539	10323539 TLMP - Desktop monitor replacements - Phase 2	2024	Anthony Casella	\$10,000.00	302 - Information Technology & Telecommunications	Approved	0.00000	\$10,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323545	Upgrade Vaisala Lightning detection system	2024	Anthony Casella	\$140,000.00	521 - Maintenance	Approved	0.00000	\$140,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323550	10323550 Polaris Utility Vehicle	2024	Adam Kretschmer	\$51,000.00	502 - Police	Approved	0.00000	\$51,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10323525	10323525 Update Airport Training Videos	2024	Bruce Goetz	\$100,000.00	101 - Executive	Approved	0.00000	\$100,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total				\$1,706,591.00				\$1,706,591.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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

FISCAL YEAR 2024 CAPITAL IMPROVEMENT PROGRAM

TUS AIP Projects:	Total	Federal	State	Other ***	TAA	See Note
Reconciliation of Prior Years ASE Program Budgets	\$ (42,502,453)	\$ (38,808,735)	\$ (575,113)	\$ -	\$ (3,118,605)	
10119102 ASE Program (Construction)	\$ 90,000,000	\$ 63,151,231	\$ 3,100,000	\$ 21,479,464	\$ 2,269,305	*
10119102 (802) Land Exchange	\$ 19,000,000	\$ 17,301,400	\$ 849,300	\$ -	\$ 849,300	*, **

TUS AIP Total:	\$ 66,497,547	\$ 41,643,896	\$ 3,374,187	\$ 21,479,464	\$ -	
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TUS ADOT Projects:	Total	Federal	State	Other	TAA
	\$ -	\$ -	\$ -	\$ -	\$ -

TUS ADOT Total:	\$ -	\$ -	\$ -	\$ -	\$ -
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RYN AIP Grant Projects:	Total	Federal	State	Other	TAA	
20119088 Ryan Tower Equipment (Replacement)	\$ 700,000	\$ 637,420	\$ 31,290	\$ -	\$ 31,290	*

RYN AIP Total:	\$ 700,000	\$ 637,420	\$ 31,290	\$ -	\$ 31,290
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RYN ADOT Grant Projects:	Total	Federal	State	Other	TAA	
20130331 Connector Road Reconstruction and Sewer Extension to Airfield Drive	\$ 1,157,216	\$ -	\$ 1,157,216	\$ -	\$ -	*
20112202 Aviator Lane Mill & Overlay and Sewer Extension	\$ 1,249,132	\$ -	\$ 1,249,132	\$ -	\$ -	*
20120351 Land Acquisition for ROFA & RPZ (2.81 acres)	\$ 54,183	\$ -	\$ 48,765	\$ -	\$ 5,418	*

RYN ADOT Total:	\$ 2,460,531	\$ -	\$ 2,455,113	\$ -	\$ 5,418
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Grant Total:	\$ 69,658,078	\$ 42,281,316	\$ 5,860,590	\$ 21,479,464	\$ 36,708
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TAA Funded Projects:	Total	Federal	State	Other	TAA
10123464 (802) Police Relocation	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
10123531 Rehabilitate Taxiway A from TA:01 to TA1:04	\$ 1,119,817	\$ -	\$ -	\$ -	\$ 1,119,817
10123503 Replace Passenger Boarding Bridges (B2 & B3)	\$ 2,200,000	\$ -	\$ -	\$ -	\$ 2,200,000
10123570 Outbound Baggage Improvements (Alaska, Delta, United)	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
10120385 Terminal Roadways Rehabilitation	\$ 2,143,712	\$ -	\$ -	\$ -	\$ 2,143,712
10114596 (802) Access Control System (ACS) Construction	\$ 3,428,461	\$ -	\$ -	\$ -	\$ 3,428,461
10123546 (801) In-Line Baggage Handling System (Conceptual Design)	\$ 600,000	\$ -	\$ -	\$ -	\$ 600,000
10219214 (803) Country Club Extension Concept Design, Environmental and Aeronautical Way Airside/Landside Const.	\$ 746,745	\$ -	\$ -	\$ -	\$ 746,745

TAA Total:	\$ 12,138,735	\$ -	\$ -	\$ -	\$ 12,138,735
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TOTAL TAA FUNDS NEEDED:	\$ 21,479,464	\$ 12,175,443
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Total TAA Need	\$ 33,654,907
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Note:
* Project does not require Majority-In-Interest (MII) approval pursuant to the threshold limit of Section 6.1 or is covered under an exception listed under section 6.3 of the Airline Use Agreement.

** Land Exchange is programmed as a future grant reimbursement. Temporary financing will be used until grant funded.

*** Other funding has been identified from the Airline Reserve Fund for ASE Program funding for FY 2024 and will not have a direct impact on landing fee.

MAJORITY-IN-INTEREST

LANDED WEIGHTS SUMMARY

Jul 2022 - Jun 2023
(Based on 12 Month Period)

AIRLINE	Landed Weight	% of Total	Ranking
American	723,064,450	36.75%	1
Southwest	492,058,400	25.01%	2
Delta	359,130,423	18.25%	3
United	307,435,122	15.62%	4
Alaska	86,020,611	4.37%	5
TOTAL	1,967,709,006	100.00%	

"Majority-In-Interest" is defined in the "Airport Use Agreement" as follows:

It shall mean a numerical majority of Signatory Airlines, which numerical majority shall have landed more than 50% of the Total Landed Weight at the Airport in the latest 12 months for which such data is available and which months were not affected by schedule reductions resulting from labor disputes.



Signatory Airline Majority-In-Interest (MII)
Voting Ballot
FY 2024 Budget Items

Project Name	Yes	No
1. Police Relocation		
2. Rehabilitate Taxiway A from TA:01 to TA1:04		
3. Replace Passenger Boarding Bridges (B2 & B3)		
4. Outbound Baggage Improvements (Alaska, Delta, United)		
5. Terminal Roadways Rehabilitation		
6. Access Control System (ACS) Construction		
7. In-Line Baggage Handling System (Conceptual Design)		
8. Country Club Extension Concept Design, Environmental and Aeronautical Way Airside/Landside Const.		

Airline _____

Printed Name _____

Title _____

Signature _____

Date _____

**Tucson International Airport
General Rates & Charges
Rates Effective October 1, 2023**

FY 2024 Rates Effective October 1, 2023

Space/Charge Type	Current Signatory Rates thru 9/30/2023	Signatory	Non-Signatory	Fee Basis
Landing fee/9	\$1.15	\$1.50	\$1.88	per 1,000 lbs
Ticket counter, kiosk, phone bank	\$65.21	\$92.01	\$115.01	per sq/ft per year
Airline ticket office (ATO)	\$65.21	\$92.01	\$115.01	per sq/ft per year
Baggage makeup	\$21.73	\$30.66	\$38.33	per sq/ft per year
Baggage storage	\$65.21	\$92.01	\$115.01	per sq/ft per year
Operations area	\$55.40	\$78.18	\$97.73	per sq/ft per year
Baggage claim	\$61.84	\$87.26	NA	per sq/ft per year
TSA EDS Bag Screening Pods/1	\$39.13	\$55.22	NA	per sq/ft per year
Holdroom per gate/2	\$95,080.52	\$134,167.77	\$167,709.71	per gate per year
Custodial - exclusive space	\$28.24	\$32.13	\$32.13	per hour
Custodial - exclusive space with supplies	\$30.50	\$34.70	\$34.70	per hour
TAA-owned jet bridge at leased gate/2	\$4,078.95	\$4,078.95	\$5,098.69	per bridge per month
Aircraft parking position at leased gate/2	\$9,095.23	\$9,625.68	\$12,032.10	per position per year
Ramp scrubber at leased gate/2	\$2,376.00	\$2,703.41	\$3,379.27	per position per year
Terminal Operations Charge/3	NA	NA	\$1.80	per enplaned passenger
Non-leased ticket counter use fee	NA	NA	\$20.65	per turn per position
Non-leased bag makeup belt use fee	NA	NA	\$77.64	per turn
FIS facility fee - international flights	\$1.00	\$1.00	\$1.00	per deplaned passenger
Aircraft parking fees (in non-leased area):				
Remote apron RON	\$75.79	\$80.21	\$100.26	per day, max 10 days/month
Terminal apron at common use gate/4	\$75.79	\$80.21	\$100.26	per day, no monthly maximum
Non-leased A & B Gate use fees:				
Apron and support systems	\$13.10	\$12.95	\$16.19	per turn
Bridge only	\$51.41	\$51.41	\$64.26	per turn
Apron, bridge and support systems	\$64.51	\$64.35	\$80.44	per turn
Holdroom and apron	\$109.41	\$151.02	\$188.77	per turn
Holdroom, apron, support systems	\$112.96	\$153.86	\$192.32	per turn
Holdroom, apron, support systems, bridge	\$164.37	\$205.26	\$256.58	per turn
C Gate use fee/5:				
Narrowbody aircraft	\$340.59	\$340.59	\$340.59	per turn
Regional jet	\$136.24	\$136.24	\$136.24	per turn
Prorata security/6	\$180,500.42	\$180,500.42	\$180,500.42	per month
Main bag claim common use - Signatory Airlines/7	\$238,006.70	\$335,841.93	NA	per month
Main bag claim common use - Non-Signatory Airlines/8	NA	NA	2.60	per enplaned passenger
Triturator	\$5.79	\$6.59	\$6.59	per key turn
Wash rack	\$3.47	\$3.95	\$3.95	per key turn

- 1 - 8,016 square feet - this charge is included in the prorata security fee
- 2 - For airlines qualifying as low volume carriers and electing to lease one-half of a gate, this rate is reduced by half.
- 3 - Applies only to non-signatory airlines using the main terminal (A and B gates).
- 4 - Fee applies if parked at common use gate more than three hours after flight arrival.
- 5 - C Gate use fee includes all use of buildings and apron.
- 6 - Total monthly charge is prorated based upon each airline's percentage of enplaned passengers for the month
Applies to all signatory and non-signatory airlines using A, B and C gates
- 7 - 46,185 square feet. Allocated to signatory airlines on a 90/10 common use formula.
- 8 - Calculated based on average signatory airline cost per enplanement using budgeted signatory enplanements, plus 25% non-signatory premium.
- 9 - Qualifying non-signatory cargo airlines pay the signatory landing fee rate.

Non-Signatory Premium

125% of signatory rates

TUCSON AIRPORT AUTHORITY

MONTHLY BAGGAGE CLAIM AREA RENTAL CHARGES OCT 2023 - SEP 2024

AIRLINE	BASED ON JUL 2022-JUN 2023 ENPLANEMENTS	Percent of Total	90% of Total	10% of Total	Signatory Total
ALASKA *	85,126	4.7%	\$14,086.83	\$6,716.84	\$20,803.67
AMERICAN *	671,209	36.7%	\$111,073.09	\$6,716.84	\$117,789.93
DELTA *	327,108	17.9%	\$54,130.53	\$6,716.84	\$60,847.37
SOUTHWEST	455,931	25.0%	\$75,448.43	\$6,716.84	\$82,165.27
UNITED *	287,154	15.7%	\$47,518.85	\$6,716.84	\$54,235.69

TOTAL JUL-DEC	1,826,528	100.0%	\$302,257.73	\$33,584.19	\$335,841.93
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Combined Total from 90% and 10% columns

\$335,841.93

*NOTE: Operating Affiliate airline enplanements have been added to the mainline carriers' enplanement totals.

BAG CLAIM AREA IS BASED ON 46,185 SQ FT MULTIPLIED BY \$87.26 PER SQ FT PER YEAR AT SIGNATORY RATES. ANNUAL CHARGE EQUALS \$4,030,103.10; MONTHLY CHARGE EQUALS \$335,841.93 PRORATED AS FOLLOWS: 10% DIVIDED EQUALLY AMONG USERS AND 90% APPORTIONED AMONG USERS SO THAT EACH PAYS THE PRORATED PERCENTAGE OF ITS ENPLANEMENTS TO THE TOTAL COMPUTED FOR TWELVE MONTHS ENDING THE FIRST OF JULY.

NON-SIGNATORY USE OF THE BAG CLAIM WILL BE ASSESSED AT A RATE OF \$2.60 PER ENPLANED PASSENGER, CALCULATED BY DIVIDING THE ANNUAL BAG CLAIM RENT OF \$4,030,103.10 BY THE NUMBER OF BUDGETED ENPLANED SIGNATORY PASSENGERS 1,940,776 TO ARRIVE AT AN AVERAGE SIGNATORY BAG CLAIM COST OF \$2.08. THE NON-SIGNATORY PERMIUM OF 25% IS APPLIED TO THIS RATE TO ARRIVE AT \$2.60.

Date: August 22, 2023

To: Finance and Risk Management Council
From: Kim Allison, Vice President of Finance / CFO
Re: PSPRS Pension System Funding Policy FY 2024

Background:

Arizona Revised Statute (A.R.S.) § 38-863.01 requires that the governing body of an employer participating in the Arizona Public Safety Personnel Retirement System (PSPRS) adopt a pension funding policy for employees hired before July 1, 2017. The policy is to include:

- Objectives to address the maintenance of the stability of contributions
- How and when funding requirements will be met
- A funded ratio target and a timeline to reach the target

The policy must also include a formal acceptance of the pension assets and liabilities based on published PSPRS actuarial reports.

The TAA PSPRS Pending Funding Policy for FY 2024 (Exhibit A of the attached draft resolution) is the legally required TAA policy which was prepared with the intent of satisfying the requirements established by A.R.S. § 38-863.01 in both letter and spirit.

The policy broadly describes the nature and function of the two TAA PSPRS pension plans, formalizes the commitment to required bi-weekly funding of required pension contributions, accepts the pension assets and liabilities as presented in recent annual reports provided by PSPRS, and declares TAA's goal of maintaining a 100% funded ratio.

Recommendation:

The TAA staff recommends that the Finance and Risk Management Council recommend to the Board of Directors that it approve as presented the PSPRS Pension Funding Policy for FY 2024.

Attachments:

1. Draft Board Resolution
2. Exhibit A – Policy No. 2023-XX – PSPRS Funding Policy FY 2024
3. Arizona Revised Statutes § 38-863.01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., ADOPTING THE TAA POLICY ON FUNDING PENSION OBLIGATIONS UNDER THE ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM FOR FY 2024.

WHEREAS Arizona Revised Statute (A.R.S.) § 38-863.01 mandates that each governing body shall annually adopt a pension funding policy for the Public Safety Personnel Retirement System (PSPRS) for employees hired before July 1, 2017; and

WHEREAS the Finance and Risk Management Council considered the staff-proposed policy for FY 2024 during its meeting on August 22, 2023, and by ___ to ___ voted to recommend to the Board of Directors that it _____ the policy as presented; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum and *TAA Policy No. 2023-XX – Public Safety Personnel Retirement System Pension Funding Policy FY2024*).

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The Board of Directors hereby adopts TAA Policy No. 2023-XX – *Public Safety Personnel Retirement System Pension Funding Policy FY2024* – attached hereto as Exhibit A and incorporated by reference herein, authorizes the President/CEO or her designee[s] to execute the policy, to transmit the policy to the Public Safety Personnel Retirement System, and to take any further actions necessary to comply with A.R.S. § 38-863.01.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this sixth day of September, 2023.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President
and General Counsel

EXHIBIT A

TUCSON AIRPORT AUTHORITY POLICY NO. 2023-XX

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
PENSION FUNDING POLICY FY2024

Public Safety Personnel Retirement System Funding Policy

Policy No.	2023-XX
Effective Date	09/06/2023
Authorized By	D. Bewley
Supersedes Policy No.	N/A

Objective:

This policy is a statement of the objectives of the Tucson Airport Authority (TAA) regarding the funding of the public safety pension in which it participates for public safety employees participating in the Public Safety Personnel Retirement System (PSPRS) hired before July 1, 2017. It represents a commitment to our participating PSPRS employees and was specifically prepared to ensure TAA’s compliance with A.R.S § 38-863.01.

Scope:

This policy will be submitted to PSPRS upon authorization to comply with A.R.S. § 38-863.01. Additionally, in accordance with A.R.S. § 38-863.01, TAA is required to make this policy available on the company website. The aspects of this policy that relate to payroll withholdings and payment of contributions into the PSPRS programs applies to the Finance department and the bi-weekly payroll process.

Definitions/Terminology:

The below terms are used throughout this policy:

Unfunded Actuarial Accrued Liability (UAAL) – This represents the calculated difference between trust assets and the estimated future cost of pensions earned by employees. UAAL arises when actual results in the pension program differ from the assumptions used in previous actuarial valuations.

Annual Required Contribution (ARC) – This represents the annual amount that TAA is required to pay into the pension funds. This amount is a percentage of current payroll expense. The percentage is determined by PSPRS through actuarial valuations. It is comprised of two primary components: normal pension cost – estimated cost of pension benefits earned by participating employees in the current plan year; and amortization of UAAL.

Procedure:

Employees of the TAA participate in PSPRS if they are employed in either police or firefighting capacities and meet the minimum work qualifications. The PSPRS administers an agent multiple-employer defined benefit pension plan. PSPRS acts as a common investment and administrative agent which issues, on an annual basis, financial reports detailing pension plan assets, liabilities, pertinent funding information and actuarial assumptions. Under this structure, PSPRS comingles investment resources of all participating agencies and serves as the statewide uniform distributor

of benefits. However, each participating agency is treated as an individual trust fund, with separately identifiable assets and liabilities. There are two separate participating agencies within TAA: Tucson Airport Authority Police Department (TAAPD), and Tucson Airport Authority Fire Department (TAAFD).

Stability and Frequency of Contributions:

Upon completion of the bi-weekly payroll process, TAA shall remit to the PSPRS all required pension contributions for participating employees as defined by the PSPRS. In general, the required contributions are derived by applying the required percentage contribution rate (published by PSPRS annually) to each employee’s pensionable wages (as defined by PSPRS).

Acceptance of Pension Assets and Liabilities:

TAA formally accepts the reported share of pension assets and liabilities for both TAAPD and TAAFD as presented in the GASB 68 statements provided by PSPRS.

GASB 68 statements published by PSPRS for the plan year ended June 30, 2022 for TAAPD and TAAFD reflected the following:

	TAAFD	TAAPD	Total
Total Pension Liability	\$ 20,538,606	\$ 23,493,843	\$ 44,032,449
Plan Fiduciary Net Position	18,347,937	21,821,332	40,169,269
Net Pension Liability (Asset)	\$ 2,190,669	\$ 1,672,511	\$ 3,863,180
Funded Ratio*	89.33%	92.88%	91.23%

**Plan fiduciary net position as a percent of total pension liability*

TAA’s funded ratio goal is 100% (fully funded) over a period of 15 years. This is consistent with the standard amortization period per the PSPRS’s Actuarial Valuation Report as of June 30, 2022.

Funded Ratio Target:

TAA will continue to remit ARC payments on a bi-weekly basis as defined by PSPRS with the goal of maintaining a 100% funded ratio. PSPRS reviews its pension assumptions annually. Accordingly, the ARC and amortization period may be adjusted as a result of these reviews. TAA plans to remit ARC as required by PSPRS to achieve its goal of 100% funding within a 15-year period.

Authorized by:

Danette Bewley
President/CEO

Date