
TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council Meeting
Monday, October 9, 2023 | 3:00 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 **Monday, October 9, 2023, beginning at 3:00 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 22, 2023.

3. PRESIDENT/CEO REPORT

State of the Industry | Update

4. ACTION ITEM

FY 2024 Operating Budget Amendment | TSA Mandate

The Council will consider and may vote on whether to recommend to the Board of Directors that it adopt a resolution approving an amendment to the FY 2024 Operating Budget in the amount of \$1,101,501 to facilitate compliance with the TSA employee screening mandate effective September 25, 2023.

5. ADJOURN

**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



FY 2024 TAA Amended Operating Budget

Finance and Risk Management Council Meeting

October 9, 2023



FY 2024 Budget Amendment

FY 2024 Revenues

	2024	2023	2023	2022	2024 Budget vs 2023 Forecast	
<i>NO AMENDMENT TO REVENUES</i>	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%
	46,634,174	44,364,669	40,487,160	39,431,853	2,269,505	5.12%
<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%
TSA Mandate	1,101,501	-	-	-	-	0.0%
Total Operating Expenses	44,709,160	38,089,049	38,932,858	35,372,328	6,620,111	17.4%
Net Operating Income	\$ 2,451,660	\$ 7,197,251	\$ 1,780,756	\$ 4,324,194	\$ (4,745,591)	-65.9%

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	\$ 2,451,660	\$ 7,197,251	\$ 1,780,756	\$ 4,324,194	\$ (4,745,591)	-65.9%
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)	\$ 4,324,316	\$ 2,301,999	\$ 2,254,303	\$ 2,056,501	\$ 2,022,317	87.9%

FY 2024 Landing Fee

	2024 Budget	2023 Forecast	2023 Budget	2022 Actual	2024 Budget vs 2023 Forecast	
					Dollar Inc/(Dec)	% Inc/(Dec)
Signatory Landing Fee Requirement (Residual)	\$ 4,324,316	\$ 2,301,999	\$ 2,254,303	\$ 2,056,501	\$ 2,022,317	87.9%
Landed Weight Signatory Airlines	2,142,102	2,001,739	1,962,252	1,788,249	140,364	7.0%
Calculated Landing Fee	\$ 2.02		\$ 1.15		\$ 0.87	75.5%

FY 2024 Budget

Questions?

THANK YOU



Date: October 9, 2023

To: Finance and Risk Management Council
From: Bruce Goetz, Executive Vice President / Chief Operating Officer
Kim Allison, Vice President / Chief Financial Officer
Re: FY 2024 Operating Budget Amendment

Background:

The Transportation Security Administration (TSA) is tasked with managing the nation’s civil aviation security (security screening at checkpoints to ensure commercial air service is as safe as possible from threats and terrorism). Airports are tasked with airport security including performing background checks utilizing the national criminal records clearinghouse, managing access control to secure and sterile areas through effective technologies, and performing other TSA-required Sensitive Security Information protocols to meet federal standards (Police, Explosive Detection Canine Teams, etc.). All commercial service airports serving air carriers with more than 30 seats are required to meet the TSA federal requirements (or face certification consequences). Additionally, Airlines also have TSA required security programs to ensure the protection of their assets and to protect civil aviation. Between the three-pronged approach (TSA, Airports and Airlines), U.S. aviation security is the strongest it has ever been.

Over the last decade, the TSA has frequently attempted to shift responsibility and costs onto airports. In the past, airports as a collective have been successful in pushing back on these attempts. However, the TSA has found a new avenue to force change through a “National Amendment” / “Notice of Informed Compliance.” This avenue bypasses the Notice of Rule Making (NPRM) process, which allows for adequate notice and a public comment period before a final rule or law is enacted. While the TAA opposes the TSA’s approach, Airport Operators are required to comply with the “Notice of Informed Compliance,” dated September 6, 2023, and effective September 25,2023.

The TAA does not agree with this unfunded TSA mandate as we feel strongly the TSA should continue to be responsible for screening of both employees and passengers; however, as an Airport Operator we are required to maintain compliance with Title 49 of the Code of Federal Regulations section 1542 and the Airport Security Program for Tucson International Airport (TUS). Keep in mind that this TSA mandate raises several legal issues which the TAA will address through appropriate legislative channels and in partnership with other airports and industry associations.

Although the National Amendment date is September 25, 2023, the TSA recognizes that Airport Operators need time to develop and initiate a suitable plan; therefore, airports have until September 25, 2024 to fully implement employee screening measures outlined in the “Notice of Informed Compliance.” During the year, the Airport Operator must demonstrate to the TSA that progress toward meeting the compliance date is being made.

Strategic Plan | Analysis:

It is a basic premise that the TAA will operate the airport system in compliance with federal regulations. This proposed action supports the Strategic Plan and the mission of the TAA to “provide a sustainable airport system and constantly pursue initiatives that promote and grow business opportunities.” In this regard and relating to the TSA mandate, the focus is on having a “sustainable airport system.”

Cost Analysis:

To meet this unfunded mandate by the September 25, 2024 TSA deadline, it is necessary to amend the FY 2024 budget to hire additional personnel and acquire the necessary equipment required to perform the functions outlined in the TSA mandate. Police Officers and Public Service Officers are in high demand and require comprehensive background checks, which can take months. Furthermore, once hired these positions require extensive familiarization training to ensure they are capable to operate independently in the airport environment, which also takes months. Beginning the hiring and training process now will position the TAA to meet the September 25, 2024 TSA deadline.

Budget Category	Description	Cost
Personnel	6 Police Officers	\$844,457
	2 Public Service Officers	
O&M	Uniforms and Equipment	\$107,044
Capital Outlay	Vehicles (2)	\$150,000
Total Budget Amendment		\$1,101,501

The budget amendment of \$1,101,501 increases the TAA FY 2024 Operating Budget from \$43,607,659 to \$44,709,160 and will affect the FY 2024 Landing Fee of \$1.50 per 1,000 lbs. maximum gross weight by \$0.52, raising the total Landing Fee to \$2.02 per 1,000 lbs. maximum gross weight.

The TAA met with the Airport and Airline Affairs Committee (AAAC), corporate Airline representatives, on September 25, 2023 to discuss the “National Amendment” / “Notice of Informed Compliance,” and advised them of the Landing Fee rate change to support the FY 2024 Budget Amendment. The AAAC understands the TSA mandate requirements and acknowledges the FY 2024 Budget Amendment is necessary.

Recommendation:

TAA management recommends that the Finance and Risk Management Council vote to recommend to the Board of Directors that it adopt a resolution approving an amendment to the FY 2024 Operating Budget in the amount of \$1,101,501 to facilitate compliance with the TSA employee screening mandate effective September 25, 2023.

Attachments:

- Revised FY 2024 Operating Budget (Refer to slide presentation, pp. 07-14 of the packet)
- Revised Rate Sheet

Tucson International Airport
 General Rates & Charges
 Rates Effective November 1, 2023

FY 2024 Rates Effective November 1, 2023

Space/Charge Type	Original Budget Approved Signatory Rates Effective 10/01/2023	Amended Rates Effective 11/01/2023 Signatory	Amended Rates Effective 11/01/2023 Non- Signatory	Fee Basis
Landing fee - ONLY RATE AMENDED @11/01/2023	\$1.50	\$2.02	\$2.53	per 1,000 lbs
Ticket counter, kiosk, phone bank	\$92.01	\$92.01	\$115.01	per sq/ft per year
Airline ticket office (ATO)	\$92.01	\$92.01	\$115.01	per sq/ft per year
Baggage makeup	\$30.66	\$30.66	\$38.33	per sq/ft per year
Baggage storage	\$92.01	\$92.01	\$115.01	per sq/ft per year
Operations area	\$78.18	\$78.18	\$97.73	per sq/ft per year
Baggage claim	\$87.26	\$87.26	NA	per sq/ft per year
TSA EDS Bag Screening Pods/1	\$55.22	\$55.22	NA	per sq/ft per year
Holdroom per gate/2	\$134,167.77	\$134,167.77	\$167,709.71	per gate per year
Custodial - exclusive space	\$32.13	\$32.13	\$32.13	per hour
Custodial - exclusive space with supplies	\$34.70	\$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	\$9,625.68	\$9,625.68	\$12,032.10	per position per year
Ramp scrubber at leased gate/2	\$2,703.41	\$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	\$80.21	\$80.21	\$100.26	per day, max 10 days/month
Terminal apron at common use gate/4	\$80.21	\$80.21	\$100.26	per day, no monthly maximum
Non-leased A & B Gate use fees:				
Apron and support systems	\$12.95	\$12.95	\$16.19	per turn
Bridge only	\$51.41	\$51.41	\$64.26	per turn
Apron, bridge and support systems	\$64.35	\$64.35	\$80.44	per turn
Holdroom and apron	\$151.02	\$151.02	\$188.77	per turn
Holdroom, apron, support systems	\$153.86	\$153.86	\$192.32	per turn
Holdroom, apron, support systems, bridge	\$205.26	\$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	\$335,841.93	\$335,841.93	NA	per month
Main bag claim common use - Non-Signatory	NA	NA	2.60	per enplaned passenger
Triturator	\$6.59	\$6.59	\$6.59	per key turn
Wash rack	\$3.95	\$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