

**TUCSON AIRPORT AUTHORITY | Finance and Risk Management Council
Monday, August 19, 2024 | 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 OR TO LISTEN BY PHONE.

1. CALL TO ORDER | ROLL CALL

Chair Overton called the meeting to order at 3:00 p.m.

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

Council Members Absent: None

Staff Present: President/CEO Danette Bewley, Executive Vice President/General Counsel Chris Schmaltz, Vice President/Chief Financial Officer Kim Allison, IT Customer Support Technician Hector Lopez, and TAA Clerk Byron Jones

2. APPROVAL OF MINUTES

Motion by Council Member Penn, seconded by Council Member Aranda, to approve the minutes of the Finance and Risk Management Council meeting held on October 9, 2023. The motion carried by the following vote:

Ayes 7 Overton, Mireles, Draper, Platt, Penn, Gee, and Aranda

Nays 0

3. PRESIDENT/CEO REPORT

State of the Industry | Update

President/CEO Danette Bewley reported the following:

- Airline CEOs are meeting with Kelly Ortberg, the new CEO of Boeing. They are expressing optimism that Mr. Ortberg will implement changes to improve the safety and reliability of their aircraft. The airlines have suffered huge losses during the past two years due to the grounding of large portions of their fleets after several high-profile incidents and accidents. The Federal Aviation

Administration (FAA) has capped their production to 38 per month, which presents challenges to the industry as the Boeing 737 is the world's most popular aircraft.

- Tucson continues to remain an attractive market to the airlines. Projections are for a 12% increase in capacity over the next year.
- TUS secured a \$55M grant from the FAA for the Airfield Safety Enhancement (ASE) Program.

4. PRESENTATION/DISCUSSION

a. Tucson Airport Authority Operating Budget for FY 2025

Vice President/Chief Financial Officer Kim Allison presented:

FY 2025 Budget Assumptions:

- Based on projections provided by the airlines, TAA is forecasting a 10.72% increase in landed weight and a 7.1% increase in passenger volume over FY 2024.
- TAA is proposing an overall 9% increase to various rates charged to the airlines. The airlines are in support of the increase.
- TAA is projecting an 8.5% increase in operating expenses compared to FY 2024.
- TAA projects that it will need to contribute \$29.5M to the Airfield Safety Enhancement Project (ASE). This will consist of funds left over from the Federal Rescue Fund combined with the Airline Reserve Fund (ARF). The airlines are in support of using the ARF for this purpose.
- There will be no new debt service in FY 2025.
- To balance the budget, the FY 2025 landing fee will increase from \$2.02 to \$2.99. The significant increase is the result of the TAA's efforts over the past two years to gradually bring the rate back to a break-even point after keeping it artificially low to support the airlines during the economic downturn caused by the COVID-19 pandemic.

President/CEO Danette Bewley and Ms. Allison responded to general questions from the council members regarding the budget and TAA's fiscal policies. The council was in overall support of the budget.

b. Tucson Airport Authority PSPRS Funding Policy for FY 2025

Executive Vice President/General Counsel Chris Schmaltz 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.

There were no questions from the Council.

5. ACTION ITEMS

a. Tucson Airport Authority Operating Budget for FY 2025

Motion by Council Member Penn, seconded by Vice Chair Mireles, to recommend to the Board of Directors that it approve as presented the Tucson Airport Authority’s proposed operating budget for the fiscal year beginning on October 1, 2024, and ending on September 30, 2025. The motion carried by the following vote:

Ayes 7 Overton, Mireles, Draper, Platt, Penn, Gee, and Aranda
Nays 0

b. Tucson Airport Authority PSPRS Funding Policy for FY 2025

Motion by Council Member Platt, seconded by Council Member Aranda, to recommend to the Board of Directors that it approve as presented the Tucson Airport Authority’s proposed Public Safety Personnel Retirement System (PSPRS) Funding Policy for the fiscal year beginning on October 1, 2024, and ending on September 30, 2025. The motion carried by the following vote:

Ayes 7 Overton, Mireles, Draper, Platt, Penn, Gee, and Aranda
Nays 0

6. ADJOURN

There being no further business to discuss, Chair Overton adjourned the meeting at 3:37 p.m.

PREPARED BY:

Byron Jones, TAA Clerk

Date: _____

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