

TAA ANNUAL MEETING | January 27, 2020

CALL TO ORDER: Chair Lisa Lovallo called to order the Annual Meeting of the Tucson Airport Authority (TAA) Members on Monday, January 27, 2020, at 11:05 a.m., in the Tucson Room located at the Arizona Inn, 2200 E. Elm Street, Tucson, Arizona. Other Board members present were Bruce Dusenberry; Kathy Ward; Bill Assenmacher; Keri Silvyn; Taunya Villicana; and Rob Draper. TAA Members present included Henry Boice; Sally Fernandez; Guillermo Figueroa; Tony Finley; David Hameroff; Michael Hammond; Lisa Israel; Todd Jackson; Herb Kai; Lee Lambert; Larry Lang; David Lyons; Michael McGrath; Tim Overton; Steve Pagnucco; R. Tony Penn; Lea Peterson; Ricardo Platt; Ronald Sable; David Smallhouse; Lucinda Smedley; Michael Stilb; Phil Swaim; Izaro Urreiztieta and Ellen Wheeler. Others present included TAA staff members Danette Bewley, President/CEO; Dick Gruentzel, Vice President of Administration and Finance/CFO; Mike Smejkal, Vice President of Planning and Engineering; Bruce Goetz, Vice President of Operations/COO; Chris Schmaltz, General Counsel; Kim Ryan, Deputy General Counsel; and Cathy Borders, Executive Assistant.

1. CALL TO ORDER:

Thirty-two (32) of the fifty-seven (57) Active Members, including the Board, were present, which represented a quorum.

2. APPROVAL OF MINUTES:

Upon a motion made by Bruce Dusenberry, and a second by Bill Assenmacher, the Board unanimously approved the minutes of the January 28, 2019 Annual Meeting.

3. RATIFICATION OF ALL 2019 BOARD ACTIONS: Lisa Lovallo | Board Chair

Active Members were requested to ratify all actions taken by the 2019 Board of Directors. *A motion to ratify was made by Kathy Ward and seconded by Bill Assenmacher. The vote was unanimous.*

4. ELECTION OF NEW MEMBERS AND DIRECTORS: Lisa Israel | Nominating Council Chair

The Nominating Council recommends the nominations of Phil Swaim and Michael Hammond to the TAA Board of Directors. The Nominating Council also nominated Calline Sanchez and Debi Chess for membership. Ms. Israel requested for three tellers to tabulate the votes (including votes by proxy). Active Members may only vote on Member-nominated candidates Calline Sanchez and Debi Chess, and Board Member nominees Michael Hammond and Phil Swaim. The Nominating Council also recommends the following for the 2020 officers of the TAA Board of Directors:

Taunya Villicana: Chair
Bruce Dusenberry: Vice Chair
Rob Draper: Secretary
Bill Assenmacher: Treasurer

Approval of the 2020 Board officers will be the first order of business at the Board Meeting immediately following this meeting.

5. PRESENTATION OF TAA EMPLOYEE AWARDS: Dave Hatfield, Senior Director of Marketing and Air Service Development

TAA employee Salvatore Monreal was recognized for his selection to receive the Annual “Bright Idea” Award. Mr. Monreal was instrumental in coming up with and creating a user-friendly internal warehouse move-order system for TAA employees to move supplies from the warehouse to their respective departments, reducing IT licensing costs by thousands of dollars. Hatfield also recognized TAA employee Sylvia Granillo for her selection to receive the Annual TAA “Customer CARE” award for providing outstanding customer service to customers (internal and external).

6. REPORT ON TABULATION OF THE ELECTION RESULTS: Lisa Israel | Nominating Council

Chair

The tabulation of votes was completed, which resulted in a unanimous vote for Michael Hammond and Phil Swaim to serve on the TAA Board of Directors, and for Calline Sanchez and Debi Chess to join the TAA Membership as Active Members.

7. STATE OF THE AIRPORT/AIRPORT INDUSTRY: Danette Bewley | President/CEO of the Tucson Airport Authority

2019 was a year of change for the Tucson Airport Authority. It was a busy year filled with many successes. I hope you take the time to read about them in our annual Year in Review report that is in your packets. In 2020, we plan to continue to grow on our successes in this new year, with new leadership and a new approach. You may be wondering where are we going? Before I take you forward, allow me to reflect on the past decade and how we arrived at this point. First, it is appropriate to acknowledge and honor the vision that our past TAA President and CEO put into motion to improve facilities and infrastructure at our two airports, Tucson International and Ryan Airfield.

Through the past decade:

- We managed through the Great Recession – Although TUS lost about 30% of our airline passenger traffic, the TAA remained a stable and fiscally prudent organization. This allowed us to be ready when the economy improved.
- Terminal Optimization Project – As the air travel experience evolved through changing security requirements and new technology for passengers, the TAA completed a \$30 million renovation of the terminal.
- New Concessions – Coincidental with the terminal improvements, the TAA sought out new food, beverage, and retail concessions with a goal to emphasize our Tucson sense of place. Response from our passengers has been

very positive. Proof of that is that more passengers are spending more money in the terminal, which resulted in an increase in revenue (more than \$4 million in 2019 as compared to 2017).

- **Airfield Safety Enhancement Project – The TAA and the FAA shepherded the very complex Airfield Safety Enhancement Project through the Environmental Impact Statement process from inception to Record of Decision.**
- **Economic Development – In 2018, the TAA initiated an economic development partnership with Sun Corridor, Inc. As a result of this partnership, Sun Corridor was instrumental in creating a TUS Blueprint for the airport.**

And some of our successes just in the last year:

- **TUS earned a 99% customer satisfaction rate in its latest annual survey of passengers at TUS.**
- **In August 2019, and after years of discussion, the TAA reached an agreement with the 162nd Fighter Wing to relocate its main gate at Morris Air National Guard Base. Not only will the new entrance provide a much-needed, safer entrance to the base, it will also ensure the TAA keeps a long-standing, home-grown defense contractor, Aerovation, as one of its tenants. The TAA appreciates the partnership with U.S. Air Force, Federal Aviation Administration (FAA), the City of Tucson, Pima County and Aerovation.**
- **The TAA worked with numerous other tenants, including Raytheon Missile Systems, to consolidate leases; and, also approved several tenant improvement projects to help solidify the airport's future with these companies.**
- **Air Service – We welcomed Allegiant, Frontier and Sun Country airlines; all of which have brought their ultra-low-cost carrier business model to our airport and community. We also welcomed additional flights from our traditional network carriers.**

What is ahead for 2020 and this decade:

- We know how valuable the TAA is to our region. As you know, the most recent economic impact study put our contribution at \$7.4 billion annually. Now we want to grow that number, whether it is working with some of our existing tenants and neighbors, including Raytheon, the 162nd Fighter Wing, Ascent Aviation, Aerovation, Bombardier and others to expand and grow; or, working with our community partners to develop new business opportunities where they make sense, such as those that were included in Sun Corridor's TUS Blueprint and Pima County's plans to develop the Sonoran Corridor south of the airport.
- This year you will start to see the results of a branding project that will help the TAA solidify our airports' place in the community. We want to demonstrate the mutually beneficial value proposition we share with the people of Southern Arizona.
- The TAA will also complete a five-Year strategic plan to align the organization's mission, vision, and goals with the future needs of our region.
- We will also ensure that TAA remains nimble and continues to meet all safety and security regulations and manage its responsibilities and resources wisely for the benefit of the region.
- We will embark on what is the largest construction project in the TAA's history, the Airfield Safety Enhancement (ASE) Project at TUS. This is an FAA safety and standards project that includes the demolition of the existing runway used for general aviation, and the construction of a new parallel commercial runway to mitigate "hot spots" as well as corrects airfield geometry issues. Design work is underway, and we anticipate construction can begin as early as this year. The project is expected to take 4 to 6 years, depending on federal funding. The project is estimated to cost at least \$230 million; however, there may be additional costs relative to ANG requirements.

- **At Ryan Airfield, we expect to complete an update of the 2010 Master Plan that will evaluate the general aviation airport's future operations and land use.**
- **I hope those of you who have been at TUS recently have noticed our beautification projects to improve the entryways. These projects will continue, including a landmark project to design a new monument sign at the entrance of Tucson International Airport.**
- **This year the TAA will begin a study on the future needs for an airline passenger terminal. An outcome of the study will be a recommendation on whether, when and where the airport may need to construct a new terminal.**
- **At the root of the TAA's business are our airline partners who serve TUS. Our mutual success depends on each other. For example, our airline passenger numbers grew by 5% in 2019. We were just 2,800 passengers short of topping 3.8 million passengers for the year. We are certain we would have topped 4 million passengers had it not been for the FAA's grounding of the Boeing 737MAX aircraft in March 2019; this caused three of our largest airlines to adjust and reduce their schedules across their networks. The B-737MAX issues is continuing to affect us in this new year. The TAA continues to work diligently to strengthen our airline relationships, but challenges such as the B-737MAX grounding and a looming pilot shortage will continue to negatively impact airlines and pose threats to airports. We, as a community, may need to look at new ways to stand out from other airports to attract and grow air service.**
- **I want to engage with the TAA membership. I plan to schedule quarterly lunches with small groups of the TAA membership so I can get to know you and you can get to know me, and we can work together to find ways to support and advocate for the airport in ways that are meaningful.**
- **In closing, you know that airports are unique animals with many areas of focus. We are business enterprises, commerce centers, transportation hubs,**

employment centers, economic engines, and partners with the community, airlines, business tenants and local, state, and federal government entities. We are hosts welcoming nearly 3.8 million guests going through the airport each year. Customer service is very important to us. The airport is the first and last impression people visiting our region have of us. Simply put, we are here to connect Southern Arizona to the world and to manage our assets in a way that helps promote economic prosperity in the region. As members of the Tucson Airport Authority, as business leaders and as residents of Southern Arizona, we are all in this together. Thank you for flying TUS and supporting your airport.

8. COMMUNITY LEADER PANEL/ECONOMIC DEVELOPMENT PRESENTATION: Lisa Lovallo

A panel discussion was held with local community leaders, which included Wes Kramer, Vice President of Raytheon; Joe Snell, President and CEO of Sun Corridor, Inc.; Michael Ortega, Tucson City Manager; and Chuck Huckleberry, Pima County Administrator. Topics included:

- Economic Development
- Future Economic Development
- TAA Partnership

ADJOURNMENT: The meeting was adjourned at approximately 12:42 p.m.

Rob Draper, Secretary

Date: _____