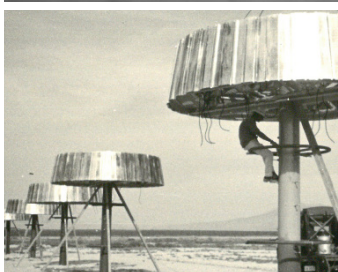


CELEBRATING







TAA 2018 YEAR IN REVIEW

TABLE OF CONTENTS

- 03** A Letter From Lisa Lovallo
and Bonnie Allin
- 04** Air Service
- 08** Construction
- 12** Marketing
- 16** Community
- 20** Ryan Airfield
- 22** Economic Impact
- 26** Look Ahead to 2019
- 30** TAA 2018 Board of Directors

A LETTER FROM LISA LOVALLO AND BONNIE ALLIN

As with any organization that has survived – and thrived – for seven decades, the Tucson Airport Authority has had its share of milestone years. 2018 is one of those years.

The details are in subsequent pages of this report, but these are some of the highlights:

- Formal approval received to proceed with Airfield Safety Enhancements at Tucson International Airport (TUS), the largest project in TAA's history.
- Airline passenger traffic at TUS grew by more than double the historic average of 2.1%.
- Ultra low cost airlines have arrived, introducing "unbundled" fare pricing.
- Renovations were completed on the C Gates at TUS.
- A new economic impact study showed TAA's airports contribute \$7.4 billion annually to Southern Arizona's economy.
- Nonstop airline flights were added to three new destinations.
- A ground-breaking partnership was formed with Sun Corridor Inc. to leverage the assets of both TAA airports for greater economic benefit.
- An agreement with Raytheon Missile Systems was finalized to expand our region's largest private employer and keep it here for years to come.
- The TAA and the U.S. Air Force agreed on a letter of intent providing for a new main gate to the Morris Air National Guard base at TUS and at the same time preserve facilities on the airport for home-grown defense contractor AeroVation.
- The TAA refinanced its outstanding revenue bonds, achieving interest savings of about \$4 million.

Over the course of the TAA's 70 years, our predecessors have shown foresight, starting with the very fact that this unique organization was established in the first place in 1948 by forward-thinking business leaders. Never to rest on laurels, TAA was instrumental bringing Hughes Aircraft (now Raytheon Missile Systems) to TUS in 1951 and then the Air National Guard in 1958, building the "jet age" airline terminal that was opened in 1963 and then doubling the terminal's size in the 1980s to stay in front of the "boom" decade of airline growth, bringing in low cost airlines in the 1990s leading to the record-setting passenger year of 2007, followed by the task of navigating through the aftermath of the Great Recession.

The achievements of 2018 reflect TAA's continued inspiration from those who brought us to this point while never losing sight of our responsibilities as stewards of this region's important airport assets and to maintain them well into the future.

With gratitude,



LISA LOVALLO
Board Chair



BONNIE ALLIN
President and CEO

A handwritten signature in dark ink that reads "Lisa".

LISA LOVALLO
Board Chair

A handwritten signature in dark ink that reads "Bonnie".

BONNIE ALLIN
President and CEO

AIR SERVICE

Photos on this page were taken 1948-1957

70 YEARS AGO

Air Service at what was then Tucson Municipal Airport consisted of one airline – American – flying 11 departures a day on DC-3s and Convair 240s. A single aircraft could take passengers westbound to Los Angeles or San Diego or east to Dallas, Fort Worth and even Washington, D.C., or New York. But all flights involved stops along the way starting with Phoenix, or Bisbee or El Paso. It was big news a year later when American began flying nonstop to LA and Dallas with the introduction of DC-6s.



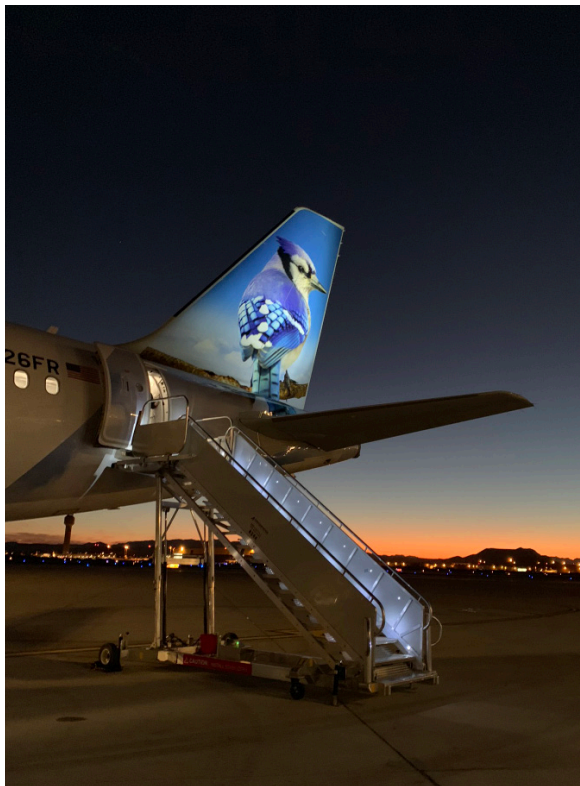
AIR SERVICE

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2018



- Ultra low cost carriers (ULCCs), the newest business model in the airline industry, arrived at TUS with what's called "unbundled" fares offering passengers a low basic fare and then allowing them to add on features they want such as checked bags, overhead storage, seat selection, priority boarding and more.
- November 7 – Frontier Airlines began offering flights to/from Denver on Mondays, Wednesdays, Fridays and Saturdays.
- November 15 – Allegiant Air opened two new destinations: Bellingham (Vancouver) on Thursdays and Sundays and Provo, Utah, on Fridays and Mondays.



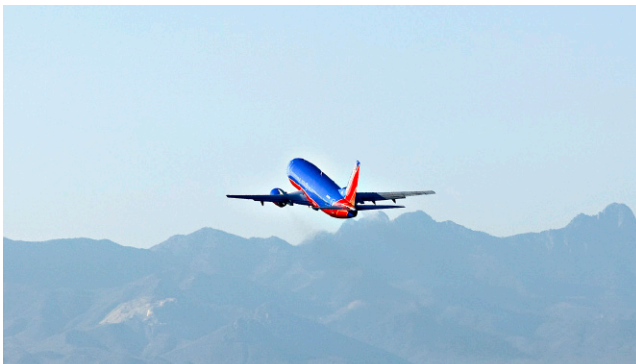


- December 17 – Sun Country Airlines brought back seasonal nonstop flights to/from Minneapolis but with two changes from last season: the ULCC business model and a fourth weekly flight – Sundays, Mondays, Wednesdays and Fridays.
- Via Air, a Florida-based startup airline introduced nonstop flights to/from Austin on January 18. The flights were scheduled to operate three days per week on 50-passenger ERI regional jets. (The airline struggled to maintain the schedule and as of the end of 2018, it suspended TUS service at least through March 2019.)
- American Airlines introduced nonstop flights to/from its Charlotte hub on February 15. (While the eastbound overnight “red eye” flight was successful, most westbound passengers opted for the wider variety of choices through Dallas/Fort Worth so at year’s end American said it would end the Charlotte nonstop flights as of February 14, 2019.)

AIR SERVICE CONT.

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2018



- Southwest Airlines introduced Sunday-Friday nonstop flights to/from San Jose on November 4, adding to the existing daily flights on Alaska Airlines.
- As 2018 ended, TUS was served by nine airlines – Alaska, Allegiant, American, Delta, Frontier, Southwest, Sun Country, United and Via – flying to 22 destination airports – Atlanta, Austin, Bellingham (Vancouver), Charlotte, Chicago Midway, Chicago O'Hare, Dallas/Fort Worth, Denver, Houston Hobby, Houston Intercontinental, Las Vegas, Los Angeles, Minneapolis-St. Paul, Oakland, Phoenix, Portland, Provo, Salt Lake City, San Diego, San Francisco, San Jose and Seattle.
- More than 3.6 million airline passengers went through TUS during the year, an increase of more than 5% over 2017. It marked the fifth consecutive year of passenger growth and ranks 2018 as the 10th busiest year in the airport's history.



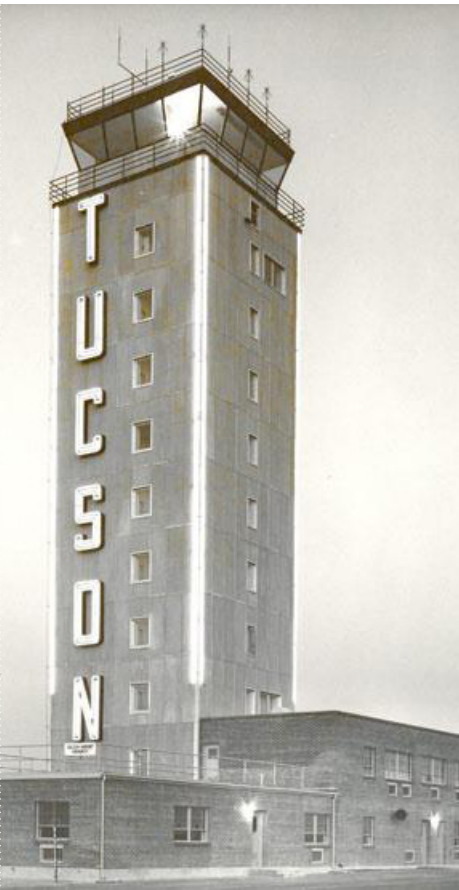
CONSTRUCTION

Photos on this page were taken **1958-1967**



60 YEARS AGO

The TAA celebrates its 10th anniversary with two dedications. One is a new \$535,000 control tower. At 119 feet tall, it is the city's third tallest building and there's no mistaking what city it is in, with its big neon-lit letters spelling out T-U-C-S-O-N down two sides. The second dedication is for the new permanent facilities of the Arizona Air National Guard on Valencia Road east of Park Avenue. A year later Pima County paved Tucson Boulevard south from Valencia Road as a prelude to the 1962 ground-breaking to begin construction of a new jet-airport terminal.



CONSTRUCTION

2018



- After more than eight years of preparation, the Federal Aviation Administration and the U.S. Air Force issued a Record of Decision on November 28, giving formal approval for the Tucson Airport Authority to proceed with its Airfield Safety Enhancement project at TUS. Currently estimated at \$218 million, work will begin in early 2019 to develop designs with construction expected to start in late 2020 and be complete by 2025. The approval also includes expansion of Air Force Plant 44 to provide a buffer and room to grow for Raytheon Missile Systems.
- What was once the International Terminal at TUS was reborn in December after renovations converted it into a facility to serve airlines and charters wanting a basic terminal that, among other things, doesn't include jet bridges, wi-fi for passengers or the variety of concessions in the main terminal. (Allegiant announced it would move to the C Gates as of January 10, 2019.)



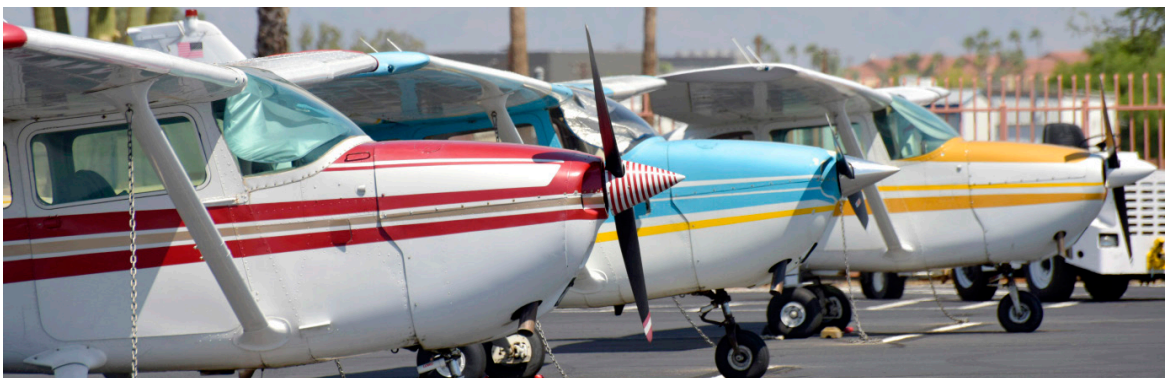


- As of the end of November, a 20-month project to replace all of the retail, food and beverage concessions in the terminal was complete. With a focus on local, Tucson businesses now in the airport include Arbuckles' Coffee, Beyond Bread, El Charro Café, Empire Pizza, The Maverick, Noble Hops, Sir Veza's Kitchen & Kantina and Thunder Canyon Brewstillery. These are supplemented with national brands Bruegger's Bagels, BUILT Custom Burgers and Dunkin' Donuts.
- Security across TUS was improved with the installation of more than 260 closed-circuit television cameras. The project was entirely funded by the Transportation Security Administration.

CONSTRUCTION CONT.

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2018



- Mamava suites, providing privacy for nursing and pumping mothers, were installed on both the A and B concourses in March.
- On August 1, the TAA Board of Directors approved a letter of intent to provide land for the Air National Guard to expand and relocate the main entrance gate to the Morris Air National Guard Base (home to the 162nd Wing) at TUS. It included a plan to relocate Tucson-based Aerovation's main hangar to the south side of the airfield.
- Reconstruction of the General Aviation B1 apron provided much needed pavement upgrades to TUS's largest general aviation quadrant. The \$800,000 project dovetailed into the previously completed General Aviation Strategic Plan priming the entire area for new general aviation development.



MARKETING

Photos on this page were taken 1968-1977

50 YEARS AGO

A marketing decision: The TAA agrees to change the name of the General Aviation facility at the bottom of the air traffic control tower from Tucson Tower to Tucson Executive Terminal. The reason? Tucson Federal Savings & Loan was planning to build a 20-story high-rise office tower in downtown and didn't want the two towers to be confused.



MARKETING

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2018



- To celebrate the Tucson Airport Authority's 70th anniversary, banners and special branding were showcased throughout the entire year. A commemorative hardbound book was published in April and special newspaper advertising ran in October to mark the anniversary of the date the TAA assumed operation of what was then Tucson Municipal Airport.
- 70th anniversary passenger appreciation events held during the year included handing out flowers on Mother's Day, partnering with the Tucson Conquistadores, FC Tucson and Tucson Roadrunners for ticket giveaways and working with TAA's Fire Department to give water bottles to arriving passengers during the hot summer.





- TUS expanded digital advertising campaigns with ADARA, which uses its proprietary travel data resources from more than 90 different companies including airlines, hotel companies, and rental car firms, to target specific customers with messaging on TUS air service, concessions and parking. The campaigns succeeded in reaching more than 1 million impressions but more importantly data tracked purchases of airline tickets and hotel night stays.
- Using wraps that turned Sun Tran buses into moving billboards, TUS advertised its new routes. The bus advertising had more than 15 million impressions over a six month period ending in December.

MARKETING CONT.

2018



- In the first quarter of the year, Minnesotans were told they had more choices to escape their cold and snow by going to Tucson thanks to additional flights from Minneapolis. The digital billboards showed a swimming pool scene with a watch displaying that day's forecast high temperature in Tucson. The messaging stayed up through the Super Bowl that was hosted in Minneapolis.
- In Tucson, outdoor billboards promoted new flights to San Jose, Charlotte and Denver.
- The TAA continued to grow community partnerships with the University of Arizona Alumni Association, Tucson Roadrunners Hockey and the Nova Home Loans Arizona Bowl.
- In early 2018, TUS launched an Instagram page that as of the end of 2018 had more than 1,800 followers.
- TUS became one of the most active airports in the United States on social media, reaching an average of 12,000 daily impressions.



COMMUNITY

Photos on this page were taken 1978-1987



40 YEARS AGO

Former astronaut Frank Borman, president of Eastern Air Lines, had returned to his hometown Tucson a year earlier to dedicate a Tucson Unified School District school named for him. He announced Eastern would seek government permission to compete against American on flights to Dallas. That turned out to be unnecessary. In October 1978 President Jimmy Carter signed the Airline Deregulation Act eliminating the Civil Aeronautics Board and its authority to regulate routes and fares.



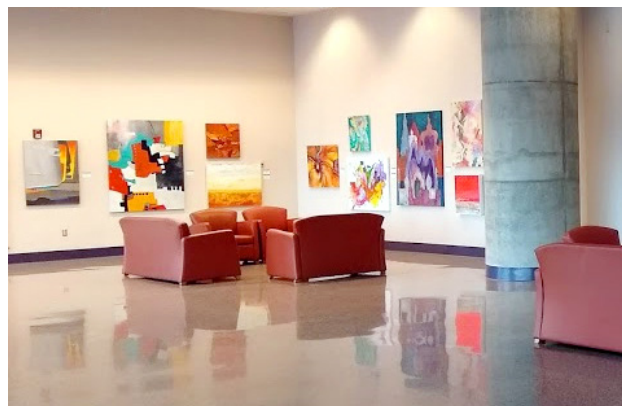
COMMUNITY

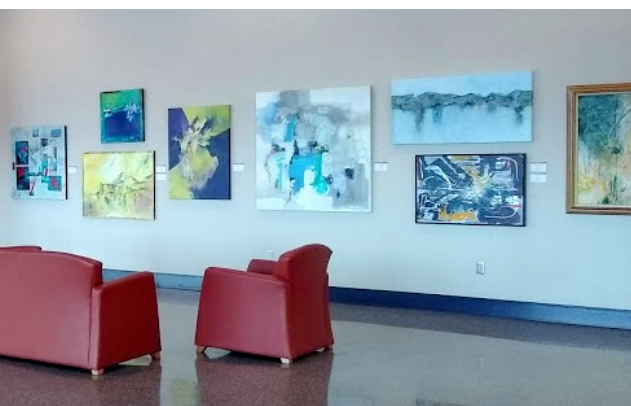


2018



- The TUS Arts and Culture program brought 26 changing exhibits to the five gallery spaces in the TUS terminal while also including educational exhibits from local organizations, such as Pima Community College.
- An inaugural Local Art-Local Food event in July brought together more than 250 members of the community to view art and taste local food offered by airport concessionaires.
- Live@TUS offered more than 100 live performances in the airport's Arrivals Lounges. Additionally, more than 275 students from area schools entertained airport visitors during the December holidays.





- In December, TAA joined Aira's airport network, which uses glasses or smartphone technology to connect people who are blind or low vision to a trained professional agent to guide them. Users have access to the service at the touch of a button and at no cost to them while navigating through TUS.
- In April, the TAA Police Department participated in the Special Olympics Torch Run and Special Olympics Arizona, raising more than \$1,200 for the organization.
- In May, the TAA Fire Department was recognized as a founding member of the Southern Arizona "Stop the Bleed" Coalition, alongside Banner University Medical Center, teaching the community how to stop a bleed.

COMMUNITY CONT.

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2018



- Throughout 2018, the TAA Fire Department participated in events, including the Firefighters Chili Cook-Off and Toys for Tots drive, which provided more than \$2,000 to families during the holidays.
- In conjunction with SAATURN (Southern Arizona Anti-Trafficking Unified Response Network), TAA aggressively targeted messaging to prevent sex trafficking, installing documents to help victims in restrooms and providing awareness training for airport employees.
- Ongoing efforts by TAA's Airport Employees Community Effort (AECE) committee raised more than \$5,500 for 13 local charities for the fiscal year that ended in September.





RYAN AIRFIELD

Photos on this page were taken **1988-1997**



30 YEARS AGO

Ryan Airfield, originally promoted as "Rustic Ryan" when TAA took over operation of the abandoned airfield in 1951, was attracting more users that led to the 1988 opening of Wings, a 2,400 square-foot restaurant. In 1993 a six-story air traffic control tower was opened.



RYAN AIRFIELD



2018



- TAA acquired 80 acres of land at Ryan Airfield off the end of Runway 15/33. This land acquisition is identified on the RYN Airport Layout Plan and RYN Master Plan and provides for a Runway Protection Zone.
- An update to the Ryan Airfield Master Plan was started. As of the end of 2018, research was being done on the airport's inventory, aviation forecasts, and Airports Geographic Information System (AGIS) Survey. Last updated in 2010, the Master Plan is a guide to plans for the airport for the next 20 years.
- A major project to widen Ajo Highway into a four-lane divided roadway was concluded in August. As part of the project, a new main entrance to the airport was created at Aviator Drive that includes a new traffic light, making for a four-way intersection with Valencia Road.
- Design-work took place during the year to replace the Automated Weather Observing System (AWOS) at RYN. Construction is expected in summer 2019.



ECONOMIC IMPACT

Photos on this page were taken **1998-2007**



20 YEARS AGO

Hughes Aircraft, Tucson's largest private employer and a TAA tenant, became a part of Massachusetts-based Raytheon Co. The \$9.5 billion deal initially raised concerns over the role the local plant would play in the merged company but as it turned out, the company kept Tucson as the headquarters for its Raytheon Missile Systems Company, and in 2018 it remained the region's largest private employer with a workforce of 11,800.



ECONOMIC IMPACT

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2018



- The Tucson Airport Authority and its two airports contribute \$7.4 billion annually in economic impact to the region, according to a new study released in April by the highly regarded firm of Elliot D. Pollack & Co. The study showed TAA's airports support 43,062 jobs and \$2.3 billion in annual wages with the average direct job earning \$81,731 per year.
- Raytheon Missile Systems began work on more than \$130 million in construction to expand its facilities at TUS, which will add 1,900 jobs.





- The TAA and the region's economic development agency Sun Corridor Inc. forged a ground-breaking new partnership in April to maximize commercial and industrial development and investments at both TUS and RYN airports. The partnership has led to numerous site visits and increased site selector interest.

ECONOMIC IMPACT CONT.

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2018



- 34 tenant improvements were completed during 2018, including completion of new concessions in the terminal.
- In September, the TAA refinanced all of its outstanding revenue bonds, achieving interest savings of approximately \$4 million over the life of the new bonds to be used toward future capital projects.





LOOK AHEAD TO 2019

Photos on this page were taken **2008-2018**



10 YEARS AGO

After record-setting growth, planning and preparation for it to continue was set back as the effects of the Great Recession set in. Three airlines – Aeroméxico, ExpressJet and JetBlue – ended TUS service while flights to other destinations were eliminated. Airlines merged and retrenched. The four major surviving airlines – American, Delta, Southwest and United, along with Alaska – continued to serve TUS.



LOOK AHEAD TO 2019

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2018



- Begin design work on the Airfield Safety Enhancement project at TUS, which will include demolition of a narrow, short runway to be replaced by a full-length parallel runway, new taxiways, air guidance systems and other improvements to bring the airfield to the latest safety standards.
- A study to develop an Airport Travel Plaza is due to be completed by early summer. Potential ideas for the travel plaza would combine various ground transportation options with other amenities.





- Children's Play Areas are to be constructed on each concourse.
- A new Aircraft Fuel Farm, operated by Swissport, will be built on the west apron at TUS.
- The TAA Military Lounge will undergo construction to improve the experience of traveling active and retired military personnel; improvements will include new seating and televisions, among others.

LOOK AHEAD TO 2019 CONT.

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2018



- As of the end of 2018, airline seat capacity at TUS is scheduled to grow by 12.6% to an average of 6,870 departing seats per day in the first half 2019. That is more than three times the 3.8% U.S. national growth rate forecast by the industry trade group Airlines 4 America. Much of the growth is coming from ultra low cost airlines that are also helping to lower fares. Additional seat capacity is coming from airlines using larger aircraft.
- Building on the success of prominently featuring locally-based businesses in the terminal, TAA will look to introduce new opportunities for small concessions, including some that may not be local, that would be unique and possibly pioneering concepts in the airport environment.



TAA BOARD OF DIRECTORS



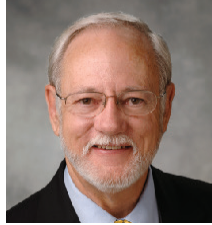
2018



CHAIR
Lisa Lovallo
Vice President
and Market Manager
Cox Southern Arizona



VICE CHAIR
Taunya Villicana
Co-Founder/CEO
Affinity Wealth
Management Arizona



SECRETARY
Bruce L. Dusenberry
President
Horizon Moving
Systems



TREASURER
Katherine R. Ward
Principal
GV Strategic
Advisors



DIRECTOR
William Assenmacher
President
CAID Industries,
Incorporated



DIRECTOR
Rob Draper
Dealer Principal & General
Manager
O'Rielly Motor Co. &
O'Rielly Chevrolet, Inc.



DIRECTOR
Judy Rich
President and CEO
TMC HealthCare and
Tucson Medical Center



DIRECTOR
Keri L. Silvyn
Partner
Lazarus, Silvyn and Bangs,
P.C.



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Tony Finley
Chief Financial Officer
Long Companies/
Long Realty Co.



**DIRECTOR,
EX-OFFICIO**
Bonnie A. Allin
President / CEO
Tucson Airport Authority

TAA EXECUTIVE TEAM:

Danette Bewley, A.A.E.
Vice President of Operations/COO

Dick Gruentzel, C.M.
Vice President of Administration and Finance/CFO

Sarah Meadows, A.A.E.
General Counsel

Mike Smejkal, A.A.E., PE
Vice President of Planning and Engineering



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