

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
January 25, 2021 | Remote Meeting
Immediately following the Annual Member Meeting that begins at 8:30 a.m.**

THIS COUNCIL MEETING WAS A REMOTE PARTICIPATION ONLY MEETING. COUNCIL MEMBERS PARTICIPATED VIA WEBEX AND THE PUBLIC WAS PROVIDED WITH A LINK AND PHONE NUMBER/CODE WHICH THEY WERE ABLE TO JOIN THE MEETING VIA WEBEX.

CALL TO ORDER | ROLL CALL

TAA Clerk Byron Jones called the meeting to order at 10:34 a.m.

Members Present: Director Bruce Dusenberry, Director Mike Hammond, Director Keri Silvyn, Director Bill Assenmacher, Director Rob Draper, Director Judy Rich, Director Phil Swaim, Director Todd Jackson, Director Sally Fernandez, and Ex-officio Member Taunya Villicana

Staff Present: President and CEO Danette Bewley, Vice President and General Counsel Christopher Schmaltz, Vice President and Chief Financial Officer Dick Gruentzel, Vice President and Chief Operating Officer Bruce Goetz, Vice President of Planning and Engineering Mike Smejkal, Vice President and Chief Commercial Officer John Voorhees, and TAA Clerk Byron Jones

ELECTION OF OFFICERS

1. The TAA Nominating Council, in accordance with the TAA Bylaws, has recommended the following Board members as officers of the corporation for 2021. The Board of Directors will consider and may approve the following list of nominees for TAA Board officers:

- Bruce Dusenberry, Chairperson
- Mike Hammond, Vice Chair
- Keri Silvyn, Secretary
- Bill Assenmacher, Treasurer

MOTION BY Director Fernandez, SECONDED BY Director Rich, to APPROVE the recommended slate of corporation officers for 2021. The motion carried by the following vote:

Ayes 9 – Director Bruce Dusenberry, Director Mike Hammond, Director Keri Silvyn, Director Bill Assenmacher, Director Rob Draper, Director Judy Rich, Director Phil Swaim, Director Todd Jackson, and Director Sally Fernandez

Nays 0 – None

BOARD TRAINING/DISCUSSION

2. Corporate Governance and Board Fiduciary Role, TAA as a federally regulated entity, and Arizona Open Meeting Law/Public Records Law.

Vice President and General Counsel Christopher Schmaltz and Deputy General Counsel Kim Ryan gave a presentation to the Board about their corporate governance and fiduciary responsibilities and their obligation to follow the Arizona Open Meeting Law (OML) and the Arizona Public Records Law.

HIGHLIGHTS

- The TAA is a non-profit corporation under Arizona law which supplies air transportation services. As such, it is a quasi-governmental organization authorized to exercise governmental powers under A.R.S. Title 28.
- Directors have a fiduciary duty to act in good faith in accordance with the TAA's governing documents, and to exercise the duties of care, loyalty, and obedience.
- The Board establishes policies for the TAA and hires the President and CEO to execute these policies in the day-to-day operations of the airport.
- The Board and all the TAA's advisory councils are subject to the Arizona OML.
- Board members are personally liable for violations of the OML and are subject to enforcement actions and penalties up to and including removal from office.
- All communications made by Directors in their official capacity—regardless of the device used—may be subject to the Public Records Law.

Staff has created a new Board of Directors Handbook, which contains all the information covered in the presentation. Staff will distribute electronic copies to the Board.

CONSENT AGENDA

3. Approve the minutes from the Board of Directors Regular Meeting held on December 2, 2020.
4. Approve the minutes of the Board of Directors Special Meeting held on January 11, 2021.
5. Adopt Resolution No. 2021-02 delegating authority to the President and CEO or her designee for the application, execution, and delivery of grant agreements, military construction cooperative agreements, and associated intergovernmental agreements.
6. Adopt Resolution No. 2021-03 approving the 2021 schedule of Board meetings and the 2022 annual meeting.

MOTION BY Director Fernandez, SECONDED BY Secretary Silvyn, to APPROVE the Consent Agenda. The motion carried by the following vote:

Ayes 9 – Chairperson Bruce Dusenberry, Vice Chair Mike Hammond, Secretary Keri Silvyn, Treasurer Bill Assenmacher, Director Rob Draper, Director Judy Rich, Director Phil Swaim, Director Todd Jackson, and Director Sally Fernandez

Nays 0 – None

CHAIRPERSON REPORT

Chairperson Dusenberry congratulated Secretary Silvyn and Director Rich on their re-election to the Board and congratulated and welcomed Director Jackson and Director Fernandez on election to their first term on the Board. He thanked former Chairperson Villicana for her service and looks forward to having her continue in an advisory capacity as Ex-officio Member. Finally, he expressed appreciation to the TAA staff for being prepared to meet all the challenges the airport experienced in 2020.

Dusenberry remarked that his mother was the first female Member and first female Chairperson of the TAA, so he is honored that the Members have elected him as Chairperson.

Dusenberry requested that before the March 3, 2021 Board meeting, each of the Directors review once again the Strategic Plan so the Board may discuss its areas of focus for the year. He will also be contacting each Director individually to discuss the 2021 Council assignments.

PRESIDENT AND CEO REPORT

President and CEO Danette Bewley reported that 2020 was a challenging year, but staff is starting 2021 with a good attitude and is ready to partner with the airlines to restore and expand air service. The TAA cannot control where the airlines provide service, but staff has been focusing on networking with the airlines as much as possible. The airlines have been amicable to the TAA's ideas, which has made Tucson International Airport far more competitive than some of its peer airports.

The Board of Directors Handbook is the first one the TAA has ever created. It will serve as a baseline orientation document for the Board as well as for new TAA Members. In the coming weeks, staff will conduct an orientation with Director Jackson and Director Fernandez either by Webex or at the airport.

Tucson International Airport has received the Arizona Airport Safety Award for 2021. This award, jointly administered by the Arizona Aviation Safety Advisory Group and the FAA Flight Standards District Office, recognizes Arizona airports that have made significant contributions to safety at an airport facility. This is the first time Tucson International Airport has won this award, and Bewley acknowledged that a lot of work went into the safety program in 2020. Examples were the various health and safety measures implemented in response to the COVID-19 pandemic, and the kickoff of the Airfield Safety Enhancement Program.

President Joseph Biden has issued an executive order mandating that people wear masks on airplanes and in all federal facilities. The TAA has had a mask mandate in place since March or April of 2020, and it will continue to be in place until COVID-19 ceases to be a major health risk.

ACTION ITEMS

7. AIR VENTURES LEASE AMENDMENT

Vice President and Chief Financial Officer Dick Gruentzel presented.

Air Ventures is a large and important tenant at Ryan Airfield. They currently have two lease agreements which encompass fifty hangars. These leases, including one lease amendment, have expirations in 2027, 2033, and 2034. Air Ventures is requesting 15-year extensions to the terms of all

leases.

Per the 2003 Leasing and Development Policy and 2003 Leasing and Development Guidelines, the TAA typically considers ground lease extensions if the tenant commits to significant capital investment to the property; otherwise, ground leases revert to facility rent at the end of the lease term. Both of Air Ventures leases precede these guidelines.

The lease terms for Lot 16-19 allow the tenant to remove improvements at the end of the lease term. The TAA wants the improvements to remain in place. The lease terms for Lot 20 state that the tenant cannot remove the improvements. Air Ventures believes the language is ambiguous and would allow them to remove the improvements, but the TAA disagrees with this interpretation.

The TAA wants to compromise with Air Ventures in extending the ground leases for 15 years, while also amending the lease terms to specifically state that Air Ventures cannot remove the improvements and must transfer them to the TAA in good condition. For Lot 20, the ground lease rate would double at the end of the current lease term.

BOARD DISCUSSION

- **Would there be any value to the TAA in having the leases coterminous rather than at various times?** Gruentzel stated that there is no particular benefit to the TAA to have all the leases end on the same date. Air Ventures requested 15-year extensions on all its leases, and the TAA was amenable to the extensions.
- **Should the TAA add language to the lease terms reserving the right to require the removal of certain improvements if desired?** Gruentzel explained that there are certain non-aviation leases which contain this language, but the TAA does not include this language in aviation leases because the improvements add value to the property, which the TAA wants to retain when the leases expire.
- **Requested clarification regarding the rent escalation provisions.** Gruentzel confirmed that the rental rate in effect for Lot 20 at the time the lease expires would double and then be subject to indexed increases moving forward. Current lease rates are tied to the Consumer Price Index, but the Implicit Price Deflator Index was in use when the Air Ventures leases were executed. The amendment is to bring their lease rates in line with the current index. The doubling of the lease rate for Lot 20 at the end of the current lease term is in consideration for extending the lease term by 15 years and striking the ambiguous language which permits Air Ventures to remove improvements they have made to the property.

MOTION BY Director Fernandez, SECONDED BY Director Swaim, to ADOPT Resolution No. 2021-04 authorizing the President and CEO or her designee to take all necessary actions to amend TAA's ground leases with Air Ventures. The motion carried by the following vote:

Ayes 9 – Chairperson Bruce Dusenberry, Vice Chair Mike Hammond, Secretary Keri Silvyn, Treasurer Bill Assenmacher, Director Rob Draper, Director Judy Rich, Director Phil Swaim, Director Todd Jackson, and Director Sally Fernandez

Nays 0 – None

DIVISION UPDATES

8. FINANCE AND ADMINISTRATION

Vice President and Chief Financial Officer Dick Gruentzel presented an overview of the financials and aviation statistics for November 2020:

- Passenger activity is at 40% of pre-COVID levels.
- Numbers had been trending upward during the latter part of 2020 but plateaued after the Centers for Disease Control and Prevention issued a travel warning prior to Thanksgiving.
- Passenger data is not available for December 2020 or January 2021, but the numbers are projected to be on par with November 2020 or slightly lower, but down sharply from 2019.
- Revenues for the year to date are performing better than budget, primarily due to increased receipts from concessions and rental cars. Rental car contracts per passenger are higher than pre-COVID, and rental-car revenue is higher due to longer rentals or increased rates.
- Additional revenue is also being generated by an increase in aircraft being parked at the airport.
- Revenue from gravel mining is above budget.
- Operating expenses year to date are running favorable to budget, primarily due to a decrease in travel, conference attendance, advertising, and other professional services.
- The average yield to maturity decreased from the previous quarter.
- The average days to maturity are consistent with the previous quarter.

ATTACHMENT ONE: November 2020 Financial Highlights

NEXT MEETING

The next meeting will be held on Wednesday, March 3, 2021, at 3:00 p.m., via Webex.

ADJOURN

There being no further business to discuss, Chairperson Dusenberry adjourned the meeting at 11:36 a.m.

APPROVED BY:

Keri Silvyn

[Keri Silvyn \(Mar 5, 2021 08:30 MST\)](#)

Keri Silvyn, Secretary

Date: Mar 5, 2021

Prepared by:

Byron M. Jones

[Byron Jones \(Mar 4, 2021 17:24 MST\)](#)

Byron M. Jones, CMC, CAP, TAA Clerk

Date: Mar 4, 2021

ATTACHMENT ONE

Tucson Airport Authority

November 2020 Financial Highlights



November 2020 Financial Highlights

Board of Directors Meeting

January 25, 2021

November 2020 Flight & Passenger Activity

<u>Month</u>	<u>Current</u> <u>Year</u>	<u>Prior</u> <u>Year</u>	<u>Change</u>	
Total Passengers	131,676	319,925	(188,249)	-58.8%
Average Daily Seat Capacity	3,664	6,131	(2,467)	-40.2%
Average Daily Departures	33.9	55.7	(21.8)	-39.1%
<u>Two Months Year-To-Date</u>				
Total Passengers	267,089	630,842	(363,753)	-57.7%
Average Daily Seat Capacity	3,348	5,949	(2,601)	-43.7%

November 2020 Financial Results

(\$ Millions)							
	<u>Actual</u>	<u>Budget</u>	<u>Actual vs.</u>		<u>Prior</u>	<u>Current vs.</u>	
<u>Month</u>			<u>Budget</u>		<u>Year</u>	<u>Prior Year</u>	
Operating Revenues	2.7	2.5	0.2	8.5%	3.9	(1.2)	-30.3%
Operating Expenses	2.6	2.7	(0.1)	-5.1%	2.4	0.2	9.0%
Operating Income (Loss)	0.1	(0.3)	0.4	na	1.5	(1.4)	-93.2%
 <u>Two Months Year-To-Date</u>							
Operating Revenues	5.4	5.0	0.4	8.5%	7.9	(2.4)	-31.1%
Operating Expenses	5.1	5.7	(0.6)	-9.8%	4.9	0.2	4.4%
Operating Income	0.3	(0.7)	1.0	na	2.9	(2.7)	-90.6%

December 2020 Investment Update

	<u>December 2020</u>	<u>September 2020</u>	<u>December 2019</u>
(Millions)			
Par Value of Investment Portfolio	\$ 145.5	\$ 115.5	\$ 158.4
U.S. Government Money Market Funds	<u>\$ 36.6</u>	<u>\$ 55.0</u>	<u>\$ 7.2</u>
Total Trust Assets	\$ 182.1	\$ 170.5	\$ 165.6
Average Yield To Maturity	0.33%	0.50%	1.92%
Average Days To Maturity	491	492	705