

**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.**

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 **Board of Directors** will hold a meeting open to the public on **Monday, January 25, 2021, beginning immediately after the TAA Annual Member meeting that begins at 8:30 a.m.** The meeting will be held by video and telephonically via the remote participation platform Webex. A link for members of the public to view the meeting will be posted along with the agenda at the web address below.

<https://www.flytucson.com/taa/public-meeting-information/>

The agenda for the meeting is as follows:

CALL TO ORDER | ROLL CALL OF 2021 BOARD OF DIRECTORS

- | | | |
|---|---|---|
| <input type="checkbox"/> Bruce Dusenberry, Director | <input type="checkbox"/> Phil Swaim, Director | <input type="checkbox"/> Taunya Villicana, Ex officio |
| <input type="checkbox"/> Rob Draper, Director | <input type="checkbox"/> Mike Hammond, Director | |
| <input type="checkbox"/> Bill Assenmacher, Director | <input type="checkbox"/> Sally Fernandez, Director* | |
| <input type="checkbox"/> Keri Silvyn, Director* | <input type="checkbox"/> Todd Jackson, Director* | |
| <input type="checkbox"/> Judy Rich, Director* | | |

***As may be approved by the TAA Membership at its Annual Meeting on January 25, 2021.**

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

BOARD TRAINING/DISCUSSION

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

CONSENT AGENDA

Matters listed under the Consent Agenda are routine and will be enacted by one motion and one vote. There will be no separate discussion of the items on the Consent Agenda unless removed from the Consent Agenda by the Chairperson after a request of a member of the Board of Directors. If removed from the Consent Agenda, the item(s) will be considered separately and individually.

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.

CHAIRPERSON REPORT

PRESIDENT AND CEO REPORT

ACTION ITEMS

7. **AIR VENTURES LEASE AMENDMENT**

The Board will consider and may 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.

DIVISION UPDATES

8. **FINANCE AND ADMINISTRATION**

- November 2020 YTD Financials: Financial Summary/Aviation Action Report
- Quarterly Investment Report

ADJOURN

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TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
December 2, 2020 | 3:00 p.m. | Remote Meeting

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

Chairperson Villicana called the meeting to order at 3:00 p.m.

Members Present: Chairperson Taunya Villicana, Vice Chair Bruce Dusenberry, Secretary Rob Draper, Treasurer Bill Assenmacher, Director Keri Silvyn, Director Judy Rich, Director Phil Swaim, Director Mike Hammond, and

Others Present: Ex-officio Member Lisa Lovallo

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

CONSENT AGENDA

Director Silvyn Joined the meeting at 3:04 p.m.

1. Approve the minutes of the Board of Directors meeting held on November 4, 2020.

MOTION BY Vice Chair Dusenberry, SECONDED BY Director Hammond, to APPROVE the minutes of the Board of Directors meeting held on November 4, 2020. The motion carried by the following vote:

Ayes 8 – Chairperson Villicana, Vice Chair Dusenberry, Secretary Draper, Treasurer Assenmacher, Director Silvyn, Director Rich, Director Swaim, and Director Hammond

CHAIRPERSON REPORT

Chairperson Villicana reported on the following:

2. Executive Council | President/CEO Performance Review and 5-Year Contract

The Executive Council has met, and they are finishing President and CEO Danette Bewley's

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performance review and five-year contract. There will be another meeting to review final edits and to approve the contract.

3. PSPRS Board | Governor Appointments

Governor Doug Ducey has appointed Chairperson Villicana and former TAA Police Chief John Ivanoff as the citizen representatives to the TAA Public Safety Personnel Retirement System (PSPRS) Local Board.

4. Call to Action | Activate Your Networks to Engage in Conversation with Airport Experts

Chairperson Villicana encourage the Directors to continue to explore ways of strengthening relationships between the TAA and the various community organizations, civic organizations, and government entities with which they are involved. Specifically, Directors should put forward the President and CEO when opportunities arise that would present a forum for her to speak about the airport, travel, and business development.

PRESIDENT AND CEO REPORT

President and CEO Danette Bewley reported on the following:

5. Aviation Industry | COVID-19 Update

The country is going through the third wave of the pandemic, and this has created a lot of challenges for the aviation industry. TAA has heard from various sources that members of Congress want to propose a new relief bill. There has been a lot of negotiations over the past several weeks between the various stakeholders about the level of funding and which groups should receive priority. The latest proposal is for \$908 billion, with \$45 billion earmarked for the transportation sector. \$4 billion of that number would be for airports, and airlines would receive \$17 billion. Staff will continue to follow the situation.

Fitch Ratings recently reported that the economic downturn is more severe than originally thought. With the resurgence of COVID-19, it is difficult to predict how soon the economy will begin to recover until a vaccine is widely available; however, industry insiders are suggesting that airports will not return to their 2019 passenger levels before 2023 or 2024.

The Tucson City Council has voted to enforce a curfew beginning Friday, December 4, until December 22, from 10:00 p.m. to 5:00 a.m. Tucson International Airport, which is designated as critical infrastructure, is exempt from the curfew.

6. Strategic Plan Update

Leadership has finished rolling out the Strategic Plan to the entire organization. This year, TAA's focus is on realignment and reengagement. All divisions and departments have completed internal strategic plans that support the overall Strategic Plan. Discussions are ongoing about the importance of change management. Staff is looking at resources, controlling spending, and ensuring that TAA is careful with the use of CARES Act funds.

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Bewley introduced John Vorhees, the new vice president and chief commercial officer. This position comes at a crucial time because airlines are struggling, and TAA needs to diversify its revenue stream to include non-aeronautical economic development to emerge from the downturn in a stronger financial position.

TAA continues to engage the airlines to restore air service and will present metrics to the Board as soon as they become available. Tucson is an attractive destination to the airlines due to its leisure travel market. TAA is working on branding and marketing strategies, such as “Nonstop for Tucson” and “TUS Cares” with the goal of restoring customer confidence and making Tucson International Airport the destination of choice for travelers.

PRESENTATIONS

7. State of Air Service | Positioning Tucson to Recover Air Service in a Post-Pandemic Environment

Voltaire Aviation Managing Partner Jack Penning gave a presentation to the Board entitled: “*Tucson Market: Post-Pandemic Resilience and Recovery*”.

MAJOR POINTS

- Although the outlook was optimistic at the beginning of 2020, the COVID-19 pandemic has caused Tucson International Airport (TUS) to have to focus on retention of air service rather than the expansions staff had initially planned for.
- The forecast for the Thanksgiving travel season was initially positive, but as COVID-19 cases spiked, there was a huge decrease in bookings across the country and internationally. Christmas looks much weaker than expected. It is likely that the aviation industry will be in a depressed state until a vaccine is widely available.
- Tucson has the advantage of being a destination market and is picking up trips made by travelers who would typically travel internationally or to other places for the spring. Other aspects that make Tucson more attractive include high business demand and a robust leisure market due to the lower daily average room rates, high-quality places to stay, far more houses for rent than peer markets such as Palm Springs, and balmy weather.
- TUS has lost five routes temporarily, but we expect these routes to return post-pandemic. Southwest has also added nonstop service to Houston Hobby. Overall, TUS is performing better than some of its peer airports.
- Sky Harbor International Airport (PHX) in Phoenix has lost 23,400 departing seats per day (17 million seats in 2020). It is very unlikely that PHX will get back to 2019 passenger levels in the near future. This presents an opportunity for TUS to curb its passenger leakage due to the decrease in nonstop flights out of PHX. Passengers who would typically drive there will have to take connecting flights on many routes as they would out of TUS. From a marketing perspective, TUS should emphasize the convenience of its location.
- TUS has been the most aggressive of its Voltaire’s 78 client airports in pursuing certifications and accreditations for its cleaning practices and in providing COVID-19 testing in the terminal.

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Very few similarly sized airports have been able to do this so quickly.

- TUS outperformed the region in passenger change during the summer. The percentage of decrease was -62% compared to the average of -73%.
- The load factor was below average at 46% compared to the average of 54%. This means airlines kept more seat capacity at TUS than at peer airports, but not as many seats were filled.
- The average fare decreased by a third as airlines tried to stimulate demand. TUS has more fare strength, so it has a better demand environment than most peer airports—including PHX.
- Tucson's advantages:
 - Tucson is a destination where travelers can vacation while maintaining social distancing.
 - There is a large market to re-educate. TUS has lost 32% of its daily passenger volume to PHX. The TAA needs to work to bring them back, emphasizing the safer airport experience and the number of nonstop flights compared to PHX. There is less advantage to driving all the way to Phoenix.
 - The TAA maintains solid relationships with the airlines. Marketing staff meets often with the airlines and keeps them well informed of the airport's metrics and relative strength.
- Priorities for Pandemic Recovery:
 - Retain current service and nonstop cities.
 - Work with *Visit Tucson* to educate airlines about the inbound leisure market and to develop potential partnerships for new markets.
 - Better understand return timelines/requirements for the business community.
 - Refine TUS' best-in-class incentive program to ensure it remains competitive.
 - Meet with carriers, as available, to discuss market intelligence.
 - Continue to benchmark against peer airports.
- TUS must continue to focus on its long-term goal of targeting specific markets and decide how it can best position itself to take advantage of new routes as they become available.

BOARD DISCUSSION

- **Requested more information on the best-in-class incentives TUS offers.** Penning explained that TUS offers aggressive marketing cash in addition to fee credits and waivers for two years on each new route. Incentives increase proportionate to the length of the haul to offset the risk as the price per segment on a route can be significant. Anything TUS can do to ensure passengers get on planes is welcome.
- **Will airlines use fares to lure passengers back to the major hub airports?** Penning answered that the airlines are using fares to push passengers back to every airport, not just the major hub airports. The industry will see depressed fares for the next 12-18 months as some travelers will remain hesitant even after the vaccine is widely available. This will be a good opportunity for leisure travelers and business travelers as airlines will be willing to lose money to fill up their planes. The average fare at TUS pre-pandemic was \$20 higher than at PHX, but

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the gap has decreased, and TUS will continue to move closer to fare parity with PHX.

- **Requested clarification on the low load factor on the Atlanta route. Did the calculations take into consideration the increase in spacing some of the airlines implemented during the pandemic?** Penning stated that this was not considered but noted that the weak numbers on the Atlanta flight were due to demand rather than blocked seats.

DISCUSSION

8. Report and discussion on the Nominating Council membership recommendations for 2021.

TAA Clerk Byron Jones reported that the Nominating Council met on November 16 and made the following recommendations for new members, continuing members, and director nominations for the 2020 nominating period:

New Members

- **Brandt Hazen** President, Hazen Enterprises
- **Dr. John Moffatt** Director, Economic Development, Pima County
- **Regina Romero** Mayor, City of Tucson

Continuing Members

- **Michael Franks** If approved, will extend his membership an additional five years through January 2026
- **Sally Fernandez** If approved, will extend her membership an additional five years retroactive from January 2019 through January 2024

Board of Directors

- **Judy Rich** Nominated for a second three-year term
- **Keri Silvyn** Nominated for a second three-year term
- **Todd Jackson** Nominated for his first three-year term
- **Sally Fernandez** Nominated for her first three-year term

Proposed Slate of Board Officers for 2021

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

Director Silvyn reported that the Nominating Council also met on November 30 to entertain further director nominations. The original slate of Judy Rich, Keri Silvyn, and Todd Jackson would have brought the Board to eight members, and it has historically been nine for voting purposes. The Council nominated Sally Fernandez as the ninth Board member. It also voted to extend Fernandez's membership five years as it was not done in 2018 when her initial term expired.

The Nominating Council discussed and agreed that it would like to meet more often beginning in 2021

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to allow the members more time to strategically target potential nominees and to vet candidates. There was also a discussion about Mayor Romero's nomination, and included in the motion was a recommendation to the Board that the proper Councils and the Board consider adding a new membership category in the bylaws that would allow regional elected officials to become non-voting members of the TAA. If approved, Mayor Romero and Pima County Economic Development Director Dr. John Moffatt would move into this category.

BOARD DISCUSSION

- **Asked for further information about a membership category for elected officials? What are the implications for the current nominees, and is there a precedent of elected officials becoming TAA members?** President and CEO Danette Bewley explained that there are currently some TAA members who hold elected office, but they were not in these positions when they joined the Authority. The issue of current elected officials has not arisen before.

Vice President and General Counsel Christopher Schmaltz noted that the bylaws do not prohibit elected officials from being TAA members. The Nominating Council discussed potential conflicts of interest, and their solution was to recommend the creation of this new membership category with an eye towards engaging the larger community in the services the airport provides and to pursue potential economic development partnerships. The first step would be that the Corporate Governance Council would meet to discuss bylaw changes. A simple bylaw change that would negate the conflict-of-interest issue would be to say that elected officials cannot be elected to the Board while they are in office; and if a Board member is elected to a public office, they would have to resign from the Board.

For these changes to apply to the current nominees, the bylaws would need to be changed prior to the Annual Meeting in late January. This would put the TAA in the position of not having to strip rights away from current members.

- **The Nominating Council had a robust discussion about the issue. A key focus has been to create a sense of regionalism around the airport and to work with local partners. The Mayor desires to become a Member and to advocate on behalf of the airport. The Nominating Council believed it was important to acknowledge this. The Council felt comfortable moving ahead with the nomination in conjunction with its recommendation to create a new membership category for elected officials.**
- **Supports the idea of getting as much help as possible to support the mission of the TAA but is hyper-sensitive to the conflict-of-interest issue. Believes the subject merits more discussion, keeping in mind that the TAA was chartered to run the airport independent of local government. Where is the line drawn? Suggested going further than elected officials to include high-level administrators such as city managers and directors as they could potentially have conflicts of interest as well.**
- **Believes the Board should have more involvement in the nominating process rather than nominations going directly from the Nominating Council to a vote of the Membership. This is untypical of nonprofit organizations and the Corporate Governance Council should study the issue. The Board should have the authority to review the nominations and refer them to the membership.**

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BUSINESS

9. HILL ENTERPRISES CONTRACT

President and CEO Danette Bewley presented.

Consultant Jan Hill was engaged last year to supply consulting services related to the leadership transition, to guide development of the TAA's first strategic plan, and to aid staff in implementing best practices throughout the organization to run more efficiently. Staff would like to extend the contract with Jan Hill to not only to finish the work that has begun at the executive level, but to also bring her leadership and coaching expertise to the next level of management. Her focus will be to identify what is needed to improve the TAA's core systems and to move towards a performance-oriented culture through the development of various metrics and strategic goals. In addition to leadership development and coaching, Hill will aid in creating a manager toolkit—a more robust, comprehensive performance evaluation process that builds on her work this year with the CEO evaluation process. The entire fiscal impact of these services is \$344,000. Staff is requesting authorization to enter a second-year contract with Hill.

Chairperson Villicana added that the goal of continuing to work with Hill not only involves creating more systems which staff can use and adapt as TAA implements its Strategic Plan. This helps the entire organization as it will allow employees to further develop to meet the organization's goals. To fund this, TAA is using professional development dollars that it would have typically spent pre-COVID to send staff to various conferences and training events.

BOARD DISCUSSION

- **What was the contract price for the first year?** Bewley answered that it was \$220,000. \$15,000 was added when Hill was engaged to supply consultation during the CEO evaluation process. In the second year, Hill will focus on imparting a consistent philosophy with the directors and managers so that everyone is working with the same system rather than leaving it to everyone to figure it out themselves. The work Hill will be conducting is extremely comprehensive.
- **Does the dollar amount relate to a certain number of hours of her availability or some routine of interaction?** Bewley stated that Hill was asked to provide the TAA with a scope of work that outlines how her time will be allocated during the year. It includes her time for developing the content, the time interacting with staff either in person or through WebEx, and all the materials involved. This was all packaged together and came to around \$260,000 for the leadership development, consulting, toolkit development, and training.

The scope goes month by month on how many hours Hill expects to devote to different segments. This is fluid due to the unpredictable nature of the COVID-19 pandemic and its effect on everyone's schedules; however, the scope is time and materials based. If, for example, we go over a certain number of hours in one month, the flexibility exists to adjust time spend in other areas to compensate.

- **There seems to be a conflict of interest if the same consultant is coaching the President and CEO while at the same time advising the Board on her performance evaluation.** Schmaltz said that he would be concerned if the consultant was only relying on her discussions with the Bewley to formulate her recommendations. This was mitigated by Hill interviewing various

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stakeholders, both internal and external, in addition to her conversations with the Bewley. He also sees no issues with the leadership training as it focused on the entire Executive Team as opposed to one individual.

Bewley corrected the contract amounts previously reported. The year-one contract was for \$213,400. With amendment adding the CEO evaluation, the total amount came to \$228,400. The contract amount is higher in year two due to the added services Hill is providing (e.g., working with more staff, developing the management toolkit, etc.) Staff thought it would be best to pull funds from different areas and have everything done by one consultant rather than competing consultants.

MOTION BY Director Rich, SECONDED BY Treasurer Assenmacher, to ADOPT Resolution No. 24-2020 approving a contract between the Tucson Airport Authority and Hill Enterprises, Inc. for leadership, coaching, and strategic consulting services. The motion carried by the following vote:

Ayes 8 – Chairperson Villicana, Vice Chair Dusenberry, Secretary Draper, Treasurer Assenmacher, Director Silvyn, Director Rich, Director Swaim, and Director Hammond

10. RYAN AIRFIELD MASTER PLAN ADOPTION

Staff members from the Planning and Engineering Division gave a brief overview of the background and development of the update to the Ryan Airfield Master Plan. Presenters included Vice President of Planning and Engineering Mike Smejkal, Senior Airport Planner Scott Robidoux, and consultants Chris Hacker and Mitchell Cooper from Mead & Hunt.

Robidoux: Since staff last presented to the Board in March 2020, they have developed the Capital Improvement Program (CIP) and the Airport Layout Plan. At this time, staff requests that the Board adopt the updated master plan.

Hacker: Since March, Mead & Hunt has worked with TAA staff to examine the individual projects contained within the Preferred Development Concept (PDC) and developed preliminary cost estimates for each project in 2020 dollars to formulate a \$75 million CIP over the next 20 years. They also developed a phasing plan to map out the various projects and their associated timelines. Project timelines were divided into four separate phases:

Phase One: 5-10 years

Phase Two: 6-10 years

Phase Three: 11-20 years

Phase Four: Beyond 20 years

The project group also looked at how to fund the CIP through grants from the FAA's Airport Improvement Program, the Arizona Department of Transportation Aeronautics Division, and the Highway User Revenue Fund (HURF). The goal is to minimize the use of TAA operating funds in delivering the CIP. The CIP also gives the TAA the flexibility to advance projects based on demand.

NOTE: The presentation is appended to the minutes as Attachment One.

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MOTION BY Director Swaim, SECONDED BY Treasurer Assenmacher, to ADOPT Resolution No. 25-2020 approving the Ryan Airfield Airport Master Plan 2020. The motion carried by the following vote:

Ayes 8 – Chairperson Villicana, Vice Chair Dusenberry, Secretary Draper, Treasurer Assenmacher, Director Silvyn, Director Rich, Director Swaim, and Director Hammond

DIVISION UPDATES

FINANCE AND ADMINISTRATION

11. October 2020 YTD Financials: Financial Summary/Aviation Activity Report

Vice President and Chief Financial Officer Dick Gruentzel presented.

November passenger numbers were trending closer to 2019 but fell off after the Centers for Disease Control issued an advisory to avoid travel due to COVID-19. This trend will continue until a vaccine is readily available.

October 2020 Flight and Passenger Activity

- Total passenger volume was 135,413 compared to 310,917 in 2019 (-56%).
- The average daily seat capacity was 3,032 compared to 5,766 in 2019 (-47%).
- The average number of daily departures was 30.1 compared to 51.9 in 2019 (-42%).

October 2020 Financial Results

- Operating revenues were \$2.7 million, which was \$200,00 favorable to budget (\$2.5 million).
 - The largest favorable variance was in concessions which was up \$75,000 due to increased rental car contracts, higher revenue from landing fees and from an increase in plane parking.
- Operating expenses were \$400,000 favorable to budget (\$2.5 million actual vs. \$2.9 million budget).
 - The largest variance is \$135,00 in personnel costs. Staff has been cautious in hiring a number of budgeted positions and has not begun to recruit for some positions.
 - Contractual services were favorable by \$234,000 compared to budget due to certain expenses which have yet to kick in such as the Hill Enterprises contract and the negotiations for extension of the Airline Use Agreement.

OPERATIONS

Vice President and Chief Operating Officer Bruce Goetz presented.

12. FAA Part 139 and CALEA Inspection Update

The Part 139 inspection that was supposed to be completed by the FAA in March 2020 was delayed due to COVID-19. The FAA institute a two-part inspection process. The first part involved a remote review of TAA's records, which they expect to complete by the end of the week. The second phase

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will involve an on-site inspection, but it is unknown when this will occur. The FAA has six months after the records review to perform the on-site inspection, assuming COVID numbers improve over the course of the next year. It is the on-site inspection will occur during the second quarter of 2021.

The TAA Police Department (TAAPD) is accredited by CALEA (Commission on Accreditation for Law Enforcement Agencies). CALEA recently completed its annual inspection, which included a thorough review of policies and procedures, and viewing reports of how the TAAPD handles and manages evidence. CALEA found no discrepancies. Goetz commended the TAAPD's professionalism in how they conduct their jobs from day to day.

In the wake of the George Floyd incident last summer, President Trump issued an executive order asking police departments to certify through the United States Department of Justice. Because CALEA's accreditation standards are significantly higher, the TAA was able to send its paperwork to the Department of Justice and receive its accreditation. This allows the TAA to be considered for various grants to go towards public safety.

13. COVID-19 Testing Update

Governor Ducey announced three weeks ago that he wants the state's busiest airports—Sky Harbor, Tucson, and Phoenix Mesa Gateway) to begin testing passengers. While this was an unexpected announcement, the TAA staff were pleased as the Authority has been working with the Pima County Health Department and Paradigm Laboratories to implement a free PCR testing program at the airport. They are currently operating Friday through Monday from 11:00 a.m. to 6:00 p.m., and they are averaging 250 tests per day. Staff has also had several conversations with Dr. Cara Christ, director of the Arizona Department of Health Services (ADHS). They contacted the TAA to determine how they can help and support our efforts.

The ADHS offered to send the TAA the 15-minute rapid tests. TAA received the first batch earlier this week, and they are being used to test staff as the airport is a critical infrastructure site. Logistics are currently being worked out with Paradigm Laboratories, and the plan is to begin making these tests available to staff beginning the latter part of next week. Tucson International Airport is one of the few airports in the country that is currently offering free test. Airlines have expressed appreciation for how quickly the TAA was able to implement the testing program for both passengers and staff.

MARKETING AND AIR SERVICE

14. Marketing Update

Director of Communications and External Relations Jessie Butler presented.

Social media has been the most effective way to get information to the public, and the TAA's followership on social media has grown tremendously since the beginning of the pandemic.

Key highlights during the past quarter include:

- Airfield Safety Enhancement (ASE) Groundbreaking - Hundreds of people watched the event online, which was an impressive turnout.
- TIA also received national exposure regarding our COVID-19 mitigation efforts. Airports from across the country have been contacting marketing staff daily about how we were able to get

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testing started so quickly. Operations staff did an excellent job installing signage throughout the terminal, and the media has aired segments showing staff receiving their tests.

- “TUS Cares” continues to be at the forefront as our focus has to be on making sure our passengers feel safe travel. PowerPoint presentations are updated and ready to go for the holidays.
- Teams are preparing to collect donations for the Sunnyside Foundation’s “Toys for Tots” program.
- TAA is an official sponsor of the “State of the City” address, which will air this afternoon at 5:00 p.m.

15. Air Service Update

There was no air service update due to the earlier presentation made by Volaire Aviation (Item 7).

NEXT MEETING

The next Board of Directors meeting will occur immediately following the annual meeting of the Tucson Airport Authority membership on January 25, 2021.

ADJOURN

There being no further business to discuss, Chairperson Villicana adjourned the meeting at 4:56 p.m.

APPROVED BY:

Rob Draper, Secretary

Date: _____

Prepared by:

Byron M. Jones, CMC, CAP, TAA Clerk

Date: _____

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ATTACHMENT ONE

Tucson Airport Authority

Board of Directors Presentation
Ryan Airfield
Airport Master Plan

December 2, 2020

Source: Mead & Hunt

Mead & Hunt

Tucson Airport Authority

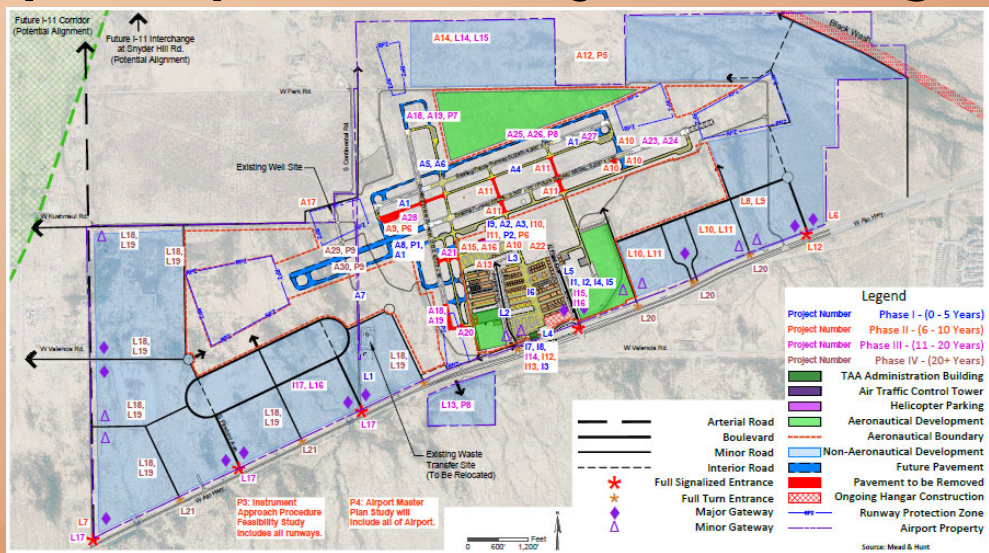
Board of Directors Presentation
Ryan Airfield
Airport Master Plan
December 2, 2020



Agenda

- Update TAA Board of Directors on Project Progress
 - Prior briefing on March 3, 2020
- Review Key Planning Study Elements
- Discuss Developed Airport Capital Improvement Program
- Seek Approval of the Draft Master Plan

Capital Improvement Projects - Phasing Plan

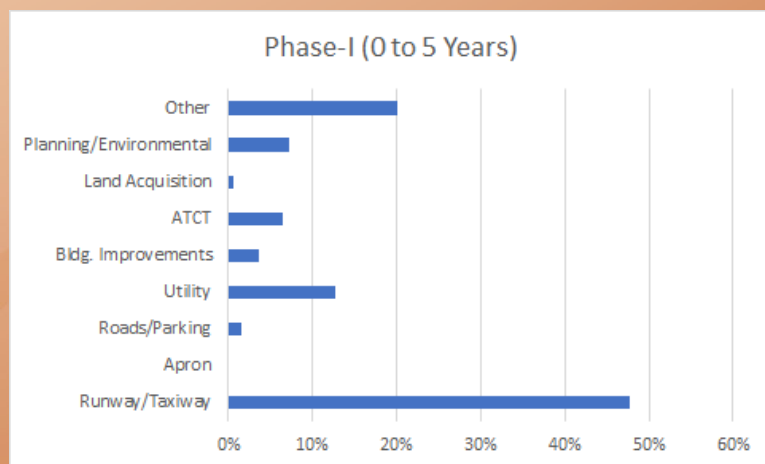


Mead & Hunt



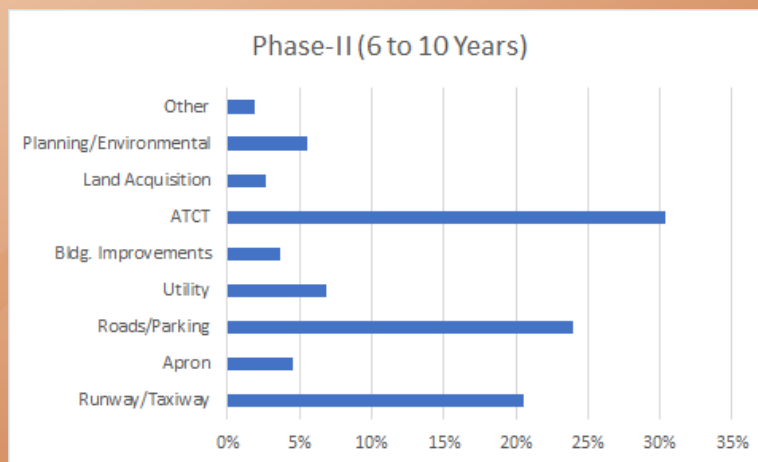
Capital Improvement Program: Phase-I

- \$8.26M development program
- Airfield projects are the priority
- Projects can be advanced as demand dictates



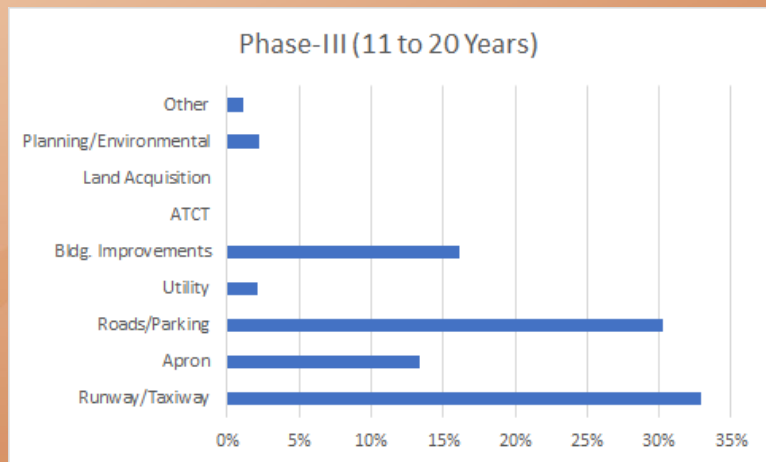
Capital Improvement Program: Phase-II

- \$31.06M development program
- ATCT related projects are the priority
- Projects can be advanced as demand dictates



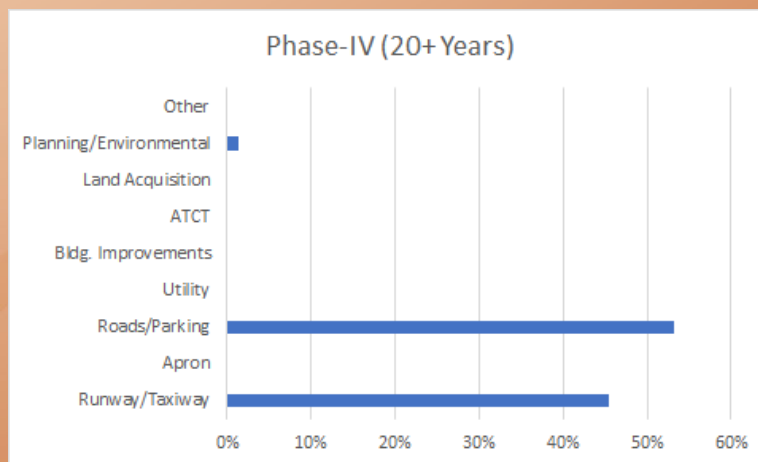
Capital Improvement Program: Phase-III

- \$35.95M development program
- Airfield projects are the priority
- Projects can be advanced as demand dictates



Capital Improvement Program: Phase-IV

- \$26.6M program beyond the planning horizon
- Not included in the funding plan due to so far out
- Roadway and parking projects are the priority
- Projects can advance into the 20-year CIP based on demand



Capital Improvement Program: Source & Uses Summary

- \$75million CIP
- Project Funding
 - FAA Grants (62%)
 - ADOT Grants (18%)
 - TAA funds (20%)
- Airfield development projects are the priority over the next 20-years
- Project priorities can be advanced as demand dictates

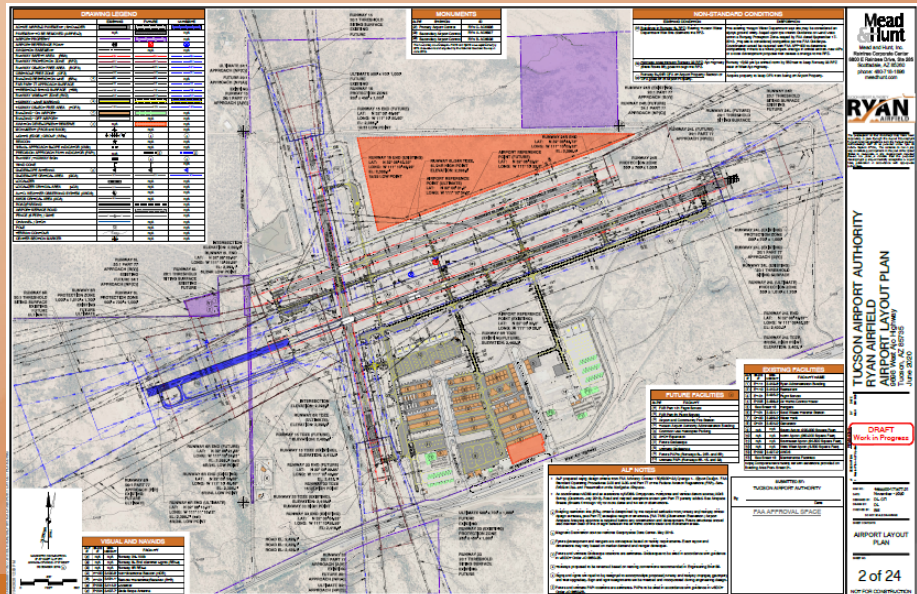
Sources of Capital Funding	Phase-I (0 to 5 Years)	Phase-II (6 to 10 Years)	Phase-III (11 to 20 Years)	Total
FAA AIP Entitlements	\$ 750,000.00	\$ 600,000.00	\$ 1,650,000.00	\$ 3,000,000.00
FAA AIP Discretionary	\$ 3,981,779.04	\$ 17,783,952.64	\$ 21,710,376.27	\$ 43,476,107.94
ADOT Grants	\$ 660,753.10	\$ 7,964,053.81	\$ 4,768,182.77	\$ 13,392,989.68
Local	\$ 2,868,657.55	\$ 4,712,552.99	\$ 7,828,414.49	\$ 15,409,625.04
Total Sources	\$ 8,261,189.69	\$ 31,060,559.44	\$ 35,956,973.53	\$ 75,278,722.66
Uses of Capital Funding	Phase-I (0 to 5 Years)	Phase-II (6 to 10 Years)	Phase-III (11 to 20 Years)	Total
Runway/Taxiway Projects	\$ 3,939,814.00	\$ 6,370,000.00	\$ 11,840,000.00	\$ 22,149,814.00
Apron Projects	\$ -	\$ 1,400,000	\$ 4,800,000.00	\$ 6,200,000.00
Access Roads/Parking	\$ 130,848.02	\$ 7,442,450.62	\$ 11,579,361.83	\$ 19,152,660.48
Utility Infrastructure	\$ 1,047,910.22	\$ 2,144,386.48	\$ 769,811.70	\$ 3,962,108.40
Building Improvements	\$ 305,000.00	\$ 1,147,500.00	\$ 5,805,000.00	\$ 7,257,500.00
ATCT Improvements	\$ 526,857.00	\$ 9,450,000.00	\$ -	\$ 9,976,857.00
Land Acquisition	\$ 54,183.44	\$ 816,222.34	\$ -	\$ 870,405.78
Planning/Environmental	\$ 600,000.00	\$ 1,700,000.00	\$ 775,000.00	\$ 3,075,000.00
Other Projects	\$ 1,656,577.00	\$ 590,000.00	\$ 387,800.00	\$ 2,634,377.00
Total Uses	\$ 8,261,189.69	\$ 31,060,559.44	\$ 35,956,973.53	\$ 75,278,722.66

Mead & Hunt

Airport Layout Plan - DRAFT

- Technical set of drawings
- Completed with the Master Plan
- Needed for grant funding eligibility
- Requires FAA approval for each sheet
- 60-day FAA process

Mead Hunt

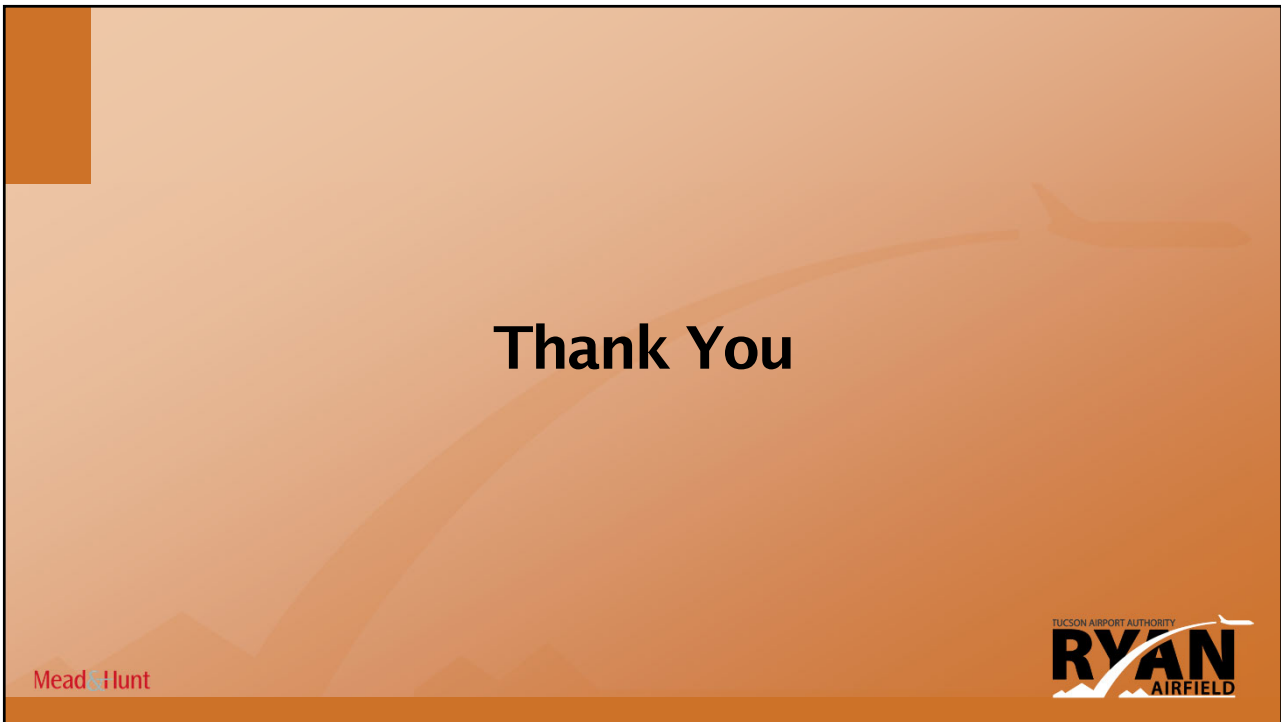


Next Steps

- Complete Stakeholder Outreach
 - Conduct final SWG and TAC meetings
 - Conduct final Open House meeting
- Revise the Airport Layout Plan (ALP) based on FAA comments
- Finalized ALP and Airport Master Plan Document in January 2021

All documents are available on the RYN Master Plan Project Website

<http://www.ryanmasterplan.com>



DRAFT MINUTES

TUCSON AIRPORT AUTHORITY | Board of Directors Special Meeting
January 11, 2021 | 1:00 p.m. | Remote Meeting

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

Chairperson Villicana called the meeting to order at 1:02 p.m.

Members Present: Chairperson Taunya Villicana, Vice Chair Bruce Dusenberry, Secretary Rob Draper, Treasurer Bill Assenmacher, Director Keri Silvyn, Director Phil Swaim, Director Mike Hammond, and Ex-officio Member Lisa Lovallo

Members Absent: Director Judy Rich

Others Present: Corporate Governance Council Chair Michael Duran

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

PRESIDENT AND CEO REPORT

1. One-time Essential Critical Infrastructure Worker Hazard Pay

Essential Critical Infrastructure Workers—those employees whose jobs require them to be at the airport each day—are the core group that keep the airport functioning, especially during the height of the COVID-19 pandemic. This group includes 121 full-time employees, 41 public-safety employees, and 15 part-time employees. Although there were some operational challenges due to staffing shortages caused by the pandemic, these employees continued to perform at a high level, ensuring that the airport always remained open. To recognize this, the Executive Team proposed paying these employees a one-time hazard payout of \$500. The payout is plussed up to compensate for the various payroll taxes to ensure the individual receives the full net of approximately \$500. The fiscal impact to the TAA would be approximately \$137,000. The Executive Team believes it is important to demonstrate to employees that their work is appreciated and to encourage workforce retention as we start the new year.

Ex-officio Lisa Lovallo joined the meeting at 1:04 p.m.

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BOARD DISCUSSION

- **How does this tie in with the budget?** Bewley explained that there are a significant number of positions on hold, and there are vacancies in our forecast model. If everything remains as forecast, there will be a favorable variance of approximately \$211,000. This estimate could shift somewhat, but the budget is being and will continue to be tracked very closely. This variance also includes the \$137,000 figure for the one-time hazard payout.
- **Several board members expressed support for the initiative, stating it is a good investment in the workforce and well thought out by staff.**

BUSINESS

2. The Board of Directors will consider and may adopt Resolution No. 2021-01 adopting amendments to the Bylaws of the Tucson Airport Authority related to Emeritus Members, the annual nominating period, and membership categories.

Corporate Governance Council Chair Michael Duran explained that the issue of what to do when an elected official or senior government administrator is nominated for TAA membership has been an ongoing discussion for several years; however, this issue came to the forefront due to the nominations this year of Tucson Mayor Regina Romero and Pima County Economic Development Director Dr. John Moffatt.

The issue was discussed at length during the Nominating Council meeting on November 16, 2020, and part of the motion nominating the Mayor and Dr. Moffatt was a recommendation that the Corporate Governance Council and the Board of Directors consider amending the TAA bylaws to create an opportunity for elected officials and senior government administrators to become TAA members, but to eliminate potential conflicts of interest, they would be unable to serve on the Board of Directors.

The Corporate Governance Council took the suggestion a step further and suggested the creation of a special membership category for these individuals, whether they are already elected when they are nominated or become elected during their membership term. The same would apply to senior government officials while they are employed with a government entity. The Council felt it was important not only to recognize the current nominees, but also to create a forum for elected officials from other jurisdictions within the airport's service area to provide input and guidance, and possibly to meet with the Board regularly to discuss matters of mutual concern.

What the Board has in front of it would be a first step towards a comprehensive review of the bylaws that would modernize them and bring them up to date with how the TAA currently operates.

BOARD DISCUSSION: ADVISORY MEMBERS

- **Director Silvyn: Pleased with the way this came together. Some members have been wanting to take an in-depth look at the nominating process, and the Nominating Council has made some good recommendations. Regional economic development is an important issue, and the TAA should have a space where it can engage with elected officials while maintaining its autonomy. The resolution does a good job of balancing these concerns.**
- **Director Silvyn: Requested clarification regarding the proposed Section pertaining to Advisory**

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Members. When does the resolution become effective, and are there any current Members who fall into this category? Vice President and General Counsel Christopher Schmaltz stated that the changes to the bylaws would be in effect as of today if adopted by the Board. There are currently three TAA Members who fall into this category: Lea Marquez Peterson (Corporation Commissioner), Herb Kai (Marana Town Council Member) and Ned Norris (Chairman of the Tohono O'odham Nation).

- **Director Silvyn: Would the new membership category automatically be applied to the current nominees if they are ratified at the Annual Meeting?** Schmaltz stated this is correct and explained that this was the reason this special Board meeting was scheduled now because it will have an impact on the ballot materials that go out to the Members. If the Mayor and Dr. Moffatt are ratified, they would become Advisory Members rather than Members.
- **Vice Chair Dusenberry: Does the fact that the Mayor and Dr. Moffatt were nominated as Members present a problem if the bylaws are amended post-nomination?** Schmaltz stated that he does not believe it creates a problem. The amendment was drafted to ensure that the normal nomination process is followed. What the amendment alters is the membership eligibility of the current nominees into the new category. Staff purposely did not write a new nomination process so that the way they were nominated would be respected.
- **What happens if an existing Member or Director decides to run for office and gets elected?** Schmaltz stated that this contingency is not addressed in the current amendment, but it is a scenario that will likely need to be addressed by this year's Corporate Governance Council. The amendment only effects current Members whose membership will be grandfathered, and the current nominees.
- **Director Silvyn: Requested that this issue be added to the list of potential bylaw changes to be addressed by the Corporate Governance Council.**
- **Director Swaim: If Mayor Romero becomes an Advisory Member of the TAA, will she become a regular member once she leaves office?** Chairperson Villicana stated that the Mayor's membership would not automatically change, and she would have to reapply through the typical process and be considered again by the Nominating Council and the Members.

Schmaltz clarified that Subsection (v) speaks to the term of those who are Advisory Members. The Mayor was initially nominated as a Member. If the Board adopts the current amendment, she will no longer qualify to be a Member. The same would apply to Dr. Moffatt. They would only qualify to be Advisory Members for as long as they are an elected official or serving as a senior government administrator. Once they leave their position, they no longer qualify to be an Advisory Member. They would cease to be a Member in any capacity and will need to be renominated to be a Member. They would be vetted through the nominating process in place at the time.

The provision in Subsection (iv) in the new category is the grandfather provision. We are not taking rights away from current Members who are serving in elected office or in government.

- **What would happen in the scenario where a Member is elected to public office, becomes an**

DRAFT MINUTES

Advisory Member, and then leaves public office? Would they transition back to Member?

Schmaltz stated that this scenario would require additional language and should be dealt with by the Corporate Governance Council in future amendments. The current amendment only applies to current Members. They would not be affected.

- **How do we define a high-level administrator as this can be a gray area? What would happen if an individual received a promotion once they are already a Member?** Schmaltz replied that these are good questions and that the TAA gets to define what it considers to be a high-level administrator, either through direct input from the Board, or he, as General Counsel, could draft an opinion at the Board's request. We will not be able to address every scenario because every agency classifies their positions differently. The language is written broadly to capture whether an individual is in a leadership position. This gives the TAA the flexibility to address different scenarios as they arise.
- **Vice Chair Dusenberry: According to the draft minutes of the Corporate Governance Council meeting, a Council Member stated that the amendment as proposed would cause confusion in that it would suggest that elected officials and leaders in government entities can be Members, as opposed to the initial idea of creating a regional advisory council that does not require them to be Members nor would it require amending the bylaws.**
- **Director Silvyn: Expressed similar concerns but believes that the proposed amendment is a good compromise. There are always different classifications of membership in organizations, and in reading the bylaws, this new category is a separate and an appropriate place for elected officials. Is not sure whether it is a clean solution for the Membership as it votes this month but is true to the Nominating Council's wish to bring these names forward in some capacity.**
- **Chair Duran: Asked Vice Chair Dusenberry whether his concerns stemmed from creating the special category or the use of the term Member. Explained that the purpose is to accommodate the desire of elected officials who want to be affiliated with the TAA and to expand that to include some geographical diversity. Other municipalities and county governments also have a vested interest in the airport's success in serving their needs.**
- **Vice Chair Dusenberry: Believes strongly that the issue needs to be addressed before the Annual Meeting and supports the creation of the special membership category or some structure that allows interaction with government officials. Recognizes the concerns raised at the Corporate Governance Council meeting that this would change the TAA's history of remaining separate from government influence. We are adding the safeguards of not allowing them to serve on Councils or the Board, and that they would be non-voting. It solves the problem, but the regional advisory council might be better.**
- **Secretary Draper: Explained his concerns centered on the original staff proposal, which would have allowed elected officials and senior government administrators to become Members. He does not support this but is comfortable with calling them Advocacy Members, Associate Members, or something similar. Does not believe that Advisory Member captures the purpose of what is being called for in the new category. Proposed changing the title and eliminating most of the first couple of lines of Subsection 2.1.2.c(ii)(3), which explains the category of membership, as the primary purpose is not to give advice but to advocate. TAA has been**

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separate from government for 80 years, and the objective is not to bring government officials in to advise us how to run the authority. Subsection 2.1.2.c(ii)(3) should begin with “support the Tucson Airport Authority’s missions and vision, and to encourage coordination and cooperation with other government entities...”

- **Vice Chair Dusenberry: Agreed with the proposed change.**
- **Is there a limitation on the number of members in the new category?** Schmaltz answered that there is no limitation. They are not counted towards the limit of 60 Active Members, so there could be as many as are nominated. These are details that can be ironed out by the 2021 Corporate Governance Council.
- **Director Swaim: Requested clarification on the issue the Board is being asked to resolve. Is it trying to eliminate a potential conflict of interest? If that is the case, the simplest answer would be to include in the bylaws that any elected official or high-ranking government administrator does not have voting rights on Councils and cannot be a Board member. Creating a new category may be the best way to do accomplish this, but at some point, we may start to be feel obligated to not exclude anybody. Where do we stop at that point? Are we going to offend somebody when we have representation from some entities but not others? We need to be careful to not create another problem for the TAA.** Schmaltz stated that the original language presented to the Corporate Governance Council was simply to prevent elected leaders from ever serving on a Council or the Board, but the Corporate Governance Council chose the path represented by the proposed amendment before the Board.
- **Director Draper: During the discussions by the Corporate Governance Council, it was clear that they wanted to include as many elected or government officials as possible but not have them count against the 60 Active Members who are tasked with doing the work of the TAA. He considered the question of what the main purpose of this effort is, and it seemed that the main purpose is for them to support and advocate for the airport while at the same time retaining the separation that has always existed between the TAA and local government. This was the main purpose behind creating the new membership category.**
- **Chair Duran: Both the Nominating Council and the Corporate Governance Council felt writing a simple bylaw change stating that they could not serve on the Board does not advance the mission of the TAA, especially when we are looking at modernizing the bylaws. The Councils wanted to reach out to those communities that are important to the TAA and add some geographic diversity to the Membership. Creating this special category was meant to be something especially important and prominent, a way for elected officials and high-level administrators to be part of the TAA, but in a special class.**

Schmaltz summarized the discussion up to this point:

- i. Change the new membership category from Advisory Member to Associate Member; and
 - ii. Subsection 2.1.2.c(ii)(3) will now read: “...be invited to support the Tucson Airport Authority’s mission and vision and to encourage coordination and cooperation...”
- **Chairperson Villicana: Agreed with the suggestion made by Secretary Draper that the word “advocate” be added to the description.**

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- **Vice Chair Dusenberry: Delete the words “provide advice”.**

President and CEO Danette Bewley asked for clarification as to whether the new category should be called Associate Member or Advocacy Member.

- **Director Silvyn: Likes “Advocate” better as associate membership in most organizations is a step towards full membership as opposed to a separate classification. This is a place where we are placing individuals who have put themselves forward and moved their way to the top of elected governance. Would want the description to speak more to what the TAA is asking them to do.**
- **Vice Chair Dusenberry: Supports calling the category Advocacy Member.**
- **Chairperson Villicana: Also supports the name change. Requested that Schmaltz provide another summary of the discussion.** The new category of membership will be called Advocacy Members. All references to Advisory Member will be changed to Advocacy Members. Again, under new “Advocacy Member”, Subsection 2.1.2.c(ii)(3) will now read be: “be invited to support and advocate for the Tucson airport Authority’s mission and vision and to encourage coordination and cooperation with other government entities and the Tucson Airport Authority... And the Tucson Airport Authority and its efforts to support air transportation and commerce and the prosperity of the southern Arizona region.”
- **Secretary Draper: Stated that several issues have come up during the discussion. Should these issues be addressed in the current amendment so that the new category is fully defined rather than having to make additional changes after the fact?** Schmaltz replied that while he is an advocate of comprehensive discussion and review, he is not an advocate of constructing bylaws on the fly and by ad hoc discussion. For this reason, he proposed a simple change to the bylaws that would capture the Corporate Governance Council’s recommendation and would allow us more time to consider solutions thoroughly and with more attention. The proposed bylaw change, as amended today, addresses the issues that the TAA is confronted with in the next two weeks. He acknowledged that there are important issues that need to be addressed but cautioned the Board against making numerous changes without taking the time to consider them carefully. The list that the Board and staff have compiled can serve as direction to the incoming Corporate Governance Council, which can vet the recommendations in a thoughtful manner and make its recommendations to the Board.
- **Secretary Draper: Believes that it would be best to address now some of the scenarios which speak directly to the rights of Advocacy Members:**
 1. **How long is their term?** This is addressed in Subsection 2.1.2.c(v): “An Advocacy Member’s term ends on the date they are no longer an elected official or in a position of leadership in government. Former Advocacy Members are eligible to be nominated by any Member or Emeritus Member to be a Member.”
 2. **Some elected officials stay in their offices for many years. Should we set a specific number of years they can be an Advocacy Member?** It is unclear what the goal would be to add a specific term. Some elected and appointed officials are in office for many years, but the TAA would continuously get the benefit of their interaction with the organization.

DRAFT MINUTES

3. **Should identical language to that in the Member category giving the Board the authority to remove an Advocacy Member if they are advocating against the TAA?** This is less of a risk as they would be non-voting Members but agrees there is some merit to adding this language for the eventuality that someone is espousing or doing things contrary to the interests of the airport. The new category gives some protection, but as the amendment is written, they could not be removed. **Chairperson Villicana expressed support for adding the additional language given the current political climate.**
4. **Can (or should) Advocacy Members become Emeritus Members?** No. The bylaws state that only Members who have served for a certain number of years may become Emeritus Members. Advocacy Members would be excluded.

BOARD DISCUSSION: EMERITUS MEMBERS

- **Chairperson Villicana:** Staff works hard to ensure members attend Council meetings so that a quorum can be met. However, it has been a challenge engaging some Members as they become involved in other organizations and no longer have the time and commitment to the TAA. The solution would be to create an opportunity for them to transition earlier into Emeritus status, which frees up an active membership that would allow the TAA to bring in individuals with new energy and the time to commit to helping the TAA move forward. Another benefit would be that the TAA could move more quickly towards its objective of increasing diversity within the organization.
- **Treasurer Assenmacher:** Supports the change if it used as a tool to encourage younger members to join the organization and to allow older members to continue serving.

BOARD DISCUSSION: MOVING THE START OF THE NOMINATING PERIOD TO APRIL 1

- **Chairperson Villicana:** Moving the beginning of the nominating period from August 1 to April 1 will allow the Nominating Council more time to thoroughly vet candidates. The Nominating Council did an amazing job this year and allowing them more time to do their work will allow for a more robust process.
- **Secretary Draper:** Supports the change.

MOTION BY Director Silvyn, SECONDED BY Treasurer Assenmacher, to ADOPT Resolution No. 2021-01 adopting amendments to the Bylaws of the Tucson Airport Authority related to Emeritus Members, the annual nominating period, and membership categories, with further amendments made by the Board of Directors. The motion carried by the following vote:

Ayes 7 – Chairperson Villicana, Vice Chair Dusenberry, Secretary Draper, Treasurer Assenmacher, Director Silvyn, Director Swaim, and Director Hammond

Nays 0 – None

ADJOURN

There being no further business to discuss, Chairperson Villicana adjourned the meeting at 2:10 p.m.

DRAFT MINUTES

APPROVED BY:

Rob Draper, Secretary

Date: _____

Prepared by:

Byron M. Jones, CMC, CAP, TAA Clerk

Date: _____

Resolution No.	2021-02
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A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., 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

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

1. The President and CEO or her designee is authorized to apply for all available Federal, State, and local grant money that may be available to fund TAA projects or provide reimbursement for any eligible expenses incurred by TAA. The President and CEO or her designee is further directed and authorized to act as TAA's official representative in connection with all grant applications and associated documents and to provide such information as may be required in connection with such grants.
2. The Board of Directors authorizes and approves the acceptance of all Federal, State, and local grants and hereby authorizes the President and CEO or her designee to execute and deliver all such grant applications, agreements, and related documents, including, but not limited to, intergovernmental and cooperative agreements.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 25th day of January 2021.

Chairperson

ATTEST:

Secretary

APPROVED AS TO FORM:

General Counsel

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE 2021 SCHEDULE OF BOARD MEETINGS AND THE 2022 ANNUAL MEETINGS.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

1. The Board of Directors will continue to meet on the first Wednesday of each month—except as noted—beginning at 3:00 p.m. in the Tucson Airport Authority Board Room on the second floor of the Tucson International Airport terminal, located at 7250 South Tucson Boulevard, Tucson, Arizona, 85756; or, remotely as may be required by federal, state or local health and safety regulations.
2. The Board of Directors Meeting dates shall be as follows:
 - a. Wednesday, March 3, 2021.
 - b. Wednesday, April 7, 2021.
 - c. Wednesday, May 5, 2021.
 - d. Wednesday, June 2, 2021.
 - e. Wednesday, July 14, 2021.
 - f. Wednesday, August 4, 2021.
 - g. Wednesday, September 1, 2021.
 - h. Wednesday, October 6, 2021.
 - i. Wednesday, November 3, 2021.
 - j. Wednesday, December 1, 2021.
3. Pursuant to Section 2.3 (ANNUAL MEETING) of the Tucson Airport Authority Bylaws, the 2022 Tucson Airport Authority Annual Meeting will be held on Monday, January 24, 2022. The time and place of the Annual Meeting shall be set at a later date.
4. Pursuant to Section 3.3.1 (REGULAR MEETINGS) of the Tucson Airport Authority Bylaws, the first meeting of the 2022 Board of Directors will occur immediately following the 2022 Tucson Airport

Authority Annual Meeting on Monday, January 24, 2022, at the venue of the Annual Meeting.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 25th day of January 2021.

Chairperson

ATTEST:

Secretary

APPROVED AS TO FORM:

General Counsel

Date: January 14, 2021

To: TAA Board of Directors
From: Richard Gruentzel, Vice President & Chief Financial Officer
Re: **Air Ventures, Ltd. Ground Lease Extensions**

Background:

Air Ventures, Ltd. currently leases land at Ryan Airfield (RYN) on which it developed a number of parcels with various types of general aviation aircraft storage hangars and shade ramadas. There are two ground leases covering these developments:

- Lots 16-19 Lease – The lease term for Lots 17-19 began July 1, 1987 and will expire on June 30, 2027. In a subsequent amendment, Lot 16 was added to the lease with a term that began August 1, 1994 and will expire on June 30, 2033. Annual land rent is currently \$17,519 and is adjusted periodically based on changes in the implicit price deflator index.
- Lot 20 Lease – The lease term for Lot 20 began January 1, 1995 and will expire on December 31, 2034. Annual land rent is currently \$22,909 and is adjusted periodically based on changes in the implicit price deflator index.

Air Ventures has requested 15-year ground lease extensions for both of these leases.

Since the adoption of TAA's current Leasing and Development Policy and Leasing and Development Guidelines in 2003, extensions of ground leases have typically been considered only if fair market value facility rent is added to the ground rent or if a tenant commits to significant additional capital improvements to the leasehold. TAA ground leases entered into since 2003 have included standard provisions making it clear that at the end of the ground lease term all improvements on the leasehold must be surrendered to TAA and revert to full ownership and control of TAA.

Both of the Air Ventures leases were entered into prior to 2003 and contain different provisions related to ownership of improvements. The Lots 16-19 Lease states that the improvements are the property of the tenant and may be removed prior to the end of the lease term. There is different language in the Lot 20 lease, which TAA and Air Ventures interpret differently. TAA believes the language is clear that improvements may not be removed before the end of the lease term. Air Ventures believes the language is ambiguous and can be interpreted to mean that improvements may be removed.

It is in TAA's best interest that properly maintained improvements be surrendered to TAA at the end of ground leases as TAA then has the ability to generate additional revenue from facility leases. Both parties can benefit from compromising in this situation. Air Ventures can benefit from extended ground lease terms and TAA can benefit from removing lease language that allows valuable

improvements to be removed from Air Ventures' leasehold and strengthening maintenance provisions to ensure improvements are surrendered to TAA in a well maintained condition.

Since Air Ventures' subleases with its subtenants currently contain provisions based on the language in TAA's lease with Air Ventures, these subleases will require amendments in order for TAA to gain the benefit of the above amendments to TAA's lease with Air Ventures. Ideally, TAA would require unanimous agreement to the sublease amendments from every subtenant, short of which TAA would not agree to the lease extension with Air Ventures. Air Ventures has requested that the Lots 16-19 Lease amendment be done separately for each of lots 16, 17, 18 and 19 so that if one subtenant in a particular lot were to refuse to sign the sublease amendment, only that lot would be excluded from the 15-year ground lease extension. TAA management is agreeable to this compromise and approach.

Strategic Plan | Analysis:

These lease extensions and amendments support TAA's mission of providing a sustainable airport system by preserving aviation-related facilities that will generate additional future revenue.

Cost Analysis:

There is no cost impact to TAA.

Recommendation:

TAA management recommends the Board adopt Resolution No. 2021-04 authorizing the President/CEO or her designee to take all necessary actions to amend TAA's ground leases with Air Ventures as follows:

Lots 16-19 Lease

- Extend the existing ground lease terms by 15 years.
- Amend lease provisions to clearly state that improvements may not be removed at the end of the lease term.
- Amend lease provisions to strengthen maintenance and property inspection requirements.
- Change the rent adjustment index from the implicit price deflator index to the consumer price index.
- For each of Lots 16, 17, 18 and 19, the proposed lease amendment with Air Ventures will be void unless all subtenants in each individual lot agree to insert terms in their sublease consistent with the Air Ventures lease amendment.

Lot 20 Lease

- Extend the existing ground lease term by 15 years.
- Ground rent will double at the beginning of the lease extension term on January 1, 2035.
- Amend lease provisions to clearly state that improvements may not be removed at the end of the lease term.
- Amend lease provisions to strengthen maintenance and property inspection requirements.

- Change the rent adjustment index from the implicit price deflator index to the consumer price index.
- The proposed lease amendment with Air Ventures will be void unless all subtenants agree to insert terms in their sublease consistent with the Air Ventures lease amendment.

Resolution No.	2021-04
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A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT AND CEO OR HER DESIGNEE TO TAKE ALL NECESSARY ACTIONS TO AMEND TAA’S GROUND LEASES WITH AIR VENTURES.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The President and CEO or her designee is authorized to take all necessary actions to amend TAA’s ground leases as described in Exhibit A and incorporated by reference herein.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 25th day of January 2021.

Chairperson

ATTEST:

Secretary

APPROVED AS TO FORM:

General Counsel

EXHIBIT A

AIR VENTURES LEASE AMENDMENTS – KEY BUSINESS TERMS

Lots 16-19 Lease

- Extend the existing ground lease terms by 15 years.
- Amend lease provisions to clearly state that improvements may not be removed at the end of the lease term.
- Amend lease provisions to strengthen maintenance and property inspection requirements.
- Change the rent adjustment index from the implicit price deflator index to the consumer price index.
- For each of Lots 16, 17, 18 and 19, the proposed lease amendment with Air Ventures will be void unless all subtenants in each individual lot agree to insert terms in their sublease consistent with the Air Ventures lease amendment.

Lot 20 Lease

- Extend the existing ground lease term by 15 years.
- Ground rent will double at the beginning of the lease extension term on January 1, 2035.
- Amend lease provisions to clearly state that improvements may not be removed at the end of the lease term.
- Amend lease provisions to strengthen maintenance and property inspection requirements.
- Change the rent adjustment index from the implicit price deflator index to the consumer price index.
- The proposed lease amendment with Air Ventures will be void unless all subtenants agree to insert terms in their sublease consistent with the Air Ventures lease amendment.

Date: January 14, 2021

To: TAA Board of Directors

From: Richard Gruentzel, V.P. Administration & Finance/CFO

Re: **Summary of Financial Performance for November 2020**

Financial Performance

- Operating Income before Depreciation and Amortization (MTD & YTD vs budget and prior year)
 - Tucson Airport Authority generated operating income before depreciation and amortization of \$100,396 for November 2020, which is \$352,201 favorable to budget and \$1,396,271 less than prior year.
 - Year-to-date, TAA's operating income before depreciation and amortization is \$983,060 favorable to budget and \$2,662,935 less than prior year.

- Operating Revenues (MTD & YTD vs budget and prior year)
 - Total monthly operating revenue of \$2,706,531 is favorable to budget by \$211,002 or 8.5% and unfavorable to prior year by \$1,179,743 or 30.4%. All revenue categories were favorable to budget in November. The decrease from prior year is the result of a decline in passengers due to COVID-19.
 - Year-to-date operating revenues exceed the budget by \$422,978 or 8.5%, with higher-than-expected revenues in all categories. Other operating revenues and concession revenue produced the largest dollar variances.
 - The favorable concessions budget variance was driven by higher-than-expected rental car revenue resulting from a higher number of contracts per passenger than budgeted as well as a higher gross charge per contract.
 - Other operating revenue exceeded budget due to higher-than-expected revenue from aircraft parking, royalties on sand and gravel, and fuel flowage.

- Operating Expenses (MTD & YTD vs budget and prior year)
 - In November, total operating expenses were less than budget by \$141,199 or 5.1%, with favorable variances in all categories except personnel. Timing on contractual services was the most significant contributor to the favorable variance.
 - Year-to-date operating expenses of \$5,133,813 were favorable to budget by \$560,082 or 9.8%, and higher than prior year by \$215,374 or 4.4%.
 - Expenses were favorable to budget in every category and higher than prior year.
 - The increase over prior year is largely attributable to an increase in personnel expense.

FINANCIAL SUMMARY



For the two months ending November 30, 2020

**TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION**

	CURRENT MONTH - November			PRIOR YEAR - November
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL
OPERATING REVENUES:				
Landing fees	\$ 117,030	\$ 140,511	\$ 23,481	\$ 233,094
Space rentals	980,352	993,696	13,344	1,251,943
Land rent	296,440	316,047	19,607	296,805
Concession revenue	668,844	728,520	59,676	1,499,053
Reimbursed services	261,459	286,725	25,266	342,248
Other operating revenues	171,404	241,032	69,628	263,131
Total Operating Revenues	2,495,529	2,706,531	211,002	3,886,274
OPERATING EXPENSES:				
Personnel expenses	1,877,558	1,979,328	(101,770)	1,836,999
Contractual services	631,290	449,265	182,025	353,193
Materials and supplies	134,412	104,242	30,170	137,587
Other operating expenses	104,074	73,300	30,774	61,828
Total Operating Expenses	2,747,334	2,606,135	141,199	2,389,607
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	(251,805)	100,396	352,201	1,496,667
Depreciation and Amortization	1,563,041	1,559,291	3,750	1,529,685
OPERATING INCOME (LOSS)	(1,814,846)	(1,458,895)	355,951	(33,018)
NONOPERATING INCOME (EXPENSES)				
Interest Income	76,667	38,002	(38,664)	276,751
Net increase/(decrease) in fair value of investments	-	72,364	72,364	(112,779)
Passenger facility charges	278,157	227,522	(50,635)	586,473
Interest expense and fiscal charges	(74,671)	(74,671)	-	(81,988)
Gain/(Loss) on disposition of capital assets	-	(500)	(500)	-
Other nonoperating revenues (expenses)	6,890,228	6,892,876	2,648	14,283
Total nonoperating revenues (expenses)	7,170,380	7,155,593	(14,787)	682,740
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	5,355,534	5,696,698	341,164	649,722
CAPITAL CONTRIBUTIONS:				
Federal	585,516	2,301,561	1,716,045	631,791
State	28,742	114,516	85,774	-
Total capital contributions	614,258	2,416,077	1,801,819	631,791
INCREASE (DECREASE) IN NET POSITION	\$ 5,969,792	\$ 8,112,775	\$ 2,142,983	\$ 1,281,513

TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION
For the two months ending November 30, 2020

	CURRENT YEAR TO DATE			PRIOR YEAR
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL
OPERATING REVENUES:				
Landing fees	\$ 224,887	\$ 274,839	\$ 49,952	\$ 451,047
Space rentals	1,961,354	2,002,973	41,619	2,499,328
Land rent	592,879	612,887	20,008	596,425
Concession revenue	1,342,475	1,475,112	132,637	3,109,398
Reimbursed services	522,917	525,110	2,193	654,388
Other operating revenues	343,896	520,465	176,569	548,361
Total operating revenues	4,988,408	5,411,386	422,978	7,858,947
OPERATING EXPENSES:				
Personnel expenses	3,892,927	3,859,642	33,285	3,630,248
Contractual services	1,317,959	901,454	416,505	821,864
Materials and supplies	276,162	194,367	81,795	246,430
Other operating expenses	206,847	178,350	28,497	219,897
Total Operating Expenses	5,693,895	5,133,813	560,082	4,918,439
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	(705,487)	277,573	983,060	2,940,508
Depreciation and Amortization	3,121,853	3,121,105	748	3,060,920
OPERATING INCOME (LOSS)	(3,827,340)	(2,843,532)	983,808	(120,412)
NONOPERATING REVENUES (EXPENSES):				
Interest Income	153,333	83,381	(69,952)	528,839
Net increase/(decrease) in fair value of investments	-	46,293	46,293	3,553
Passenger facility charges	536,555	461,036	(75,519)	1,158,456
Interest expense and fiscal charges	(149,343)	(149,343)	-	(163,975)
Gain/(Loss) on disposition of capital assets	-	7,100	7,100	402,390
Other nonoperating revenues (expenses)	6,890,228	6,892,876	2,648	226,348
Total nonoperating revenues (expenses)	7,430,773	7,341,343	(89,430)	2,155,611
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	3,603,433	4,497,811	894,378	2,035,199
CAPITAL CONTRIBUTIONS:				
Federal	1,144,624	2,301,561	1,156,937	631,791
State	61,588	114,516	52,928	-
Total capital contributions	1,206,212	2,416,077	1,209,865	631,791
INCREASE (DECREASE) IN NET POSITION	\$ 4,809,645	6,913,888	\$ 2,104,243	2,666,990
TOTAL NET POSITION, (BEGINNING)		416,020,220		396,401,145
TOTAL NET POSITION, (ENDING)		\$ 422,934,108		\$ 399,068,135

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

ASSETS

CURRENT ASSETS

Unrestricted assets:

	<u>November-20</u>	<u>November-19</u>
Cash and cash equivalents	\$ 47,336,374	\$ 26,013,204
Investments	116,458,684	131,151,667
Accounts receivable, net of allowance for doubtful accounts of \$210,550 and \$210,550 for 2021 and 2020, respectively	1,825,894	2,685,128
Accrued interest receivable	231,319	454,878
Grants receivable	2,686,169	1,423,216
Inventories	335,397	299,982
Prepaid expenses and other assets	626,428	423,529
Total unrestricted current assets	<u>169,500,265</u>	<u>162,451,604</u>

Restricted assets:

Cash and cash equivalents	5,559,147	2,612,001
Investments	17,313,866	20,198,724
Accounts receivable	409,483	992,194
Accrued interest receivable	54,222	101,797
Total restricted current assets	<u>23,336,718</u>	<u>23,904,716</u>
Total restricted current assets	<u>23,336,718</u>	<u>23,904,716</u>

Total current assets

192,836,983 **186,356,320**

Noncurrent assets:

Unrestricted assets:

Accounts receivable	262,395	465,678
Capital assets		
Not depreciated	142,386,661	117,259,178
Depreciated, net	192,891,020	201,386,286
Net capital assets	<u>335,277,681</u>	<u>318,645,464</u>
Total unrestricted noncurrent assets	<u>335,540,076</u>	<u>319,111,142</u>

Total noncurrent assets

335,540,076 **319,111,142**

TOTAL ASSETS

528,377,059 505,467,462

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from pensions	3,992,003	3,992,003
Total deferred outflows of resources	<u>3,992,003</u>	<u>3,992,003</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 532,369,062 **\$ 509,459,465**

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

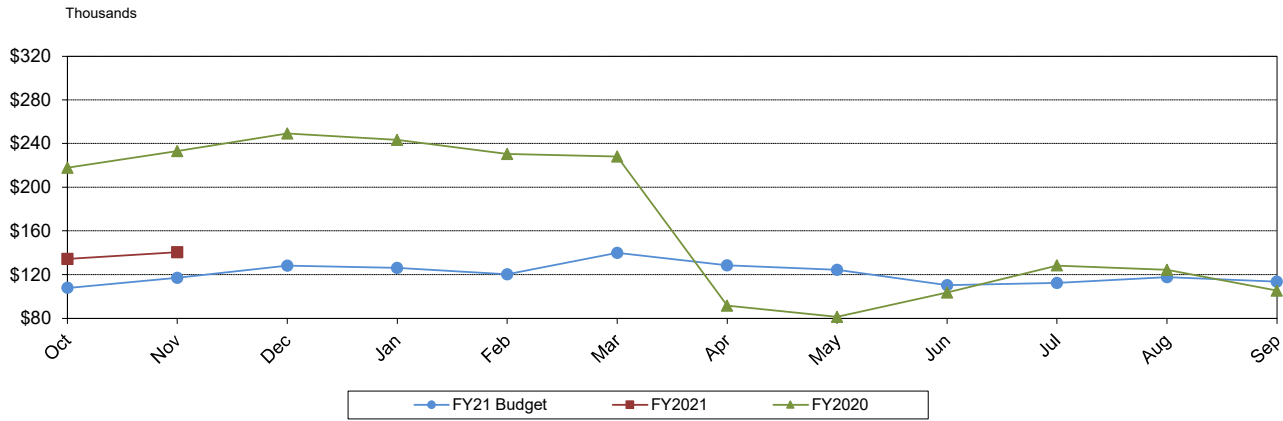
LIABILITIES	November-20	November-19
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Accounts payable	\$ 715,113	\$ 505,485
Accrued expenses	2,169,513	2,237,693
Unearned revenue	2,875,042	3,503,693
Construction contracts payable	5,148,079	1,189,710
Current portion of environmental remediation payable	3,983,812	5,345,947
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,510,000	1,465,000
Total payable from unrestricted assets	<u>16,401,559</u>	<u>14,247,528</u>
 Payable from restricted assets		
Accrued interest payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	159,664	175,771
	<u>159,664</u>	<u>175,771</u>
Current portion of environmental remediation payable	149,762	149,762
	<u>309,426</u>	<u>325,533</u>
Total payable from restricted assets	<u>309,426</u>	<u>325,533</u>
Total current liabilities	<u>16,710,985</u>	<u>14,573,061</u>
 NONCURRENT LIABILITIES		
Payable from unrestricted assets		
Bonds payable, net of current portion:		
Airport Subordinate Lien Revenue Bonds, Series 2018	28,234,052	31,328,351
Net pension liability	44,126,998	44,126,998
Environmental Remediation Payable, net of current portion	19,019,746	19,019,746
Total payable from unrestricted assets	<u>91,380,796</u>	<u>94,475,095</u>
Total noncurrent liabilities	<u>91,380,796</u>	<u>94,475,095</u>
 TOTAL LIABILITIES	<u>\$ 108,091,781</u>	<u>\$ 109,048,156</u>

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

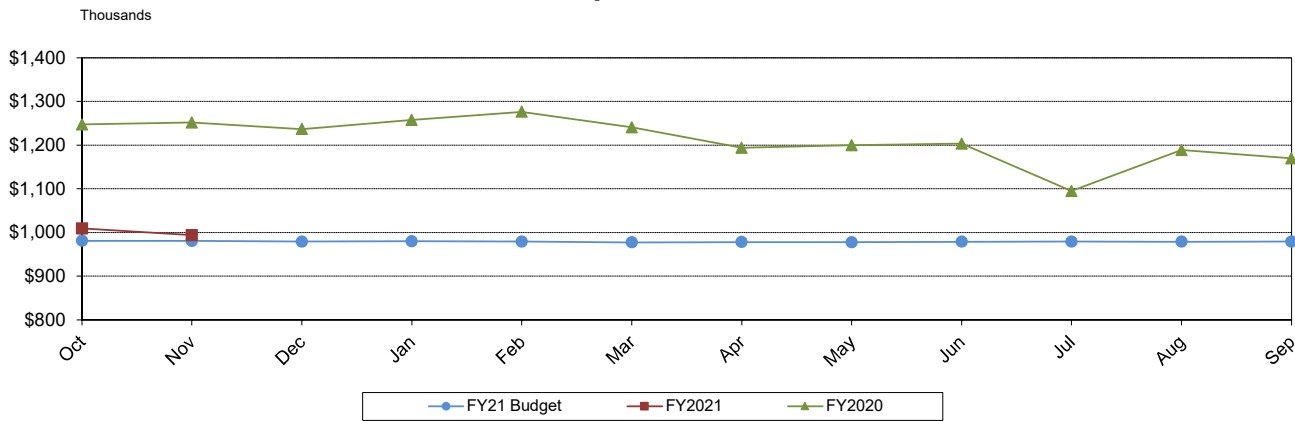
LIABILITIES & NET ASSETS (Con't)

	<u>November-20</u>	<u>November-19</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	\$ 1,343,173	\$ 1,343,173
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,343,173</u>	<u>1,343,173</u>
NET POSITION		
Net Investment in capital assets	305,533,629	285,852,113
Restricted:		
Debt service	502,983	488,333
Capital projects	22,674,071	23,240,612
	<u>23,177,054</u>	<u>23,728,945</u>
Unrestricted	<u>94,223,425</u>	<u>89,487,078</u>
TOTAL NET POSITION	<u>422,934,108</u>	<u>399,068,135</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 532,369,062</u>	<u>\$ 509,459,465</u>

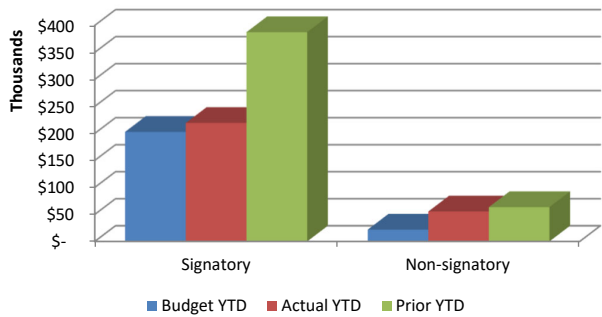
Landing Fees



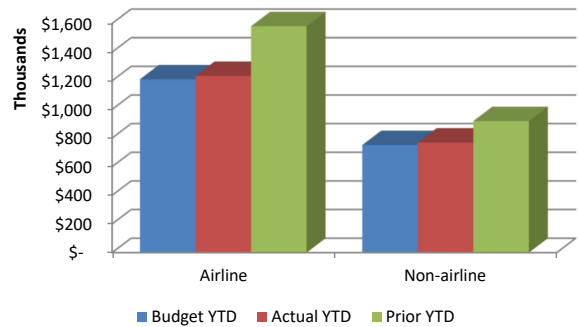
Space Rentals

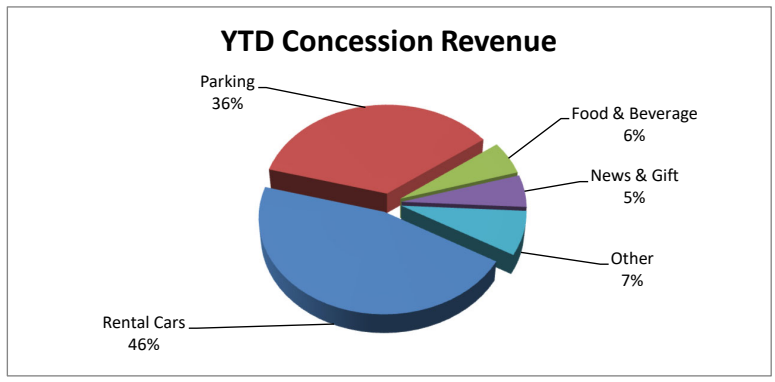
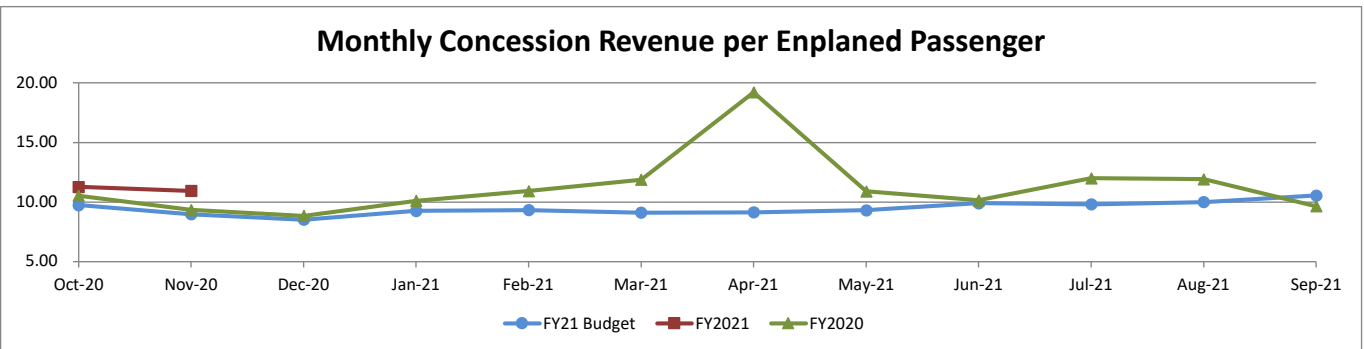
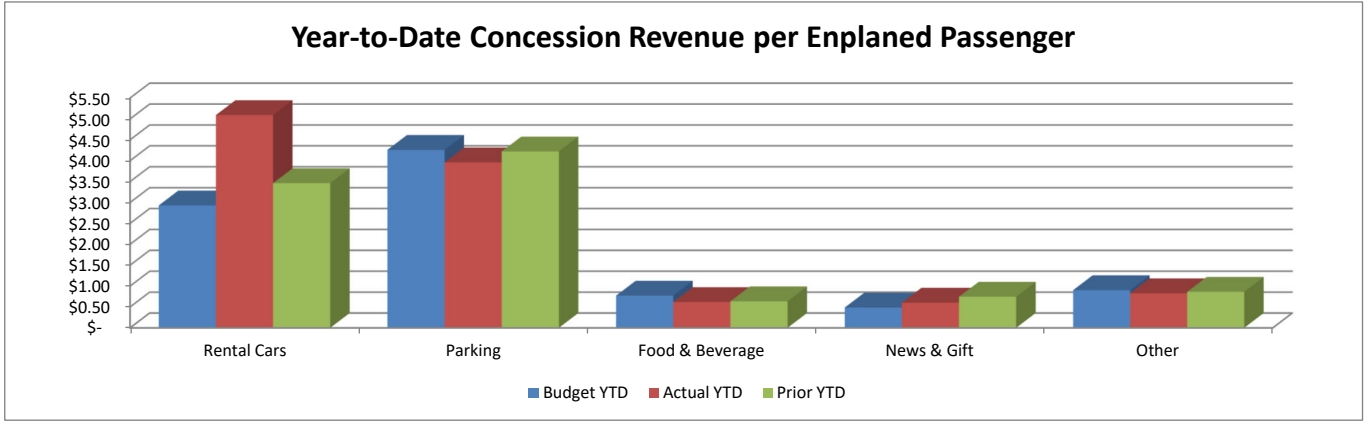
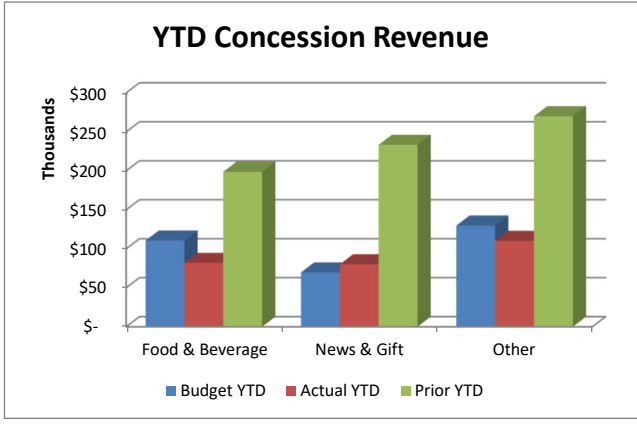
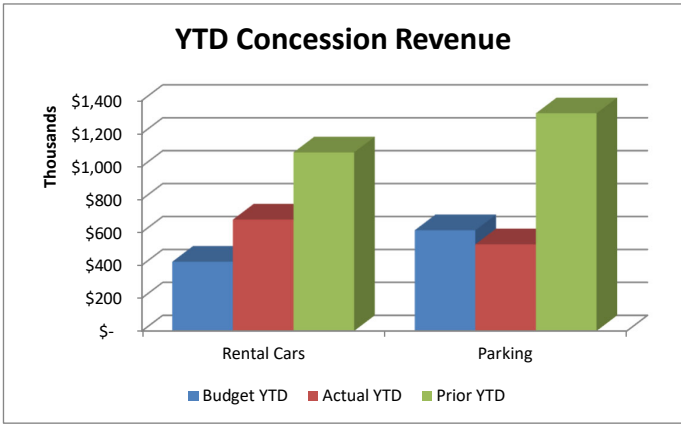


YTD Landing Fees

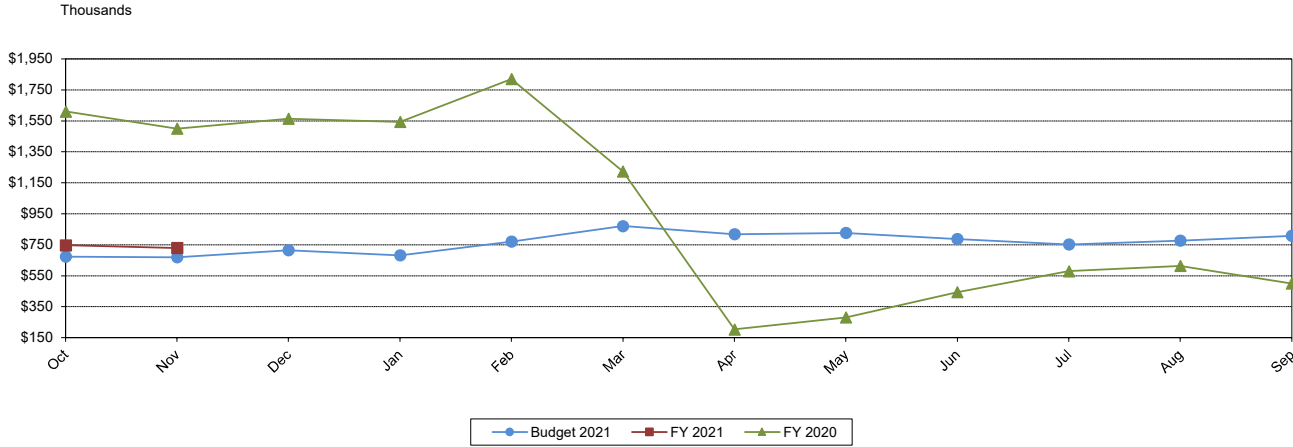


YTD Space Rentals

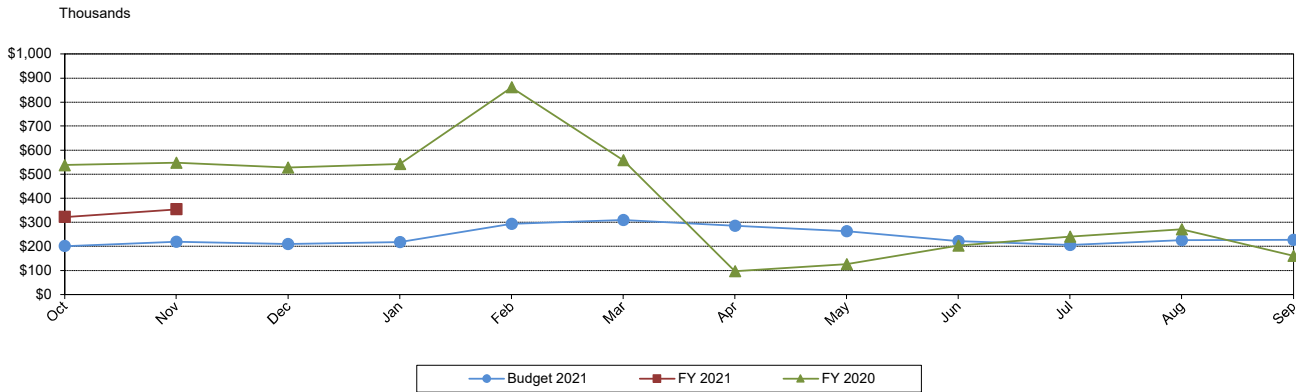




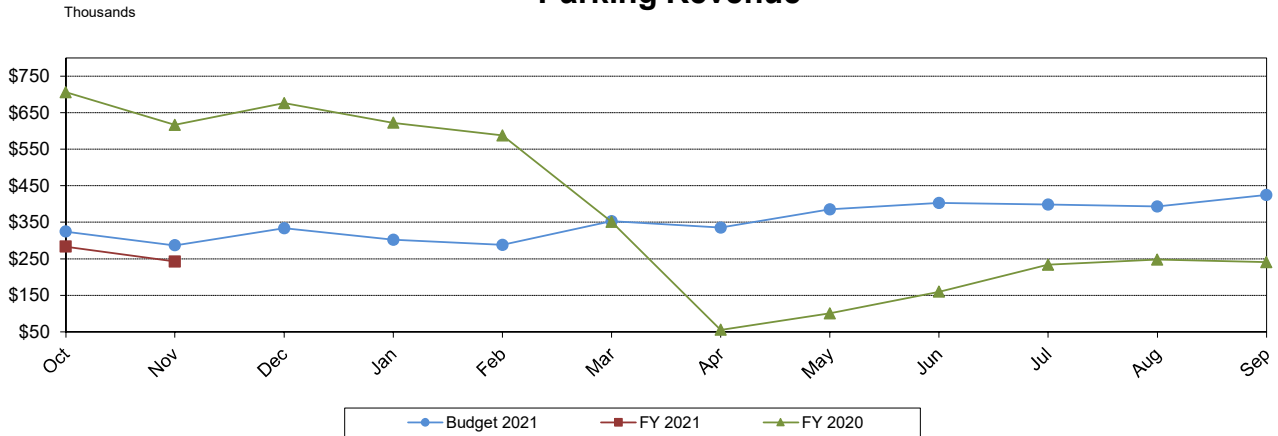
Total Concession Revenue

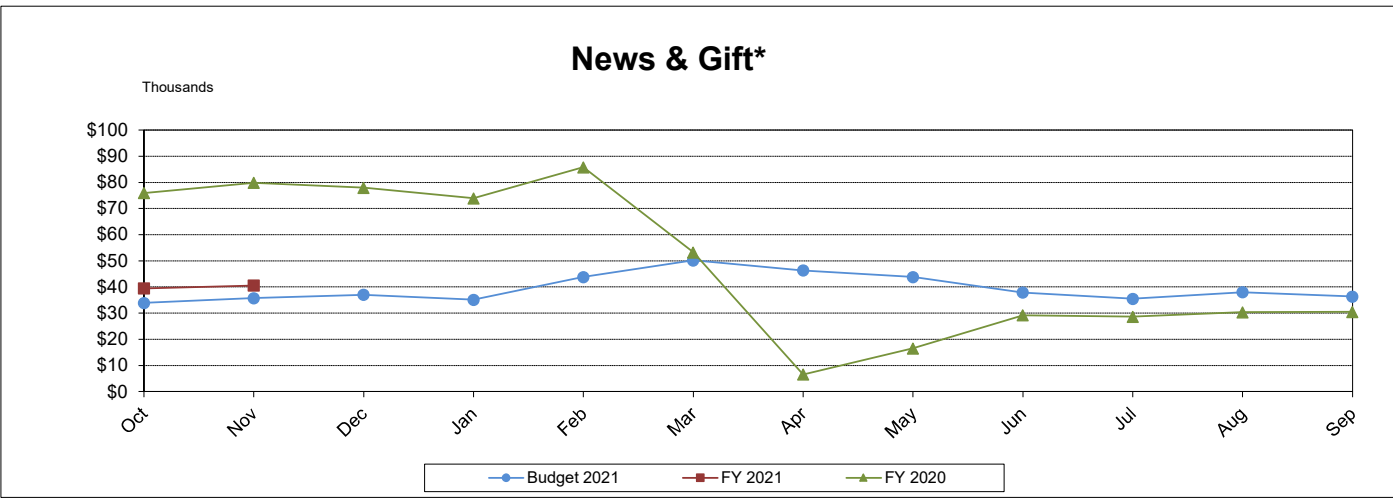
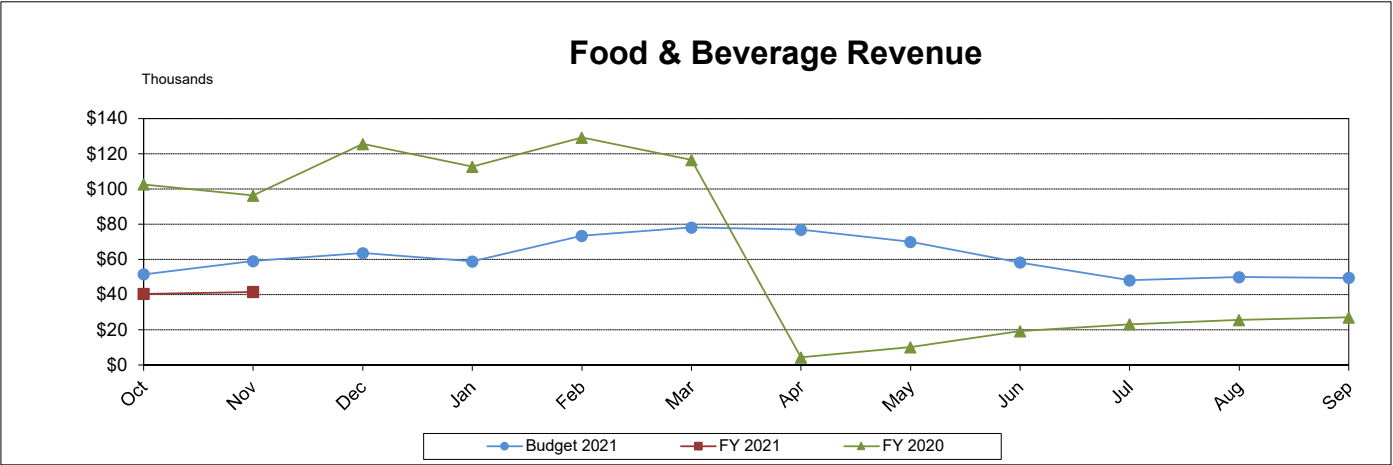


Rental Car Revenue

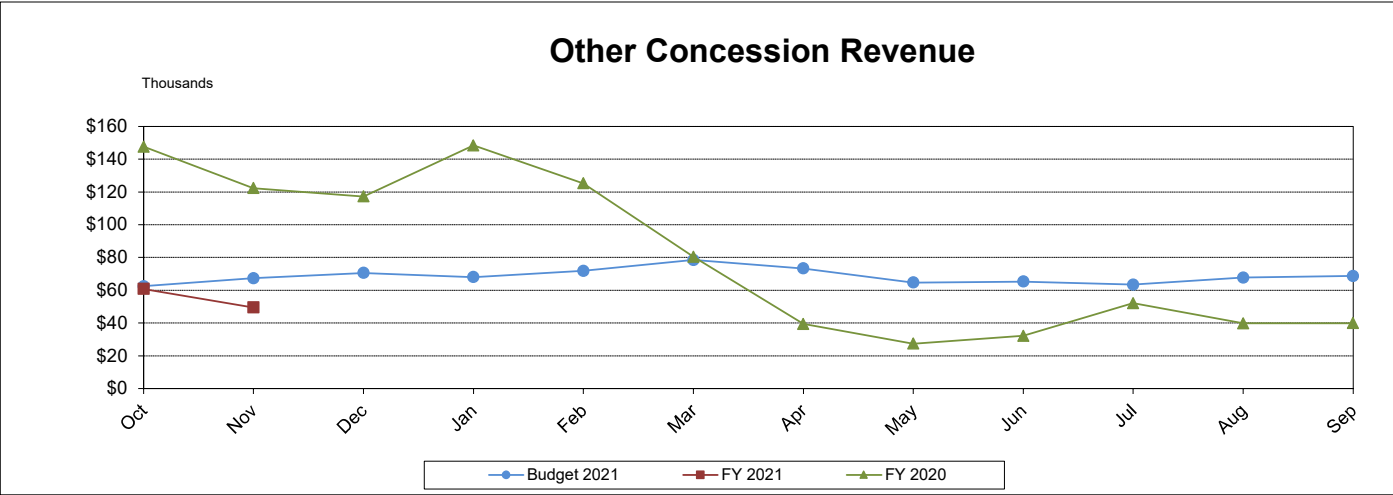


Parking Revenue

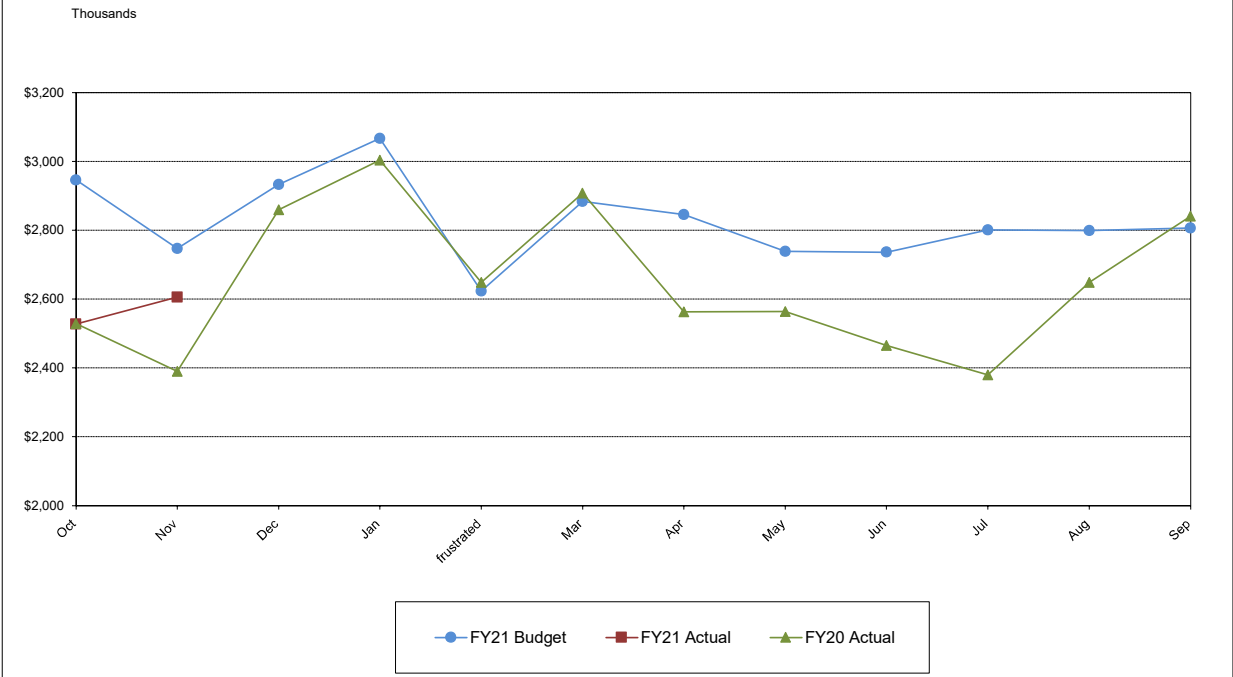




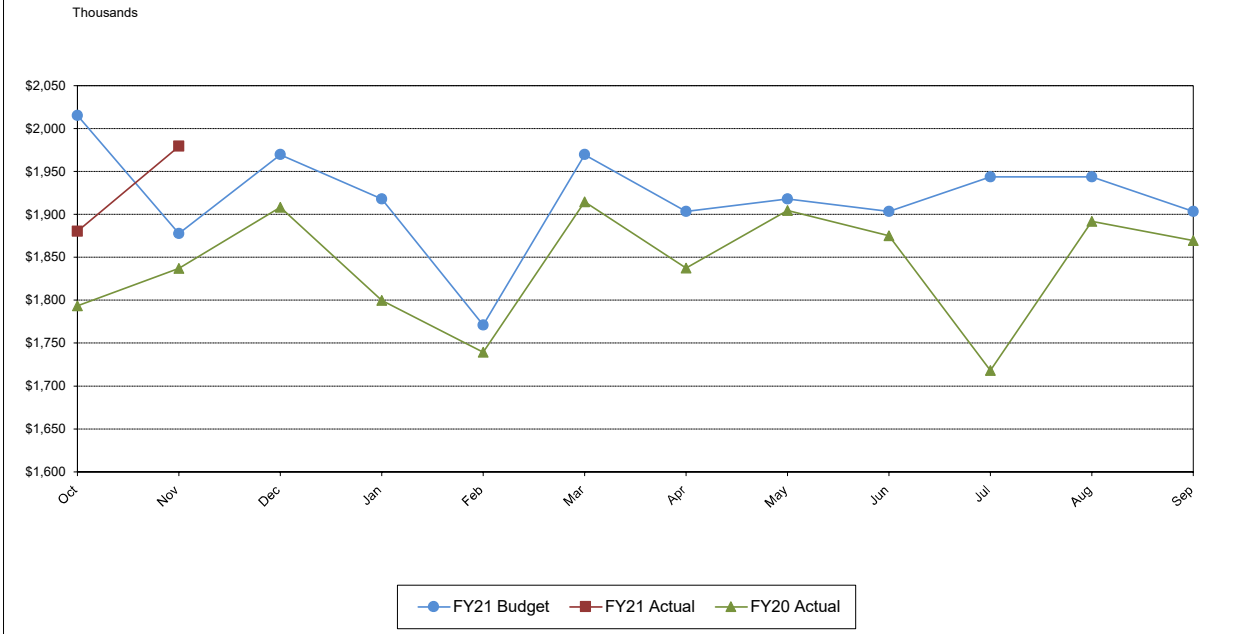
*Hudson News is required to pay the greater of a calculated percent of gross revenue or a monthly minimum guarantee (MAG) of \$117k. However, in light of the impact of COVID -19 on passenger volume, the MAG was suspended in April 2020.



Total Operating Expenses

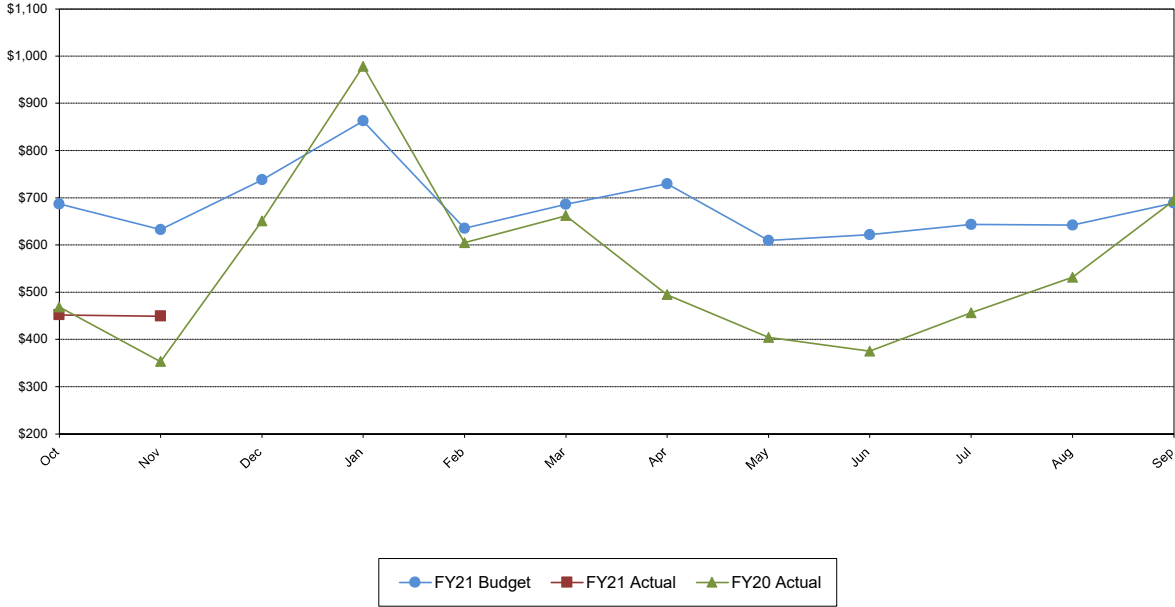


Personnel Expenses



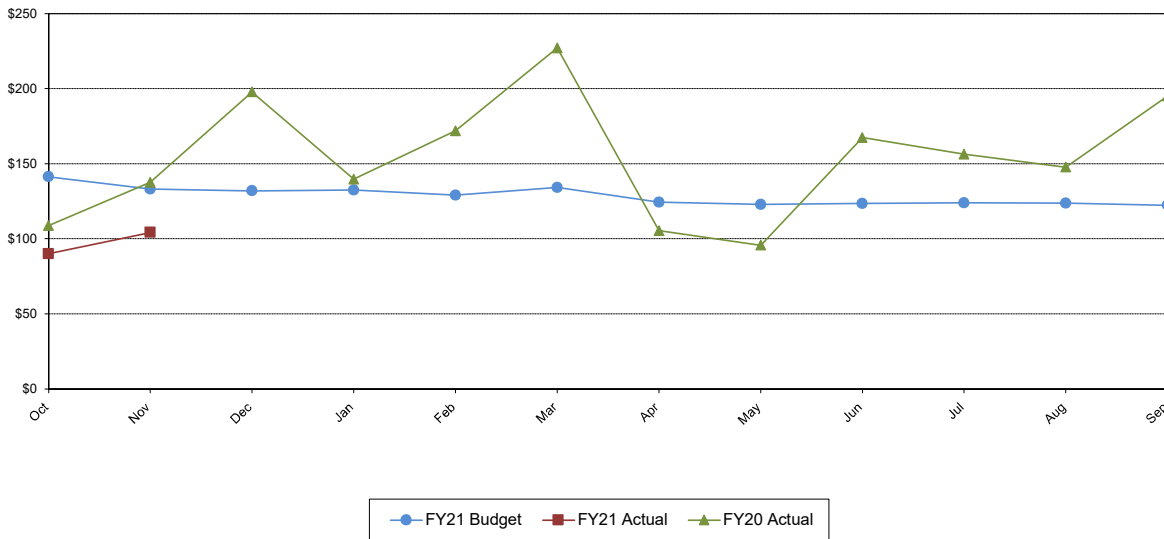
Contractual Services

Thousands



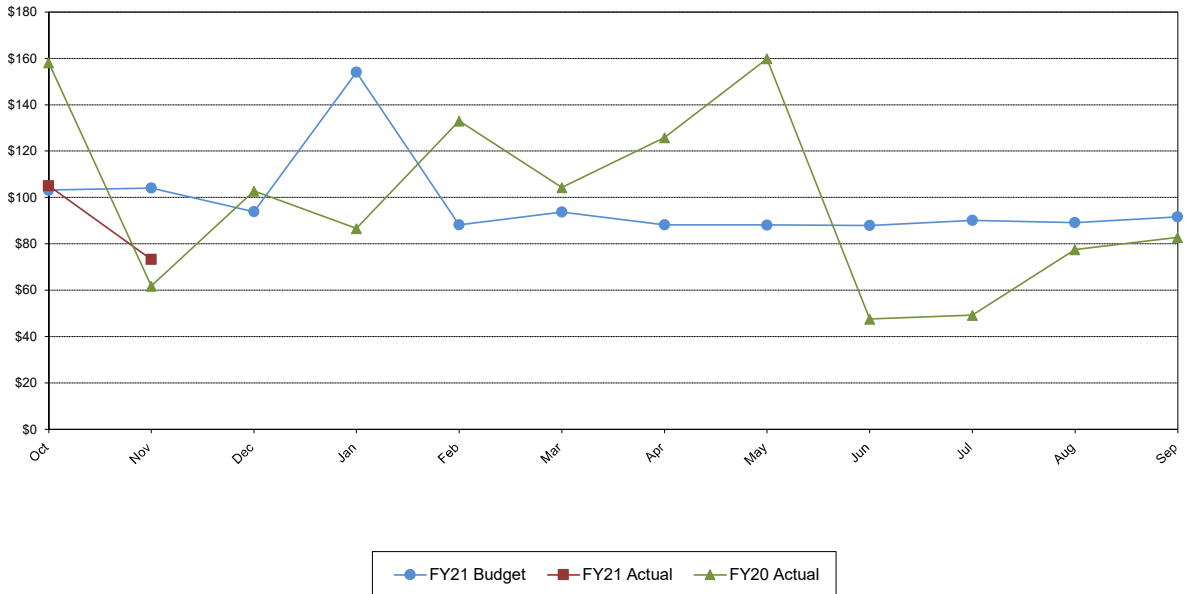
Materials and Supplies

Thousands

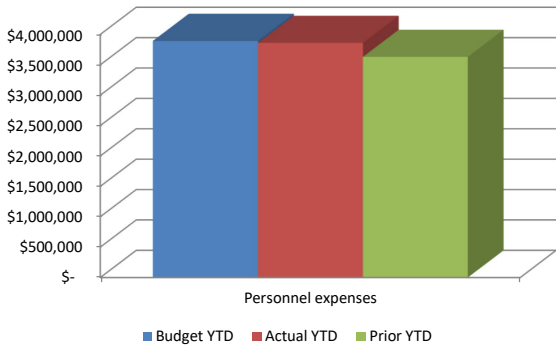


Other Operating Expenses

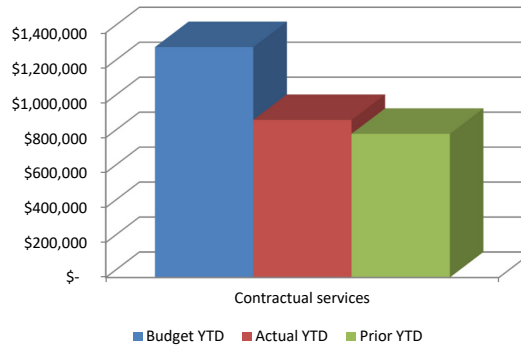
Thousands



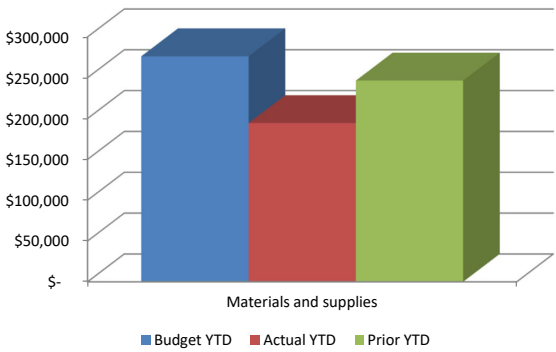
YTD Personnel Expenses



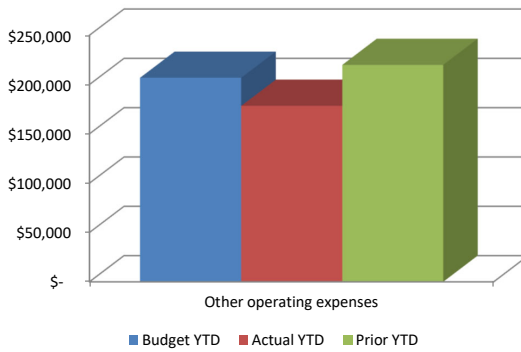
YTD Contractual Services



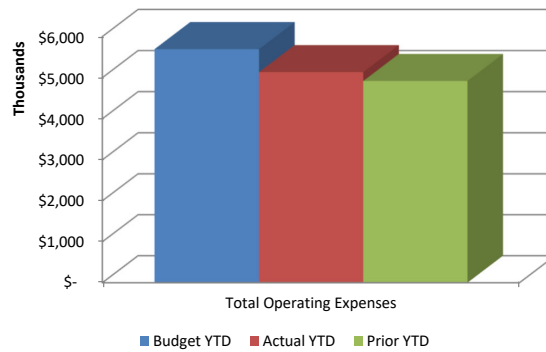
YTD Materials and Supplies



YTD Other Operating Expenses



YTD Total Operating Expenses



Date: January 14, 2021

To: TAA Board of Directors

From: Richard Gruentzel, V.P. Administration & Finance/CFO

Re: **Aviation Activity and Statistics for November 2020**

Summary of Operations and Statistics

- Total Passengers (MTD & YTD vs prior year)
 - Total passengers for the month of November 2020 were 58.8% lower than prior year.
 - YTD total passengers were 57.7% lower than prior year.

- Average Daily Scheduled Departures (MTD vs prior year, and changes in routes)
 - The month of November had an average daily departure count of 34, which is 22 lower than the prior year, with decreases in departures to all destinations except Houston Hobby, Las Vegas, Seattle/Tacoma, and Salt Lake City. Nearly half of the decrease is attributable to service reductions to two destinations: Los Angeles (7) and Phoenix (4). All carriers reduced service compared to prior year, with reductions from American (10), United (6), Southwest (2), Delta (2), Alaska (1), and Allegiant (1).

- Average Daily Seat capacity (MTD & vs prior years)
 - Seat capacity for the month of November 2020 was 40.3% lower than prior year and 43.5% lower than 2018.

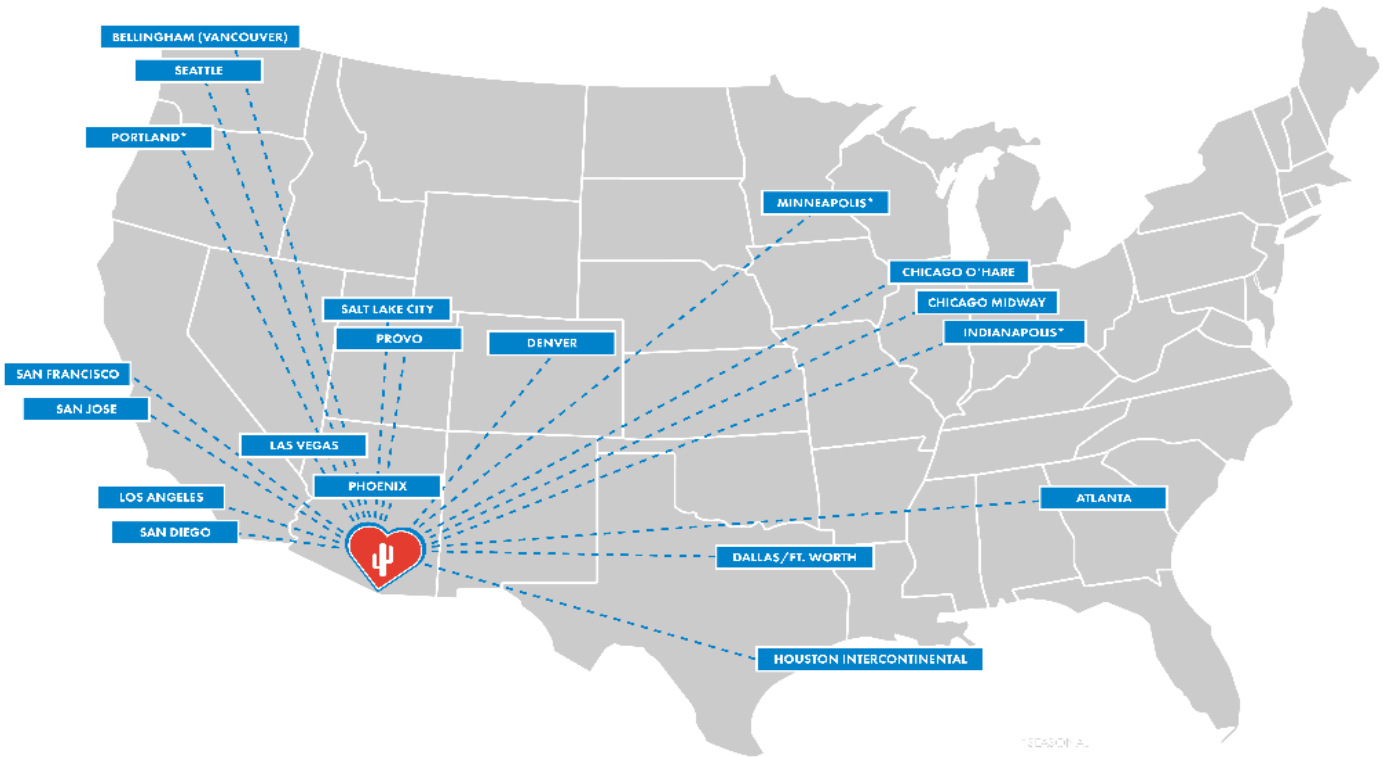
- Load Factors (MTD vs prior years)
 - The load factor for November was 60.6%, which is 26.6% lower than FY2020 and 24.3% lower than FY2019 for the same month.

- Aircraft Operations (MTD vs prior year)
 - Freight, measured in pounds, was 6.8% higher than the same month last year and 4.2% higher YTD.
 - Total aircraft operations were 11.5% higher than the same month last year, with increases in military and aviation partially offset by decreases in air carrier and air taxi.

AVIATION ACTIVITY REPORTS

Tucson International Airport (TUS)

For the two months ending November 30, 2020



**TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY**

**TUCSON AIRPORT AUTHORITY
TUS ACTIVITY OVERVIEW**

PASSENGERS*	Nov-20	Nov-19	% CHANGE	Fiscal YTD		% CHANGE
				2021	2020	
ENPLANED	66,646	160,458	-58.5%	132,906	313,332	-57.6%
DEPLANED	65,030	159,467	-59.2%	134,183	317,510	-57.7%
TOTAL	131,676	319,925	-58.8%	267,089	630,842	-57.7%

*Passenger figures include non-revenue passengers.

LANDED WEIGHT**

AIR CARGO	11,833	12,661	-6.5%	26,026	27,064	-3.8%
AIR CARRIER	103,788	179,769	-42.3%	194,894	344,545	-43.4%
TOTAL	115,621	192,430	-39.9%	220,920	371,609	-40.6%

**In thousand pound units.

FREIGHT (in pounds)

ENPLANED	2,509,222	2,400,123	4.5%	5,414,994	5,129,355	5.6%
DEPLANED	2,772,217	2,546,930	8.8%	5,687,749	5,525,315	2.9%
TOTAL	5,281,439	4,947,053	6.8%	11,102,743	10,654,670	4.2%

MAIL (in pounds)

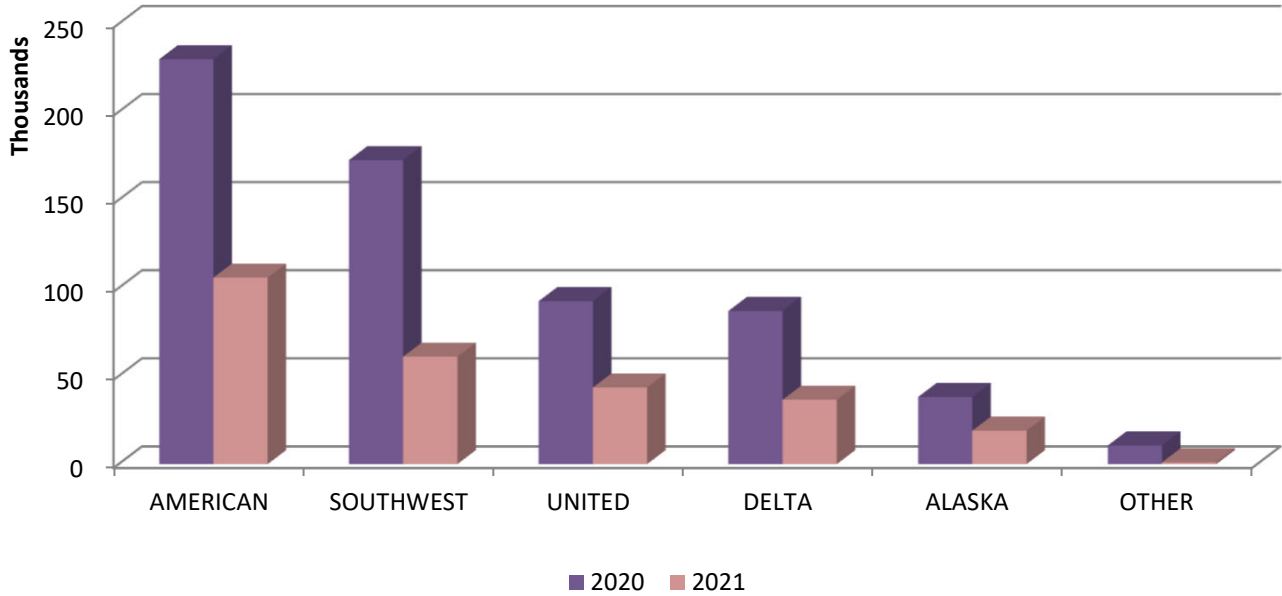
ENPLANED	12	0	100.0%	23	0	100.0%
DEPLANED	9,844	4	246000.0%	15,907	151	10434.4%
TOTAL	9,856	4	246300.0%	15,930	151	10449.7%

AIRCRAFT OPERATIONS

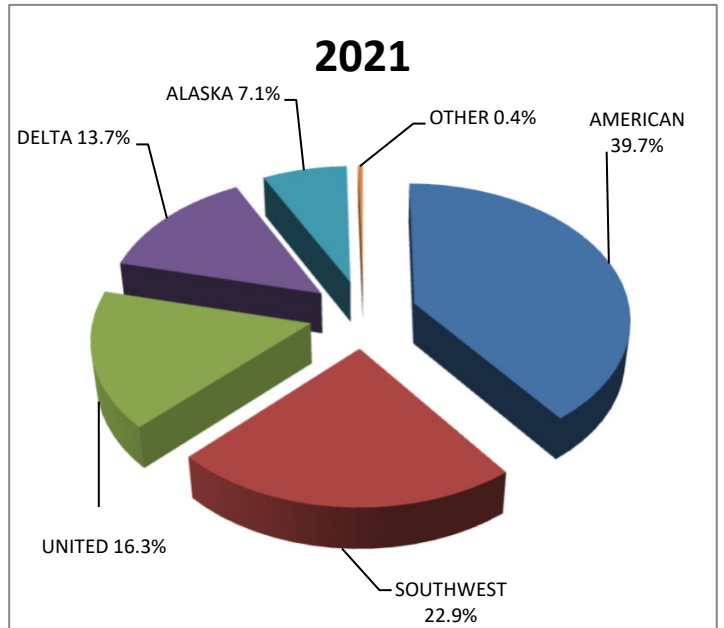
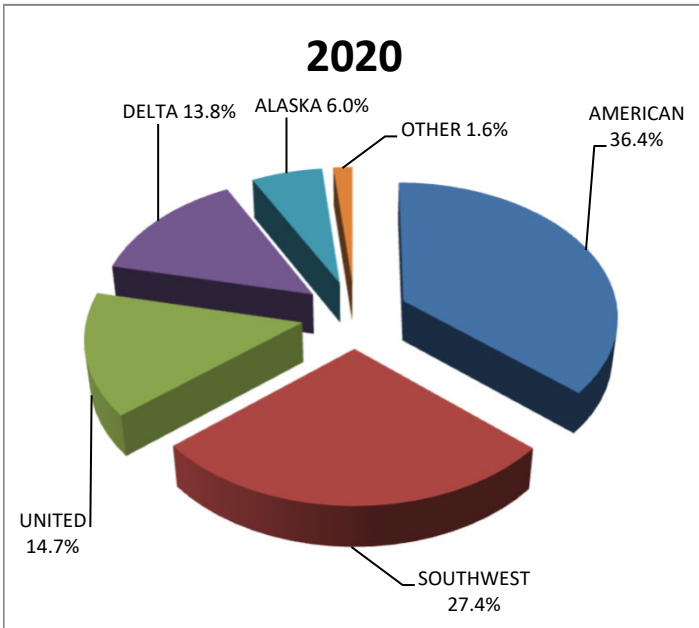
AIR CARRIER	2,085	3,270	-36.2%	3,923	6,365	-38.4%
AIR TAXI	1,401	1,407	-0.4%	2,739	2,841	-3.6%
MILITARY	1,707	1,219	40.0%	3,604	2,881	25.1%
GENERAL AVIATION	6,646	4,720	40.8%	13,425	9,701	38.4%
TOTAL	11,839	10,616	11.5%	23,691	21,788	8.7%

TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

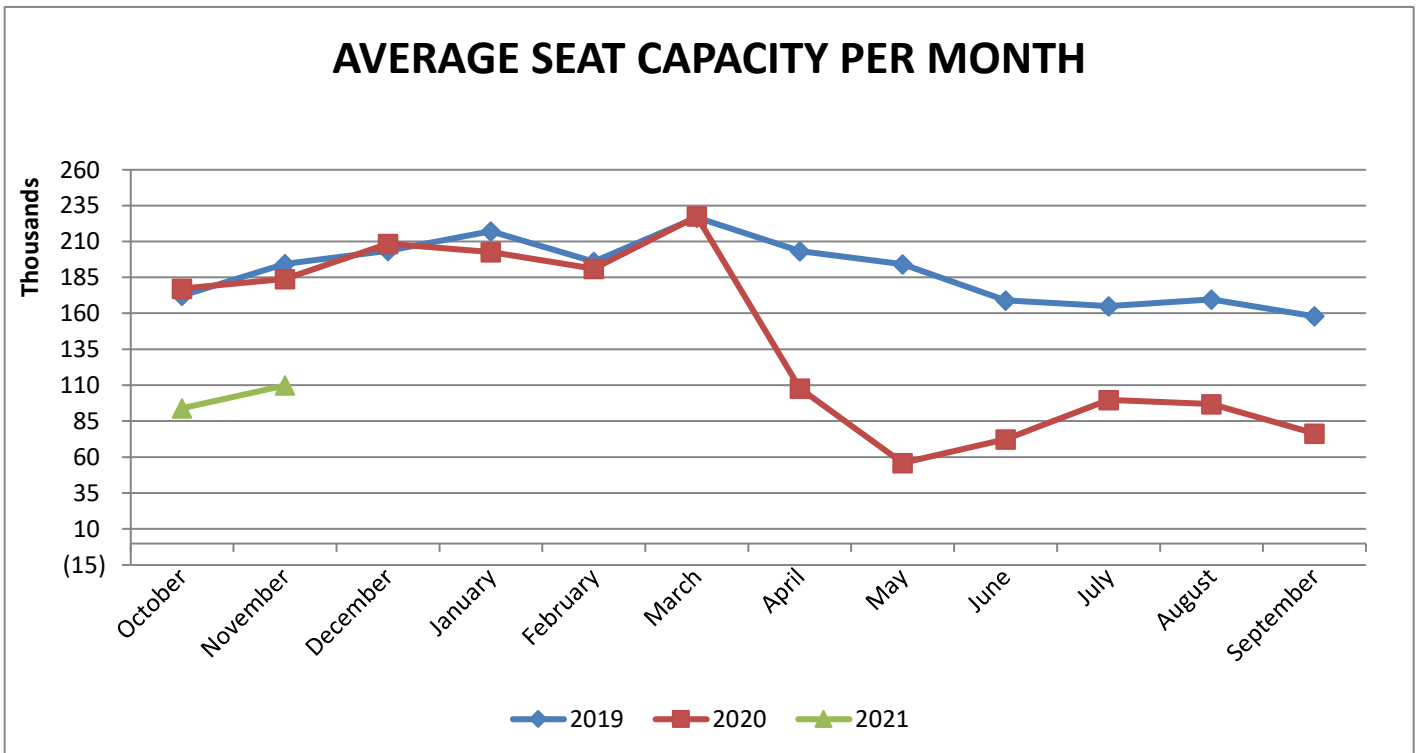
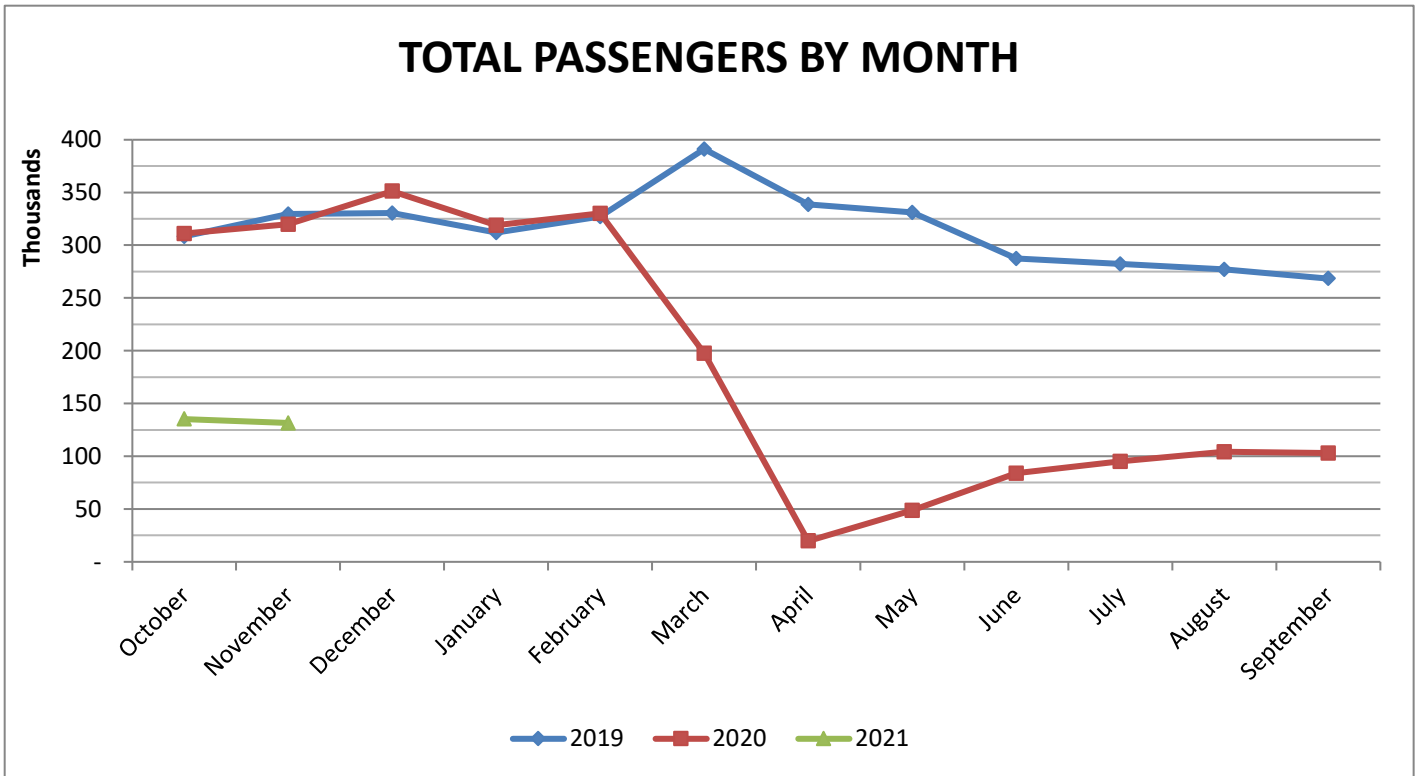
TOTAL PASSENGERS YTD BY AIR CARRIER



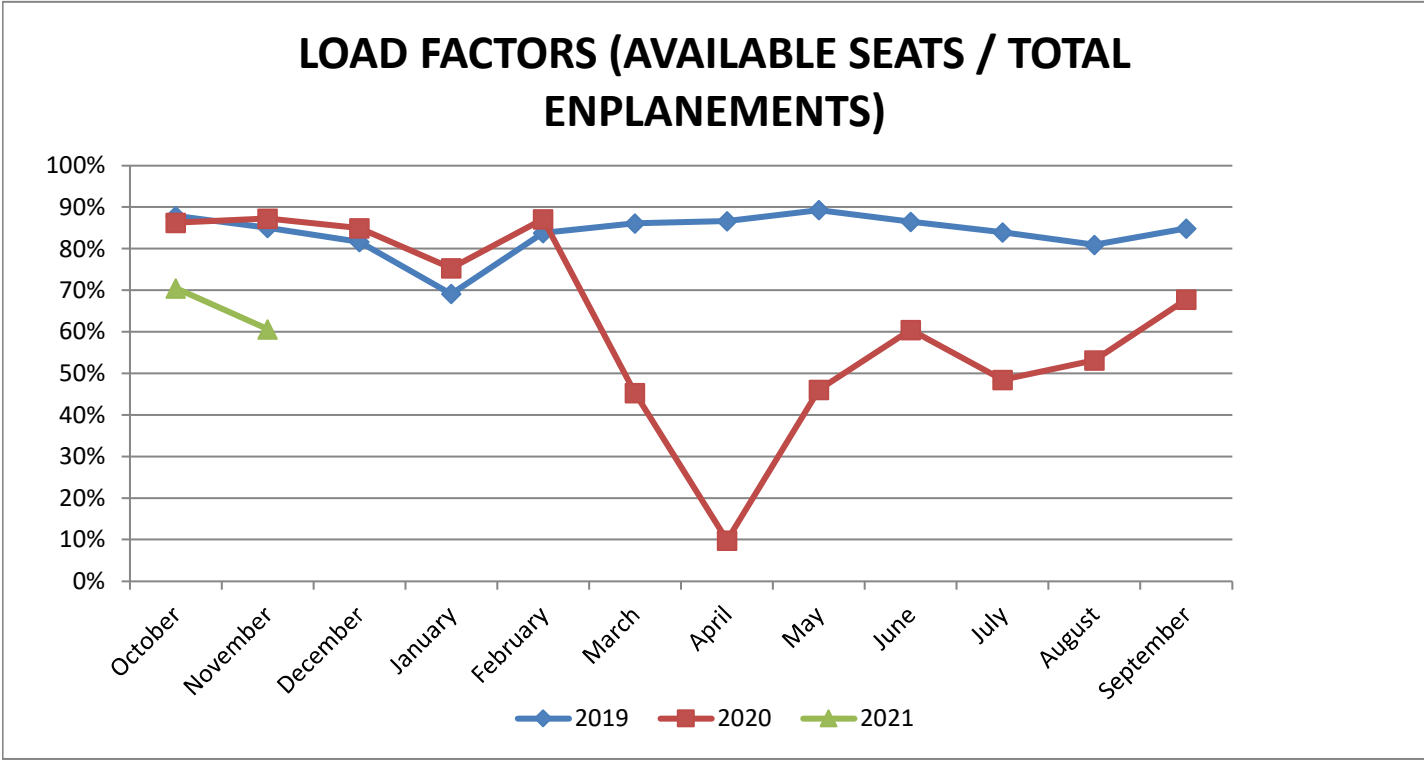
AIR CARRIER MARKET SHARE



TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY



**TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY**



TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

TUS MONTHLY FLIGHT SCHEDULE SUMMARY

NONSTOP DESTINATIONS <i>and Airline</i>	Code	Average Daily Departures			Average Daily Seats		
		Current Year	Prior Year	Difference	Current Year	Prior Year	Difference
ATLANTA <i>Delta (1.3)</i>	ATL	1.3	1.8	(0.5)	241	337	(96)
BELLINGHAM <i>Allegiant (0)</i>	BLI	0.0	0.3	(0.3)	0	47	(47)
DENVER <i>United (2.8), Southwest (3.1), Frontier (.1)</i>	DEN	6.0	7.0	(1.0)	641	685	(44)
DALLAS/FT WORTH <i>American (5.3)</i>	DFW	5.3	6.3	(1.0)	786	1,013	(227)
HOUSTON HOBBY <i>Southwest (0.8)</i>	HOU	0.8	0.1	0.7	119	12	107
HOUSTON BUSH <i>United (1.8)</i>	IAH	1.8	3.8	(2.0)	137	321	(184)
LAS VEGAS <i>Southwest (3.2), Allegiant ()</i>	LAS	3.2	1.9	1.3	475	272	203
LOS ANGELES <i>Southwest (.2), Delta (1.3) American ()</i>	LAX	1.5	8.0	(6.5)	131	811	(680)
CHICAGO MIDWAY <i>Southwest (.7)</i>	MDW	0.7	0.8	(0.1)	105	119	(14)
MINNEAPOLIS <i>Delta (0) Sun Country(0)</i>	MSP	0.0	0.9	(0.9)	0	119	(119)
OAKLAND <i>Southwest (0)</i>	OAK	0.0	0.1	(0.1)	0	19	(19)
INDIANAPOLIS <i>Allegiant ()</i>	IND	0.0	0.2	(0.2)	0	35	(35)
CHICAGO O'HARE <i>American (1.1)</i>	ORD	1.1	3.5	(2.4)	91	467	(376)
PORTLAND <i>Alaska (1)</i>	PDX	1.0	1.5	(0.5)	76	117	(41)
PHOENIX <i>American (3.2)</i>	PHX	3.2	7.5	(4.3)	245	639	(394)
PROVO <i>Allegiant ()</i>	PVU	0.0	0.3	(0.3)	0	53	(53)
SAN DIEGO <i>Southwest ()</i>	SAN	0.0	1.6	(1.6)	0	224	(224)
SEATTLE/TACOMA <i>Alaska (2.6)</i>	SEA	2.6	1.9	0.7	236	244	(8)
SAN FRANCISCO <i>United (1.8)</i>	SFO	1.8	3.7	(1.9)	116	209	(93)
SAN JOSE <i>Southwest ()</i>	SJC	0.0	1.7	(1.7)	0	178	(178)
SALT LAKE CITY <i>Delta (3.6)</i>	SLC	3.6	2.8	0.8	265	210	55
TOTAL		33.9	55.7	(21.8)	3,664	6,131	(2467)

Date: January 12, 2021

To: TAA Board of Directors

From: Jon Wright, Manager, Financial Planning, Budgeting and Analysis

Re: **Investment Review for Quarter Ended December 31, 2020**

The following information provided for your review covers the quarter ending December, 31 2020. The investment advisor for Tucson Airport Authority (TAA), Patterson & Associates (Patterson), provided the reports TAA will use for this analysis.

- Investments by Fund (Exhibit A) (9/30/2020)
- Investments by Fund (Exhibit B) (12/31/2020)
- Yield curve graph with narrative (Exhibit C) (9/30/2020)
- Yield curve graph with narrative (Exhibit D) (12/31/2020)

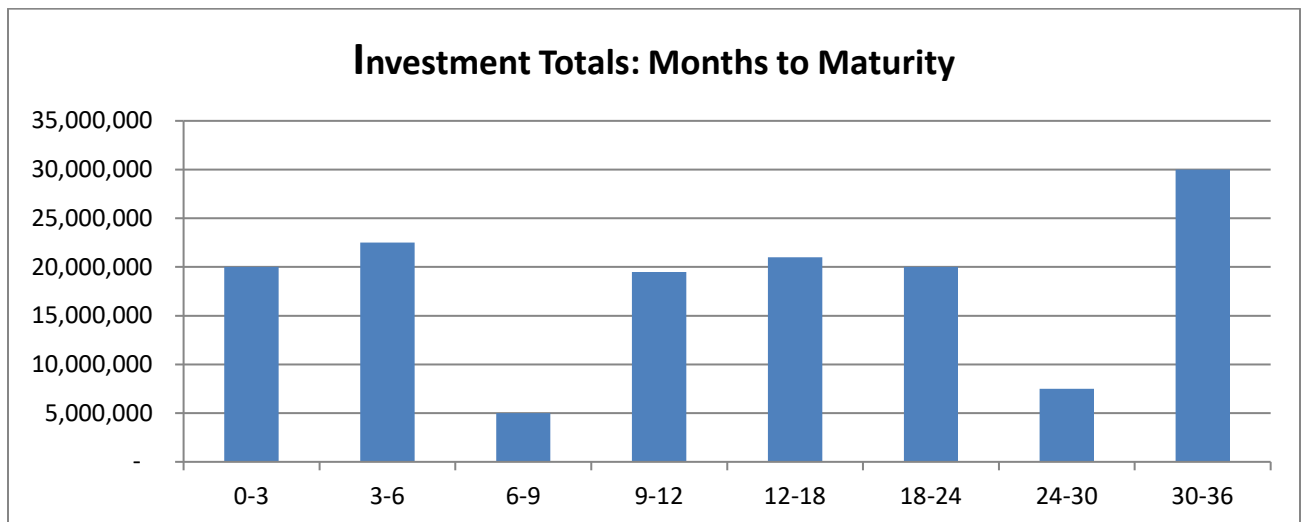
The average yield of the non-cash portion of the Authority’s investment portfolio declined this quarter, falling from 0.50% in September to 0.33% in December. The portfolio continued to experience significant turnover, with \$32.5M of called bonds. TAA reinvested the proceeds from called bonds and reduced idle cash remaining from the end of the prior quarter with \$70M in bond purchases, resulting in an increase of the non-cash position of \$30M (net). The debt securities purchased during fourth quarter of 2020, carried an average yield of 0.23%.

	Par Value (Dec)	Average YTM (Dec)	Par Value (Sep)	Average YTM (Sep)
U.S. Agency Call Note	\$86,000,000	0.36%	\$58,500,000	0.74%
U.S. Agency Note	22,000,000	0.50%	22,000,000	0.42%
Treasury Bill	12,500,000	0.16%	20,000,000	0.16%
Cash & Treasury Notes	25,000,000	0.15%	15,000,000	0.16%
Total	\$145,500,000	0.33%	\$115,500,000	0.50%

The impact of the pandemic has been devastating and the road to sustainable positive growth is expected to be difficult and bumpy during 2021. More than likely, containing the virus will drive economic recovery, not policy. That said, it is expected that the Fed and new Treasury Secretary, Janet Yellen, will continue to support the economy and markets through asset purchases, lending, and low rates. The Federal Reserve kept target rates between 0.0% - 0.25% during the quarter, a position it has maintained since March and is expected to continue into 2021. The US Leading Economic Index (LEI) rose again during the quarter, but its pace of improvement has been decelerating. Leading the increase are housing starts and manufacturing, both sectors driven by the low interest rates. However, with jobless claims increasing, consumer demand decreasing and additional deficit spending (stimulus packages) expected, inflation fears will be difficult to contain. The yield curve on short-term Fed Funds has barely moved since the March rate cuts. The longer-term yields ticked up slightly again this quarter, perhaps suggesting some recovery/inflation concerns.

Patterson & Associates provides the Authority with advice on market condition, assists in the development of investment strategies, purchases securities for the Authority through a competitive bid process, and provides monthly reports detailing investment holdings. During the report period, TAA invested in Moody and Fitch AAA rated US Agency securities. Standard and Poor’s rated these investments at AA+. TAA is also holding investments in United States Treasury Notes and Treasury Bills.

The primary goal in setting TAA’s maturity dates is to meet cash obligations. TAA continues to ladder its investment maturities in anticipation of funding future capital improvement programs, satisfaction of bond debt service and day-to-day operating requirements. This includes a renewed emphases on liquidity over the next 12-24 months as TAA works to ensure sufficient working capital to maintain operations for the duration of the COVID-19 crisis. To provide for the uncertain capital requirement of a major runway safety enhancement project, TAA is currently limiting all investment maturity periods to approximately 36 months or less. Given the current yield curve, this strategy provides additional liquidity without a significant decline in the overall yield of the portfolio. TAA continues to work closely with Patterson to ensure timely reinvestment of called bond funds.



Staff will continue to work with Patterson to evaluate market conditions and position the Authority to receive the highest yield possible within the parameters of its Investment Policy.

Please feel free to contact Richard Gruentzel at 520-573-4833, email dgruentzel@flytucson.com or myself at 520-573-4855, email jwright@flytucson.com if you have any questions.



Tucson Airport Authority
Fund GENOPER - General Operating Fund
Investments by Fund
September 30, 2020

Patterson & Associates
 901 S. MoPac
 Suite 195
 Austin, TX 78746

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Days To Date Maturity
Federal Agency Coupon Securities										
3132X04N8	668	Farmer Mac Note	12/06/2018	1,998,855.36	2,000,000.00	2,062,715.16	2.880	2.892	2.932	11/24/2021 419
3133ELZH0	716	FFCB Note	05/19/2020	7,498,511.24	7,500,000.00	7,498,700.63	0.125	0.154	0.157	05/14/2021 225
3133ELN83	724	FFCB Note	06/29/2020	7,499,589.24	7,500,000.00	7,501,283.10	0.180	0.184	0.187	06/23/2021 265
3133ELH56	722	FFCB Call Note	06/09/2020	5,000,000.00	5,000,000.00	4,999,956.50	0.270	0.315	0.320	06/09/2022 616
3133ELN75	725	FFCB Call Note	06/29/2020	7,498,232.76	7,500,000.00	7,500,063.23	0.230	0.260	0.263	12/23/2021 448
3133ELZ56	727	FFCB Call Note	07/27/2020	6,000,000.00	6,000,000.00	5,998,665.72	0.200	0.197	0.200	01/27/2022 483
3130AJTH2	726	FHLB Note	07/13/2020	4,998,361.41	5,000,000.00	5,001,658.80	0.125	0.165	0.167	07/08/2021 280
3130AHYF4	705	FHLB Call Note	02/10/2020	7,497,581.25	7,500,000.00	7,455,919.65	1.640	1.647	1.670	02/10/2023 862
3134GU3J7	701	FHLMC Call Note	01/23/2020	5,000,000.00	5,000,000.00	5,003,473.50	1.750	1.726	1.750	01/23/2023 844
3134GVQJ0	713	FHLMC Call Note	05/06/2020	5,499,956.83	5,500,000.00	5,500,500.83	0.510	0.504	0.511	04/28/2023 939
3134GVQJ0	714	FHLMC Call Note	05/06/2020	1,999,937.21	2,000,000.00	2,000,182.12	0.510	0.509	0.516	04/28/2023 939
3134GVSE9	715	FHLMC Call Note	05/12/2020	10,000,000.00	10,000,000.00	10,003,803.10	0.550	0.542	0.550	05/12/2023 953
3135G03P6	712	FNMA Call Note	04/27/2020	10,000,000.00	10,000,000.00	9,999,984.10	0.800	0.789	0.800	04/27/2023 938
Subtotal and Average				80,491,025.30	80,500,000.00	80,526,906.44	0.646	0.655	0.644	644
Treasury Coupon Securities										
912828B90	720	T Note	06/08/2020	7,557,045.99	7,500,000.00	7,558,590.00	2.000	0.150	0.152	02/28/2021 150
9128284P2	721	T Note	06/08/2020	7,613,781.85	7,500,000.00	7,616,310.00	2.625	0.170	0.173	05/15/2021 226
Subtotal and Average				15,170,827.84	15,000,000.00	15,174,900.00	0.161	0.163	0.163	188
Treasury Discounts -Amortizing										
912796UC1	717	T Bill	05/20/2020	7,496,405.21	7,500,000.00	7,497,487.50		0.147	0.149	01/28/2021 119
9127963A5	718	T Bill	05/21/2020	7,498,519.79	7,500,000.00	7,499,077.50		0.147	0.149	11/19/2020 49
9127962F5	723	T Bill	06/29/2020	4,995,868.05	5,000,000.00	4,997,385.00		0.172	0.174	03/25/2021 175
Subtotal and Average				19,990,793.05	20,000,000.00	19,993,950.00		0.153	0.156	106
BNY Mellon Cash										
X9USDGOLD	566	Goldman Fincl Sq Treas Oblig	08/01/2015	54,987,993.73	54,987,993.73	54,987,993.73	0.010	0.009	0.010	1
Subtotal and Average				54,987,993.73	54,987,993.73	54,987,993.73	0.010	0.010	0.010	1
Total Investments and Average				170,640,839.92	170,487,993.73	170,683,750.17	0.340	0.345	0.345	333

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Report Ver. 7.3.6.1



Tucson Airport Authority
Fund GENOPER - General Operating Fund
Investments by Fund
December 31, 2020

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

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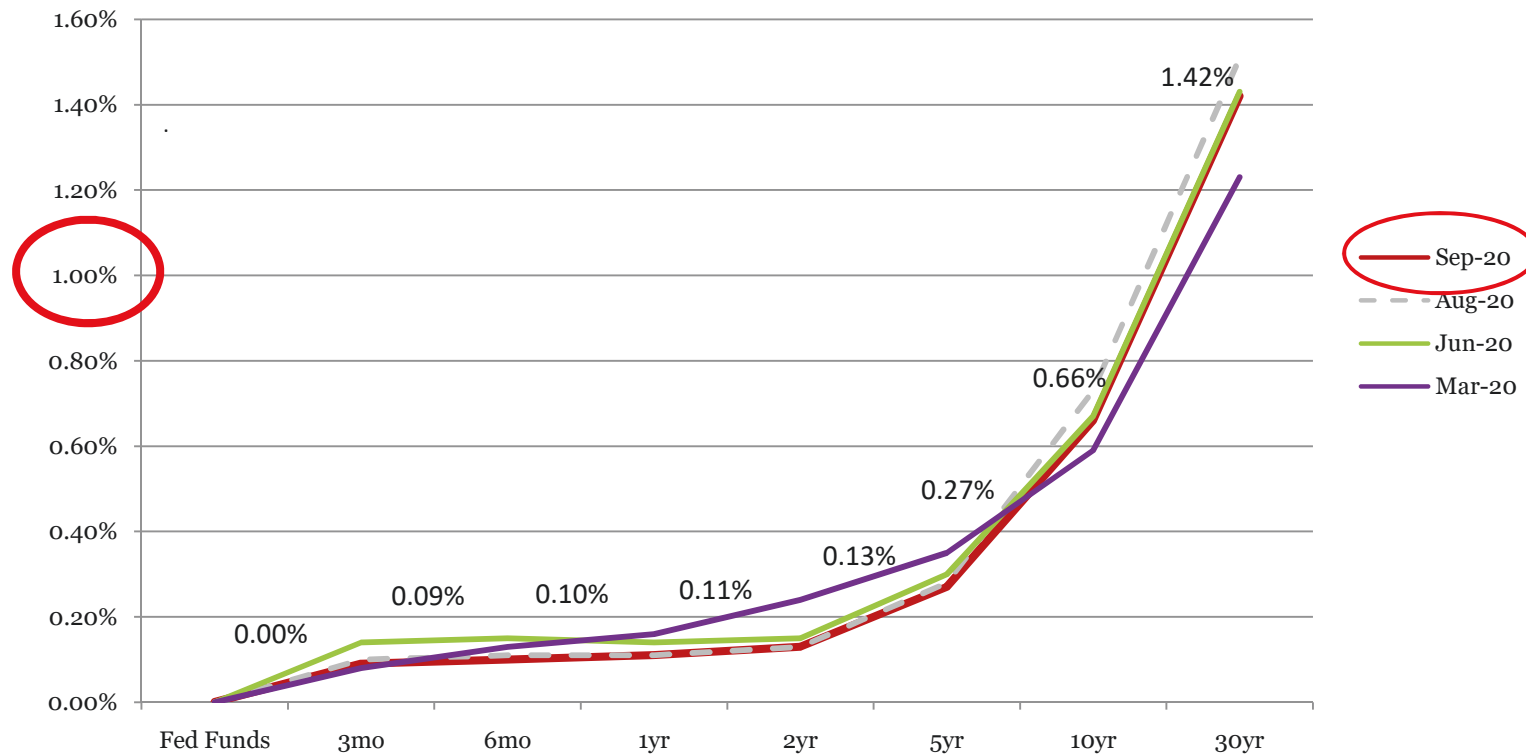
CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Days To Date Maturity
Federal Agency Coupon Securities										
3132X04N8	668	Farmer Mac Note	12/06/2018	1,999,104.79	2,000,000.00	2,049,843.04	2.880	2.892	2.932	11/24/2021 327
3133ELZH0	716	FFCB Note	05/19/2020	7,499,112.08	7,500,000.00	7,500,431.25	0.125	0.154	0.157	05/14/2021 133
3133ELN83	724	FFCB Note	06/29/2020	7,499,730.34	7,500,000.00	7,503,972.15	0.180	0.184	0.187	06/23/2021 173
3133ELH56	722	FFCB Call Note	06/09/2020	5,000,000.00	5,000,000.00	4,998,124.20	0.270	0.315	0.320	06/09/2022 524
3133ELN75	725	FFCB Call Note	06/29/2020	7,500,000.00	7,500,000.00	7,498,984.50	0.230	0.260	0.263	12/23/2021 356
3133ELZ56	727	FFCB Call Note	07/27/2020	6,000,000.00	6,000,000.00	5,999,889.66	0.200	0.197	0.200	01/27/2022 391
3133EMGQ9	733	FFCB Call Note	11/17/2020	10,000,000.00	10,000,000.00	10,001,574.00	0.170	0.167	0.170	02/17/2022 412
3130AJTH2	726	FHLB Note	07/13/2020	4,998,893.80	5,000,000.00	5,000,912.00	0.125	0.165	0.167	07/08/2021 188
313380GJ0	730	FHLB Note	11/06/2020	10,308,355.96	10,000,000.00	10,312,862.70	2.000	0.168	0.170	09/09/2022 616
3130AHYF4	705	FHLB Call Note	02/10/2020	7,499,268.75	7,500,000.00	7,509,076.13	1.640	1.647	1.670	02/10/2023 770
3134GW6E1	729	FHLMC Call Note	11/05/2020	9,998,313.73	10,000,000.00	10,003,974.40	0.320	0.322	0.326	11/02/2023 1,035
3134GXAX2	732	FHLMC Call Note	11/16/2020	3,000,000.00	3,000,000.00	3,000,565.62	0.190	0.187	0.190	11/16/2022 684
3134GXBC7	734	FHLMC Call Note	11/18/2020	7,000,000.00	7,000,000.00	6,994,852.69	0.180	0.177	0.180	11/18/2022 686
3134GXDT8	735	FHLMC Call Note	11/24/2020	10,000,000.00	10,000,000.00	10,004,317.70	0.350	0.345	0.350	11/24/2023 1,057
3135G06F5	731	FNMA Call Note	11/16/2020	9,996,250.00	10,000,000.00	10,011,034.40	0.310	0.318	0.323	11/16/2023 1,049
Subtotal and Average				108,299,029.45	108,000,000.00	108,390,414.44		0.381	0.387	609
Treasury Coupon Securities										
912828B90	720	T Note	06/08/2020	7,522,057.78	7,500,000.00	7,521,067.50	2.000	0.150	0.152	02/28/2021 58
9128284P2	721	T Note	06/08/2020	7,567,463.57	7,500,000.00	7,568,557.50	2.625	0.170	0.173	05/15/2021 134
9128285R7	728	T Note	11/05/2020	10,236,631.95	10,000,000.00	10,237,890.00	2.625	0.137	0.139	12/15/2021 348
Subtotal and Average				25,326,153.30	25,000,000.00	25,327,515.00		0.151	0.154	197
Treasury Discounts -Amortizing										
912796UC1	717	T Bill	05/20/2020	7,499,184.37	7,500,000.00	7,499,715.00		0.147	0.149	01/28/2021 27
9127962F5	723	T Bill	06/29/2020	4,998,040.27	5,000,000.00	4,999,165.00		0.172	0.174	03/25/2021 83
Subtotal and Average				12,497,224.64	12,500,000.00	12,498,880.00		0.157	0.159	49
BNY Mellon Cash										
X9USDGOLD	566	Goldman Fincl Sq Treas Oblig	08/01/2015	36,643,313.29	36,643,313.29	36,643,313.29	0.030	0.029	0.030	1
Subtotal and Average				36,643,313.29	36,643,313.29	36,643,313.29		0.030	0.030	1
Total Investments and Average				182,765,720.68	182,143,313.29	182,860,122.73		0.264	0.267	392

Portfolio TAA
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Report Ver. 7.3.6.1

Range Bound

- The curve continues to fight the virus and now the upcoming election has driven investors to safety. It has barely moved – and it moved lower.
- Changes in short rates are measured in half basis points and refuse to leave their ranges.
- Market fears and volatility have caused Treasury and agency rates to remain at the lower (dismal) levels seen for the last six months.
- The Fed has stated its intention to stay at 0.0% Fed Funds through 2022.
- The 2 year, the 5-year and the 10-year notes in real terms (against inflation) are negative in yield.
- The new stimulus package will come, but its size and timing remain a political mystery.
- The Fed has reiterated its intention to keep rates low across the curve.

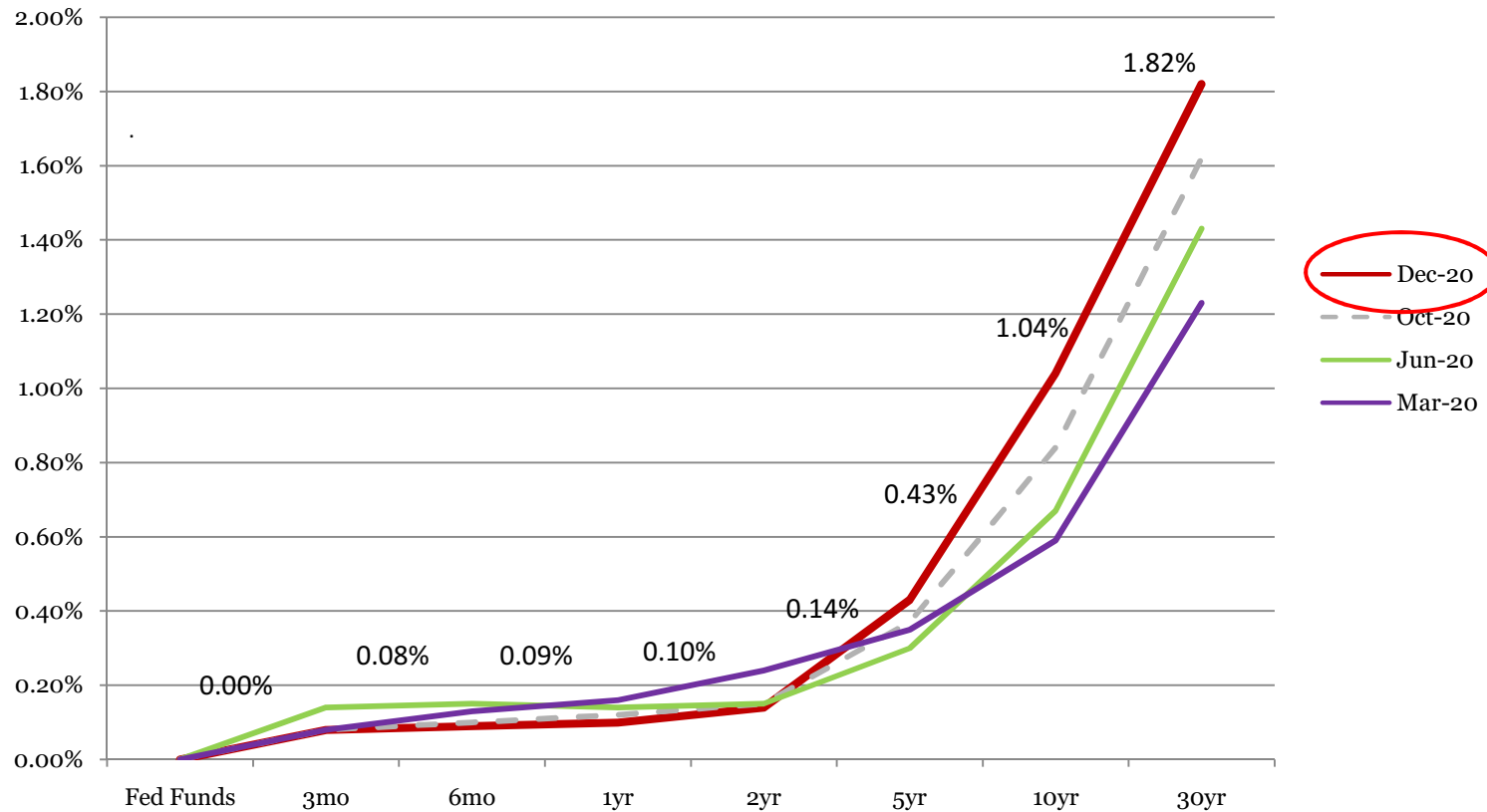


End of Month Rates - Full Yield Curve – Fed Funds to 30yr

Exhibit C

A Breakout of Sorts ?

- The curve continues to fight the virus and though the long end has moved up slightly in yield on potential recovery fears, the short end remains almost stationary.
- The various covid vaccines have been a major boost to confidence, but until it is disseminated and recovery begins, the impact is more of a confidence builder than a reality. That appears to require several more months.
- The Fed has stated its intention to stay at 0.0% Fed Funds through 2023.
- A final governmental *peaceful* transition should more closely identify upcoming changes and give the markets a boost for risk assets.



End of Month Rates - Full Yield Curve - Fed Funds to 30yr

Exhibit D