

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting  
March 3, 2021 | 3:00 p.m. | Remote Participation Only**

**\*\*AGENDA AMENDED ON MARCH 1, 2021 TO ADD ITEMS 8 THROUGH 11\*\***

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 **Wednesday, March 03, 2021, beginning at 3:00 p.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**

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

**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.

1. Approve the minutes from the Board of Directors Regular Meeting held on January 25, 2021.
2. The Board will consider and may adopt Resolution No. 2021-05 authorizing a contract amendment to the existing Sun Corridor contract that will extend the term of the contract to align it with Sun Corridor's fiscal year.
3. The Board will consider and may adopt Resolution No. 2021-06 authorizing the execution of a contract with Sun Corridor for the purpose of continuing its economic development services for another two-year term, beginning July 1, 2021.

**CHAIRPERSON REPORT**

4. Update and discussion on the structure and composition of the 2021 TAA Advisory Councils.

## **PRESIDENT AND CEO REPORT**

5. Federal Relief Package - Additional COVID-19 Funding.

## **DISCUSSION**

6. Discussion of the staff proposal to use reserve funds to pay down Tucson Airport Authority's unfunded, accrued liabilities in the Arizona Public Safety Personnel Retirement System.

## **ACTION ITEMS**

### **7. FUNDING OF PUBLIC SAFETY PENSION UNFUNDED, ACCRUED LIABILITIES**

The Board will consider and may adopt Resolution No. 2021-07 authorizing the use of up to \$27.2 Million of reserve funds for paying down the Tucson Airport Authority's unfunded, accrued liabilities in the Arizona Public Safety Personnel Retirement System.

## **DIVISION UPDATES**

### **8. FINANCE AND ADMINISTRATION**

- A. January 2021 YTD Financials: Financial Summary/Aviation Activity Report

### **9. PLANNING AND ENGINEERING**

- A. Airfield Safety Enhancement Project Quarterly Update

### **10. OPERATIONS**

- A. FAA Part-139 Inspection | March 22, 2021

### **11. MARKETING AND AIR SERVICE**

- A. Marketing Update
- B. Air Service Update

## **NEXT MEETING**

Wednesday, April 7, 2021 – 3:00 p.m. – Remote Participation Only via Webex.

## **ADJOURN**

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting  
March 3, 2021 | 3:00 p.m. | Remote Participation Only**

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## **DIVISION UPDATES**

The following division and department updates are included in the agenda materials for informational purposes:

- **Finance and Administration:** January 2021 YTD Financials: Financial Summary/Aviation Activity Report
- **Planning and Engineering:** Airfield Safety Enhancement Program Quarterly Update
- **Marketing:** Marketing Update
- **Air Service:** March TUS Air Service Update

## **NEXT MEETING**

Wednesday, April 7, 2021 – 3:00 p.m. – Remote Participation Only via Webex.

## **ADJOURN**

## DRAFT MINUTES

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

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

### CALL TO ORDER | ROLL CALL

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

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

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

### ELECTION OF OFFICERS

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

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

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

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

**Nays 0 – None**

# DRAFT MINUTES

## BOARD TRAINING/DISCUSSION

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

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

### HIGHLIGHTS

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

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

## CONSENT AGENDA

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

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

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

**Nays 0 – None**

# DRAFT MINUTES

## CHAIRPERSON REPORT

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

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

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

## PRESIDENT AND CEO REPORT

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

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

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

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

## ACTION ITEMS

### **7. AIR VENTURES LEASE AMENDMENT**

Vice President and Chief Financial Officer Dick Gruentzel presented.

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

# DRAFT MINUTES

leases.

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

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

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

## BOARD DISCUSSION

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

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

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

**Nays 0 – None**



# DRAFT MINUTES

## DIVISION UPDATES

### 8. FINANCE AND ADMINISTRATION

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

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

### **ATTACHMENT ONE: November 2020 Financial Highlights**

## NEXT MEETING

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

## ADJOURN

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

## **APPROVED BY:**

\_\_\_\_\_  
Keri Silvyn, Secretary

Date: \_\_\_\_\_

## **Prepared by:**

\_\_\_\_\_  
Byron M. Jones, CMC, CAP, TAA Clerk

Date: \_\_\_\_\_

# **DRAFT MINUTES**

## **ATTACHMENT ONE**

Tucson Airport Authority

November 2020 Financial Highlights



## **November 2020 Financial Highlights**

Board of Directors Meeting

January 25, 2021

# November 2020 Flight & Passenger Activity

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

# November 2020 Financial Results

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

# December 2020 Investment Update

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

**Date: March 3, 2021**

**To:** TAA Board of Directors  
**From:** Danette Bewley, President/CEO  
**Re:** **Contract Extension to Sun Corridor Inc. Agreement for the period April 21, 2021 through June 30, 2021 and Contract Amendment for the period July 1, 2021 through June 30, 2023**

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**Background:**

Sun Corridor Inc. (SCI) was established in 2005 (originally as Tucson Regional Opportunities/TREO) to consolidate and coordinate all economic development activities and programs within the region. The primary goal of SCI was to facilitate primary (non-retail) job and investment growth in the region. Its work also includes creating a competitive environment that allows primary employers to flourish and succeed. Economies, both nationally and internationally, compete for jobs and capital investment based on regional strengths. On July 1, 2015, SCI expanded its geographic coverage to effectively serve and represent the assets and economic activities of the mega region of Southern Arizona. SCI now brings the economic potential of Pima, Pinal, Santa Cruz, and Cochise Counties together to create opportunity and prosperity. SCI offers a comprehensive range of programs and services to facilitate the attraction of new primary companies, the retention/expansion of existing primary companies and the advocacy of increased commercial and industrial business creation/entrepreneurship.

SCI and the TAA began a partnership in April of 2018 (3-Year agreement; April 20, 2018 – April 20, 2021). Through this partnership, SCI has leveraged its reach with industry site selectors, national and international companies, and other operators to explore and assist the TAA work with major tenants to expand businesses or attract new businesses to the region and to TAA property. Before the pandemic, Sun Corridor and the TAA were working on several opportunities; the TAA should continue this partnership with SCI and continue to pursue economic development opportunities to increase and diversify the revenue stream to the TAA.

**Strategic Plan | Analysis**

The TAA 3-Year Strategic Plan for FY 2021 - 2023, adopted by the Board on August 5, 2020, outlines the path which best allows the TAA to adapt to changing circumstances and immerse in recovery in 2021, capitalize on opportunities and adjust to the new reality of the known and unknown in 2022, and to dream big in 2023 and beyond. To meet these goals, the Strategic Plan includes specific economic development priorities:

- Define priorities and develop a Commercial and Industrial Business Implementation Plan by 7/21
- Develop GIS datasets for commercial and industrial development promotion and opportunity by 10/21
- Solicit Request for Proposal for partners in the development of commercial and industrial property by 10/21
- Select commercial and industrial development partner by 2/22
- Begin Phase 1 development of commercial and industrial infrastructure by 9/22
- Construct County Club Road Extension to open access for property development by 8/22

By the end of 2021 and into 2022, the TAA expects to make progress on the priorities listed above. The planning efforts and proactive execution of initiatives will position the TAA to be ready when the economy recovers. The professional experience and guidance from SCI are important elements and will add strength to the TAA approach to welcome and encourage commercial and industrial development.

**Cost Analysis:**

In April 2018, SCI entered into a 3-year agreement with the TAA in an amount not to exceed \$250,000 per year for a total contract value of \$750,000. Although the impacts of the pandemic have created economic challenges, industry forecasts indicate a slow recovery. To ensure the TAA is positioned for opportunity and recovery, the TAA and SCI have negotiated a new two-year agreement in the amount of \$350,000; \$175,000 each year. Additionally, SCI has requested to align the new contract with the company’s fiscal year which begins July 1, 2021. That said, TAA recommends the following:

Agreement	Term	Amount
Contract Extension to bridge the gap between April 21,2021 and June 30, 2021	April 21,2021 – June 30, 2021	\$34,041   pro rata basis of \$175,000 for 71 days
2 Year Contract Amendment	July 1, 2021 – June 30, 2023	\$350,000   \$175,000 per year

**Recommendation:**

TAA management recommends the Board adopt Resolution Nos. XXX and XXX by taking the following two actions:

1. Resolution No. 2021-05. The Board amend the current Sun Corridor, Inc. agreement by extending the term of the agreement from April 21,2021 to June 30, 2021. The cost of this amendment is \$34,041.
2. Resolution No. 2021-6. The Board approve the new Sun Corridor, Inc. 2-year agreement for \$350,000.



Resolution No.	2021-05
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**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING A CONTRACT AMENDMENT TO THE EXISTING SUN CORRIDOR CONTRACT**

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 actions necessary to amend the current agreement with Sun Corridor, Inc., to extend the term of the agreement from April 21, 2021 to June 30, 2021, for the pro rata amount of \$34,041.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 3rd day of March 2021.

\_\_\_\_\_  
Bruce Dusenberry, Chairperson

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Keri Silvyn, Secretary

\_\_\_\_\_  
Christopher Schmaltz, General Counsel

Resolution No.	2021-06
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**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE EXECUTION OF A CONTRACT WITH SUN CORRIDOR FOR THE PURPOSE OF CONTINUING ITS ECONOMIC DEVELOPMENT SERVICES FOR ANOTHER TWO-YEAR TERM, BEGINNING JULY 1, 2021.**

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 take all actions necessary to execute a professional services agreement with Sun Corridor, Inc., for economic development services in support of the Tucson Airport Authority’s Three-Year Strategic Plan and strategic objectives.
2. The term of the agreement shall be for two years, commencing on July 1, 2021 and terminating on June 30, 2023.
3. An expenditure of \$175,000 per year (\$350,000 in total) is authorized as stipulated in the terms of the professional services agreement.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 3rd day of March 2021.

\_\_\_\_\_  
Bruce Dusenberry, Chairperson

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Keri Silvyn, Secretary

\_\_\_\_\_  
Christopher Schmaltz, General Counsel

**Date:** February 23, 2021

**To:** TAA Board of Directors  
**From:** Richard Gruentzel, Vice President & Chief Financial Officer  
**Re:** **Arizona Public Safety Personnel Retirement System  
Unfunded Accrued Liability**

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**Background:**

TAA provides retirement benefits for its full-time employees through participation in the Arizona State Retirement System (ASRS), and in the case of Police and Fire personnel, the Arizona Public Safety Personnel Retirement System (PSPRS). The ASRS is a cost sharing multiple employer defined benefit pension plan, meaning all assets and liabilities of the plan are pooled and all participating employers and employees pay the same contribution rates. In contrast, the PSPRS is an agent multiple employer defined benefit pension plan. While PSPRS pools assets for investment purposes, each participating employer's assets, liabilities and contribution rates are accounted for and calculated separately.

The most recent information available for both plans as of September 30, 2019 estimates TAA's unfunded net pension liability at a total of \$44.1 million. Of this amount, ASRS represents \$15.6 million and PSPRS \$28.5 million. Contribution rates set by both plans include an amount to cover current pension obligations as well as a separate amount to cover long-term amortization of unfunded accrued liabilities.

Generally, required pension contributions for the ASRS are split equally between TAA and the covered employees, while for PSPRS, TAA is responsible for paying the majority of the required contributions. TAA's PSPRS contributions currently approximate 100% of Police and Fire gross wages (most of which goes toward paying down unfunded liabilities), while most employee contributions are capped at either 7.65% or 11.65% of gross wages. For this reason and because the PSPRS accounts for employer assets separately, TAA has an opportunity to significantly reduce its long-term PSPRS pension costs by paying down its unfunded liability.

In the current historically low interest rate environment, a number of employers participating in the PSPRS have recently elected to issue tax-exempt bonds or other forms of debt to raise funds for paying down unfunded pension liabilities. Among them are the City of Tucson (\$670 million), Flagstaff (\$112 million), and Yuma (\$140 million). With this strategy, long-term savings are derived from the ability to earn significantly higher returns on pension fund investments as compared to interest rates paid on the debt. TAA is in a position to achieve even greater savings by using reserve funds instead of debt financing to pay down its PSPRS unfunded liabilities.

**Strategic Plan | Analysis:**

Implementation of this pension funding strategy directly addresses the following elements of TAA’s Strategic Plan:

- Developing a sustainable business model
- Managing resources and controlling spending
- Positioning TUS as an attractive, low cost airport to help attract and retain air service
- Helping TAA become an employer of choice by investing in our public safety professionals

**Cost Analysis:**

As of the end of the current PSPRS fiscal year on June 30, 2021, TAA’s unfunded accrued liability (UAL) is projected to be \$27.2 million. TAA’s annual contribution rates currently include amounts that would pay down the UAL over a period of 16 years beginning June 30, 2021. TAA management recommends using \$27.2 million of Special Reserve Fund (SRF) monies to pay down the UAL as soon as possible, but no later than June 30, 2021. This would be set up as a 16-year loan to the Airport System, with level principal and interest payments back to the SRF at an interest rate of 2.5%. Due to statutory limitations on investment of public funds, TAA’s current annual yield on investments averages 0.33% and continues to decline.

Using the PSPRS long-term average annual investment return assumption of 7.3% (and 5.3% for sensitivity analysis) and assuming TAA average annual investment yields of 0.5% to 1.5% over the period, following are highlights of the projected cost savings over the 16-year period:

<u>(\$ Millions)</u>	<u>PSPRS Average Investment Return</u>	
	<u>7.30%</u>	<u>5.30%</u>
TAA PSPRS contributions without UAL paydown	\$58.1	\$75.5
TAA PSPRS contributions with UAL paydown	<u>(\$9.7)</u>	<u>(\$33.1)</u>
Total savings	\$48.4	\$42.3
Principal & interest payments on SRF loan	<u>(\$33.0)</u>	<u>(\$33.0)</u>
Net savings to Airport System (airline rates & charges)	<u>\$15.4</u>	<u>\$9.3</u>
 SRF Balance - End of Year 16		
With UAL paydown	\$36.5	\$36.5
Without UAL paydown	<u>(\$32.1)</u>	<u>(\$32.1)</u>
Increase in SRF balance	<u>\$4.5</u>	<u>\$4.5</u>

While PSPRS currently uses an assumed rate of return of 7.3%, which is in line with historical trends, and their actuary’s refunding calculator tool allows for modeling returns as low as 5.3%, markets are

unpredictable and returns at the assumed levels are not guaranteed. However, the more predictable assumption within the PSPRS liability calculation is the anticipated draw on funds from retired public safety personnel. Unfavorable investment performance will have little effect on the earned benefits paid to retired TAA Police and Fire personnel. Annually, the PSPRS calculates the required rate TAA must pay to adequately fund the pension and ensure full and timely payment of benefits. In times of underperforming markets, the required pension contributions paid by TAA would be significantly higher without the proposed infusion \$27.2M into the PSPRS system. Ultimately, market risk could result in TAA saving less than anticipated, but savings would be realized nonetheless, and rates would be less subject to significant volatility from year-to-year.

**Recommendation:**

TAA management recommends the Board adopt Resolution No. 2021-07 authorizing the President/CEO or her designee to take all necessary actions to use up to \$27.2 million of reserve funds for paying down TAA's unfunded accrued liabilities in the Arizona Public Safety Personnel Retirement System.

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE USE OF UP TO \$27.2 MILLION OF RESERVE FUNDS FOR PAYING DOWN THE TUCSON AIRPORT AUTHORITY’S UNFUNDED, ACCRUED LIABILITIES IN THE ARIZONA PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM.**

**WHEREAS** the Tucson Airport Authority (TAA) adopted a strategic plan objective to become an “employer of choice” by investing in its public safety professionals, and towards that end, the TAA offers retirement benefits for its police and fire personnel through its participation in the Arizona Public Safety Personnel Retirement System (PSPRS); and

**WHEREAS** the most recent information provided to the TAA in September 2019 estimates that the TAA has an unfunded net pension liability for its public safety employees of \$28.5M; and

**WHEREAS**, with the current low interest rates, the TAA has an opportunity to significantly reduce its long-term PSPRS pension costs by using TAA’s own reserve funds to pay down its PSPRS unfunded liabilities; and

**WHEREAS** substantially reducing the TAA’s PSPRS unfunded liabilities will provide long-term benefits in the strategic plan areas of developing a sustainable business model; managing resources and controlling spending; and positioning the Tucson International Airport as an attractive, low-cost airport to help attract and retain air service; and

**WHEREAS** the Board of Directors accepts the staff recommendations as detailed in the accompanying Board Memorandum.

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

The President and CEO or her designee(s) is hereby authorized to take all necessary actions to use up to \$27.2M of TAA reserve funds for paying down the TAA’s unfunded, accrued liabilities in the Arizona Public Safety Personnel Retirement System.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this 3rd day of March 2021.

\_\_\_\_\_  
Bruce Dusenberry, Chairperson

ATTEST:

APPROVED AS TO FORM:

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Keri Silvyn, Secretary

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Christopher Schmaltz, General Counsel

Date: February 19, 2021

**To:** TAA Board of Directors

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

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

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Financial Performance

- Operating Income before Depreciation and Amortization (MTD & YTD vs budget)
  - Tucson Airport Authority generated an operating loss before depreciation and amortization of \$100,505 for January 2021, which is \$444,512 favorable to budget.
  - Year-to-date, TAA's operating income before depreciation and amortization of \$35,193 is favorable to budget by \$1,665,730 due to favorable operating revenues and expenses described below.
  
- Operating Revenues (MTD & YTD vs budget)
  - Total monthly operating revenue of \$2,621,583 is favorable to budget by \$99,351 or 3.9% and unfavorable to prior year by \$1,293,210 or 33.0%. The decline from prior year is largely due to a decrease in concession revenue attributable to diminished passenger volumes related to COVID-19.
  - Year-to-date operating revenues were greater than budgeted by \$481,119 or 4.8%, with favorable variances in all categories, except concession revenue. Other operating revenues and landing fees contributed the largest variances.

The favorable variance in other operating revenue is largely attributable to additional unbudgeted tie-down revenue and higher than expected royalties on sand and gravel mining.
  
- Operating Expenses (MTD vs YTD vs budget)
  - In January, total operating expenses were less than budget by \$345,161, due to favorable variances in contractual services and other operating expenses, partially offset by unfavorable variances in personnel expenses and materials and supplies.
  - Year-to-date operating expenses of \$10,509,757 are favorable to budget by \$1,184,611 or 10.1%, with all expense categories except personnel being lower than budget. Contractual services produced the largest variance, due to timing on maintenance and repair contracts, airport consultant fees, advertising, and lower than expected utilities expense.



# FINANCIAL SUMMARY



For the four months ending January 31, 2021

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

	<b>CURRENT MONTH - January</b>			<b>PRIOR YEAR - January</b>
	<b>BUDGET</b>	<b>ACTUAL</b>	<b>FAV (UNFAV)</b>	<b>ACTUAL</b>
<b>OPERATING REVENUES:</b>				
Landing fees	\$ 126,199	\$ 151,076	\$ 24,877	\$ 243,315
Space rentals	980,072	979,503	(569)	1,257,451
Land rent	296,440	316,734	20,294	317,117
Concession revenue	681,128	644,675	(36,453)	1,542,630
Reimbursed services	261,459	272,356	10,897	265,464
Other operating revenues	176,934	257,239	80,305	288,816
<b>Total Operating Revenues</b>	<b>2,522,232</b>	<b>2,621,583</b>	<b>99,351</b>	<b>3,914,793</b>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	1,917,905	2,054,775	(136,870)	1,799,750
Contractual services	862,811	442,960	419,851	978,081
Materials and supplies	132,437	151,379	(18,942)	139,683
Other operating expenses	154,096	72,974	81,122	86,645
<b>Total Operating Expenses</b>	<b>3,067,249</b>	<b>2,722,088</b>	<b>345,161</b>	<b>3,004,159</b>
<b>NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>(545,017)</b>	<b>(100,505)</b>	<b>444,512</b>	<b>910,634</b>
Depreciation and Amortization	1,569,802	1,573,339	(3,537)	1,527,533
<b>OPERATING INCOME (LOSS)</b>	<b>(2,114,819)</b>	<b>(1,673,844)</b>	<b>440,975</b>	<b>(616,899)</b>
<b>NONOPERATING INCOME (EXPENSES)</b>				
Interest Income	76,667	48,088	(28,579)	256,515
Net increase/(decrease) in fair value of investments	-	5,368	5,368	166,272
Passenger facility charges	274,920	147,922	(126,998)	526,604
Interest expense and fiscal charges	(74,671)	(74,671)	-	93,783
Gain/(Loss) on disposition of capital assets	-	3,000	3,000	-
Other nonoperating revenues (expenses)	-	(50)	(50)	11,250
<b>Total nonoperating revenues (expenses)</b>	<b>276,915</b>	<b>129,657</b>	<b>(147,258)</b>	<b>1,054,424</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(1,837,904)</b>	<b>(1,544,187)</b>	<b>293,717</b>	<b>437,525</b>
<b>CAPITAL CONTRIBUTIONS:</b>				
Federal	404,306	-	(404,306)	-
State	19,847	-	(19,847)	-
<b>Total capital contributions</b>	<b>424,153</b>	<b>-</b>	<b>(424,153)</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ (1,413,751)</b>	<b>\$ (1,544,187)</b>	<b>\$ (130,436)</b>	<b>\$ 437,525</b>

**TUCSON AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES , EXPENSES AND**  
**CHANGES IN NET POSITION**  
*For the four months ending January 31, 2021*

	CURRENT YEAR TO DATE			PRIOR YEAR
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL
<b>OPERATING REVENUES:</b>				
Landing fees	\$ 479,209	\$ 578,067	\$ 98,858	\$ 943,671
Space rentals	3,920,728	3,982,665	61,937	4,993,415
Land rent	1,185,759	1,240,152	54,393	1,214,741
Concession revenue	2,737,427	2,703,787	(33,640)	6,215,502
Reimbursed services	1,045,834	1,075,170	29,336	1,163,385
Other operating revenues	694,874	965,109	270,235	1,086,256
<b>Total operating revenues</b>	<b>10,063,831</b>	<b>10,544,950</b>	<b>481,119</b>	<b>15,616,970</b>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	7,780,406	7,837,492	(57,086)	7,338,299
Contractual services	2,918,639	1,855,730	1,062,909	2,450,715
Materials and supplies	540,516	467,869	72,647	583,845
Other operating expenses	454,807	348,666	106,141	409,303
<b>Total Operating Expenses</b>	<b>11,694,368</b>	<b>10,509,757</b>	<b>1,184,611</b>	<b>10,782,162</b>
<b>NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>(1,630,537)</b>	<b>35,193</b>	<b>1,665,730</b>	<b>4,834,808</b>
Depreciation and Amortization	6,258,445	6,263,497	(5,052)	6,116,109
<b>OPERATING INCOME (LOSS)</b>	<b>(7,888,982)</b>	<b>(6,228,304)</b>	<b>1,660,678</b>	<b>(1,281,301)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest Income	306,666	203,190	(103,476)	1,047,364
Net increase/(decrease) in fair value of investments	-	27,612	27,612	145,760
Passenger facility charges	1,124,645	866,990	(257,655)	2,411,678
Interest expense and fiscal charges	(298,686)	(298,686)	-	(152,179)
Gain/(Loss) on disposition of capital assets	-	10,100	10,100	402,390
Other nonoperating revenues (expenses)	6,890,228	6,896,711	6,483	237,573
<b>Total nonoperating revenues (expenses)</b>	<b>8,022,853</b>	<b>7,705,917</b>	<b>(316,936)</b>	<b>4,092,586</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>133,871</b>	<b>1,477,613</b>	<b>1,343,742</b>	<b>2,811,285</b>
<b>CAPITAL CONTRIBUTIONS:</b>				
Federal	1,953,236	2,301,561	348,325	1,031,042
State	101,282	114,516	13,234	31,014
<b>Total capital contributions</b>	<b>2,054,518</b>	<b>2,416,077</b>	<b>361,559</b>	<b>1,062,056</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 2,188,390</b>	<b>3,893,690</b>	<b>\$ 1,705,301</b>	<b>3,873,341</b>
<b>TOTAL NET POSITION, (BEGINNING)</b>		<b>417,387,875</b>		<b>396,401,145</b>
<b>TOTAL NET POSITION, (ENDING)</b>		<b>\$ 421,281,565</b>		<b>\$ 400,274,486</b>

**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

**ASSETS**

**CURRENT ASSETS**

Unrestricted assets:

	<u>January-21</u>	<u>January-20</u>
Cash and cash equivalents	\$ 23,632,794	\$ 32,995,837
Investments	138,641,699	124,358,241
of \$313,380 and \$210,550 for FY2021 and FY2020, respectively	1,653,420	2,119,275
Accrued interest receivable	268,139	558,679
Grants receivable	1,892,046	801,467
Inventories	355,944	336,891
Prepaid expenses and other assets	516,995	327,424
<b>Total unrestricted current assets</b>	<u>166,961,037</u>	<u>161,497,814</u>

Restricted assets:

Cash and cash equivalents	3,259,982	3,401,778
Investments	20,023,936	20,345,244
Accounts receivable	373,440	1,076,690
Accrued interest receivable	59,042	117,671
<b>Total restricted current assets</b>	<u>23,716,400</u>	<u>24,941,383</u>
<b>Total restricted current assets</b>	<u>23,716,400</u>	<u>24,941,383</u>

**Total current assets**

**190,677,437**      **186,439,197**

**Noncurrent assets:**

Unrestricted assets:

Accounts receivable	226,539	429,821
Capital assets		
Not depreciated	139,967,494	118,188,535
Depreciated, net	190,733,136	200,010,162
<b>Net capital assets</b>	<u>330,700,630</u>	<u>318,198,697</u>
<b>Total unrestricted noncurrent assets</b>	<u>330,927,169</u>	<u>318,628,518</u>

**Total noncurrent assets**

**330,927,169**      **318,628,518**

**TOTAL ASSETS**

521,604,606      505,067,715

**DEFERRED OUTFLOWS OF RESOURCES**

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

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**\$ 525,596,609**      **\$ 509,059,718**

**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

**LIABILITIES**

**CURRENT LIABILITIES**

**Payable from unrestricted assets:**

	<u>January-21</u>	<u>January-20</u>
Accounts payable	\$ 596,214	\$ 1,022,564
Accrued expenses	1,686,221	1,776,011
Unearned revenue	3,002,587	3,516,976
Construction contracts payable	-	-
Current portion of environmental remediation payable	4,797,460	4,872,676
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,510,000	1,465,000
<b>Total payable from unrestricted assets</b>	<u>11,592,482</u>	<u>12,653,227</u>

**Payable from restricted assets**

Accrued interest payable:

Airport Subordinate Lien Revenue Bonds, Series 2018	319,327	175,771
	<u>319,327</u>	<u>175,771</u>

Current portion of environmental remediation payable	402,420	149,762
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<b>Total payable from restricted assets</b>	<u>721,747</u>	<u>325,533</u>
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<b>Total current liabilities</b>	<u>12,314,229</u>	<u>12,978,760</u>
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**NONCURRENT LIABILITIES**

Payable from unrestricted assets

Bonds payable, net of current portion:

Airport Subordinate Lien Revenue Bonds, Series 2018	28,223,732	31,316,555
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Net pension liability	44,126,998	44,126,998
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Environmental Remediation Payable, net of current portion	18,306,912	19,019,746
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<b>Total payable from unrestricted assets</b>	<u>90,657,642</u>	<u>94,463,299</u>
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<b>Total noncurrent liabilities</b>	<u>90,657,642</u>	<u>94,463,299</u>
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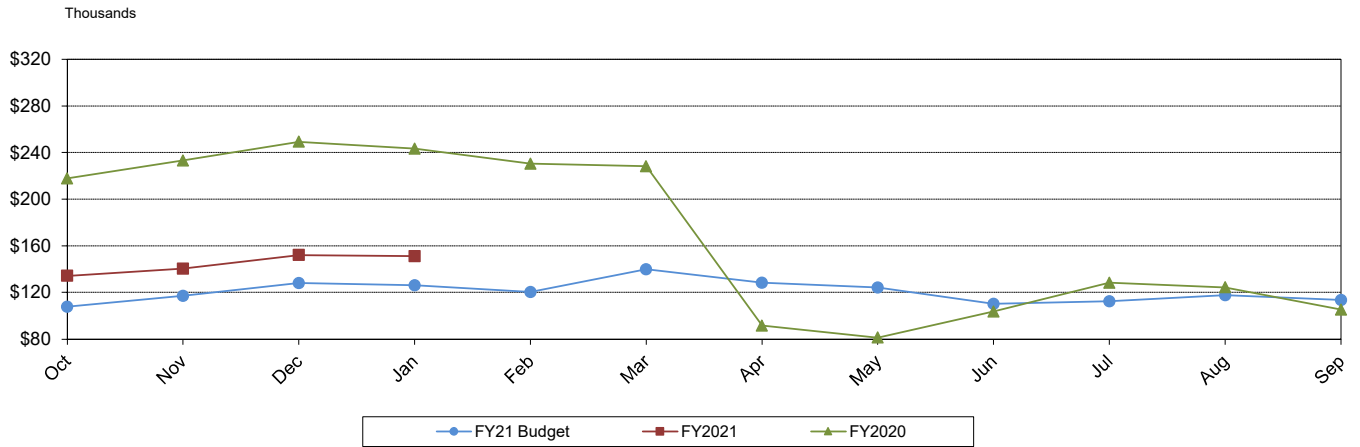
<b>TOTAL LIABILITIES</b>	<u>\$ 102,971,871</u>	<u>\$ 107,442,059</u>
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**TUCSON AIRPORT AUTHORITY  
STATEMENT OF NET POSITION**

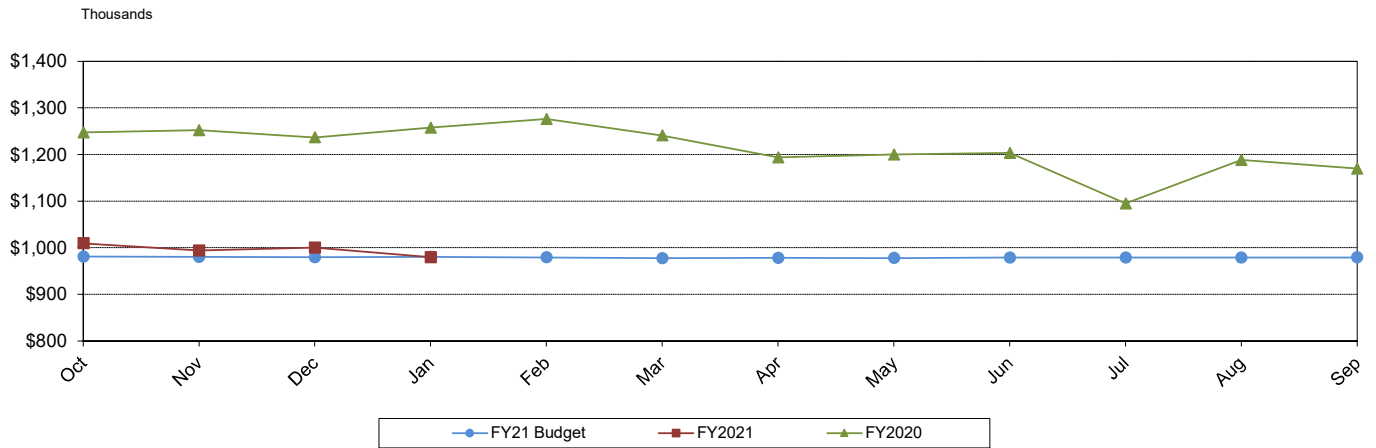
**LIABILITIES & NET ASSETS (Con't)**

	<b>January-21</b>	<b>January-20</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pensions	\$ 1,343,173	\$ 1,343,173
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,343,173</u>	<u>1,343,173</u>
<b>NET POSITION</b>		
Net Investment in capital assets	300,966,898	285,417,142
Restricted:		
Debt service	1,006,317	1,152,087
Capital projects	22,390,756	23,613,525
	<u>23,397,073</u>	<u>24,765,612</u>
Unrestricted	<u>96,917,595</u>	<u>90,091,732</u>
<b>TOTAL NET POSITION</b>	<b><u>421,281,565</u></b>	<b><u>400,274,486</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 525,596,609</u></b>	<b><u>\$ 509,059,718</u></b>

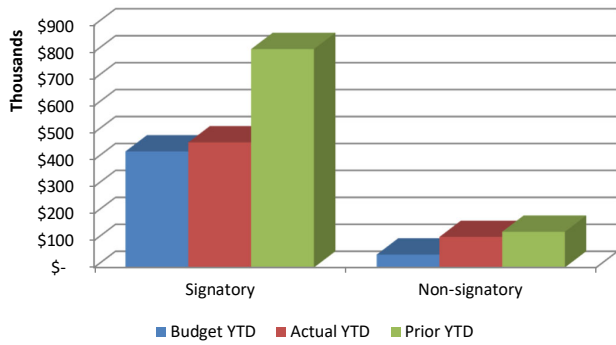
### Landing Fees



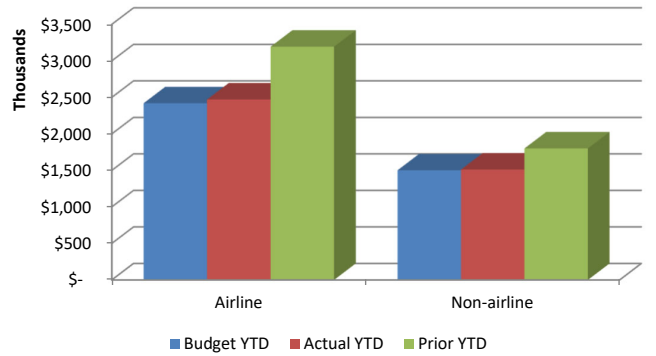
### Space Rentals



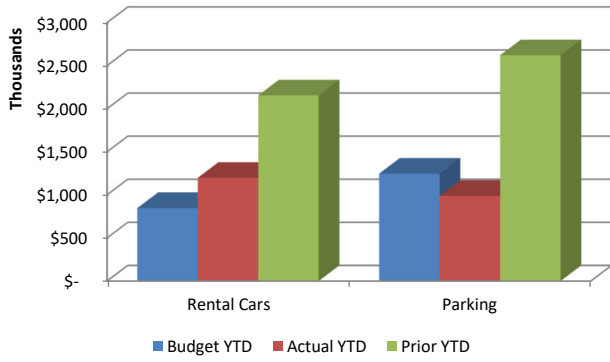
### YTD Landing Fees



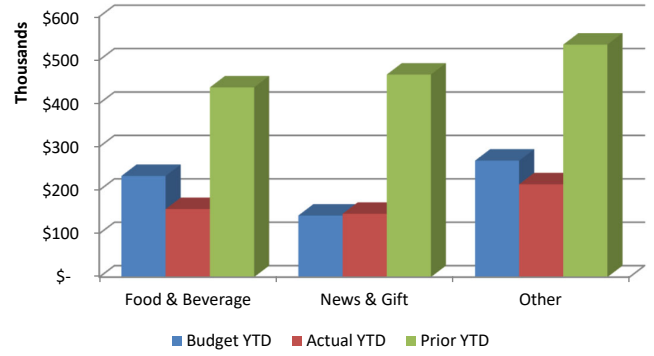
### YTD Space Rentals



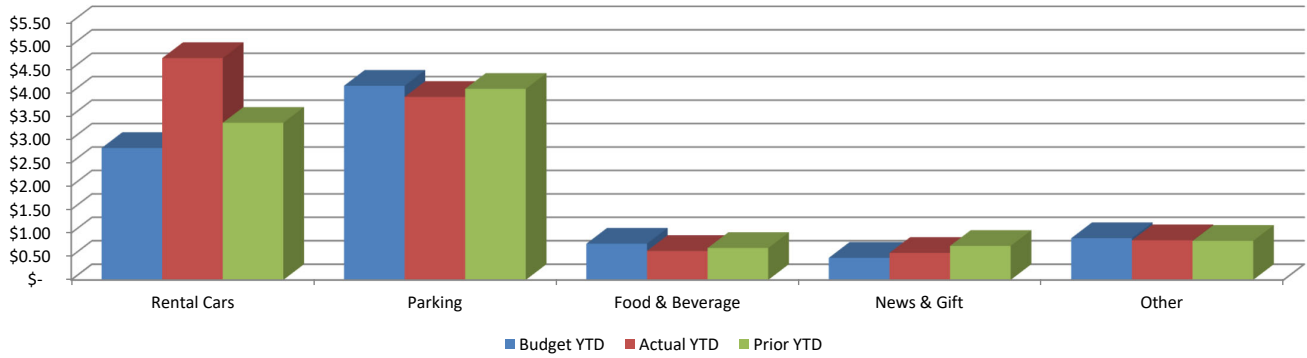
**YTD Concession Revenue**



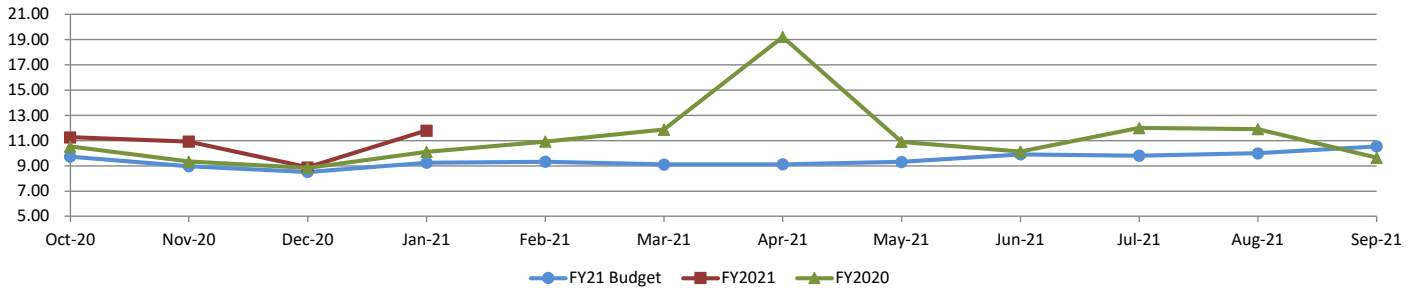
**YTD Concession Revenue**



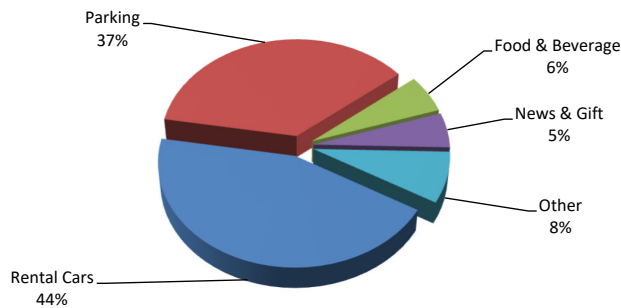
**Year-to-Date Concession Revenue per Enplaned Passenger**



**Monthly Concession Revenue per Enplaned Passenger**

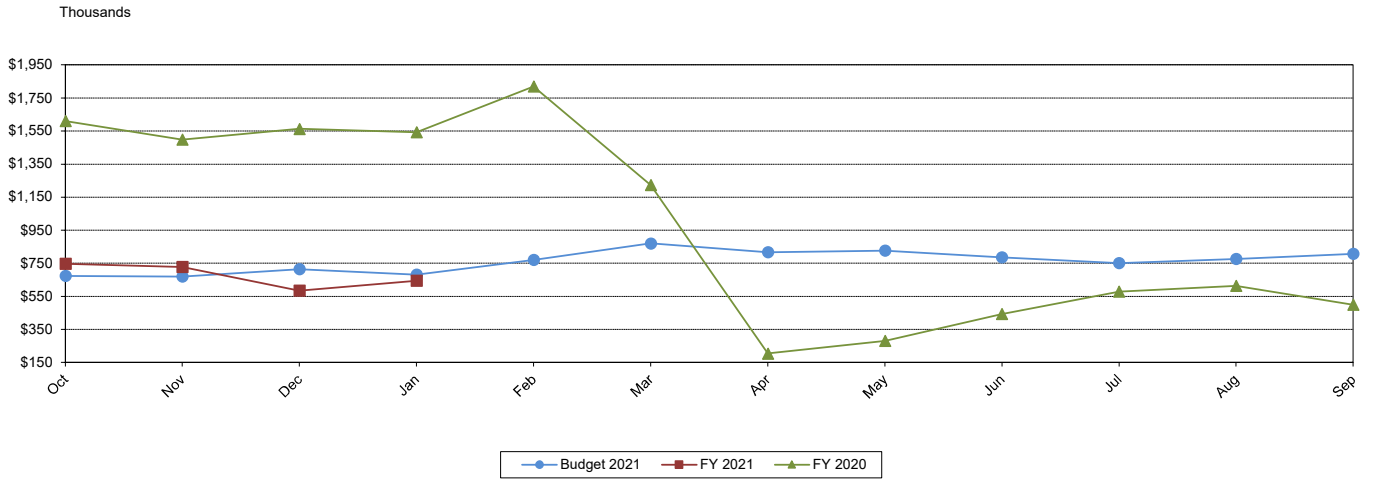


**YTD Concession Revenue**

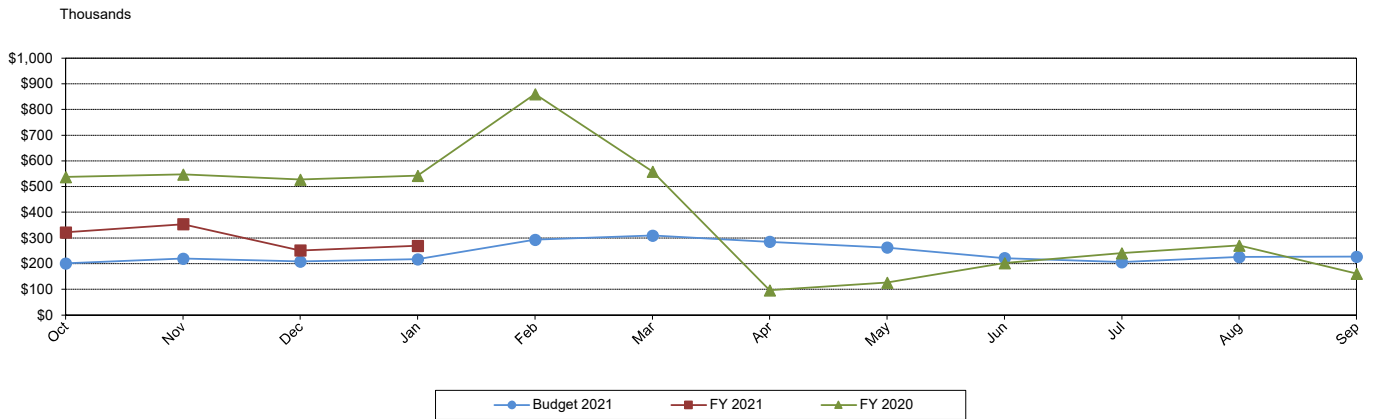




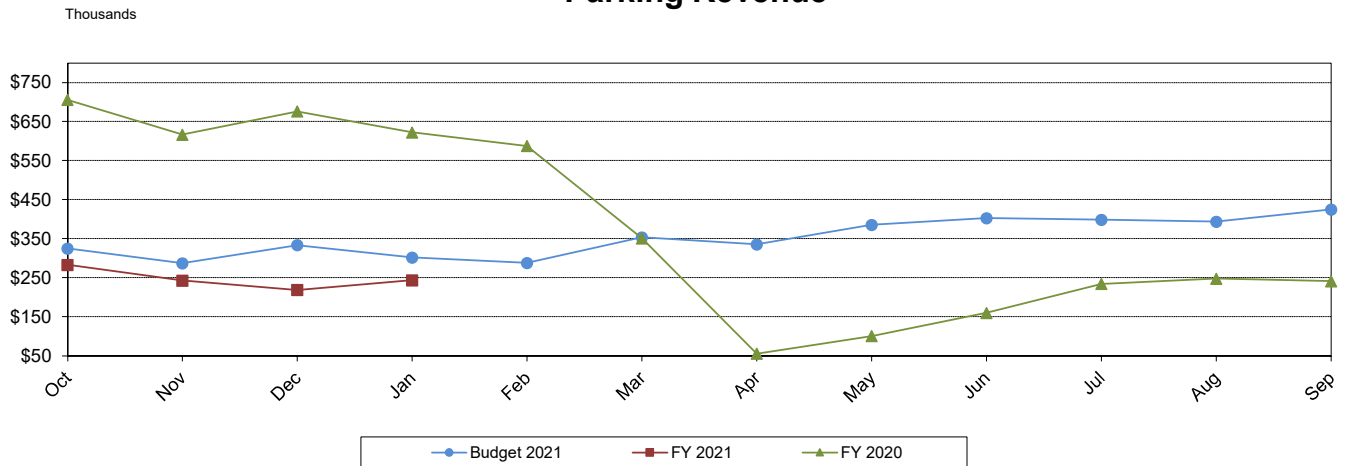
### Total Concession Revenue



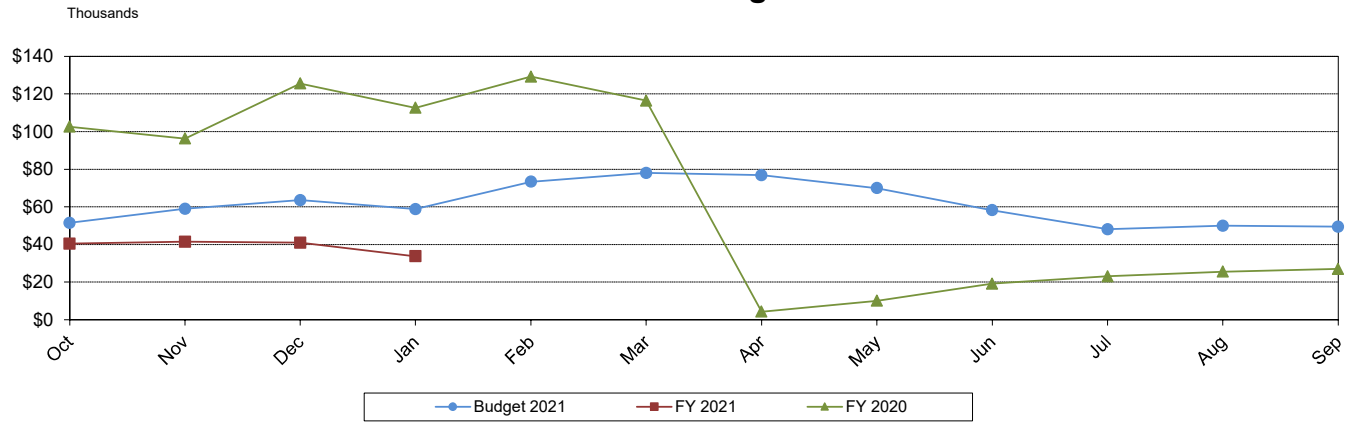
### Rental Car Revenue



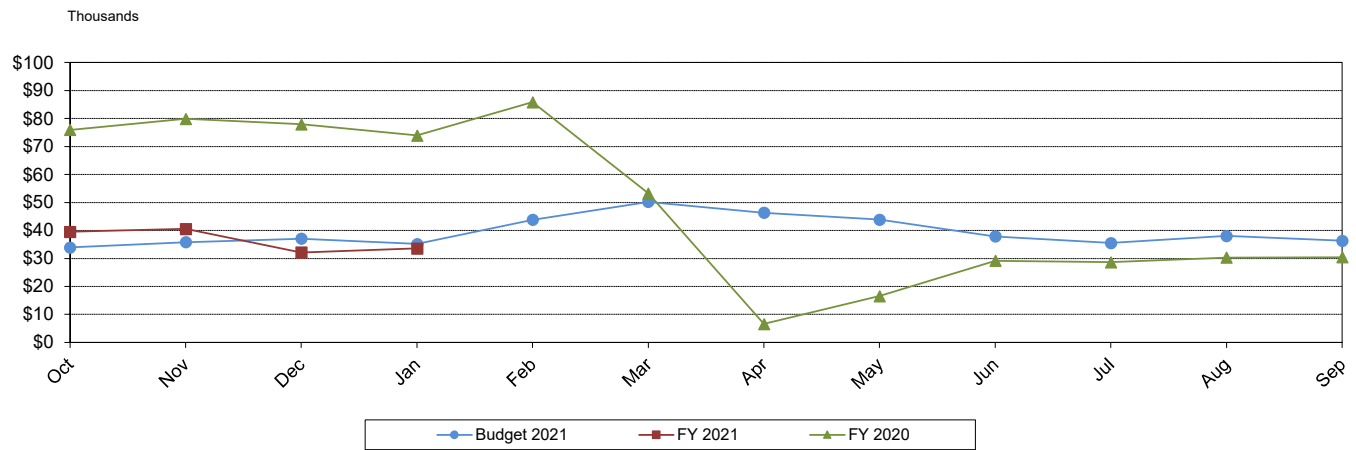
### Parking Revenue



### Food & Beverage Revenue

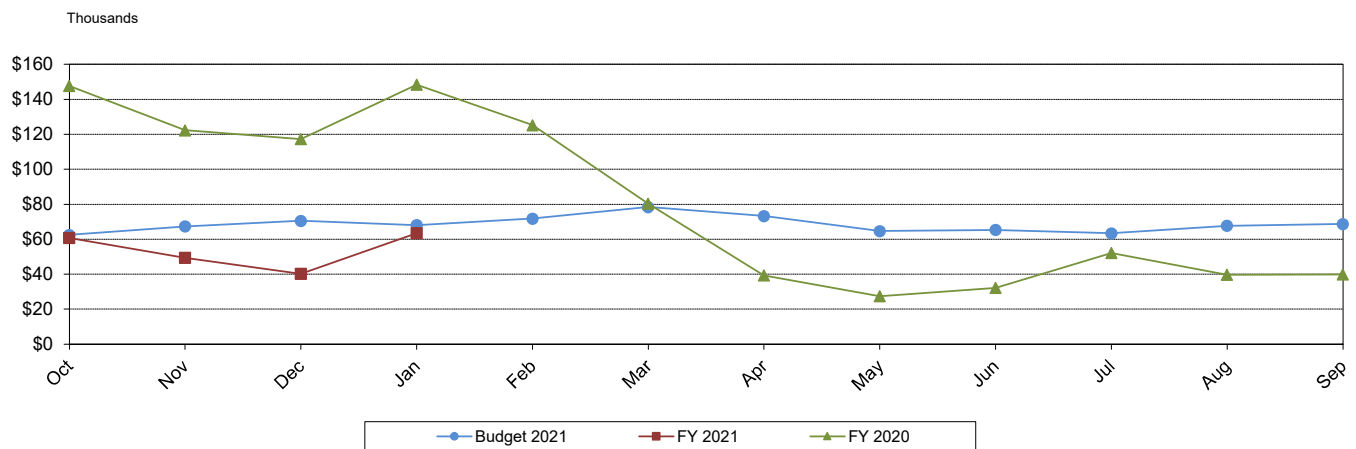


### News & Gift\*



\*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.

### Other Concession Revenue



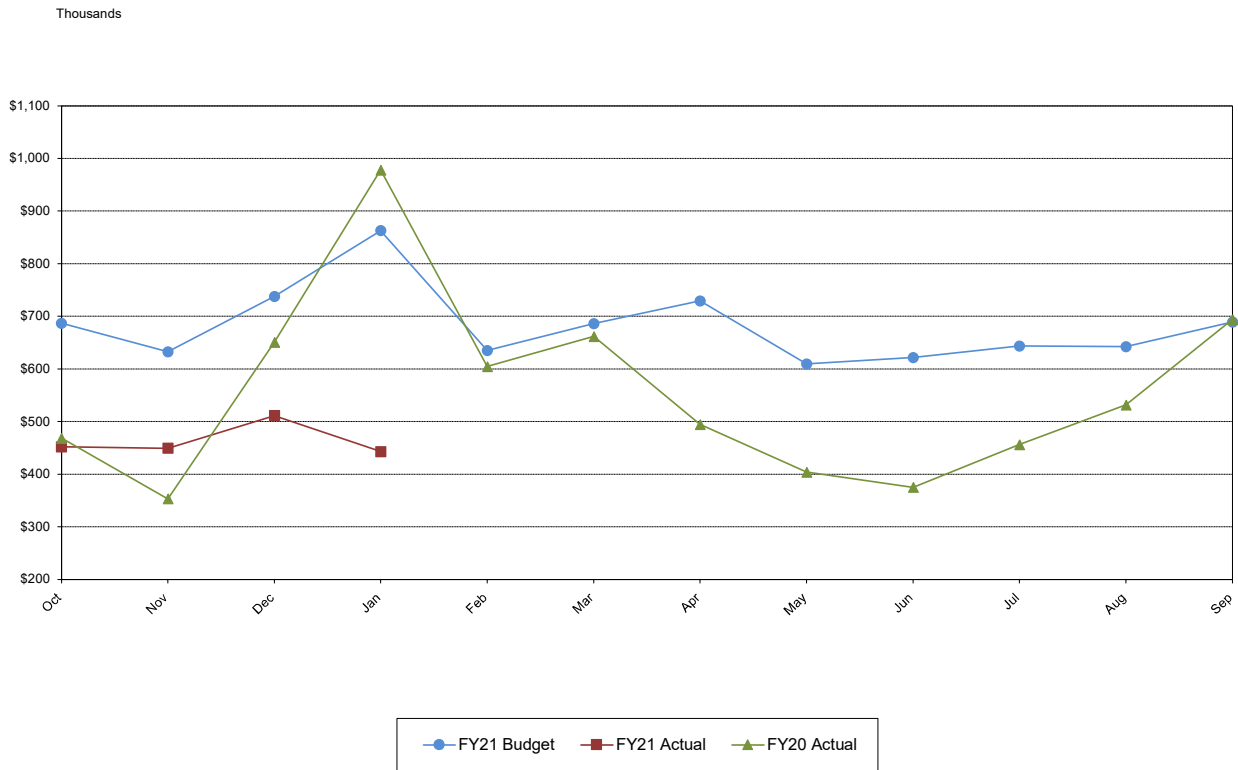
### Total Operating Expenses



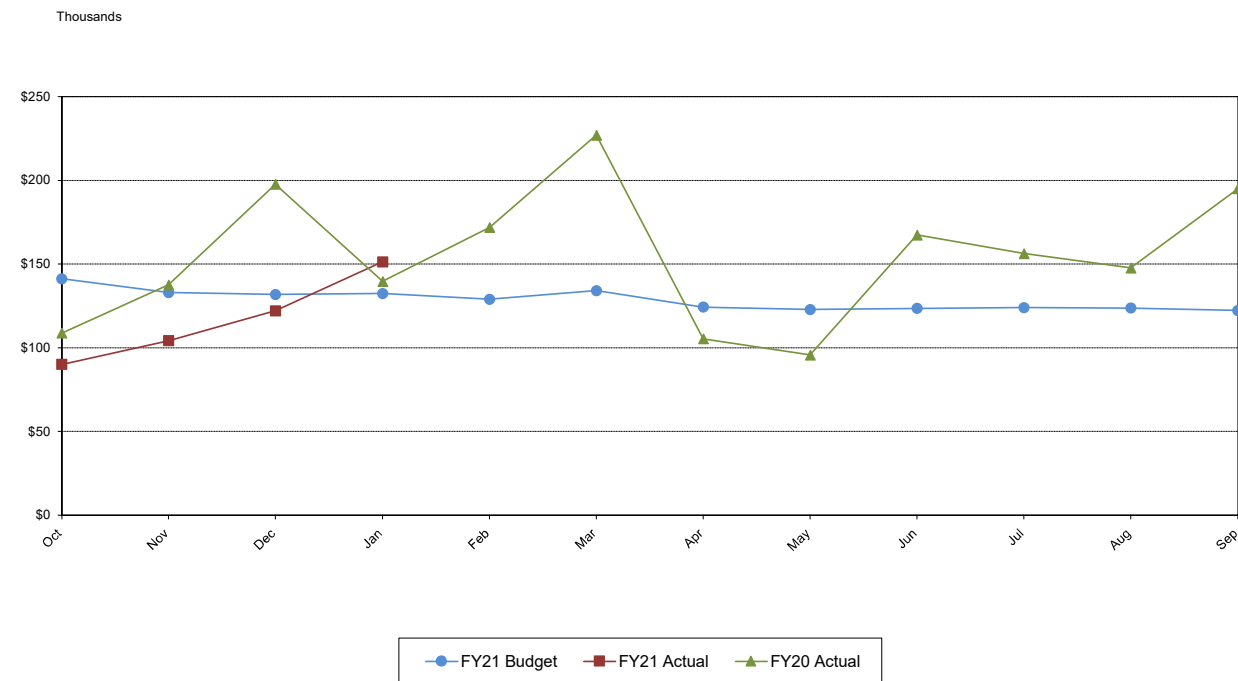
### Personnel Expenses



## Contractual Services

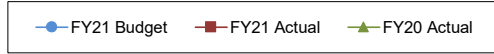
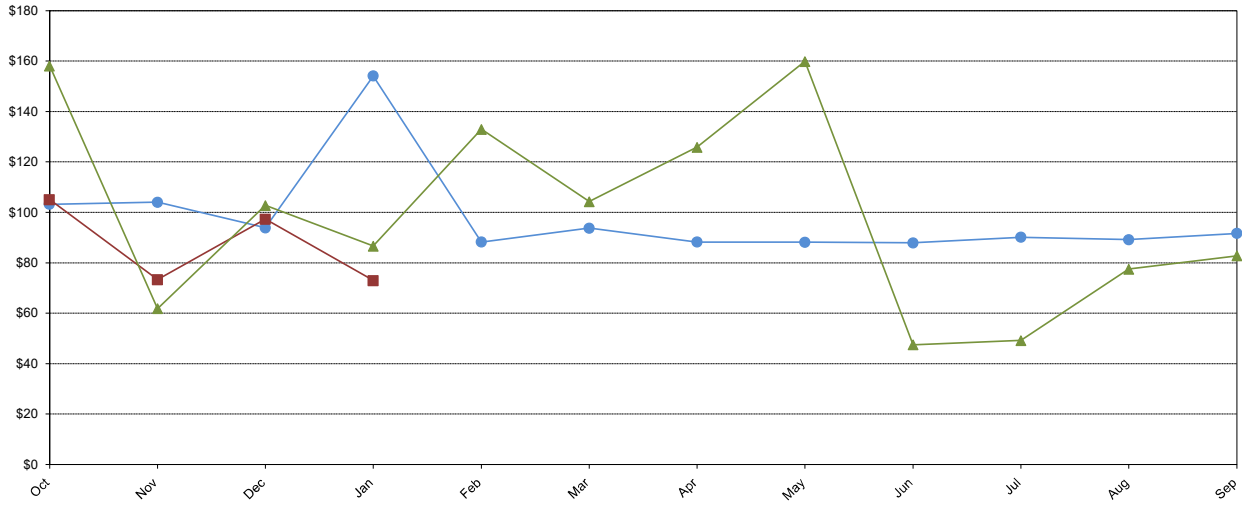


## Materials and Supplies

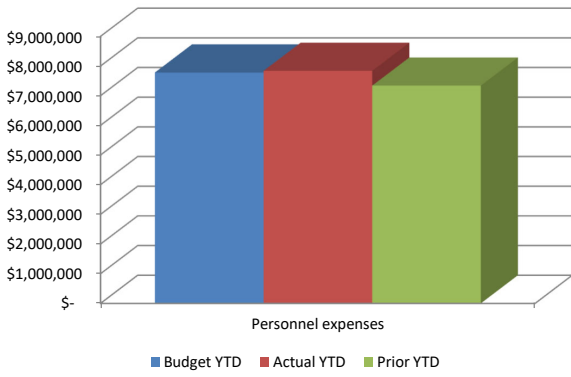


## Other Operating Expenses

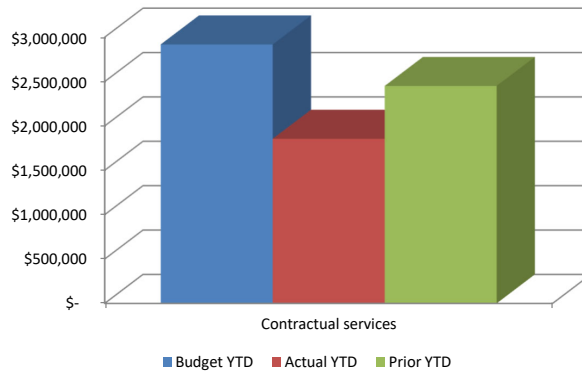
Thousands



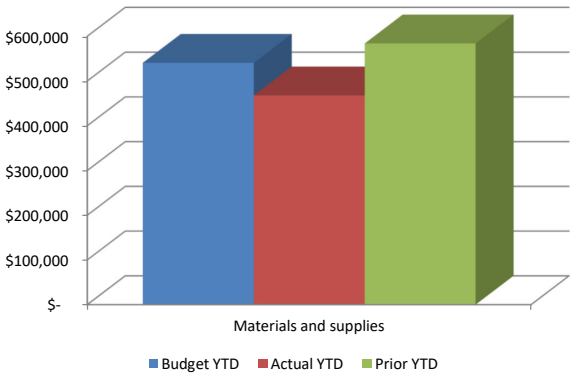
### YTD Personnel Expenses



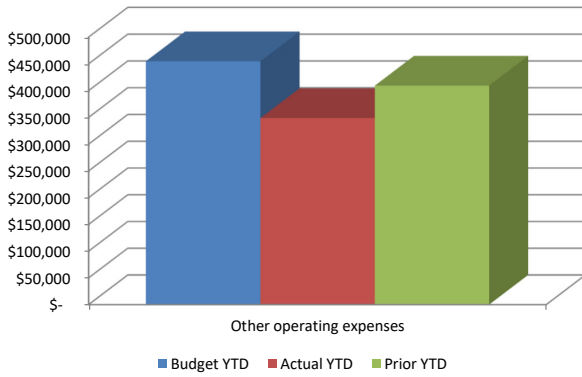
### YTD Contractual Services



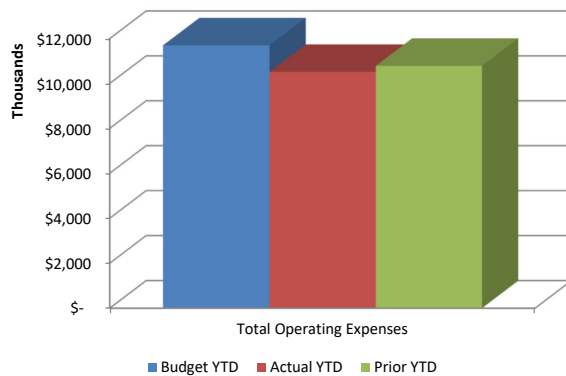
### YTD Materials and Supplies



### YTD Other Operating Expenses



### YTD Total Operating Expenses



**Date:** February 19, 2021

**To:** TAA Board of Directors

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

**Re:** **Aviation Activity and Statistics for January 2021**

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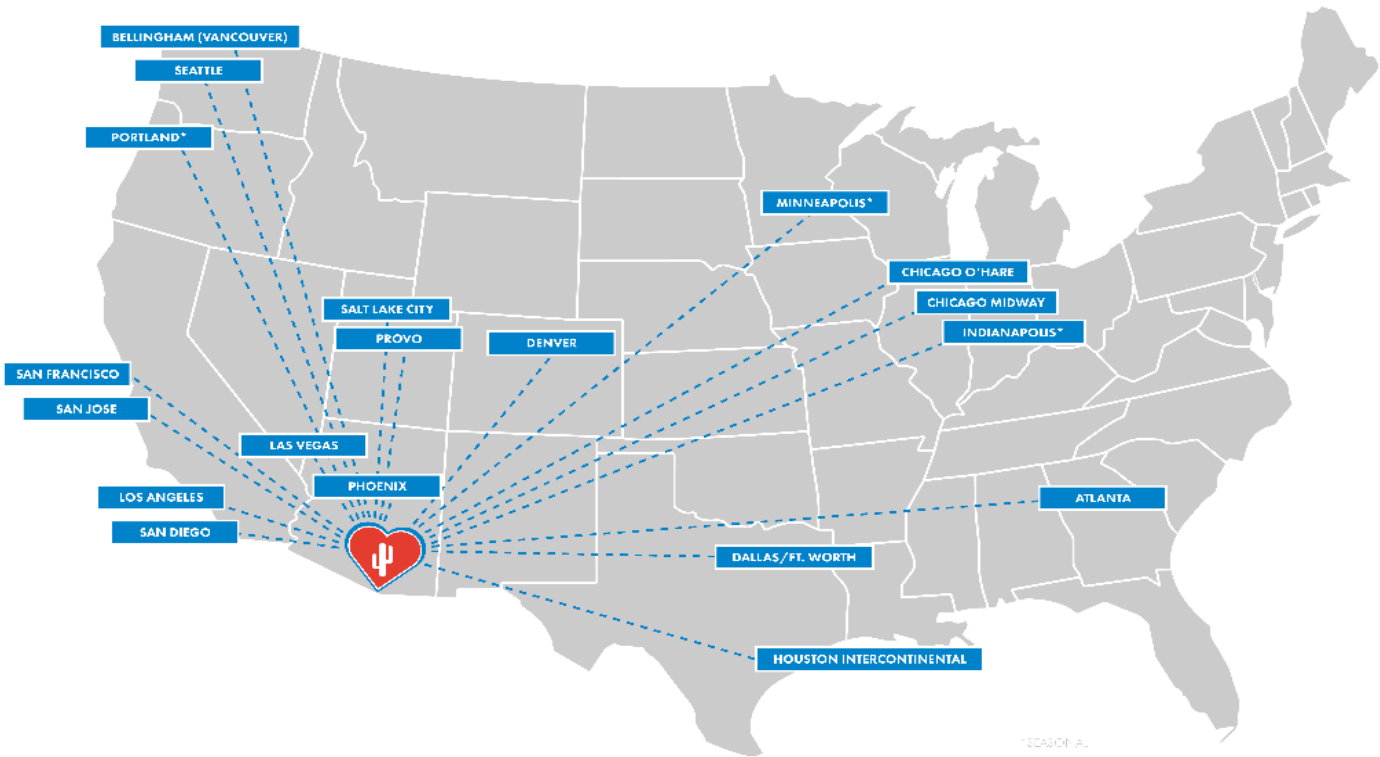
Summary of Operations and Statistics

- Total Passengers (MTD & YTD vs prior year)
  - Total passengers for the month of January 2021 were 64.4% lower than prior year.
  - YTD total passengers were 60.8% lower than prior year.
  
- Average Daily Scheduled Departures (MTD vs prior year, changes by routes & carrier)
  - The month of January had an average daily departure count of 36, which was 22 lower than the prior year.
  - The decrease was attributable to service cuts to Atlanta (1), Denver (1), Dallas/Ft. Worth (2), Houston Bush (2), Las Vegas (1), Los Angeles (6), Chicago Midway (1), Chicago O'Hare (1), Portland (1), Phoenix (3), San Diego (2), San Francisco (2), and San Jose (1), offset by increases to Houston Hobby (1) and Salt Lake City (1).
  - Departure decreases by carrier were American (9), Southwest (6), United (5), Alaska (1) and Allegiant (1). Total departures from Delta were unchanged from prior year.
  
- Average Daily Seat capacity (MTD vs prior years)
  - Seat capacity for January 2021 was 39.8% lower than prior year and 43.9% lower than 2019.
  
- Load Factors (MTD & YTD vs prior years)
  - The load factor for January was 44.9%, which is 30.5% lower than FY2020 and 24.3% lower than FY2019 for the same month.
  - The January year-to-date load factor of 57.1% was 26.2% lower than FY2020 and 23.3% lower than FY2019.
  
- Aircraft Operations (MTD & YTD vs prior year)
  - Freight, measured in pounds, was 9.7% higher in January and is 11.9% higher YTD versus prior year.
  - Total aircraft operations were 9.6% lower than the same month last year, with decreases in all categories except general aviation.
  - Year-to-date operations are 0.1% lower than prior year, with decreases in air carrier being offset by increases in general aviation.

# AVIATION ACTIVITY REPORTS

## Tucson International Airport (TUS)

For the four months ending January 31, 2021





**TUCSON AIRPORT AUTHORITY  
TUS PASSENGER ACTIVITY**

**TUCSON AIRPORT AUTHORITY  
TUS ACTIVITY OVERVIEW**

PASSENGERS*	Jan-21	Jan-20	% CHANGE	Fiscal YTD		% CHANGE
				2021	2020	
ENPLANED	54,661	152,606	-64.2%	253,275	642,823	-60.6%
DEPLANED	58,776	166,187	-64.6%	257,302	658,110	-60.9%
<b>TOTAL</b>	<b>113,437</b>	<b>318,793</b>	<b>-64.4%</b>	<b>510,577</b>	<b>1,300,933</b>	<b>-60.8%</b>

\*Passenger figures include non-revenue passengers.

**LANDED WEIGHT\*\***

AIR CARGO	13,105	14,167	-7.5%	55,664	55,390	0.5%
AIR CARRIER	113,820	189,360	-39.9%	419,033	727,525	-42.4%
<b>TOTAL</b>	<b>126,925</b>	<b>203,527</b>	<b>-37.6%</b>	<b>474,697</b>	<b>782,915</b>	<b>-39.4%</b>

\*\*In thousand pound units.

**FREIGHT (in pounds)**

ENPLANED	2,663,984	2,495,034	6.8%	11,148,599	10,127,994	10.1%
DEPLANED	3,025,723	2,693,765	12.3%	12,511,613	11,011,805	13.6%
<b>TOTAL</b>	<b>5,689,707</b>	<b>5,188,799</b>	<b>9.7%</b>	<b>23,660,212</b>	<b>21,139,799</b>	<b>11.9%</b>

**MAIL (in pounds)**

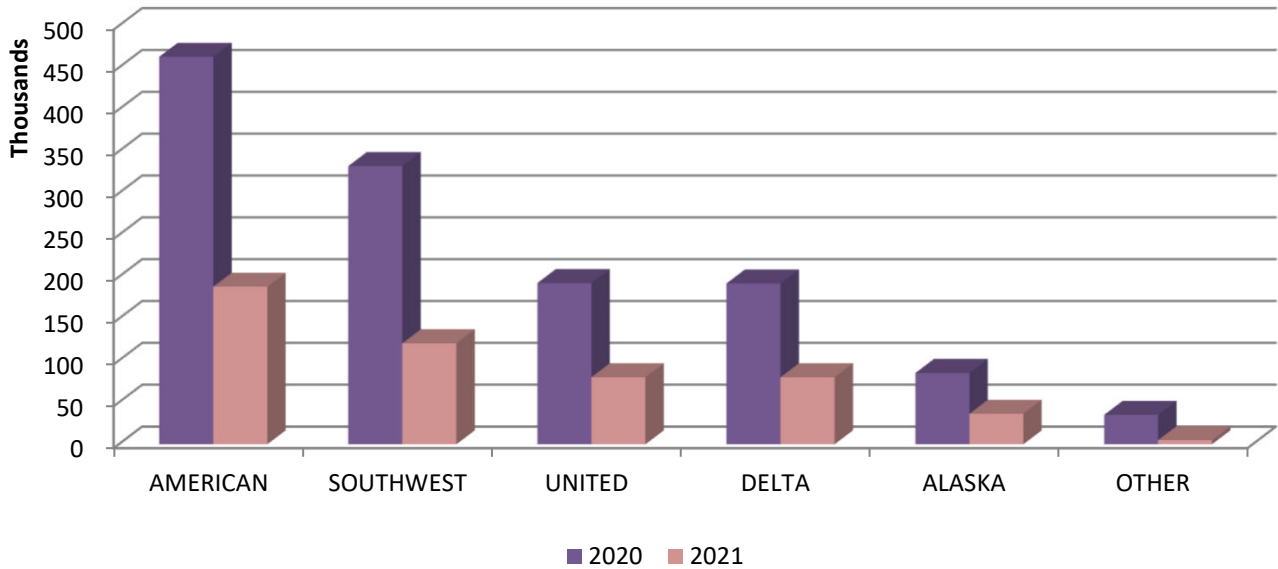
ENPLANED	0	1,509	-100.0%	23	1,556	-98.5%
DEPLANED	12,085	1,184	920.7%	39,903	2,686	1385.6%
<b>TOTAL</b>	<b>12,085</b>	<b>2,693</b>	<b>348.8%</b>	<b>39,926</b>	<b>4,242</b>	<b>841.2%</b>

**AIRCRAFT OPERATIONS**

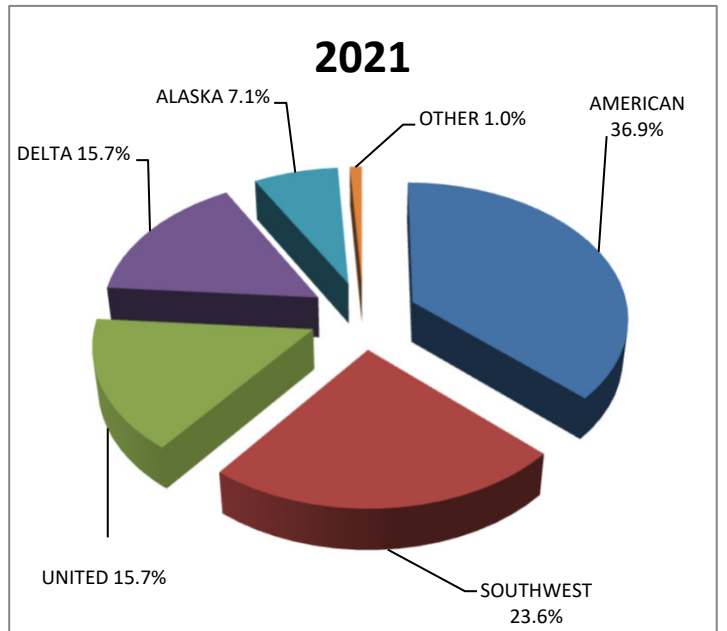
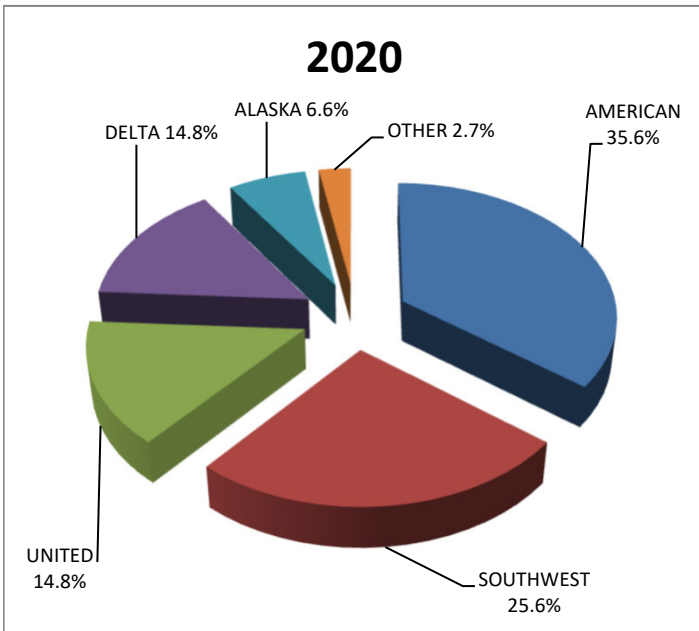
AIR CARRIER	2,145	3,355	-36.1%	8,240	13,236	-37.7%
AIR TAXI	1,315	1,418	-7.3%	5,431	5,488	-1.0%
MILITARY	1,741	1,939	-10.2%	6,516	6,049	7.7%
GENERAL AVIATION	5,977	5,657	5.7%	24,621	20,074	22.7%
<b>TOTAL</b>	<b>11,178</b>	<b>12,369</b>	<b>-9.6%</b>	<b>44,808</b>	<b>44,847</b>	<b>-0.1%</b>

# TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY

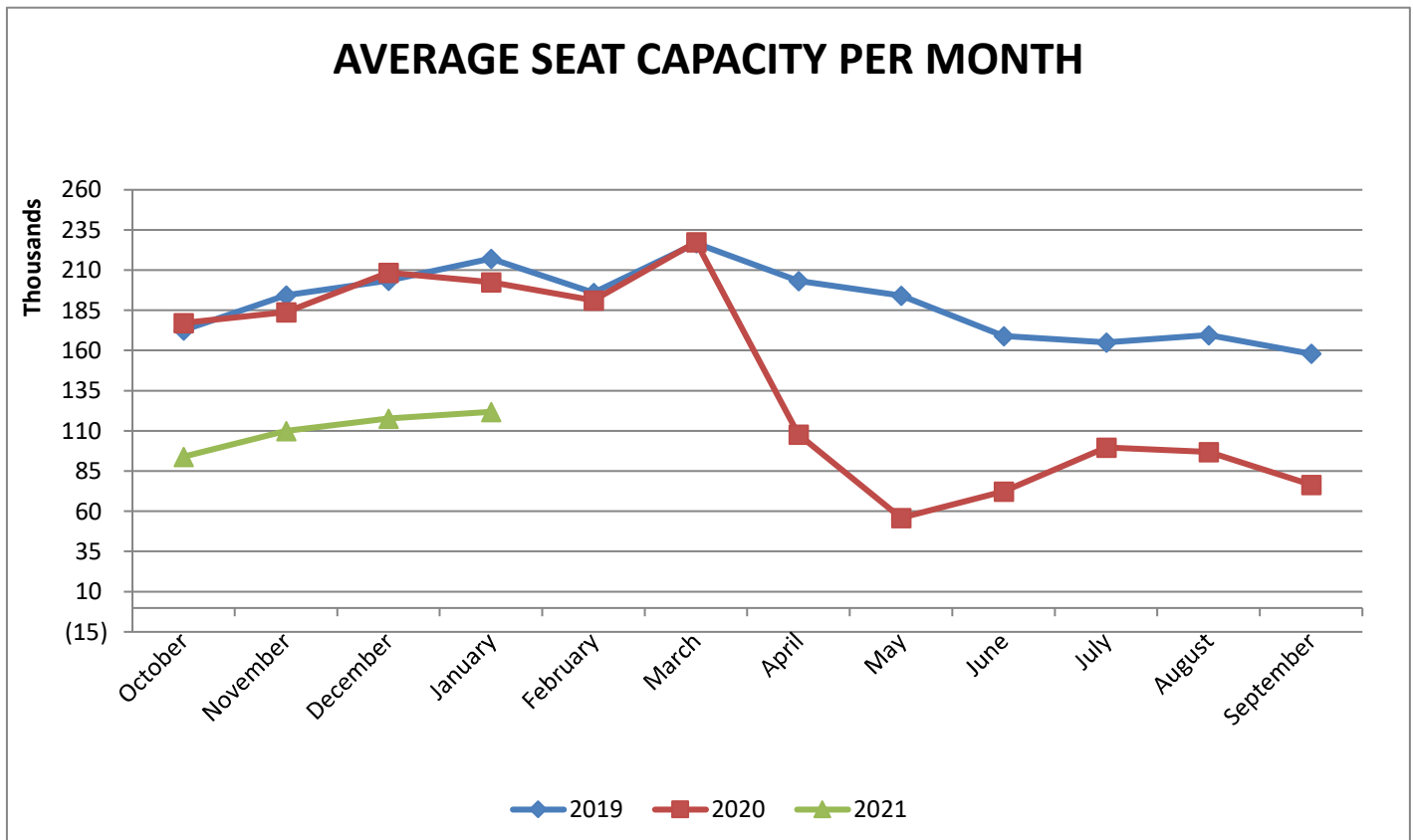
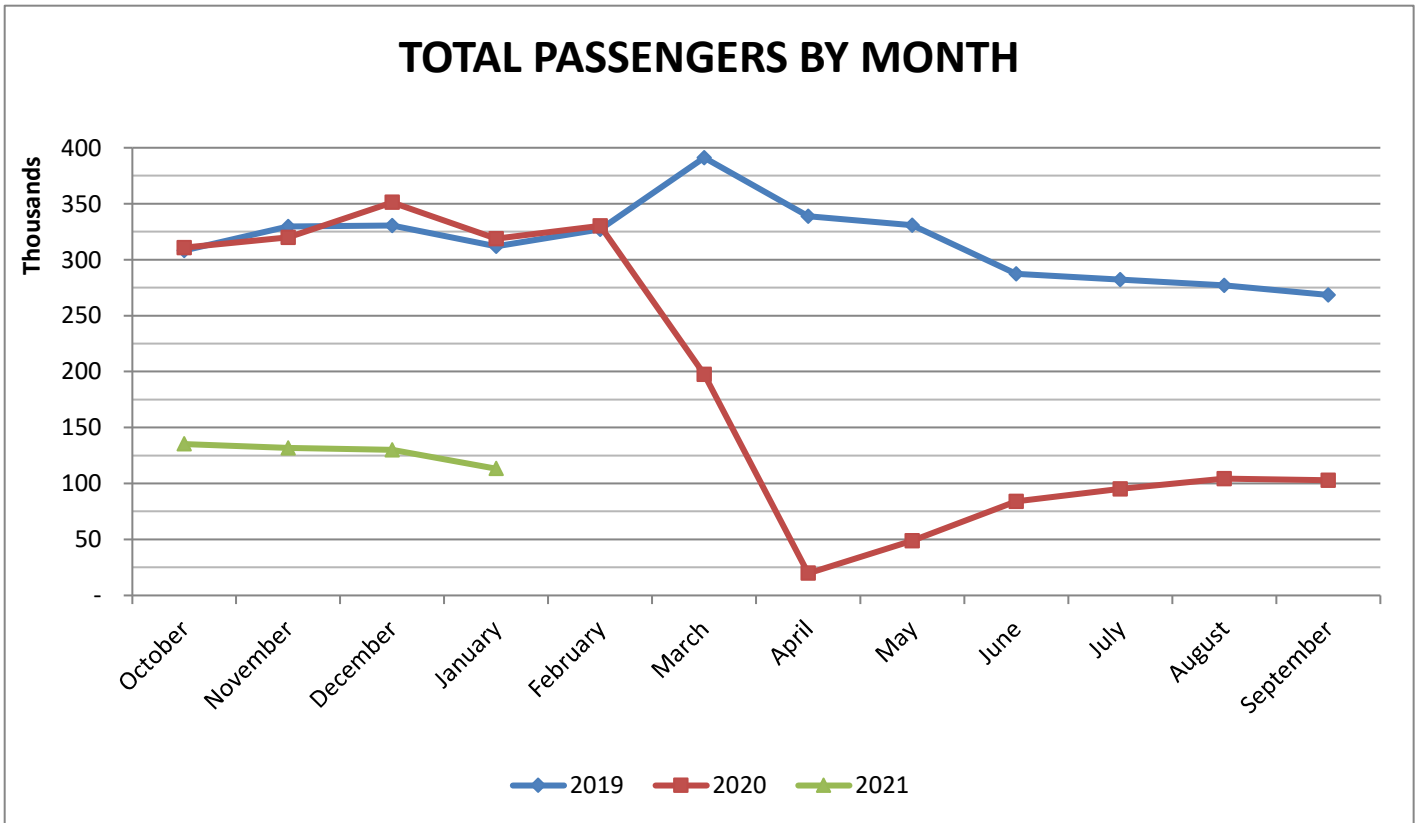
## TOTAL PASSENGERS YTD BY AIR CARRIER



## AIR CARRIER MARKET SHARE

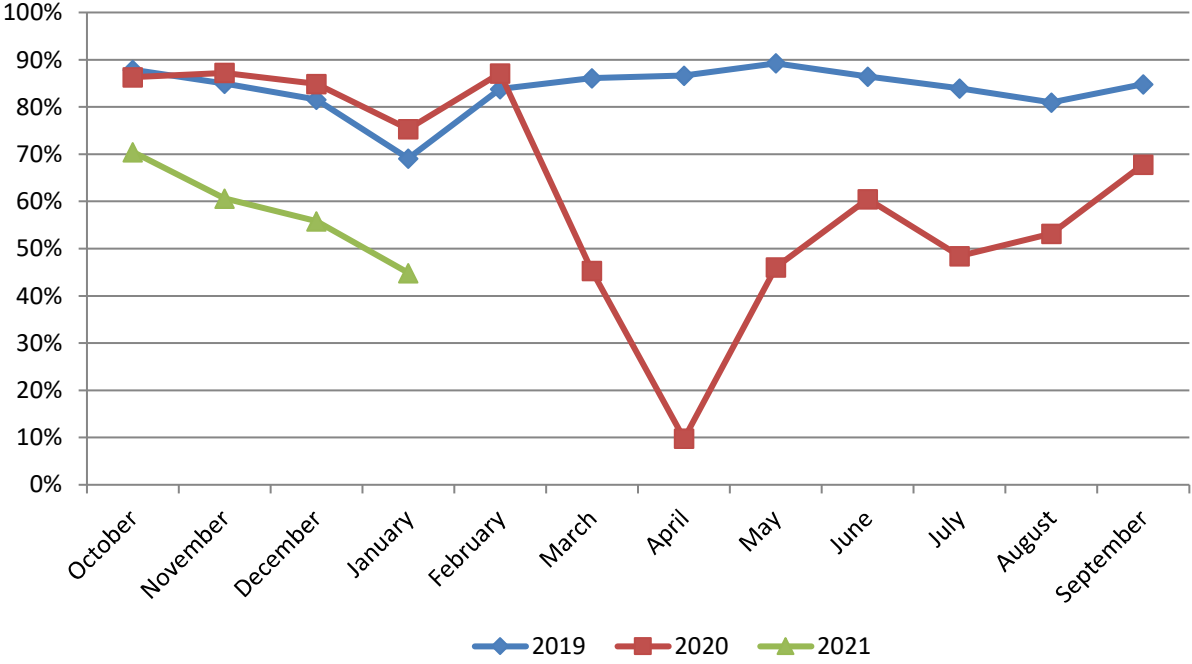


# TUCSON AIRPORT AUTHORITY TUS PASSENGER ACTIVITY



TUCSON AIRPORT AUTHORITY  
TUS PASSENGER ACTIVITY

LOAD FACTORS (AVAILABLE SEATS / TOTAL ENPLANEMENTS)



**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 (2)</i>	ATL	2.0	2.5	(0.5)	382	420	(38)
BELLINGHAM <i>Allegiant (0)</i>	BLI	0.0	0.3	(0.3)	0	45	(45)
DENVER <i>United (3), Southwest (2.1), Frontier (.2)</i>	DEN	5.3	6.5	(1.2)	567	665	(98)
DALLAS/FT WORTH <i>American (5.4)</i>	DFW	5.4	6.9	(1.5)	878	1,093	(215)
HOUSTON HOBBY <i>Southwest (0.9)</i>	HOU	0.9	0.0	0.9	125	0	125
HOUSTON BUSH <i>United (1.1)</i>	IAH	1.1	3.2	(2.1)	76	289	(213)
LAS VEGAS <i>Southwest (2.1), Allegiant ()</i>	LAS	2.1	3.0	(0.9)	306	425	(119)
LOS ANGELES <i>Southwest (), Delta (2) American ()</i>	LAX	2.0	8.0	(6.0)	155	736	(581)
CHICAGO MIDWAY <i>Southwest (.3)</i>	MDW	0.3	0.7	(0.4)	42	108	(66)
MINNEAPOLIS <i>Delta (1) Sun Country(.3)</i>	MSP	1.3	1.3	0.0	235	209	26
OAKLAND <i>Southwest (0)</i>	OAK	0.0	0.0	0.0	0	5	(5)
INDIANAPOLIS <i>Allegiant ()</i>	IND	0.0	0.3	(0.3)	0	51	(51)
CHICAGO O'HARE <i>American (.8) United (1)</i>	ORD	1.8	3.2	(1.4)	145	392	(247)
PORTLAND <i>Alaska (1)</i>	PDX	1.0	2.0	(1.0)	76	154	(78)
PHOENIX <i>American (3.6)</i>	PHX	3.6	6.7	(3.1)	278	650	(372)
PROVO <i>Allegiant ()</i>	PVU	0.0	0.3	(0.3)	0	51	(51)
SAN DIEGO <i>Southwest ()</i>	SAN	0.0	2.0	(2.0)	0	282	(282)
SEATTLE/TACOMA <i>Alaska (2) Delta (1)</i>	SEA	3.0	2.9	0.1	295	411	(116)
SAN FRANCISCO <i>United (1.9)</i>	SFO	1.9	3.9	(2.0)	97	224	(127)
SAN JOSE <i>Southwest ()</i>	SJC	0.0	1.0	(1.0)	0	135	(135)
SALT LAKE CITY <i>Delta (3.8)</i>	SLC	3.8	2.5	1.3	274	185	89
<b>TOTAL</b>		<b>35.5</b>	<b>57.2</b>	<b>(21.7)</b>	<b>3,931</b>	<b>6,530</b>	<b>(2599)</b>

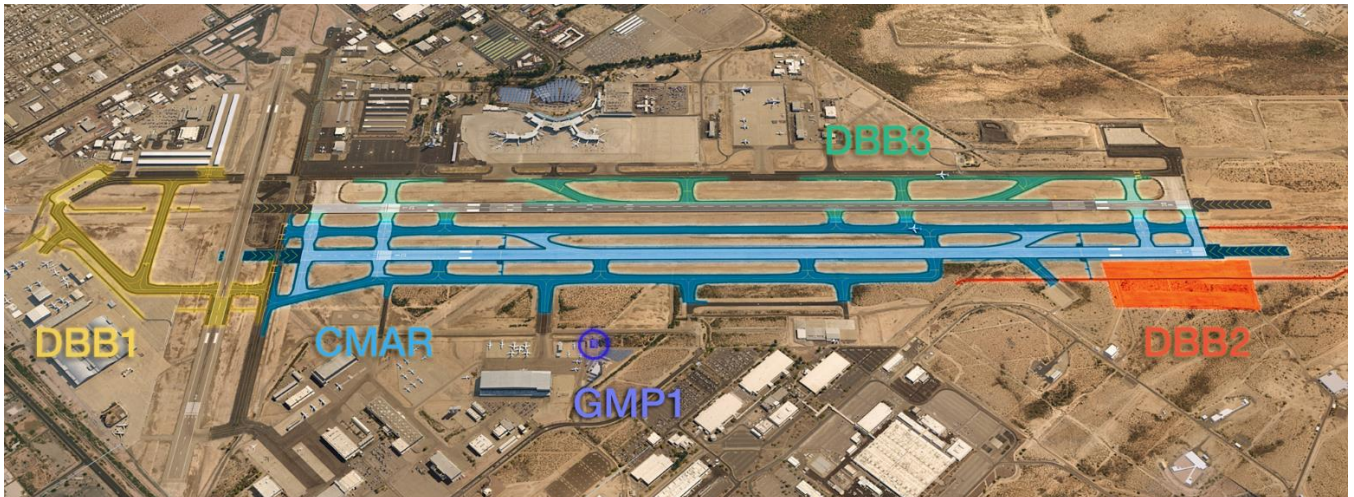
**Date:** February 19+, 2021

**To:** TAA Board of Directors  
**From:** Mike Smejkal, PE, AAE – VP of Planning & Engineering  
**Re:** ASE Quarterly Update

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**Scope Overview:**

The Airfield Safety Enhancement Program is a safety and standards project that brings the TUS airfield up to date with FAA standards and removes two (2) Hot Spots from the Airfield. The program includes 4 projects (CMAR, DBB1, DBB2, DBB3), land transactions with TAA, USAF and COT (Parcel F, G & H), and noise mitigation programs including sound insulation for residences and acquisition/relocation program.



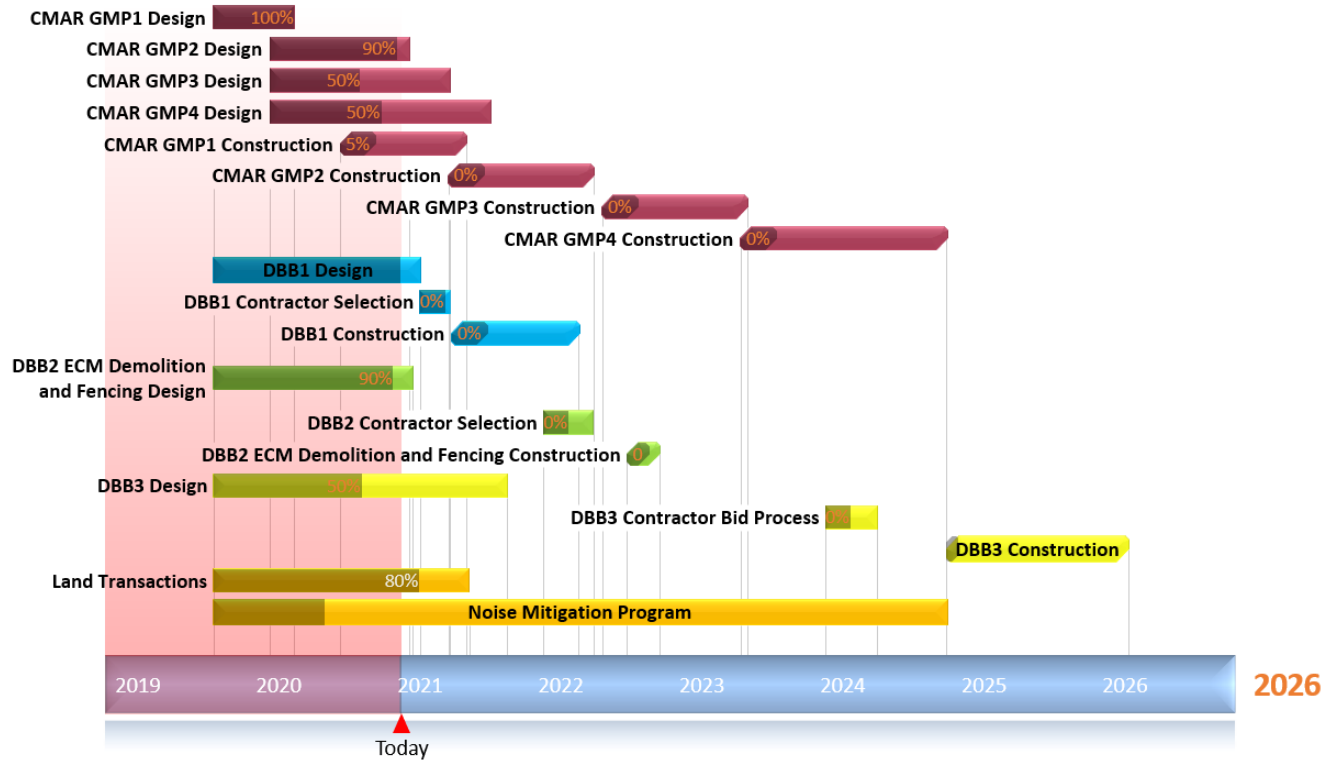
**Milestones reached in last Quarter:**

- GMP#1 (South Airfield Vault) Field Work began
- 90% Design Submitted for GMP 2
- SRMP Panel for DBB1 completed
- Sound Insulation & Relocation Consulting Teams Selected.

**3 Month Look ahead**

- Execute Purchase Agreement on Parcels F & G (Summer 2021)
- Advertise for bid the construction contract for DBB1
- Refine funding scenarios with FAA ADO.
- NTP for Sound Insulation & Relocation Consulting Teams

**Milestone Program Schedule**



**Program Costs:**

	Committed Cost	Invoiced to Date
Administrative	\$ 978,825	\$ 151,120
Design	\$ 13,124,819	\$ 8,528,235
PM/CM	\$ 4,390,887	\$ 3,208,573
Construction	\$ 6,674,900	\$ 805,691
Land Acquisition	\$ 119,505	\$ 119,505
Noise Mitigation	\$ -	\$ -
Misc. Costs	\$ 87,618	\$ 87,618
<b>Totals</b>	<b>\$ 25,376,554</b>	<b>\$ 12,900,743</b>
Current Budget	\$ 326,667,448	**
Percent Committed	7.8%	
Percent Spent	3.9%	

Date: March 22, 2021

To: TAA Board of Directors  
From: Jessie Butler, Director of Communications and External Relations  
Re: **Marketing Update**

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### **Nonstop for Tucson Campaign**

The 'Nonstop for Tucson' campaign has officially launched as of mid-February. After months of planning, we have developed a strategic marketing plan, which will be re-evaluated every quarter, for the new campaign. Within the community and during your daily routine, you may see and/or hear the 'Nonstop for Tucson' tagline through the following mediums:

- Display Ads (banner ads)
- Digital Video (YouTube)
- Billboards (three along I-10)
- Social Ads (Facebook and Instagram)
- Pandora and Spot Radio
- Tucson Roadrunners arena dasher boards



### **Social Media**

Organic social media posts continue to be one of the best ways for the TAA to share messaging. Since the start of 2021, we have seen an increase along all channels. We can attribute having a snowstorm at TUS for some of the high numbers having our posts shared by national outlets, such as Weather Channel, CNN, among national reporters.

Noteworthy analytics between January 1 – February 22, 2021

- Twitter | more than 200k unique impressions, profile visits up 47%
- Facebook | monthly users up 45% (2k unique users)
- Instagram | more than 4k followers

### **Flytucson.com Website**

Our COVID-19 information on our [flytucson.com](https://flytucson.com) website is continuing to attract heavy traffic. We keep it up to date and review potential changes daily to keep our passengers informed of the latest information. There is so much information that this month we split what was one page that was becoming slow to load, according to Google, into four pages, so users could quickly access the information they are looking for.

In the two weeks preceding the change, our single page had 3,768 page views. In the two weeks since the change our four pages had 5,163 page views. What is especially noteworthy is that mobile device users grew by 182%. Especially important since 76% of users are using mobile devices.



The four pages:

1. Introductory page, including Welcome from CEO Danette Bewley
2. Changes at TUS
3. Changes with the airlines at TUS
4. Answers to hot topic COVID-19 questions

The website in February is averaging just under 2,000 total users a day. Flight arrivals and departures remains far-and-away the most sought-after information on our website (11,956 over the past two weeks). After the COVID pages, the next three, in order are destinations (1,831), jobs (1,487) and 1,302 parking (including reservations).

### **In the News**

Our team has actively pitched to the media numerous stories from 'TUS Cares' initiatives to air service updates. Below are a few stories mentioning the TAA:

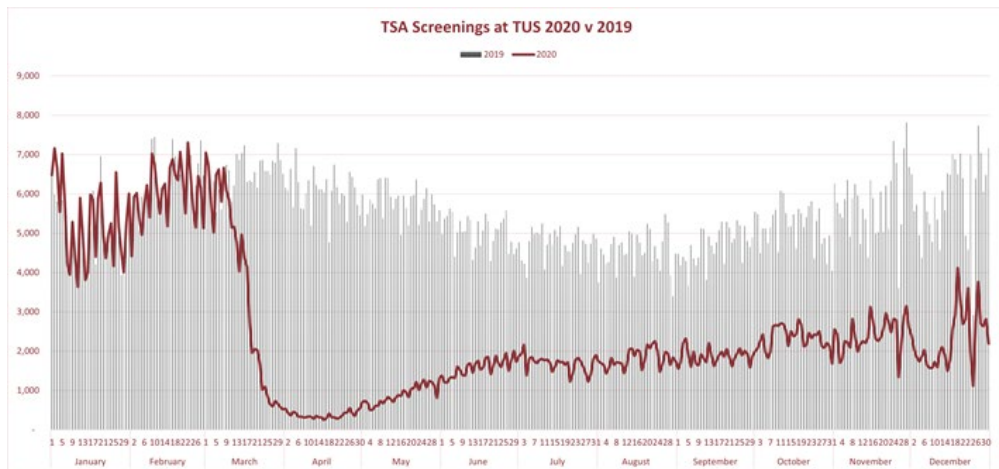
- [Tucson Airport Police Get Two Public Safety Robots](#)
- [Tucson airport saw traffic plunge in 2020](#)
- [Low-cost airline resumes nonstop flights from Tucson](#)
- [Tucson International Airport Earns Arizona Airport Safety Award](#)

Date: February 22, 2021

To: TAA Board of Directors  
 From: Dave Hatfield, Senior Director of Air Service Development  
 Re: March TUS Air Service Update

**Air Service Overview**

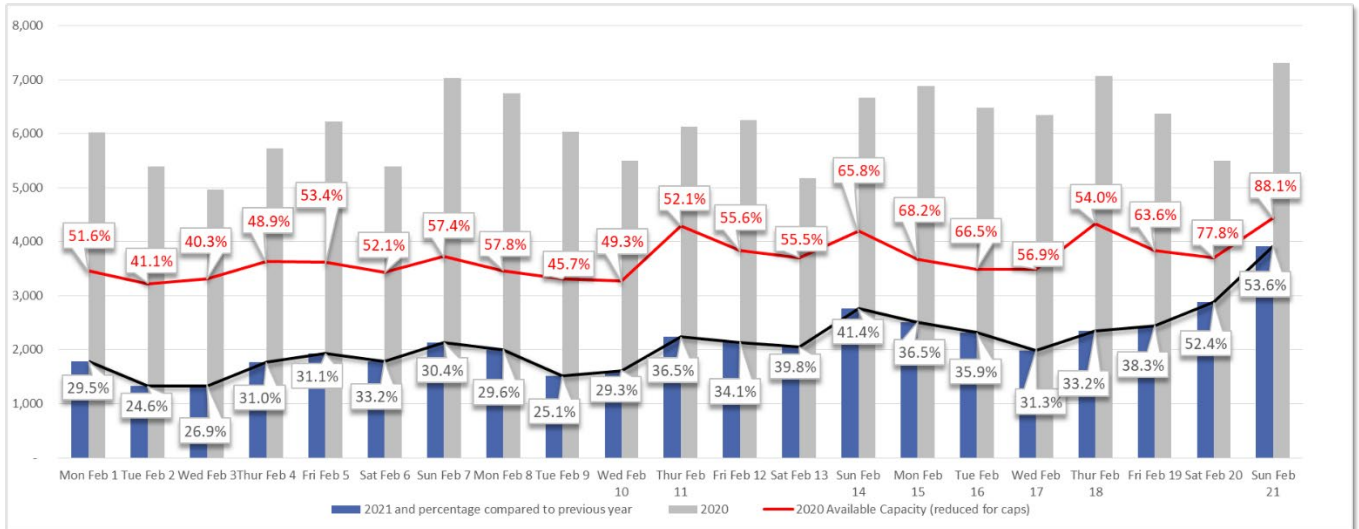
March marks the one-year anniversary of the severe impacts of COVID-19 on the airport and airline industries. Airlines continue monitor bookings and make schedule adjustments less than two months out. As this is being written, updated April schedules were filed in the past two days by Alaska and Delta airlines, American filed its schedule a week earlier and United has yet to file its schedule.



Allegiant, Frontier, Southwest and Sun Country have had their April schedules out for a while but it's not uncommon for all four to make last-minute adjustments.

Passenger numbers at Tucson International Airport (TUS) have remained below our projections, however, this past weekend there were signs of positive change. The following chart shows TSA screenings of departing passengers for February 1-21, 2021. The percentages along the black line are compared to February 2020 showing for most of the month passengers have been less than 40% of a year ago. That seems to have changed the weekend of February 20 and 21.

More significant from the airlines view, the red line shows scheduled capacity for each with the percentage of departing seats filled indicated. (These capacity takes into account Delta Air Lines policy of continuing to block seats.) Obviously it is too soon to tell if this weekend's spike is indicative of change. This will be updated at your Board meeting. For context, filling 88% of available capacity would have been good in pre-pandemic times and in the current environment those numbers are extraordinary.



Going forward, we will track TUS 2021 numbers compared to both 2020 and 2019. Barring last-minute changes, as of March 11 all but two pre-pandemic routes at TUS will have been restored. In February, Allegiant returned with service to Indianapolis and Provo and in March, Southwest is scheduled to resume Saturday flights to San Diego and then go daily in April.

The two routes that have not resumed are Bellingham, Washington, and San Jose, California. Both remain suspended largely due to circumstances at both destinations. At Bellingham, two-thirds of the airport’s passengers have been Canadians who drive across the border that is now closed. And San Jose in Santa Clara County, has strict quarantine and safety rules that remain in effect that has drastically reduced travel. (Among other things, the rules forced the San Francisco 49ers to play some of the team’s home games at State Farm Stadium in Glendale.)

On the plus side, Southwest Airlines on March 11 is due to start nonstop flights to Oakland. You will recall that in October, Southwest started flights to Houston Hobby six days a week and this month those will go to all seven days a week.

The next chart shows schedule flights and capacity from TUS for March and April. Historically, these are two of the airport’s busiest months of the year with 60 or more daily departing flights. For March, airlines have scheduled an average of 42 daily departures, down 32.7% from what was scheduled in March 2020. It should be noted this chart does not reflect last-minute cancellations due to the collapse in 2020.)

Airline	Destination		March						April					
			Avg Daily Departures			Avg Daily Seats			Avg Daily Departures			Avg Daily Seats		
			2021	%v2020	%v2019	2021	%YOY	%v2019	2021	%v2020	%v2019	2021	%v2020	%v2019
American Airlines	Dallas/Fort Worth	DFW	5.6	-22.2%	-19.4%	938	-20.3%	-14.7%	5.4	47.3%	-22.9%	870	48.6%	48.6%
	Los Angeles	LAX	0.0	-100.0%	-100.0%	0	-100.0%	-100.0%	0.0	-100.0%	-100.0%	0	-100.0%	-100.0%
	Chicago O'Hare	ORD	0.9	-54.7%	-49.6%	71	-77.9%	-75.8%	1.7	212.5%	-10.3%	242	187.7%	187.7%
	Phoenix	PHX	4.8	-33.9%	-30.9%	365	-48.6%	-37.5%	4.9	71.8%	-39.2%	368	49.4%	49.4%
<b>AA Total</b>			<b>11.4</b>	<b>-41.2%</b>	<b>-39.4%</b>	<b>1374</b>	<b>-43.0%</b>	<b>-39.0%</b>	<b>11.9</b>	<b>57.0%</b>	<b>-38.6%</b>	<b>1,481</b>	<b>54.7%</b>	<b>54.7%</b>
Alaska Airlines	Portland	PDX	1.0	-49.2%	-22.2%	76	-49.2%	-22.4%	1.0	233.3%	0.0%	76	233.3%	233.3%
	Seattle	SEA	2.0	0.0%	0.0%	300	2.9%	-15.0%	2.0	66.7%	0.0%	356	178.1%	178.1%
	San Jose	SJC			100.0%			-100.0%						
<b>AS Total</b>			<b>3.0</b>	<b>-24.4%</b>	<b>-30.0%</b>	<b>376</b>	<b>-14.7%</b>	<b>-28.6%</b>	<b>3.0</b>	<b>100.0%</b>	<b>-25.0%</b>	<b>432</b>	<b>186.5%</b>	<b>186.5%</b>
Delta Air Lines	Atlanta	ATL	2.0	-22.5%	0.0%	380	-6.4%	5.6%	1.8	260.0%	-10.0%	344	268.8%	268.8%
	Los Angeles	LAX	2.5	-2.5%	-11.9%	191	2.7%	-6.7%	2.6	129.4%	-9.0%	198	130.5%	130.5%
	Minneapolis	MSP	1.0	3.3%	0.0%	191	26.1%	20.9%	1.0	2900.0%	0.0%	169	3751.5%	3751.5%
	Seattle	SEA	1.0	-35.4%	0.0%	132	-38.1%	0.0%	1.0	2900.0%	New	132	2900.0%	2900.0%
	Salt Lake City	SLC	3.9	36.4%	29.0%	293	38.5%	31.8%	3.9	84.4%	31.1%	299	84.8%	84.8%
<b>DL Total</b>			<b>10.4</b>	<b>-1.2%</b>	<b>5.4%</b>	<b>1187</b>	<b>1.6%</b>	<b>10.2%</b>	<b>10.3</b>	<b>169.6%</b>	<b>18.6%</b>	<b>1,142</b>	<b>226.7%</b>	<b>226.7%</b>
Frontier	Denver	DEN	0.4	-14.3%	-32.3%	59	-29.5%	-38.3%	0.2	250.0%	-45.6%	35	182.3%	182.3%
<b>F9 Total</b>			<b>0.4</b>	<b>-14.3%</b>	<b>-32.3%</b>	<b>59</b>	<b>-29.5%</b>	<b>-38.3%</b>	<b>0.2</b>	<b>250.0%</b>	<b>-45.6%</b>	<b>35</b>	<b>182.3%</b>	<b>182.3%</b>
Allegiant Air	Bellingham	BLI			-100.0%			-100.0%			-100.0%			-100.0%
	Indianapolis	IND	0.3	-11.1%	New	48	-6.6%	New	0.1	0.0%		25	5.1%	5.1%
	Las Vegas	LAS	0.3	New	New	40	New	New	0.3	0.0%		47	New	New
	Provo	PVU	0.3	-11.1%	-9.7%	44	-14.1%	-1.9%	0.3	125.0%	5.0%	55	132.2%	132.2%
<b>G4 Total</b>			<b>0.8</b>	<b>-11.1%</b>	<b>35.5%</b>	<b>132</b>	<b>-10.6%</b>	<b>45.5%</b>	<b>0.7</b>	<b>175.0%</b>	<b>28.3%</b>	<b>126</b>	<b>167.8%</b>	<b>167.8%</b>
Sun Country	Minneapolis	MSP	0.3	-20.0%	-54.8%	48	-20.0%	-44.2%	0.1	0.0%	-6.7%	25	-100.0%	-100.0%
<b>SY Total</b>			<b>0.3</b>	<b>-33.3%</b>	<b>-54.8%</b>	<b>48</b>	<b>-33.3%</b>	<b>-44.2%</b>	<b>0.1</b>	<b>0.0%</b>	<b>-6.7%</b>	<b>25</b>	<b>-100.0%</b>	<b>-100.0%</b>
United Airlines	Denver	DEN	3.6	-27.1%	-36.2%	250	-31.7%	-38.8%	4.9	35.2%	3.2%	263	2.5%	2.5%
	Houston Bush	IAH	2.0	-59.2%	-50.0%	145	-65.2%	-65.7%	3.0	38.5%	-25.0%	210	23.3%	23.3%
	Chicago O'Hare	ORD	1.0	-11.4%	-12.5%	70	-53.6%	-61.3%	1.0	0.0%	0.0%	70	-7.9%	-7.9%
	San Francisco	SFO	2.7	-31.5%	-33.8%	156	-37.9%	-32.9%	4.0	87.5%	0.0%	220	71.4%	71.4%
<b>UA Total</b>			<b>9.4</b>	<b>-37.6%</b>	<b>-37.4%</b>	<b>622</b>	<b>-47.6%</b>	<b>-50.1%</b>	<b>12.9</b>	<b>44.6%</b>	<b>-5.2%</b>	<b>763</b>	<b>20.9%</b>	<b>20.9%</b>
Southwest Airlines	Denver	DEN	2.0	-26.5%	14.3%	304	-21.4%	-25.1%	2.6	11.3%	15.2%	425	18.4%	18.4%
	Houston Hobby	HOU	1.0	New	New	141	New	New	1.0	New	New	145	New	New
	Las Vegas	LAS	2.0	-18.4%	-36.4%	309	-11.9%	-33.9%	2.6	28.3%	12.3%	379	31.5%	31.5%
	Los Angeles	LAX	0.0	-100.0%	-100.0%	0	-100.0%	-100.0%	0.7	-61.1%	-76.7%	118	-54.1%	-54.1%
	Chicago Midway	MDW	0.9	-22.9%	-23.8%	148	-22.5%	-21.1%	1.1	6.3%	-60.3%	178	5.7%	5.7%
	Oakland	OAK	0.6	New	New	84	New	New	0.3	New	New	43	New	New
	San Diego	SAN	0.1	-95.2%	-95.5%	14	-95.5%	-95.4%	0.8	-58.9%	-61.7%	112	-63.5%	-63.5%
San Jose	SJC	0.0	-100.0%	-100.0%	0	-100.0%	-100.0%	0.0	-100.0%	-100.0%	0	-100.0%	-100.0%	
<b>WN Total</b>			<b>6.5</b>	<b>-45.5%</b>	<b>-50.7%</b>	<b>1000</b>	<b>-43.0%</b>	<b>-48.2%</b>	<b>9.1</b>	<b>-4.5%</b>	<b>-25.1%</b>	<b>1399</b>	<b>-2.9%</b>	<b>-2.9%</b>
<b>TUS Totals</b>			March						April					
			Avg Daily Departures			Avg Daily Seats			Avg Daily Departures			Avg Daily Seats		
			2021	%v2020	%v2019	2021	%v2020	%v2019	2021	%v2020	%v2019	2021	%v2020	%v2019
			<b>42.1</b>	<b>-32.7%</b>	<b>-32.9%</b>	<b>4,800</b>	<b>-33.9%</b>	<b>-34.3%</b>	<b>48.3</b>	<b>14.5%</b>	<b>-22.4%</b>	<b>5,403</b>	<b>50.5%</b>	<b>-20.3%</b>