

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting  
April 7, 2021 | 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 Dusenberry called the meeting to order at 3:01 p.m.

**Members Present:** 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

**Members Absent:** Ex-officio Member Taunya Villicana

**Others Present:** Sun Corridor President and CEO Joe Snell and Volaire Aviation Managing Partner Jack Penning

**Staff Present:** President/CEO Danette Bewley, VP/Chief Operating Officer Bruce Goetz, VP of Planning and Engineering Mike Smejkal, VP/General Counsel Christopher Schmaltz, VP/Chief Commercial Officer John Voorhees, VP/Chief Financial Officer Kirk Eickhoff, VP/Chief People Officer Twyla Salaisz, and TAA Clerk Byron Jones

**CONSENT AGENDA**

**1. APPROVAL OF MINUTES**

Approve the draft minutes from the Board of Directors Regular Meeting held on March 3, 2021.

**2. SOUTHWEST AIRPORT SERVICES AIR CARGO LEASE AGREEMENT EXTENSION**

Adopt Resolution No. 2021-08 approving an extension of the air cargo lease agreement with Southwest Airport Services, Inc., at Tucson International Airport.

**MOTION BY Director Fernandez, SECONDED BY Treasurer Assenmacher, to APPROVE Consent Items 1 and 2. The motion carried by the following vote:**

**Ayes 9 – Chairperson Dusenberry, Vice Chair Hammond, Secretary Silvyn, Treasurer Assenmacher, Director Draper, Director Rich, Director Swaim, Director Jackson, and Director Fernandez**

**Nays 0 – None**

## CHAIRPERSON REPORT

### 3. Staff Recognition | New or Promoted Employees, Awards and Acknowledgments

Chairperson Dusenberry recognized employees who recently started at TAA and current employees who were recently promoted:

#### NEW

- Juan Villa – Ground Transportation Coordinator
- Twyla Salaisz – Vice President and Chief People Officer

#### PROMOTED

- Kirk Eickhoff – promoted to Vice President and Chief Financial Officer
- Allen Kinnison – promoted to Director of Airside Operations
- William Allphin – promoted to Fleet Mechanic

#### RETIRING

- Dick Gruentzel – last day is April 9, 2021
- Sylvia Granillo – last day is April 9, 2021

### 4. Bylaw Analysis | Information

The Corporate Governance Council is revisiting the Advocacy Member membership category. Vice Chair Hammond will work with the Council to develop recommendations to the Board of Directors regarding whether to modify the category or remove it entirely.

- President and CEO Danette Bewley was appointed to the Board of Directors of Airports Council International (ACI).
- The Federal Aviation Administration (FAA) has selected Tucson International Airport (TUS) as the Airport of the Year for 2020.

Ex-officio Member Taunya Villicana the meeting at 3:07 p.m.

## PRESIDENT AND CEO REPORT

### 5. Strategic Plan Quarterly Update

President/CEO Danette Bewley presented an overview of the progress made in key areas of the Three-Year Strategic Plan. She noted that TAA is making excellent progress in some areas. The deadlines for other areas—primarily related to People Operations and personnel—have been extended. The Executive Team wanted to leverage the expertise and talent that the new Chief People Officer would bring to TAA. With the hiring of Twyla Salaisz to fill this role, Bewley is confident these goals will be met.

TAA has been in negotiations with its airline partners to develop a new Airline Use Agreement (AUA). Due to the economic uncertainty caused by the COVID-19 pandemic, the airlines have requested a two-year amendment to the current agreement rather than a complete overhaul.

6. Pima County Health Department | Airport designated as a Point of Distribution for COVID-19 Vaccine

Tucson International Airport was selected by the Pima County Health Department to be a point of distribution for the COVID-19 vaccine. They began distributing the Moderna two-shot vaccine a month ago and were recently offered the opportunity to distribute the Johnson & Johnson one-shot vaccine. A clinic is being held tomorrow (April 8, 2021) at the TAA Fire Department.

VP/Chief Operating Officer Bruce Goetz invited the Board members, their families, and friends to attend the clinic if they have not been vaccinated.

## PRESENTATIONS

7. Airline Industry | TUS Air Service Update

Voltaire Aviation Managing Partner Jack Penning presented an overview of the current state of air service in the United States considering the COVID-19 pandemic.

- ➔ Airlines in the United States lost \$42B in 2020.
- ➔ Small carriers such as Allegiant and SkyWest fared the best.
- ➔ Cases of COVID-19 are falling significantly. Arizona is among the lowest per capita in the United States. Travelers are looking at these statistics when they decide where to travel.
- ➔ The summer season is likely to be better than average due to the pent-up demand for leisure travel.
- ➔ The current challenge is that airlines do not have enough capacity for the increasing demand due to pilot shortages and deferred aircraft maintenance.

**ATTACHMENT ONE:** Presentation: *TUCSON RECOVERY - Trends for the Post-Pandemic - April 2021*

8. Sun Corridor | Economic Development Presentation

Sun Corridor President/CEO Joe Snell addressed a question that was brought up at the March 3, 2021 Board of Directors meeting as to whether Sun Corridor acts as a broker on TAA's behalf. Sun Corridor is not a broker. It only provides economic development/marketing services for TAA. Sun Corridor does not receive any commissions and will never be involved in contractual agreements TAA negotiates with other parties.

Snell gave an overview of Sun Corridor's deliverables to TAA during Phase One of its contract and previewed what they will focus on during Phase Two.

Phase One (2017-2020)

- ➔ Created the *Tucson International Airport 2019 Blueprint* – long-range commercial development plan.
- ➔ Developed a messaging/marketing plan (web pages, newsletters, social media, etc.) geared towards site selectors, influencers, and local stakeholders.
- ➔ Conducted forty-one sales meetings and five sales missions locally and nationally. This resulted in forty-three qualified prospects. TUS is also the finalist for two major MRO (maintenance, repair, and operations) facilities. A decision is anticipated by Fall 2021. Other companies such as Amazon, Home Depot, and Harsch Investment Properties have selected

sites due to their proximity to the airport.

Phase Two (2020-2023)

- ➔ Continue to pursue projects that were delayed due to COVID-19.
- ➔ Tucson will continue to see strong interest from the manufacturing, distribution, MRO, and biotech industries. An impediment to growth is the lack of shovel-ready properties and 150,00 sq ft spec facilities in the area. This presents an opportunity for TAA to leverage its large land holdings.
- ➔ Focus on the three key areas identified in the scope of work: 1) Direct outreach to site selectors, 2) Implement a nationwide public relations campaign towards targeted industries, and 3) Continue to generate commercial development opportunities through outbound sales missions and hosting site selectors locally.
- ➔ Assist in finding a development partner that can help TAA bring some of its infrastructure projects to fruition.

Director Fernandez left the meeting at 4:08 p.m.

**ACTION ITEMS**

**9. APPOINTMENT OF 2021 TAA ADVISORY COUNCILS**

There was no discussion.

**MOTION BY Secretary Silvyn, SECONDED BY Treasurer Assenmacher, to ADOPT Resolution No. 2021-09 approving the recommended appointments to the TAA Advisory Councils for 2021. The motion carried by the following vote:**

**Ayes 8 – Chairperson Dusenberry, Vice Chair Hammond, Secretary Silvyn, Treasurer Assenmacher, Director Draper, Director Rich, Director Swaim, and Director Jackson**  
**Nays 0 – None**

**10. SUN CORRIDOR CONTRACT AMENDMENT**

There was no discussion.

**MOTION BY Vice Chair Hammond, SECONDED BY Director Swaim, to 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. The motion carried by the following vote:**

**Ayes 8 – Chairperson Dusenberry, Vice Chair Hammond, Secretary Silvyn, Treasurer Assenmacher, Director Draper, Director Rich, Director Swaim, and Director Jackson**  
**Nays 0 – None**

**11. SUN CORRIDOR AGREEMENT (TWO-YEAR AGREEMENT - \$175,000; \$350,000)**

There was no discussion.

**MOTION BY Vice Chair Hammond, SECONDED BY Treasurer Assenmacher, to 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. The motion carried by the following vote:**

**Ayes 8 – Chairperson Dusenberry, Vice Chair Hammond, Secretary Silvyn, Treasurer Assenmacher, Director Draper, Director Rich, Director Swaim, and Director Jackson**  
**Nays 0 – None**

**DIVISION UPDATES**

**12. FINANCE AND ADMINISTRATION**

- February 2021 YTD Financials: Financial Summary/Aviation Activity Report

VP/Chief Financial Officer Kirk Eickhoff reviewed the operating and financial statistics for the month of February 2021.

- ➔ Landed weights were favorable to budget though still significantly lower than 2020.
- ➔ Passenger volumes were at 30% of pre-COVID levels during weeks one and two, but they picked up in weeks three and four to end at 48%. This upward trend has continued through March.
- ➔ Despite the unfavorable passenger volumes, operating revenues were even with budget.

**ATTACHMENT TWO:** February 2021 Financial Highlights

**13. BUSINESS AND COMMERCIAL DEVELOPMENT**

VP/Chief Commercial Officer John Voorhees presented. The Business and Commercial Development (BCD) Division has been working to streamline business processes as part of the Three-Year Strategic Plan. Their focus has been to standardize the default processes pertaining to tenants who are behind in their rents and fees, with the goals of bringing them current, recovering revenues, and re-establishing relationships. They are currently identifying impacted tenants and will be reaching out to them soon.

**14. OPERATIONS**

- FAA | Federal Aviation Regulations Part 139 Inspection Update

VP/Chief Operating Officer Bruce Goetz reported that the FAA inspector was onsite last week to conduct the airfield review, and TUS received a perfect inspection. The inspector praised

the work of the airside operations team and complimented the overall condition of the airfield. This year's inspection process is now complete.

**15. MARKETING AND AIR SERVICE**

**A. Marketing Update**

- ➔ Director of Communications and External Relations Jessie Butler shared a slideshow of the welcoming home of the University of Arizona (U of A) Women's Basketball team from the NCAA Championship Tournament. The TAA Fire Department gave the aircraft a water-cannon salute, and senior officials from the U of A were on hand. The players were appreciative of the recognition.
- ➔ Butler also shared photos of the newly installed billboard signs, roadway signs, and parking shuttle branded for the *Nonstop for Tucson* marketing campaign. All four parking shuttles will be wrapped during the next several weeks.

**B. Air Service Update**

- ➔ Senior Director of Air Service Development and Marketing David Hatfield reported that seat capacity is making significant improvements and that the post-COVID recovery is beginning earlier than anticipated. He gave an overview of air service highlights for the summer months.
- ➔ Hatfield also reported that the U.S. Department of Transportation released its preliminary passenger data for 2020 for the top one hundred airports in the United States. All three major airports in Arizona moved up in the rankings. TUS ranked at 66 (up from 74), with 821,000 passengers for the year.

**NEXT MEETING**

The next meeting will be held on Wednesday, May 5, 2021 at 3:00 p.m. via Webex.

**ADJOURN**

There being no further business to discuss, Chairperson Dusenberry adjourned the meeting at 4:45 p.m.

**APPROVED BY:**

*Keri Silvyn*

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Keri Silvyn, Secretary

Date: June 8, 2021

**Prepared by:**

*Byron M. Jones*

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

Date: June 8, 2021

**ATTACHMENT ONE**

*TUCSON RECOVERY*  
*Trends for the Post-Pandemic*  
*April 2021*

(Prepared by Volaire Aviation Consulting)

# Tucson Recovery

## Trends for the Post-Pandemic

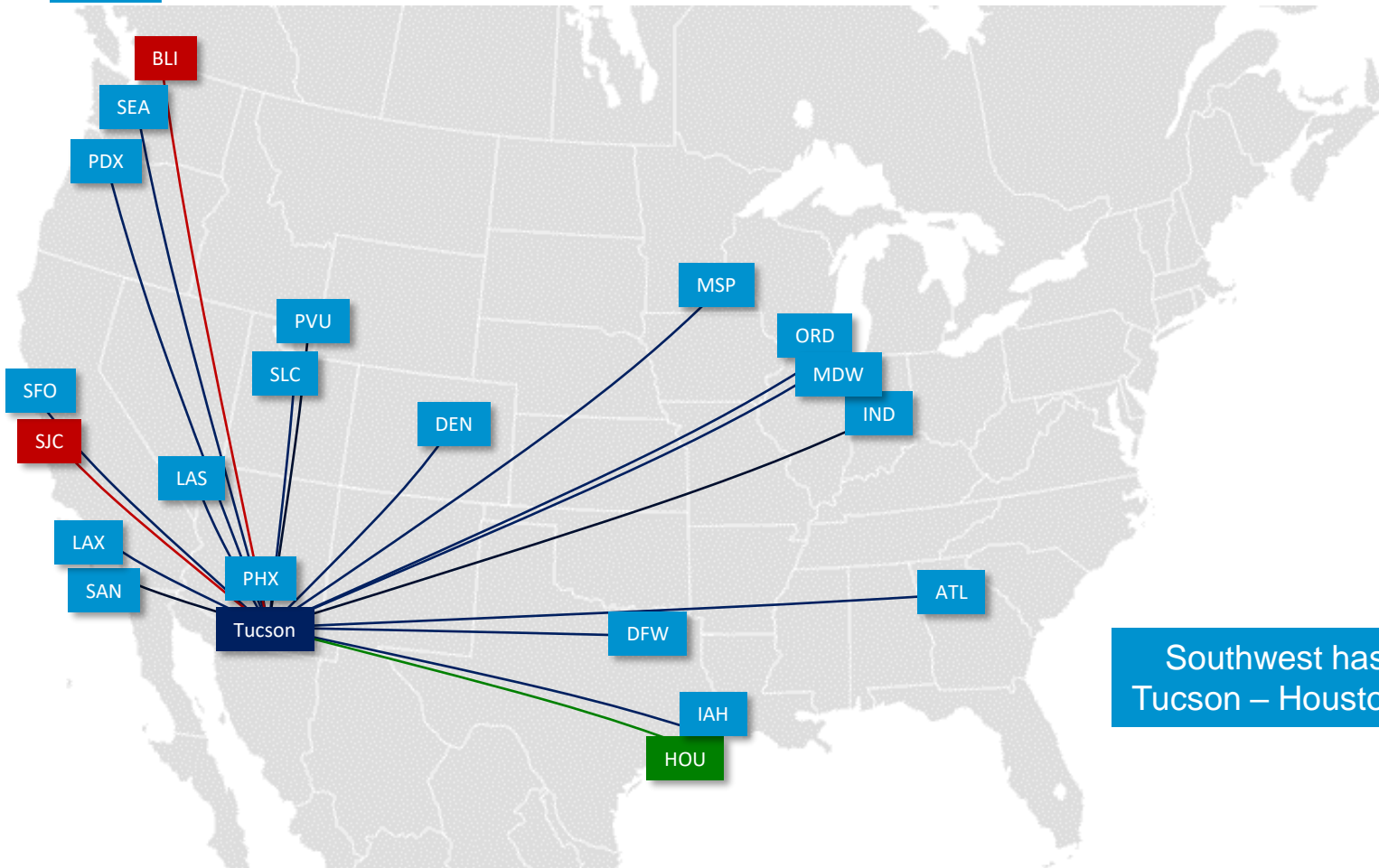
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APRIL 2021



# Most Service Has Returned to Tucson

Map of Scheduled Airline Service at Tucson International Airport  
Pre-Pandemic vs. Current, as of April 2021



Southwest has launched new Tucson – Houston Hobby service.

Source: Volaire Aviation Consulting Analysis of Amadeus Schedule Filings via Airline Data, Inc.

# State of the Industry

Nearing the Pandemic's End

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APRIL 2021

# Airlines Lost \$42 Billion in 2020

## North American Major Airlines Financial Condition Calendar Year 2020

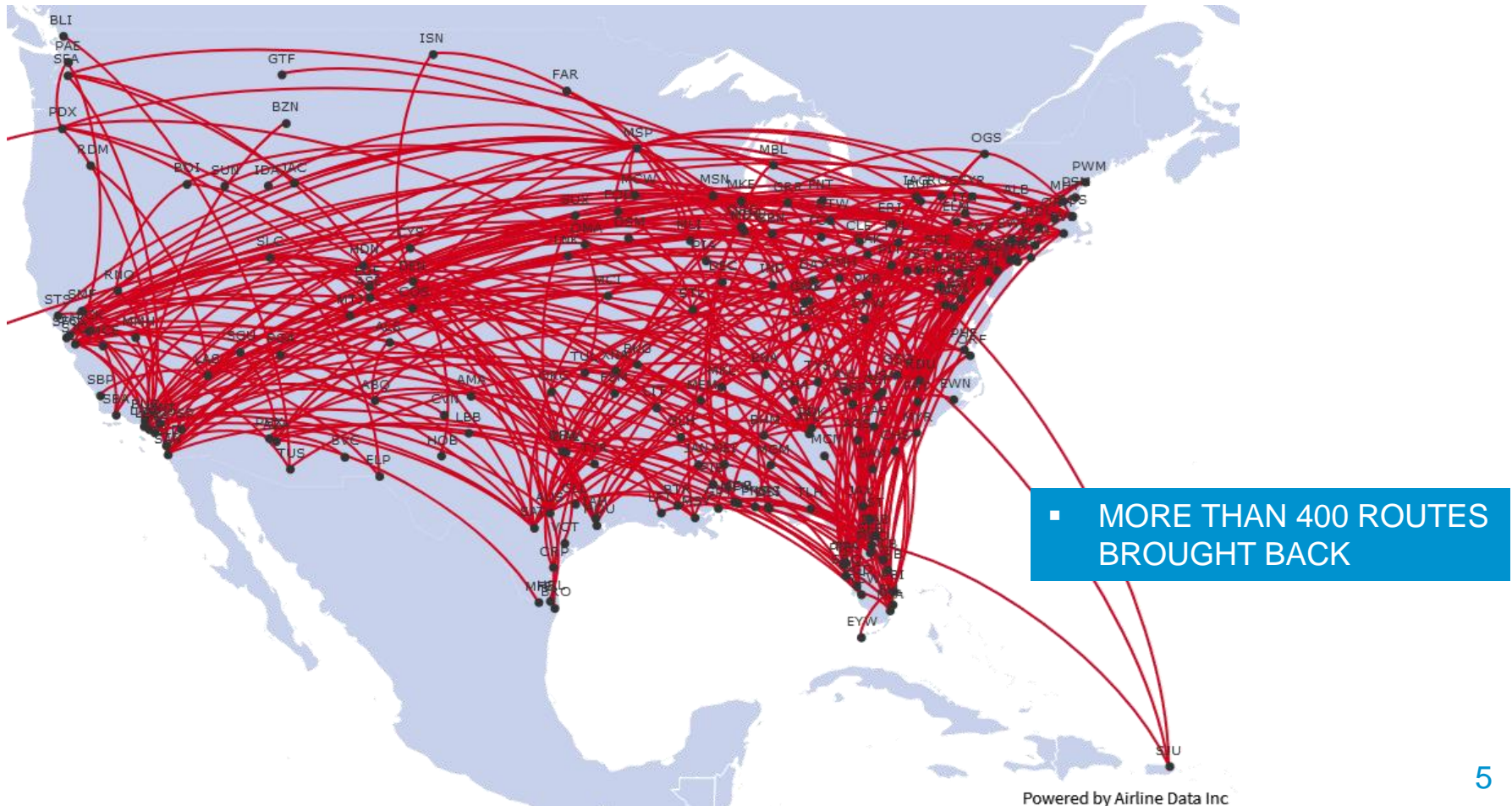
Airline	Revenue	Profit/Loss	Operating Profit/Loss	Margin	Operating Margin
Air Canada	\$5,833	(\$4,647)	(\$3,776)	-79.7%	-64.7%
Alaska	\$3,566	(\$1,307)	(\$1,753)	-36.7%	-49.2%
Allegiant	\$990	(\$149)	(\$140)	-15.1%	-14.1%
American	\$17,337	(\$10,421)	(\$8,885)	-60.1%	-51.2%
Delta	\$17,095	(\$12,385)	(\$15,587)	-72.4%	-91.2%
Hawaiian	\$845	(\$647)	(\$511)	-76.6%	-60.5%
JetBlue	\$2,957	(\$1,714)	(\$1,362)	-58.0%	-46.1%
Mesa	\$545	\$28	\$80	5.1%	14.7%
SkyWest	\$2,127	(\$9)	\$109	-0.4%	5.1%
Spirit	\$1,766	(\$429)	(\$508)	-24.3%	-28.8%
Southwest	\$9,048	(\$3,074)	(\$3,816)	-34.0%	-42.2%
United	\$15,355	(\$7,069)	(\$6,359)	-46.0%	-41.4%
Total	\$77,464	(\$41,823)	(\$42,508)	-54.0%	-54.9%



- ALLEGIAN AND SKYWEST FARED BEST WITH REILIENT BUSINESS MODELS

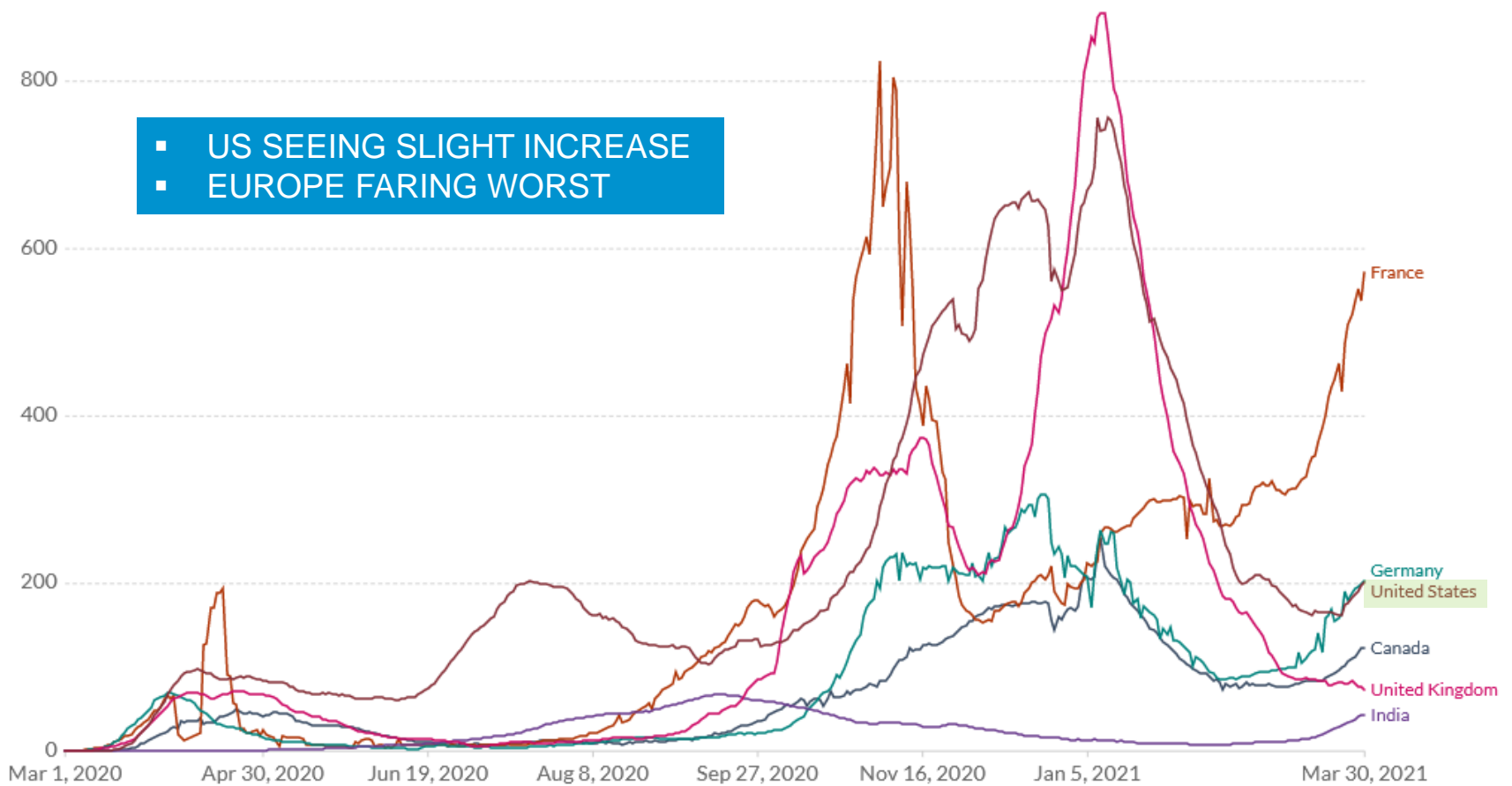
# Airlines Have Cancelled 385 Routes

US Routes Permanently Cancelled During the Pandemic  
Since March 2020



# Cases Falling in Most of the World

COVID-19 Confirmed Cases per 100,000 Residents by Country  
March 1, 2020 – March 30, 2021

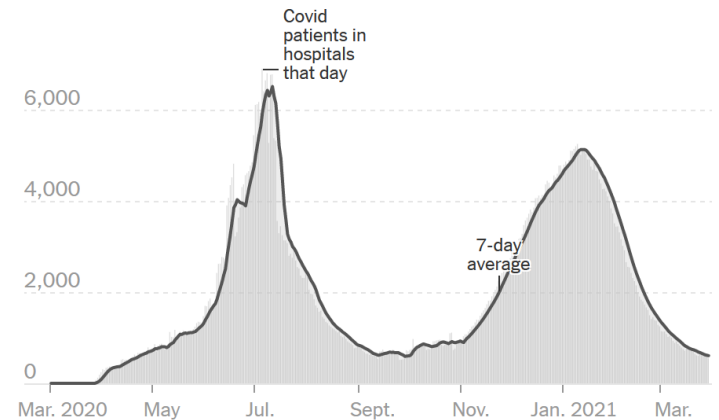


# Arizona Trends Are Better than Average

**Daily Cases in Arizona**  
March 1, 2020 – March 31, 2021



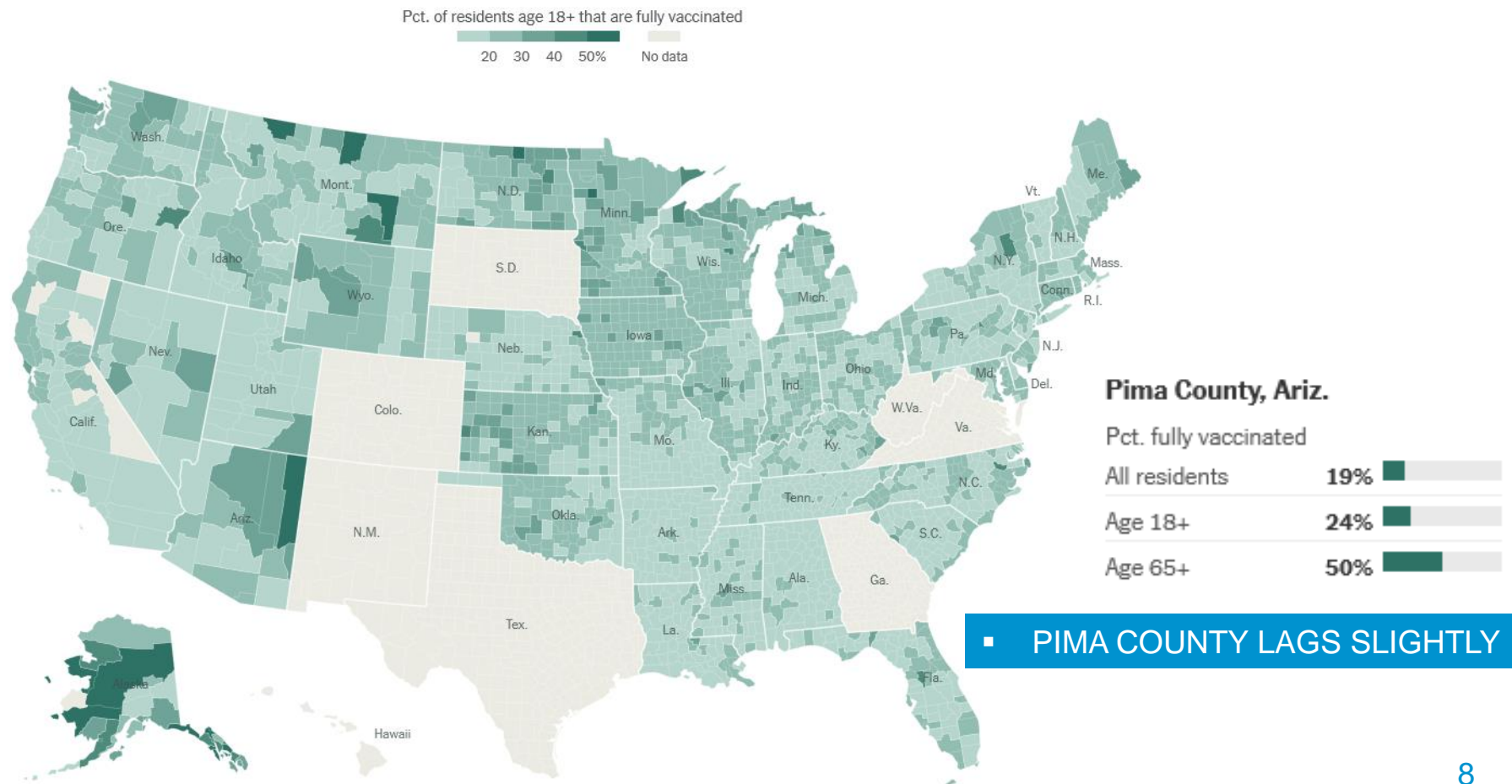
**Daily Hospitalizations in Arizona**  
March 1, 2020 – March 31, 2021



- MANY INBOUND VISITORS ARE CHECKING THESE STATS
- CRITICAL TO KEEP THEM LOW FOR SUMMER TRAVEL SEASON

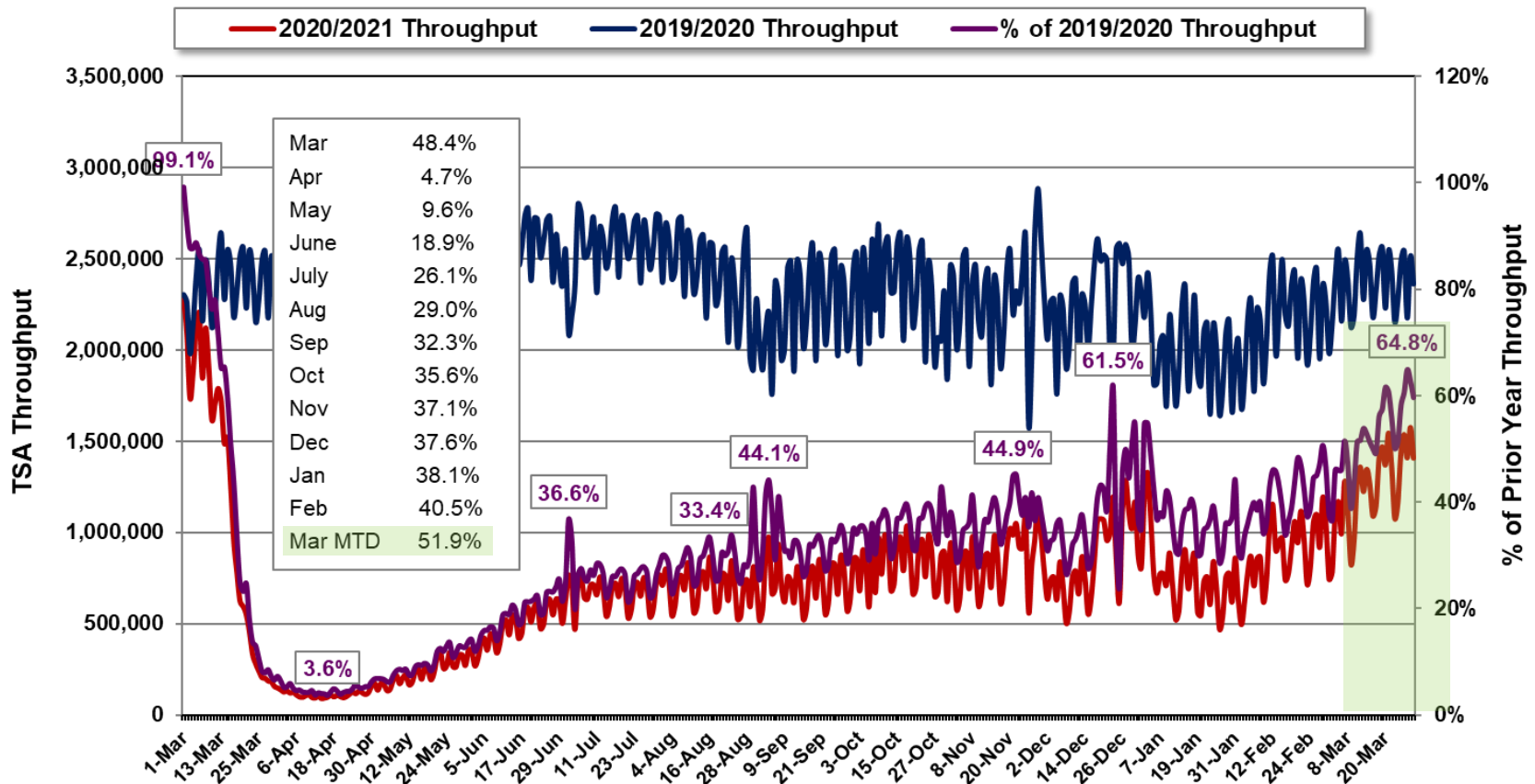
# 29% of Americans Have Had One Dose

Percentage of Vaccinated Population by County  
As of March 31, 2021



# Passengers Are Rapidly Improving

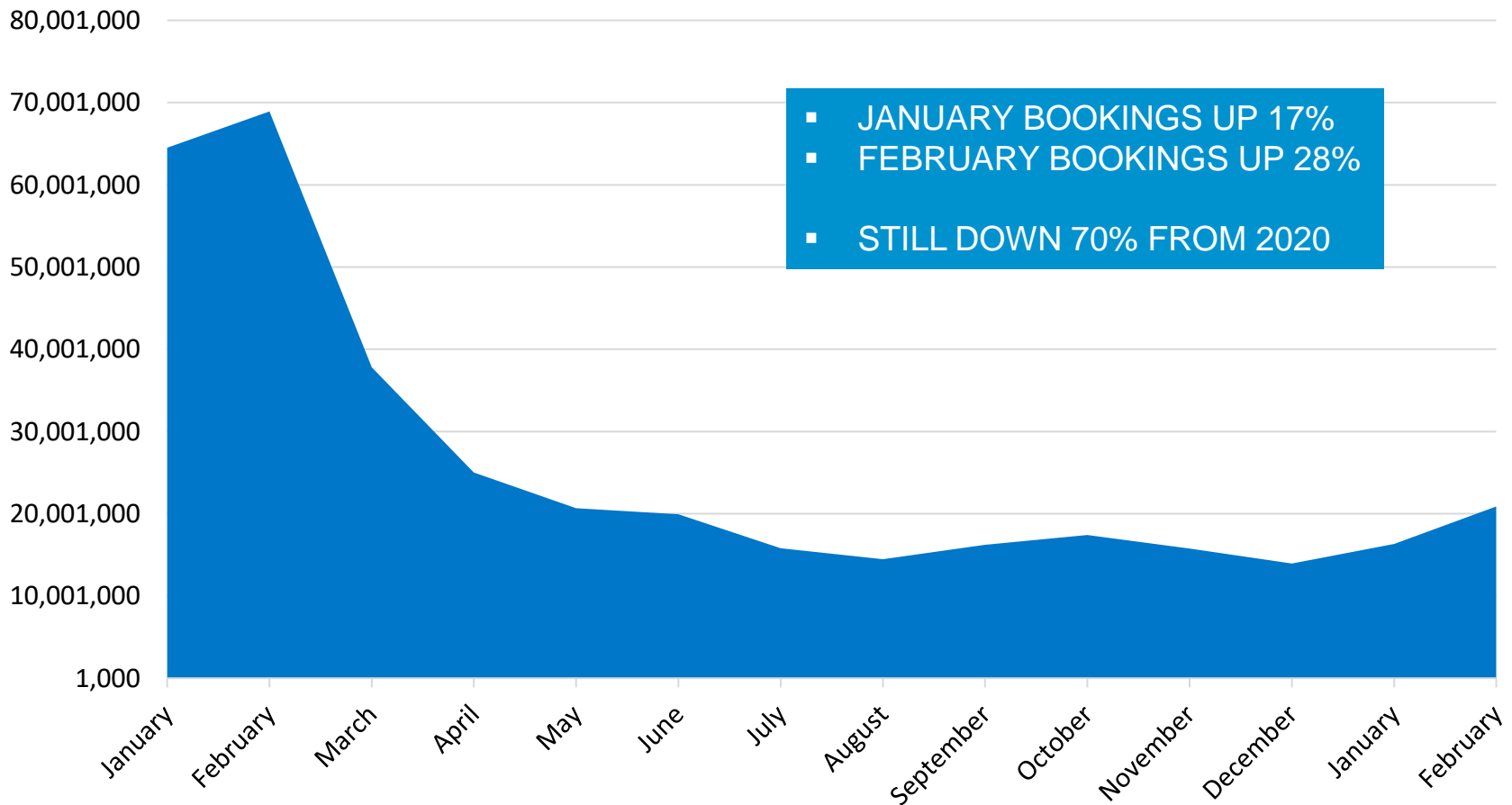
TSA Throughput at US Airports  
Current Year as Compared to 2019 Baseline





# Domestic US Bookings Are Creeping Up

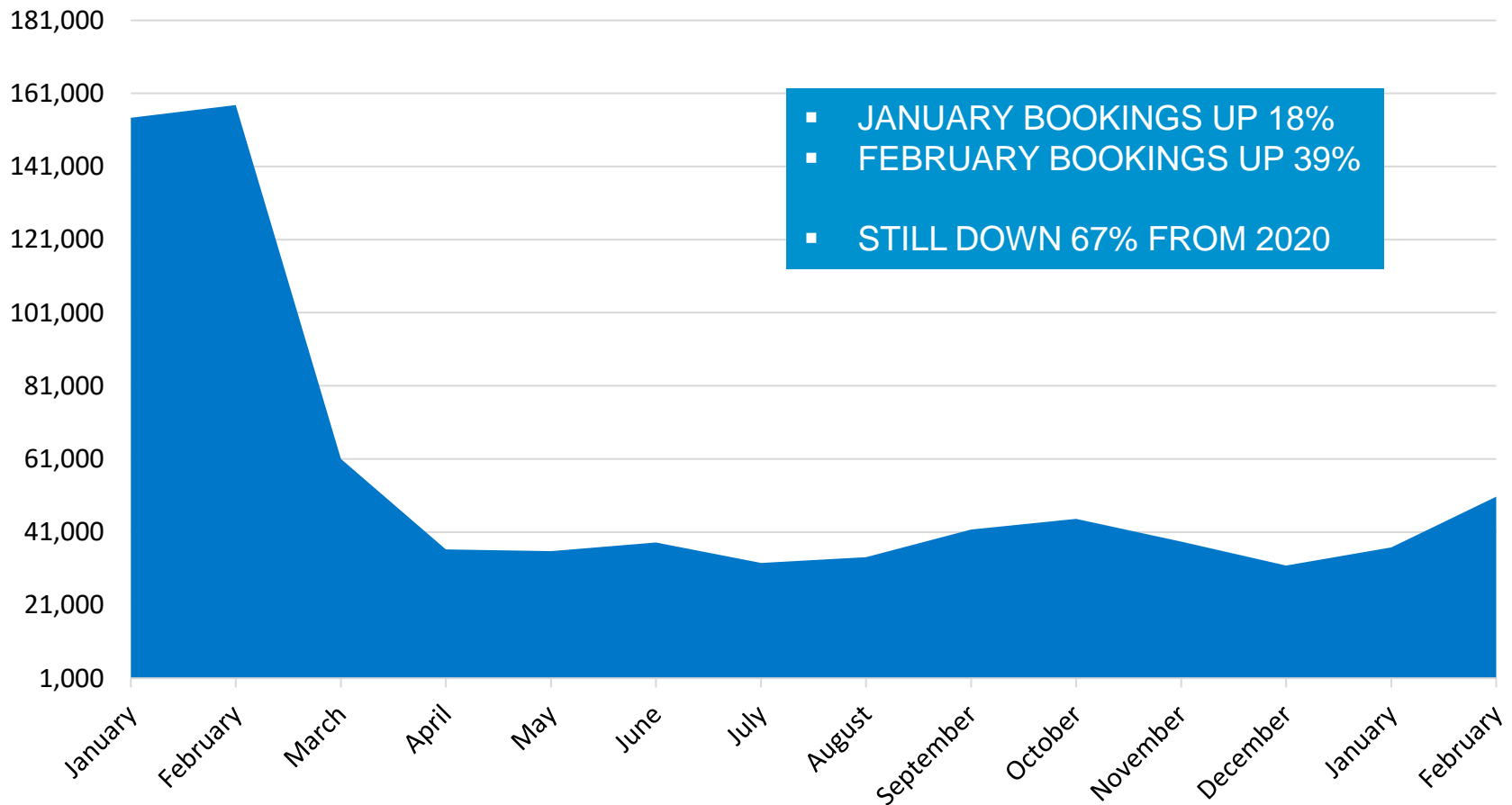
US Major Carriers Domestic Passenger Bookings  
January 2020 to February 2021



- JANUARY BOOKINGS UP 17%
- FEBRUARY BOOKINGS UP 28%
- STILL DOWN 70% FROM 2020

# Tucson Bookings Increasing Faster than Average

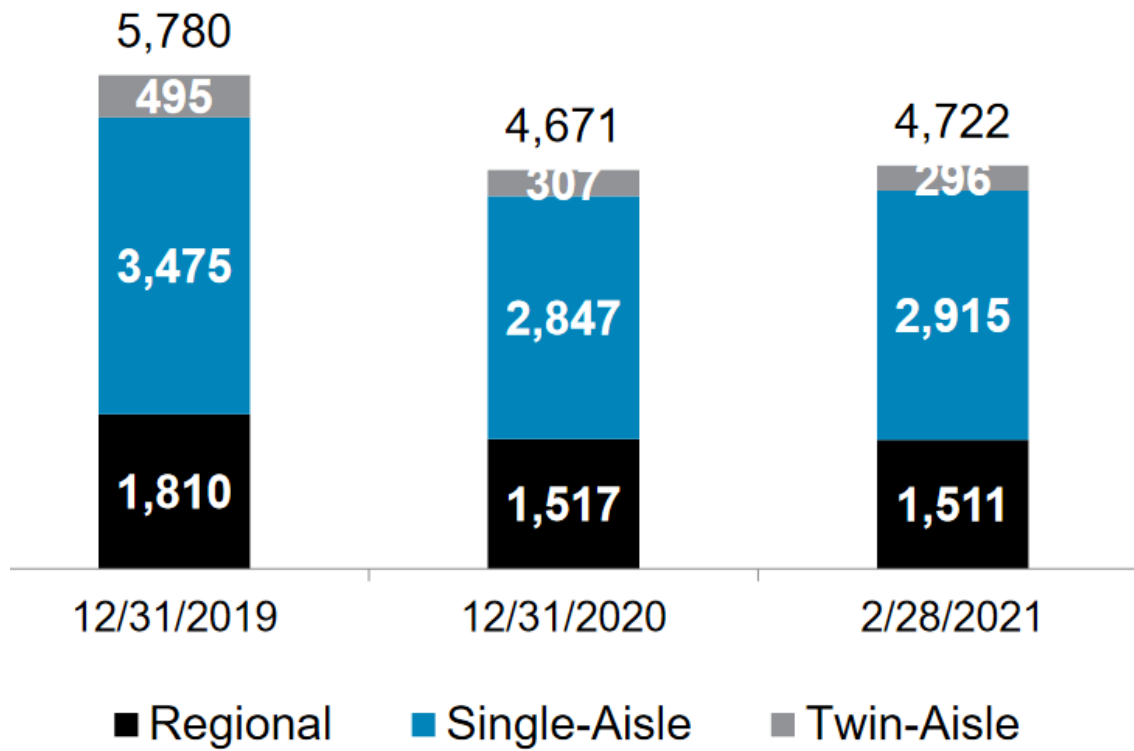
US Major Carriers Domestic Passenger Bookings at Tucson  
January 2020 to February 2021



- JANUARY BOOKINGS UP 18%
- FEBRUARY BOOKINGS UP 39%
- STILL DOWN 67% FROM 2020

# Airlines Are Bringing Planes Back

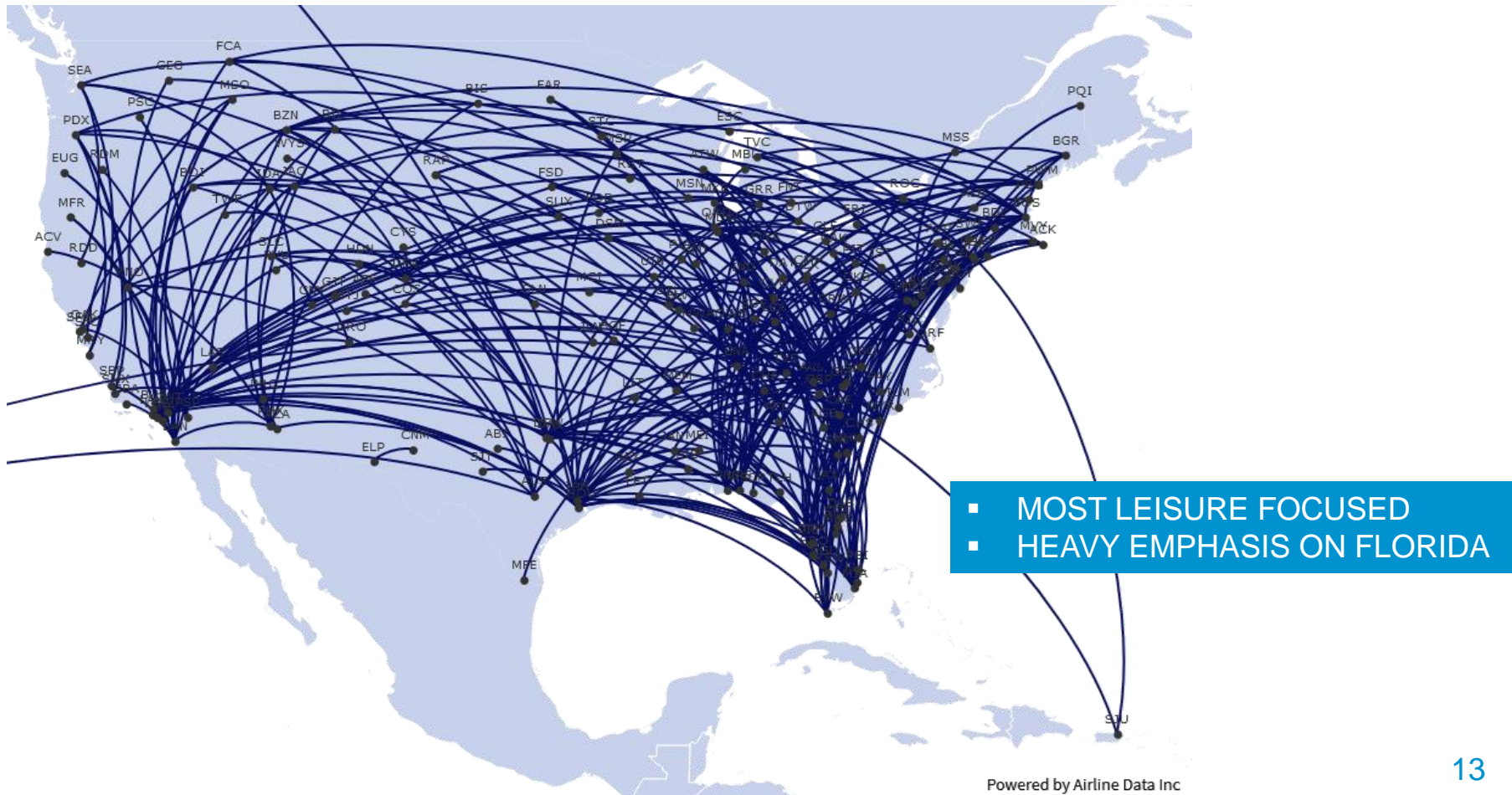
Aircraft in Operation with US Major Airlines  
December 2019 to February 2021



- US AIRLINES HAVE ADDED BACK 68 NARROWBODY PLANES SINCE LAST DECEMBER
- FLEET IS STILL 18% SMALLER

# Airlines Have Added 323 New Routes

New US Routes Added During the Pandemic  
Since March 2020



# The Evolution of Industry Challenges

PRE-PANDEMIC

POST-PANDEMIC

# The Evolution of Industry Challenges

PRE-PANDEMIC

Shortage



POST-PANDEMIC

Early Retirement Buyouts

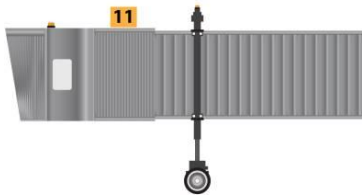


# The Evolution of Industry Challenges

## PRE-PANDEMIC



Shortage



Hub Gate Shortages

## POST-PANDEMIC



Early Retirement Buyouts



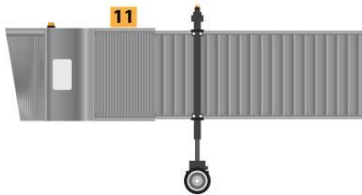
Schedule Depth

# The Evolution of Industry Challenges

## PRE-PANDEMIC



Shortage



Hub Gate Shortages



Shortage

## POST-PANDEMIC



Early Retirement Buyouts



Schedule Depth



Backlog

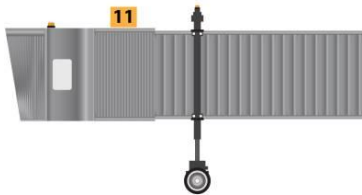


# The Evolution of Industry Challenges

## PRE-PANDEMIC



Shortage



Hub Gate Shortages



Shortage



Premium Loyalty

## POST-PANDEMIC



Early Retirement Buyouts



Schedule Depth



Backlog



Determining Profile of New Customer Base

# Tucson's Post-Pandemic Position

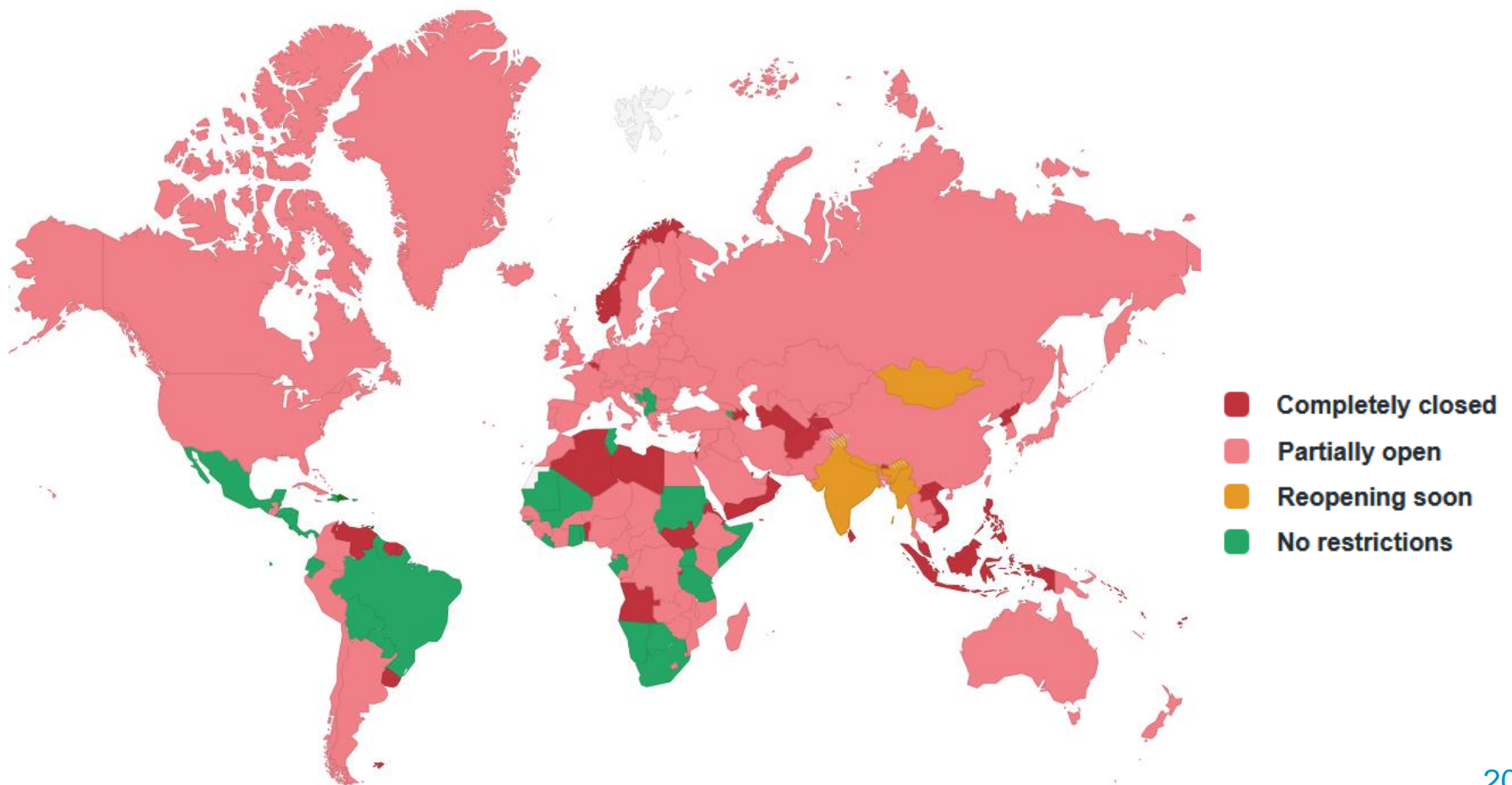
Bright Spots and Areas of Growth

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APRIL 2021

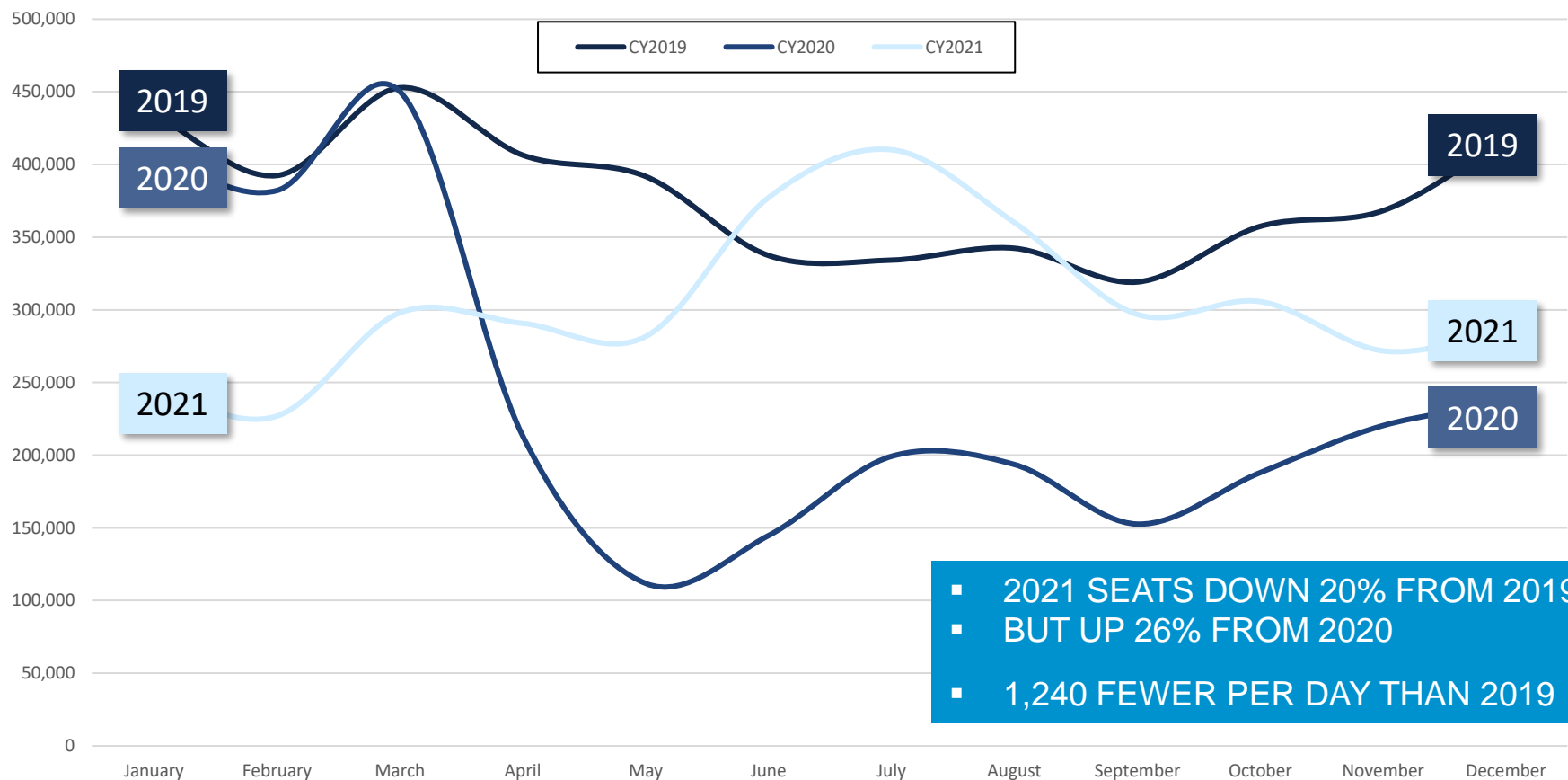
# Most of the World Is Still Closed

Travel Restrictions by Country  
As of April 2021



# Tucson Summer Seats Will Be Higher than 2019

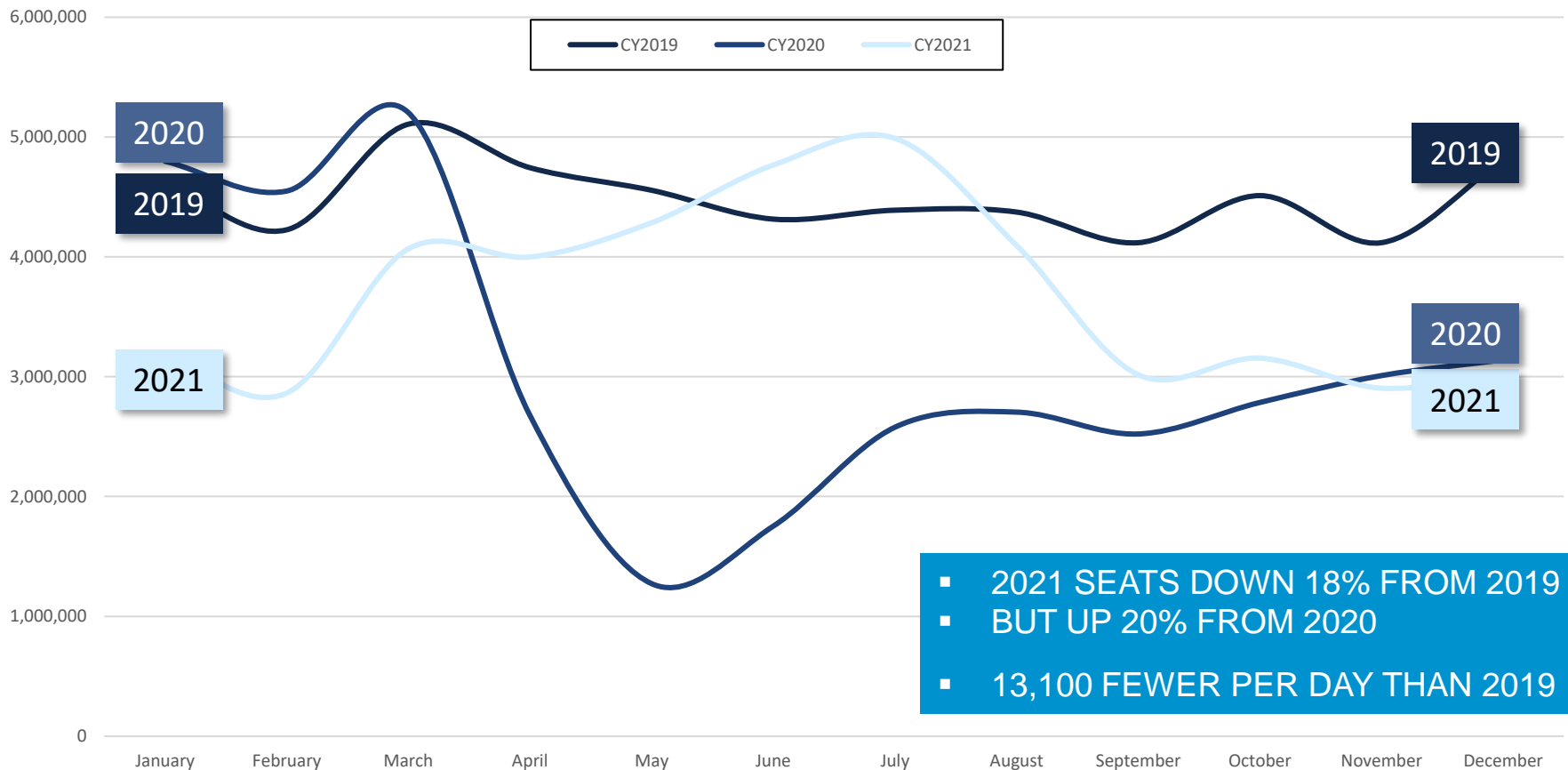
Scheduled Airline Seats at Tucson  
January 2019 to December 2021



- 2021 SEATS DOWN 20% FROM 2019
- BUT UP 26% FROM 2020
- 1,240 FEWER PER DAY THAN 2019

# Phoenix Will Also Have More Summer Seats

Scheduled Airline Seats at Phoenix Sky Harbor  
January 2019 to December 2021



- 2021 SEATS DOWN 18% FROM 2019
- BUT UP 20% FROM 2020
- 13,100 FEWER PER DAY THAN 2019

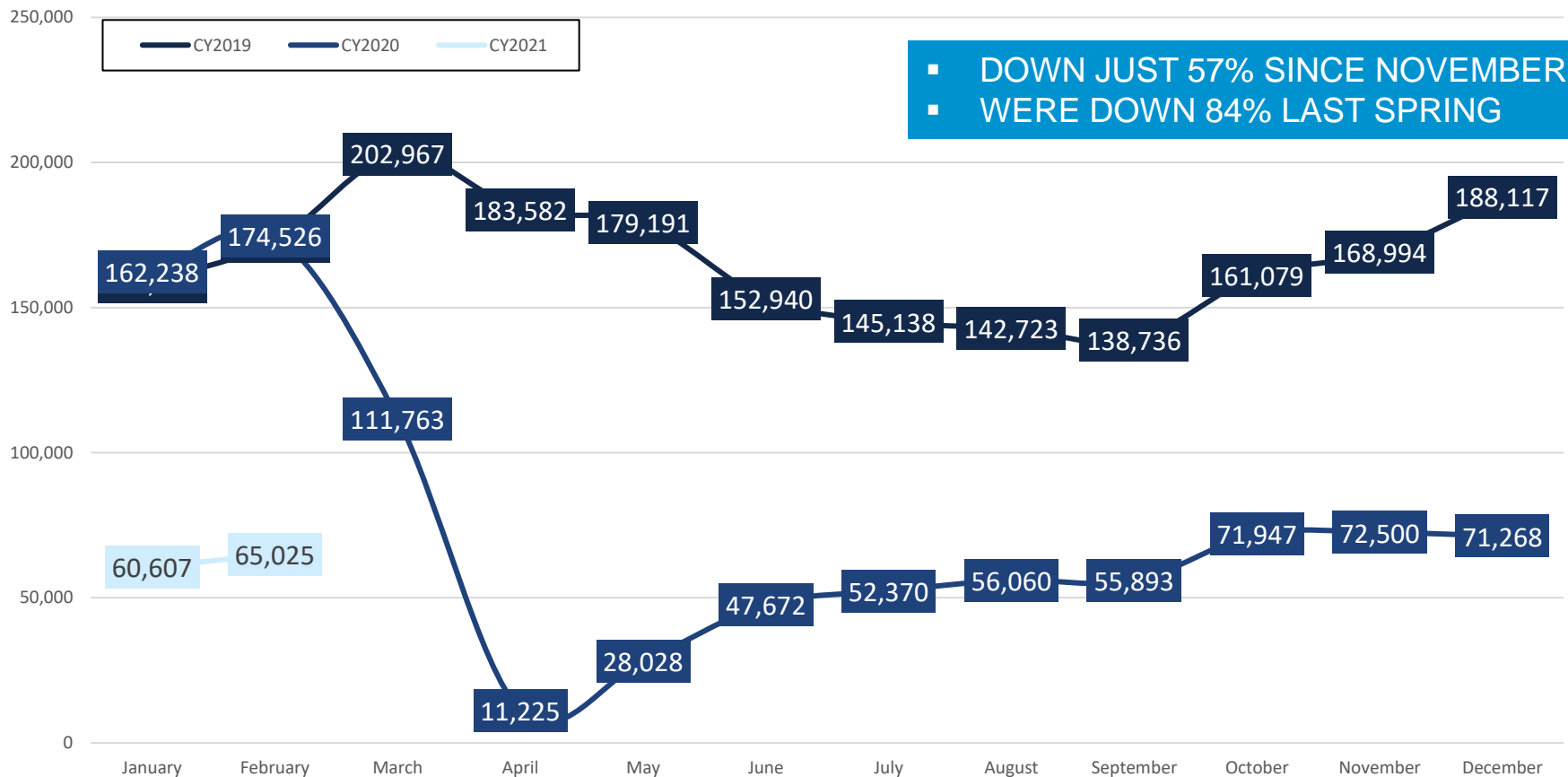
# Phoenix Has Lost 15 Nonstop Routes

Map of Permanently Cancelled Routes from Phoenix Sky Harbor  
Updated April 2021



# Tucson Passengers Are Slowly Increasing

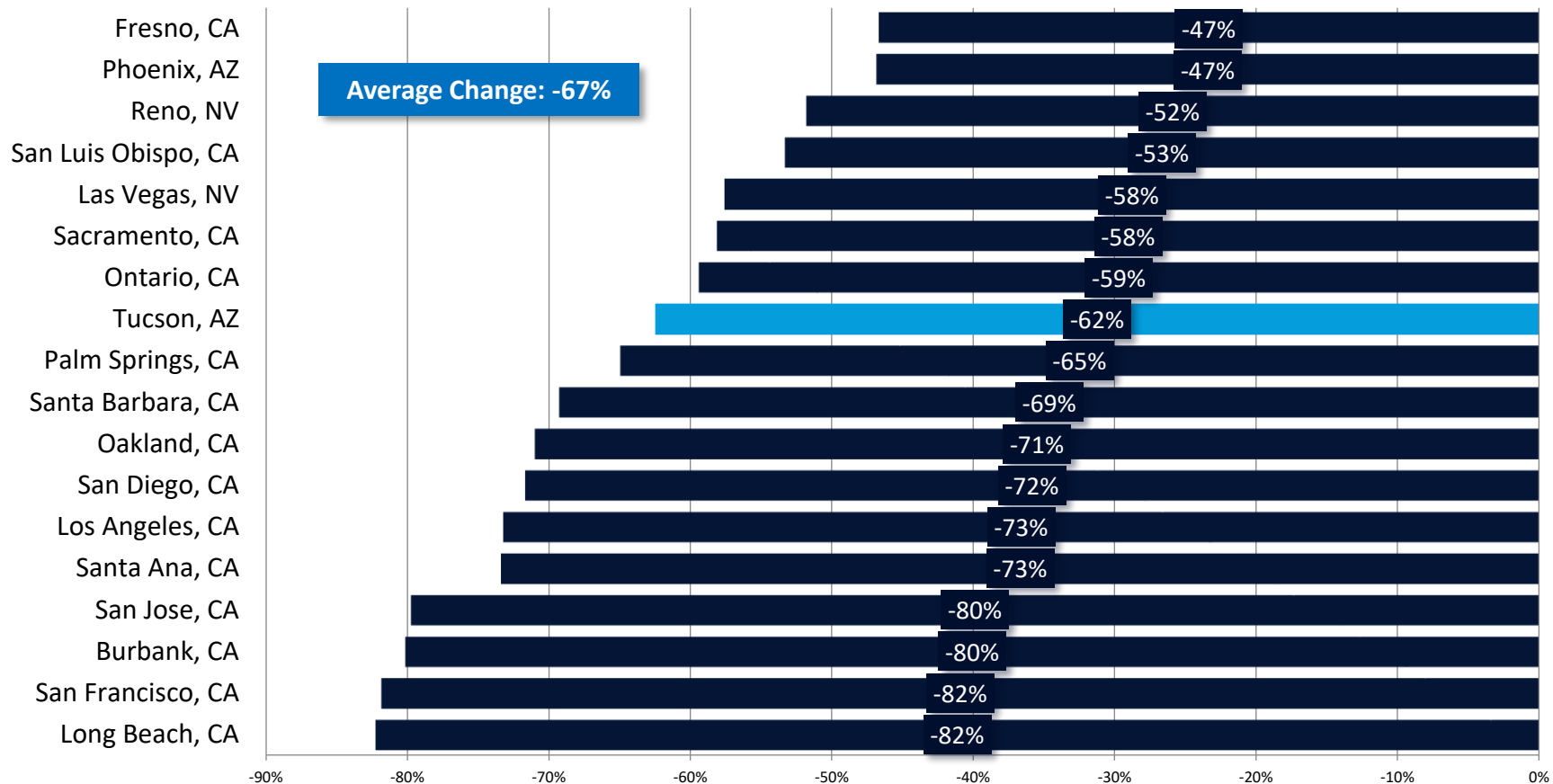
Tucson Monthly TSA Screenings  
January 1, 2019 – February 28, 2021



- DOWN JUST 57% SINCE NOVEMBER
- WERE DOWN 84% LAST SPRING

# Tucson Is Still Outperforming the Region

Estimated Passenger Change in Southwest US Markets  
 January and February 2021 vs 2020 (Includes Arizona, California, and Nevada)

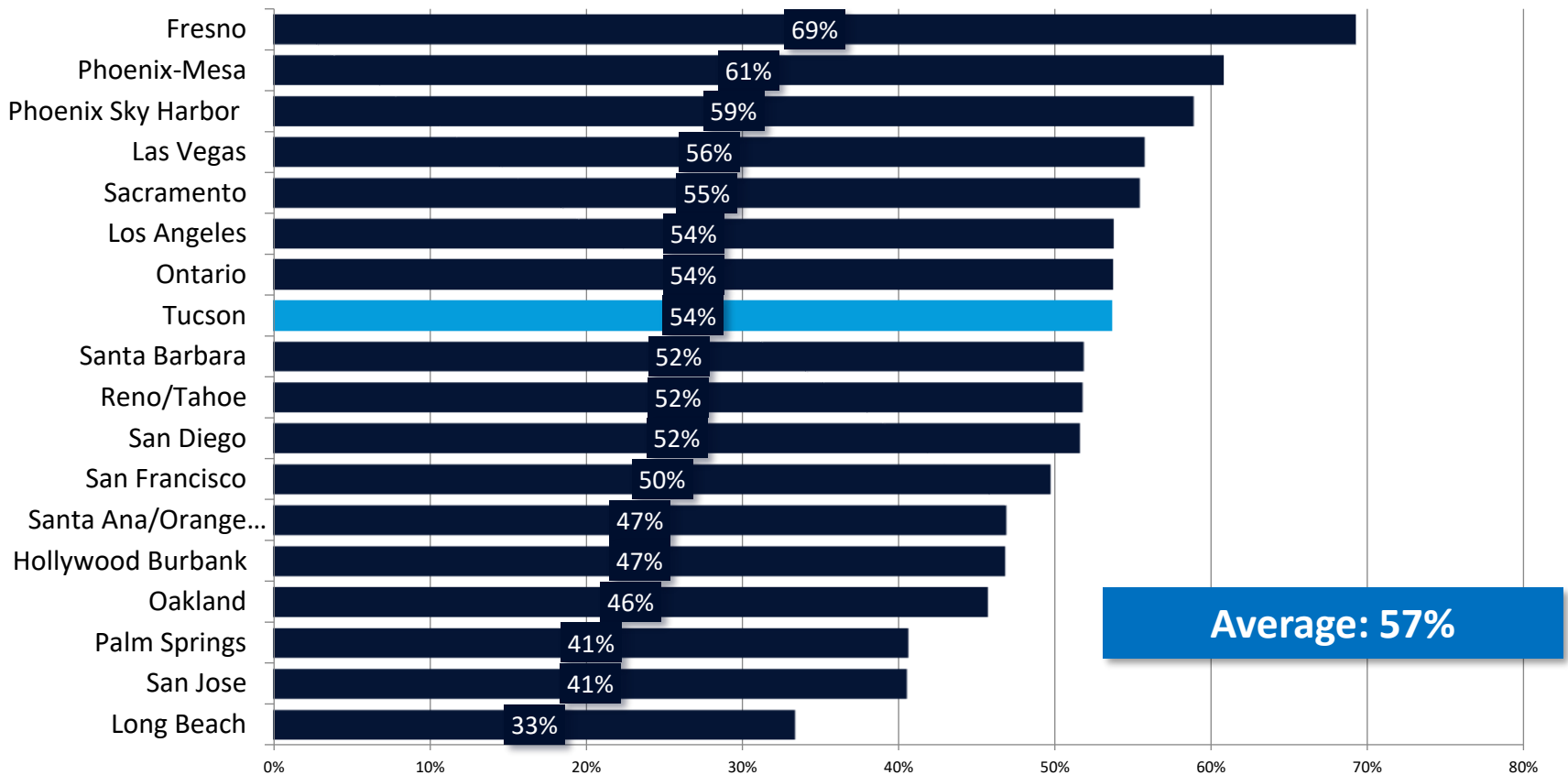




# Tucson Lags Slightly on Seats Filled

## Load Factor in Southwest US Markets

November and December 2020 (Includes Arizona, California, and Nevada)



# Building Air Service

## Recruitment in the Post-Pandemic

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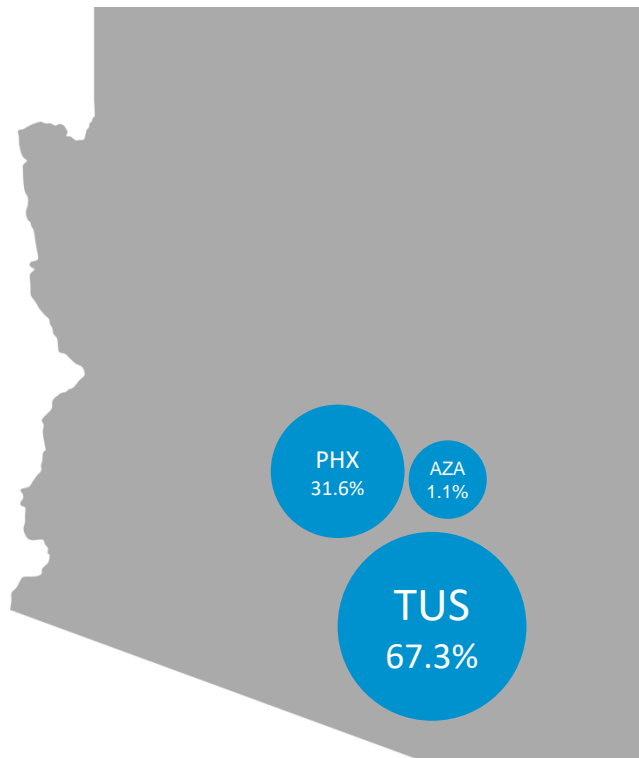
APRIL 2021



# Tucson Advantage: Large Market to Re-Educate

Originating Airport for Tucson Catchment Area Passengers

Study Period: Year Ended First Quarter 2019



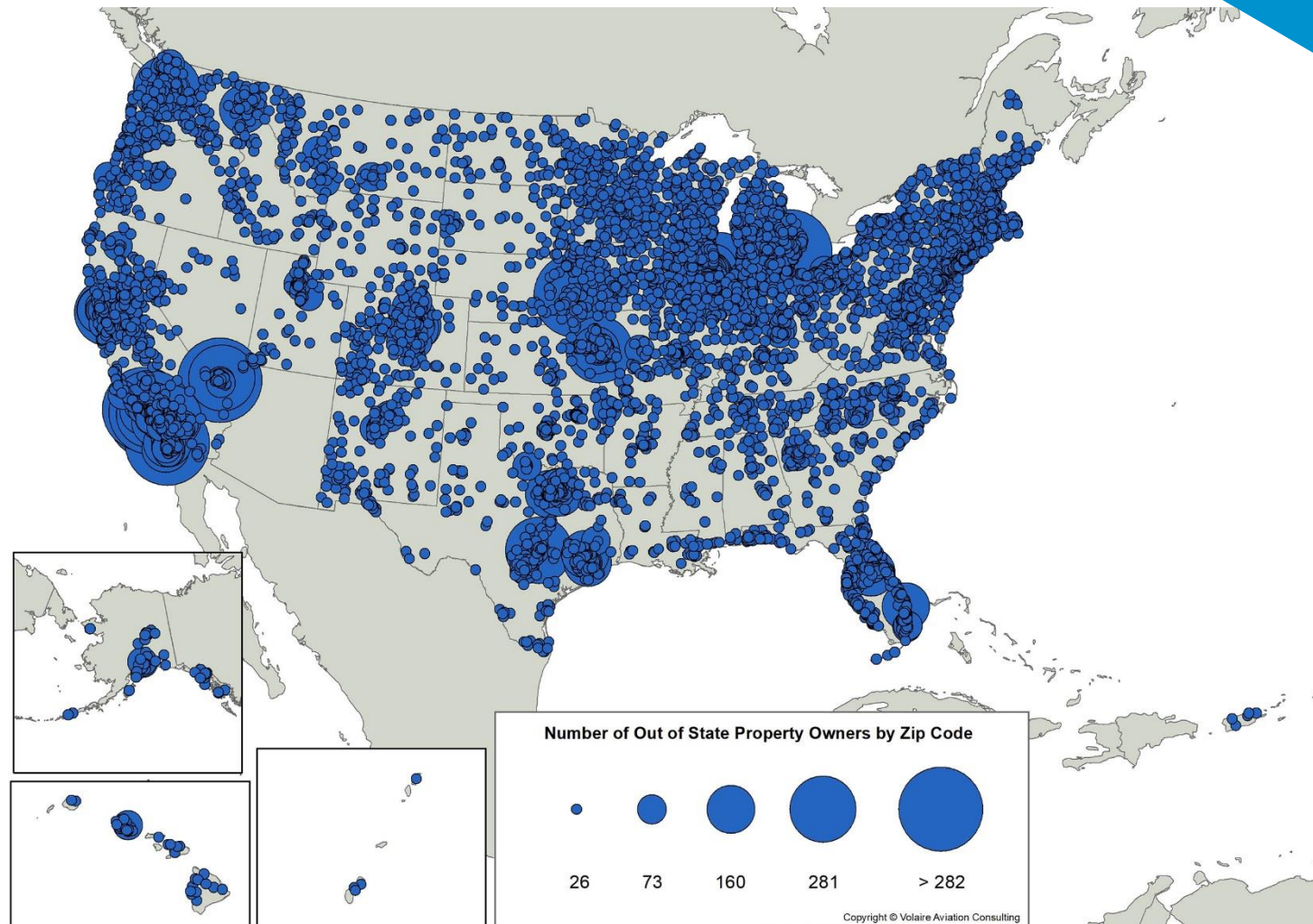
67% of those traveling to and from the area use TUS

2,300 passengers per day lost to Phoenix

Fewer nonstops from Phoenix – less advantage to driving

# There are 115,000 Tucson Second Homeowners Nationwide

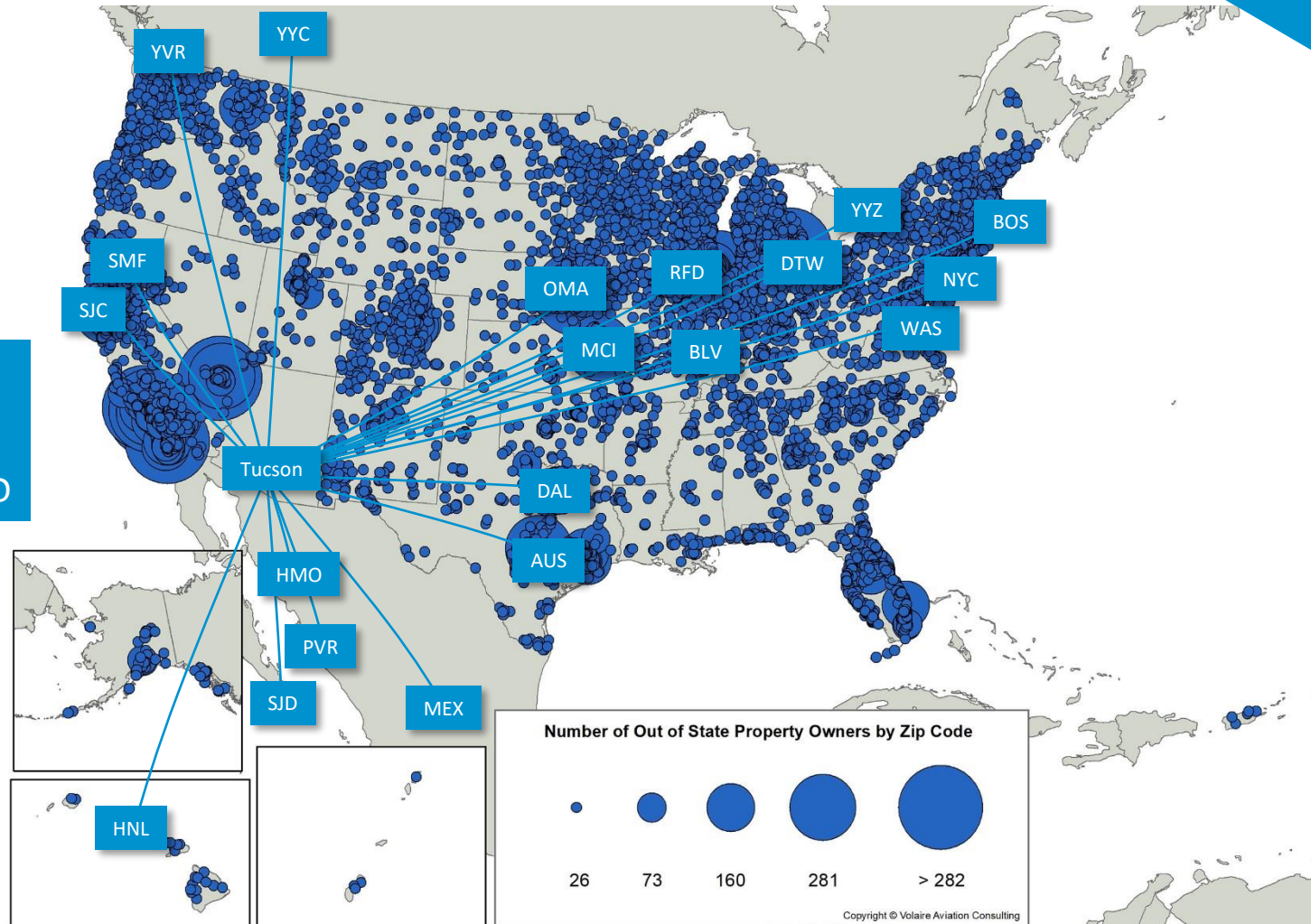
Origin of Owners of Second Homes in Pima County, Arizona, by Zip Code  
Represents Data from Fiscal Year 2020



There are 115,000 Tucson Second Homeowners Nationwide, with Concentrations from Coast to Coast

Origin of Owners of Second Homes in Pima County, Arizona, by Zip Code  
Represents Data from Fiscal Year 2020

DATA HELPS LOCATE MARKETS WITH BUILT-IN DEMAND



# New Carriers Launching in 2021

Well-Capitalized Carriers Certificated for US Service  
As of April 2021



- DAVID NEELEMAN, JETBLUE FOUNDER



- ANDREW LEVY, ALLEGIANT PRESIDENT



## Tucson Targets: Summer/Fall/Winter Meetings

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# Contact Information

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Jack Penning  
Managing Partner  
Volaire Aviation, Inc.  
[jack.penning@volaireaviation.com](mailto:jack.penning@volaireaviation.com)



**ATTACHMENT TWO**

Tucson Airport Authority

February 2021 Financial Highlights

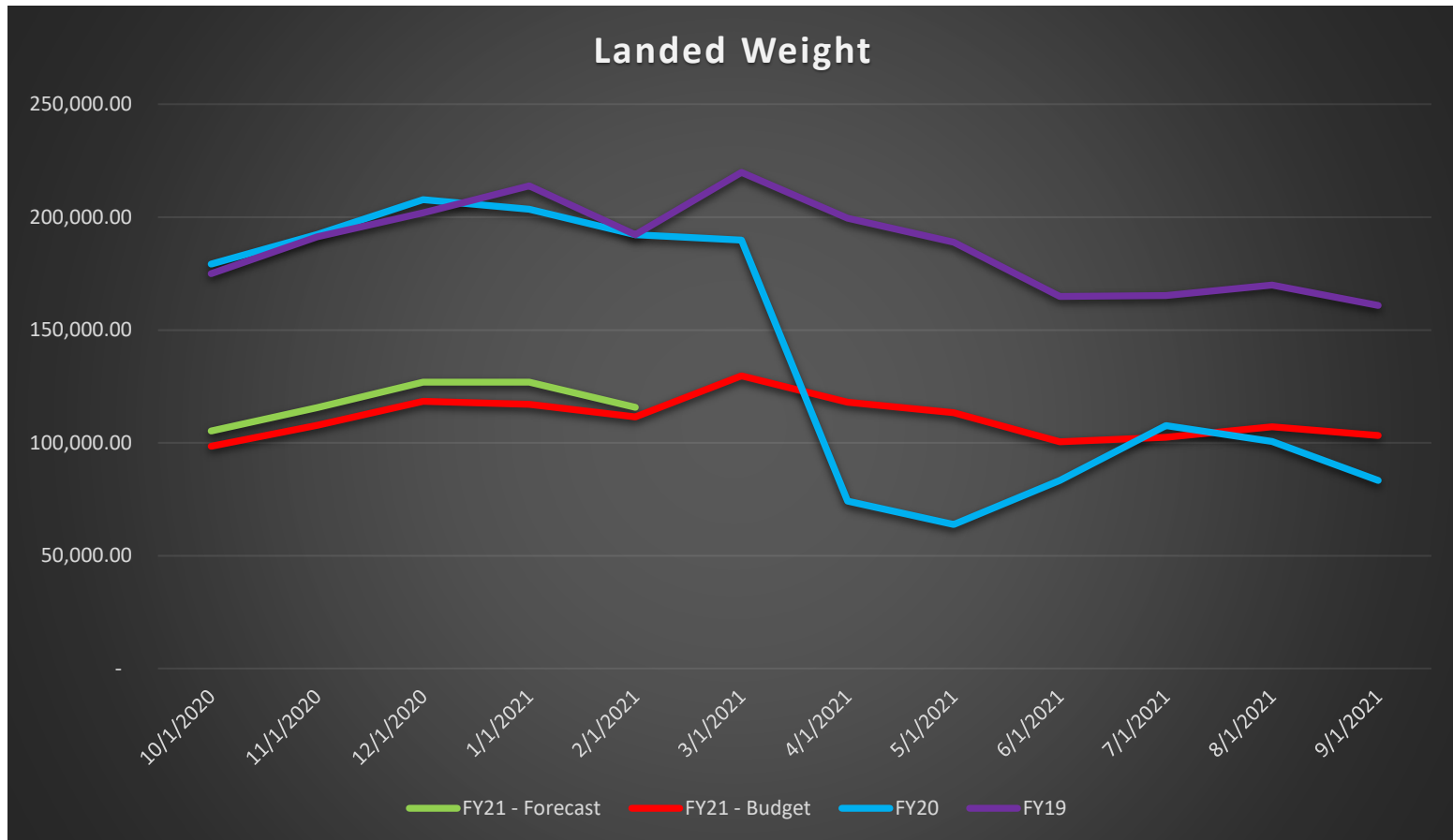


## **February 2021 Financial Highlights**

Board of Directors Meeting

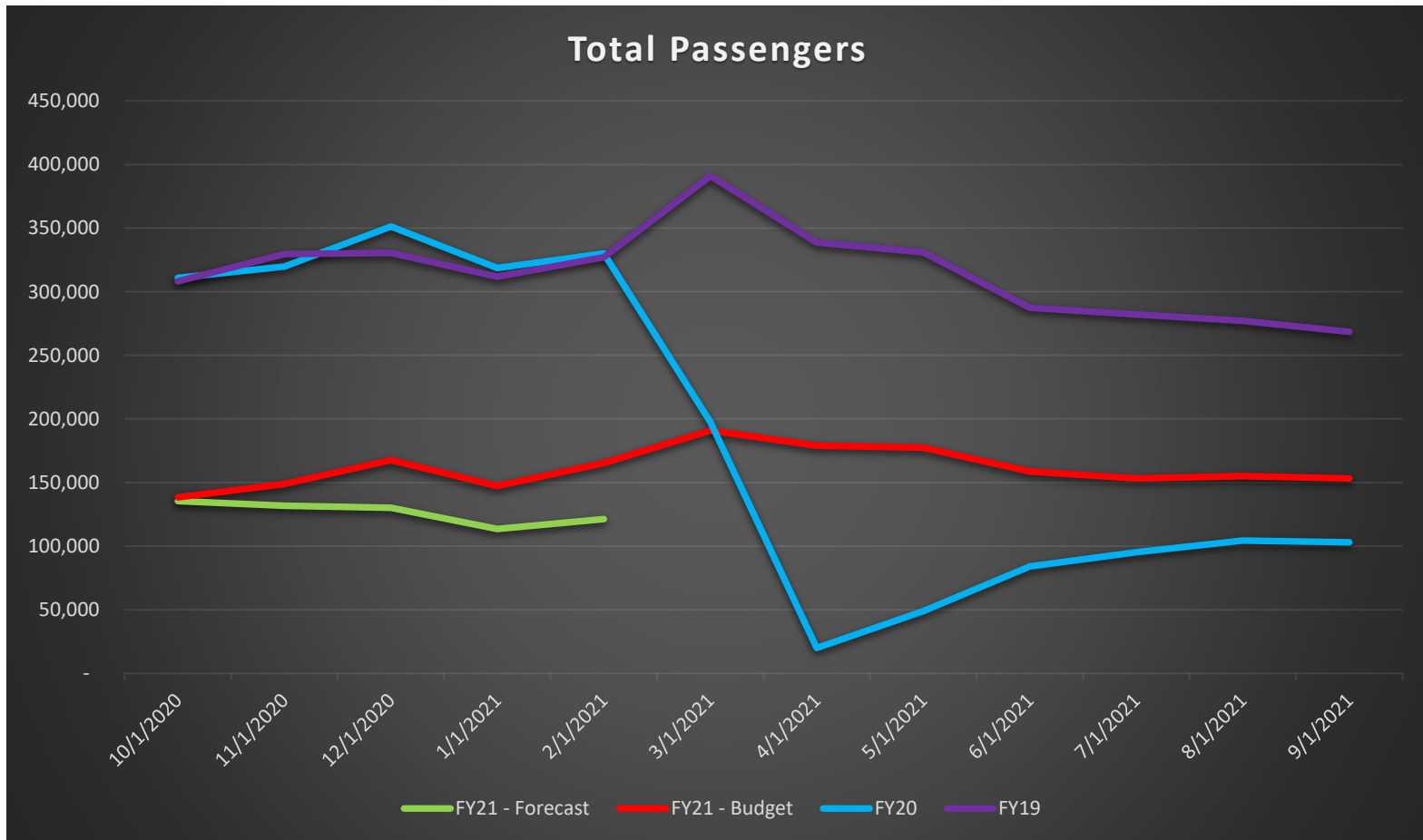
April 7, 2021

# February 2021 YTD Operating Statistics



-February Landed Weight is 3.9% greater than budget and 39.7% lower than prior year  
-YTD Landed Weight is 6.7% greater than budget and 39.4% lower than FY2020

# February 2021 YTD Operating Statistics



- February Passengers are 26.6% below budget and 63.3% lower than prior year
- YTD Passengers are 17.7% below budget and 61.3% lower than FY2020

# February 2021 Flight & Passenger Activity

<u>Month</u>	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>	
<b>Total Passengers</b>	<b>121,348</b>	<b>330,235</b>	<b>(208,887)</b>	<b>-63.3%</b>
<b>Average Daily Seat Capacity</b>	<b>3,913</b>	<b>6,826</b>	<b>(2,913)</b>	<b>-42.7%</b>
<b>Average Load Factor</b>	<b>54.8%</b>	<b>87.1%</b>	<b>-32.3%</b>	
<b>Average Daily Departures</b>	<b>34.9</b>	<b>59.0</b>	<b>(24.1)</b>	<b>-40.8%</b>
 <u>Five Months Year-To-Date</u>				
<b>Total Passengers</b>	<b>631,915</b>	<b>1,631,168</b>	<b>(999,253)</b>	<b>-61.3%</b>
<b>Average Daily Seat Capacity</b>	<b>3,663</b>	<b>6,378</b>	<b>(2,715)</b>	<b>-42.6%</b>
<b>Average Load Factor</b>	<b>56.7%</b>	<b>84.0%</b>	<b>-27.3%</b>	

# February 2021 Financial Results

(\$ Millions)

<u>Month</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual vs. Budget</u>		<u>Prior Year</u>	<u>Current vs. Prior Year</u>	
Operating Revenues	2.6	2.6	-	0.0%	4.1	(1.5)	-36.6%
Operating Expenses	2.6	2.5	0.1	4.0%	2.6	-	0.0%
Operating Income (Loss)	-	0.1	(0.1)	-100%	1.5	(1.5)	-100%

## Five Months Year-To-Date

Operating Revenues	13.1	12.7	0.4	3.1%	19.7	(6.6)	-33.5%
Operating Expenses	13.0	14.3	(1.3)	-9.1%	13.4	(0.4)	-3.0%
Operating Income	0.1	(1.6)	1.7	na	6.3	(6.2)	-98.4%