

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting  
SEPTEMBER 1, 2021 | 3:00 p.m. | Remote Meeting**

THIS BOARD MEETING WAS HELD BY REMOTE PARTICIPATION ONLY, WITH DIRECTORS ATTENDING VIA THE REMOTE PARTICIPATION PLATFORM WEBEX. MEMBERS OF THE PUBLIC WERE PROVIDED A WEBEX LINK AND PHONE NUMBER/CODE INCLUDED IN THE PUBLIC MEETING NOTICE IN ORDER TO ATTEND.

**1. CALL TO ORDER | ROLL CALL**

Chair Dusenberry called the meeting to order at 3:00 p.m.

**Directors Present:** Chair Bruce Dusenberry, Vice Chair Mike Hammond, Secretary Keri Silvyn, Treasurer Bill Assenmacher, Director/Immediate Past Chair Taunya Villicana, Director Judy Rich, Director Phil Swaim, Director Todd Jackson, and Director Sally Fernandez

**Directors Absent:** Director Rob Draper

**Others Present:** Col. Greg Hoffman, Commander, Arizona Air National Guard, 162nd Mission Support Group

**Staff Present:** President/Chief Executive Officer Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Vice President/Planning and Engineering Mike Smejkal, Vice President/General Counsel Christopher Schmaltz, Vice President/Chief Commercial Officer John Voorhees, Vice President/Chief Financial Officer Kirk Eickhoff, Vice President/Chief People Officer Twyla Salaiz, Deputy General Counsel Kim Ryan, IT Systems Administrator Matt Chandler, and TAA Clerk Byron Jones

**2. CONSENT AGENDA**

**a. APPROVAL OF MINUTES:** Approve the minutes from the Board of Directors Regular Meeting held on August 4, 2021.

**MOTION BY Treasurer Assenmacher, SECONDED BY Director Swaim, to APPROVE the consent agenda. The motion carried by the following vote:**

**Ayes     7     Chair Dusenberry, Vice Chair Hammond, Treasurer Assenmacher, Director Villicana, Director Rich, Director Swaim, and Director Jackson**

**Nays     0**

**3. CHAIRPERSON REPORT**

**a. TAA and Staff Recognition | New or Promoted Employees, Awards, and Acknowledgments**

Chair Dusenberry announced that the TAA was awarded the Oro Valley Chamber of Commerce’s Noteworthy Award for Exceptional Performance for the community relations impact that the TAA and the airport has had in the Oro Valley community. This was a significant achievement as travelers living in areas northwest of Tucson (e.g., Oro Valley, Marana, etc.) tend to fly out of Phoenix. This demonstrates that the TAA is making inroads in these areas.

**4. PRESIDENT/CEO REPORT**

**a. State of the Industry | Update**

President/CEO Danette Bewley reported on the following:

- ❑ The shortage of pilots continues to affect the airlines’ schedules. This past weekend, American Airlines announced that it would remove some flights between Tucson and Dallas-Forth Worth. Staff believes this is a temporary reduction, and that the airlines are focused on preserving the existing schedules during the holiday season; therefore, the reductions being targeted should occur during the early-November and early December timeframes.
- ❑ Based on the daily departure and seat capacity trends, staff is projecting TUS will have the following daily departures for the remaining months of the year:

|           |    |
|-----------|----|
| September | 43 |
| October   | 46 |
| November  | 48 |
| December  | 54 |

If these numbers hold, the airport will be closing in on the departure levels from prior to the pandemic.

- ❑ Southwest Airlines is reducing many of their flights due to staffing issues. TUS is not one of the airports that has been identified for reductions.
- ❑ In November, American Airlines is reinstating the early-morning flight to Phoenix that was canceled last month. This is due to passenger demand and Phoenix’s access to cities across the country.

Director Silvyn joined the meeting at 3:05 p.m.

**5. DISCUSSION**

**a. Strategic Planning Review | Discussion**

President/CEO Danette Bewley recapped that the Executive Team shared a high-level vision for Strategic Plan 2.0 at the August 4 Board meeting. With the Board's support and direction, staff continued to build out the concepts, add detail, and add key performance indicators to the plan. The finalized version was included in the agenda packet for the Board's review and consideration. Staff is requesting the Board's support for the strategic initiatives and the investment required through adoption of the FY 2022 budget and capital improvement program.

**BOARD COMMENTS:**

- Staff has reacted extremely well during the pandemic. Even though the Strategic Plan is a well-prepared document, the TAA's greatest strength is that it has an active staff that can adapt to almost any situation. Supports adoption of Strategic Plan 2.0.
- The Strategic Plan was highly informative regarding the technologies (e.g., Glass Door, BambooHR, etc.) that IT and People Operations are implementing. It is a strong document.
- Supports the document's flexibility to adapt to changing circumstances and priorities.

Director Fernandez joined the meeting at 3:11 p.m.

**b. FY 2022 Budget Review | Discussion**

VP/CFO Kirk Eickhoff presented a high-level overview of the budget development process and assumptions.

**FY 2022 BUDGET HIGHLIGHTS:**

- Strategic Plan 2.0 was the foundation for the FY 2022 budget and capital improvement program. The focus was to ensure that the TAA has the resources in place to meet the plan's strategic objectives during the next four years.
- The TAA's minimum wage will increase from \$13 per hour to \$15 per hour, and there will be a cost-of-living adjustment.
- The signatory airline cost per enplanement is budgeted at \$6.02. This is a historical low driven by concessions the TAA has made for its airline partners. This includes reducing fixed rents in the terminal and changing the bag-fee calculations to ensure TUS remains competitive. The airlines were supportive of the budget.
- Federal rescue funds have enabled the airport system to balance its budget without increasing the landing fees charged to the signatory airlines. Staff is forecasting that \$8M will be required to balance the airport system's budget in FY 2022. Furthermore, an estimated \$27M in rescue funds will carry over to FY 2023 and beyond. The bulk of these funds are allocated to the Airfield Safety Enhancement Program and as a buffer in case assumptions change and the recovery does not continue as predicted.

**ATTACHMENT ONE: FY 2022 BUDGET SUMMARY PRESENTATION**

**6. ACTION ITEMS**

**a. TAA STRATEGIC PLAN 2.0:**

**MOTION BY Director Villicana, SECONDED BY Vice Chair Hammond, to ADOPT Resolution No. 2021-17 accepting and supporting the Tucson Airport Authority Strategic Plan 2.0. The motion carried by the following vote:**

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

**Nays     0**

**b. TAA FY 2022 BUDGET AND CAPITAL IMPROVEMENT PROGRAM:**

**MOTION BY Treasurer Assenmacher, SECONDED BY Director Swaim, to ADOPT Resolution No. 2021-18 approving the budget and capital improvement program for the Tucson Airport Authority for the fiscal year beginning October 1, 2021 and ending September 30, 2022. The motion carried by the following vote:**

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

**Nays     0**

**c. ANG ECF | TENANT HANGAR REPLACEMENT BUDGET AMENDMENT:**

VP/Planning and Engineering Mike Smejkal presented.

The Board approved an \$8.5M program in 2019; however, due to cost escalations driven by supply chain issues and labor shortages, the Guaranteed Maximum Price (GMP) with contingencies has risen to \$10.1M. The GMP includes \$300K in improvements that the TAA has identified as necessary for future development, but the Air National Guard (ANG) does not consider in-kind replacements. Staff is requesting Board approval to expend the additional \$300K from the Maintenance Reserve Fund. Construction is expected to get underway quickly once the budget increase is approved.

Col. Greg Hoffman, Commander, Arizona Air National Guard, 162nd Mission Support Group, expressed appreciation to the Board and the TAA for their partnership. Col. Hoffman noted that the project is included in the Department of Defense's five-year construction program, but it can be brought forward through congressional action. The National Guard Bureau has committed to placing the land acquisition request in the FY 2023 budget proposal. The best-

case scenario is that the TAA could be reimbursed in 2023.

**MOTION BY Vice Chair Hammond, SECONDED BY Director Swaim, to ADOPT Resolution No. 2021-19 approving a budget increase to the Air National Guard Entry Control Facility (ANG ECF) – Tenant Replacement Hangar Project from \$8,500,000 to \$10,100,000. The motion carried by the following vote:**

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

**Nays 0**

**d. LAND DISPOSAL – ANG ECF:**

VP/Planning and Engineering Mike Smejkal presented.

This action is related to item 6.c. Before the land transaction can be completed, the TAA is required to seek a formal release from federal obligations from the Federal Aviation Administration (FAA). This removes the property from the airport’s layout plan and allows the TAA to dispose of it. Staff is requesting approval to seek the release from federal obligations and the authority to execute the land transaction once the Air National Guard has the funds available.

**MOTION BY Treasurer Assenmacher, SECONDED BY Director Jackson, to ADOPT Resolution No. 2021-20 authorizing the President/CEO or her designee to take all necessary actions to obtain Federal Aviation Administration approval for the release of the Entry Control Facility (ECF) land from federal obligations and to execute the land transaction related to the ECF land and Relocated Hangar. The motion carried by the following vote:**

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

**Nays 0**

**e. LAND TRANSACTION – ASE/USAF PARCELS F AND G:**

VP/Planning and Engineering Mike Smejkal presented.

The TAA requires an additional buffer/safety zone in Air Force Plant 44 to construct the additional runway called for in the Airfield Safety Enhancement (ASE) Program. Additionally, the Air Force seeks to acquire TAA-owned property located south of the old Hughes Access Road so that they will own all property within their explosive arcs. The TAA

and the Air Force have agreed to the land exchange. In addition, the TAA will pay for the in-kind replacement of bunkers on the property it is acquiring. Staff is requesting approval to seek the release of Parcel G from federal obligations and the authority to execute the land transfers involving Parcels F and G. This is slated to occur in early 2022.

**MOTION BY Director Villicana, SECONDED BY Vice Chair Hammond, to ADOPT Resolution No. 2021-21 authorizing the President/CEO or her designee to take all necessary actions to obtain Federal Aviation Administration approval for the release of Parcel G from federal obligations and to execute the land transactions related to Parcels F and G with the United States Air Force (USAF) as part of the Airfield Safety Enhancement (ASE) Program. The motion carried by the following vote:**

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

**Nays      0**

**7. DIVISION UPDATES**

**a. FINANCE AND ADMINISTRATION:**

VP/CFO Kirk Eickhoff presented on the following:

**1. July 2021 YTD Financials | Financial Summary/Aviation Activity Report**

- Recovery from the pandemic is continuing through July.
- The preliminary landed weight and passenger numbers for August are not as favorable, but the overall recovery is still trending upward.
- Passenger volumes continue to improve and illustrate an accelerated recovery.
- Operating revenue was favorable to budget due to increases in concession sales and unanticipated tie-down revenues.
- Expenses were \$500K favorable to budget. This was because of July being the first month the TAA realized the effects of paying down the Public Safety Personnel Retirement System unfunded liabilities.

**ATTACHMENT TWO: JULY 2021 FINANCIAL HIGHLIGHTS PRESENTATION**

**8. NEXT MEETING**

Wednesday, October 6, 2021 | 3:00 p.m. | Remote participation via Webex

**9. ADJOURN**

There being no further business to discuss, Chair Dusenberry adjourned the meeting at 4:00 p.m.

**APPROVED BY:**

*Keri Silvyn*

Keri Silvyn (Oct 7, 2021 15:18 PDT)

Keri Silvyn, Secretary

Date: October, 7, 2021

**Prepared by:**

*Byron M. Jones*

Byron M. Jones (Oct 7, 2021 14:49 PDT)

Byron M. Jones, CMC, TAA Clerk

Date: October, 7, 2021

ATTACHMENT ONE

**FY 2022 BUDGET SUMMARY PRESENTATION**

Presented by: VP/Chief Financial Officer Kirk Eickhoff





## **FY 2022 Budget Summary**

Board of Directors Meeting

September 1, 2021

# FY 2022 Budget Goals

## Recurring

- Maintain competitive rates and charges
  - Low-cost structure to attract and retain air service
- Determine anticipated resources and balance with short/long-term needs
- Maintain flexibility

## Specific to FY2022

- Investment to support Strategic Plan 2.0 (SP2.0)
  - Set foundation for success with SP2.0
- Responsible use of Federal rescue funds (CARES, CRSSA, ARPA)
  - Note: Infrastructure bill in play – if passed will be another \$32.5 million to airport system over next 5 years

# FY 2022 Budget Assumptions

## Revenue Assumptions

- 91% of pre-COVID passengers/landed weight
- Budgeted for current leases only
- Reinstate minimum annual guarantees for concessionaires (except Rental Cars)

## Expense Assumptions

- Personnel initiatives
  - More competitive with market; minimum wage adjustment; COLA
    - To retain and attract talent
  - Add capabilities in key areas (IT, ASD, P&E, Public Safety)
- Anticipated increased planning and engineering fees related to infrastructure development for future tenants
- Robust marketing campaign

# FY 2022 Budget Highlights

| \$Millions                                | FY2022<br>Budget | FY2021<br>Forecast | FY2021<br>Budget | FY2020<br>Actual |
|---|------------------|--------------------|------------------|------------------|
| Total Revenue (including SA landing fees) | \$ 40.2          | \$ 35.7            | \$ 31.4          | \$ 39.3          |
| Operating Expenses                        | 35.5             | 32.2               | 33.8             | 31.7             |
| Net Operating Income                      | 4.7              | 3.5                | -2.4             | 7.6              |
| Debt Service & Fund Transfers             | -8.1             | -7.7               | -5.1             | -5.2             |
| Net Capital Requirements                  | -4.7             | -2.7               | -2.7             | -4.7             |
| Federal Rescue Funds Required             | \$ (8.1)         | \$ (7.0)           | \$ (10.2)        | \$ (2.3)         |

**Signatory Airline Cost Per Enplanement**                      **\$6.02**                      **\$9.80**                      **\$11.23**                      **\$11.75**

- Airlines Airport Affairs Committee (Airlines) reacted positively to the FY2022 Budget.
- The Finance and Risk Management Council unanimously voted to recommend adoption to the Board of Directors.

# Rescue Funds Status

## Rescue Fund Status

- To date, \$44.5M granted to TAA (CARES, CRSSA, ARPA)
- Expected balance to carry \$27.1M forward to FY 2023 and beyond
- Current projection shows all rescue funds exhausted by 9/30/2024 (largely capital spending)
- New infrastructure bill may add approximately \$32.5 million to the airport system over the next 5 years

# FY 2022 Capital Budget Highlights

## Major Maintenance - \$4.5M

- Various Airfield Maintenance and Repair Projects
- Various Facility Maintenance and Repair Projects
- Terminal Needs Assessment
- Entry Monument and Landscaping
- Office Configurations for Post-COVID workspaces
- Terminal Needs Assessment
- Fire Station Sound Attenuation

## Capital Improvement Program - \$2.0M (local portion)

- ASE Program - \$34.7M, 100% grant funded (FAA, ADOT)
- Design for Access Control System Replacement
- G Service Road Rehabilitation
- Former Control Tower Elevator Modernization (50% ANG funded)

## Capital Outlay - \$1.1M

- Rubber and Paint Removal System
- Fleet (vehicle replacements)
- IT Projects (CCTV, EOC)
- AED Replacements
- Art Program

Three projects required **and received** signatory airline MII approval: *G Service Road, Control Tower Elevator, and Rubber and Paint removal system.*

# FY 2022 Budget Summary

Questions?

ATTACHMENT TWO

**JULY 2022 FINANCIAL HIGHLIGHTS PRESENTATION**

Presented by: VP/Chief Financial Officer Kirk Eickhoff



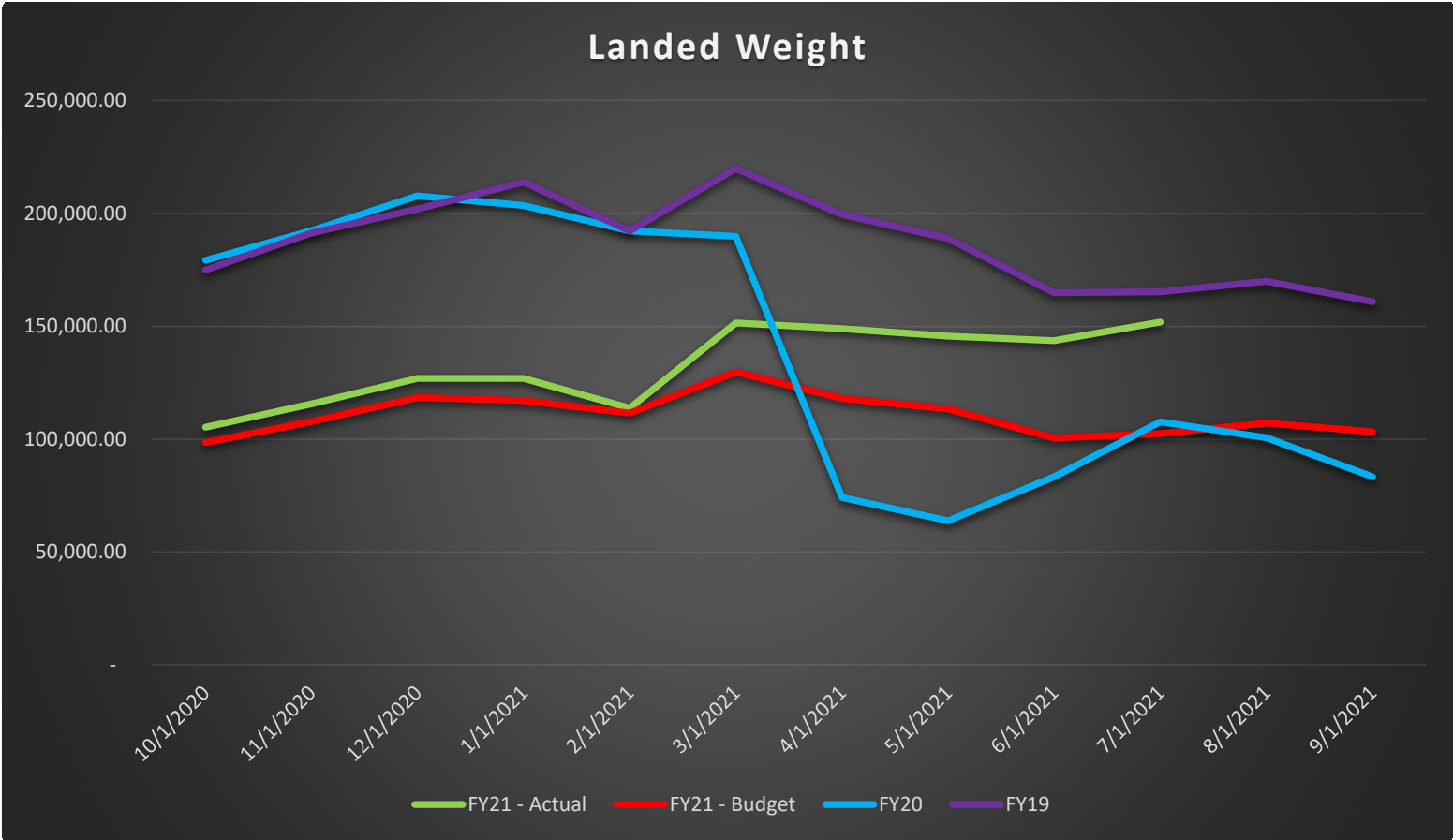


## **July 2021 Financial Highlights**

Board of Directors Meeting

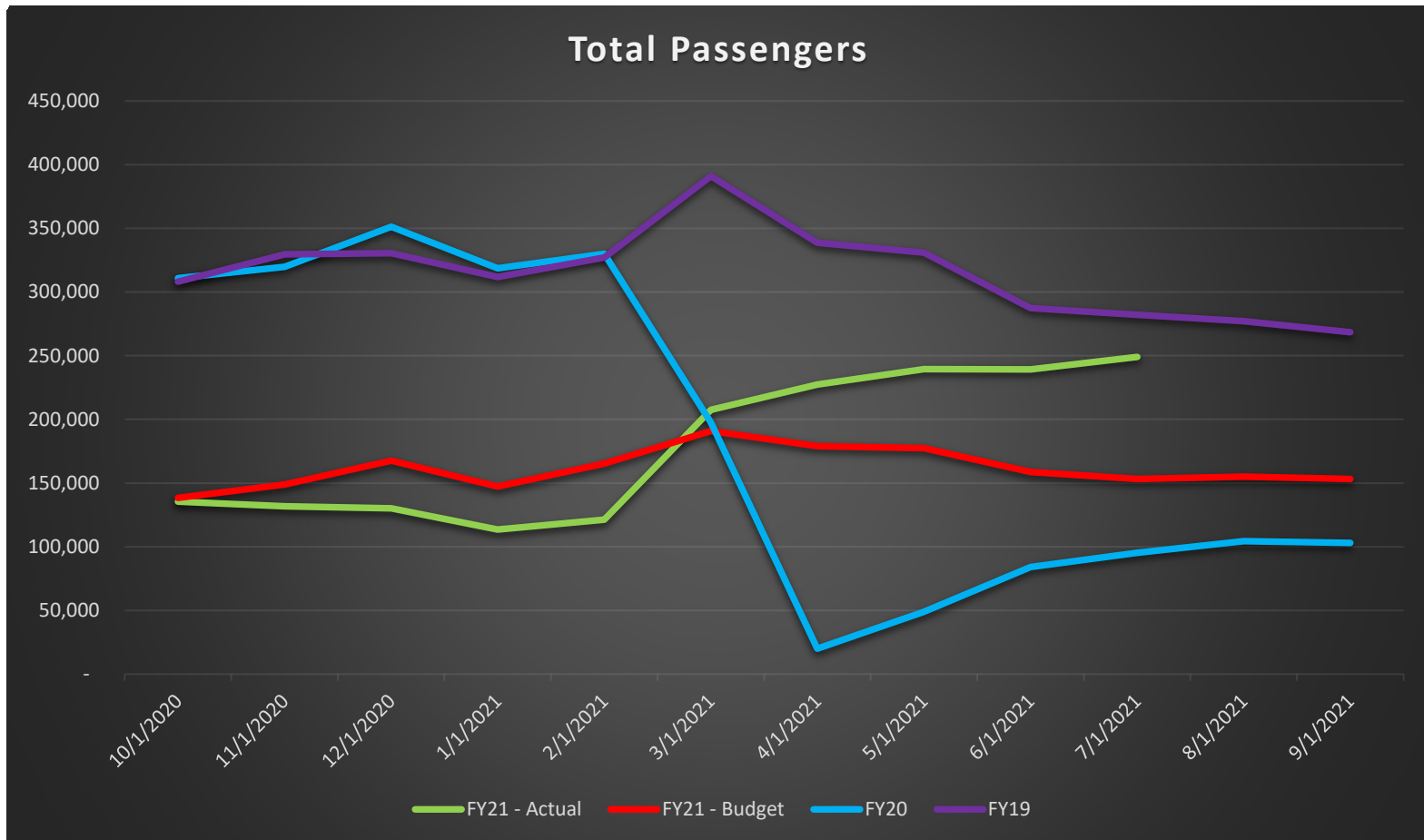
September 1, 2021

# July 2021 YTD Operating Statistics



-July Landed Weight is 48.2% greater than budget and 8.1% lower than FY2019  
-YTD Landed Weight is 19.0% greater than budget and 30.5% lower than FY2019

# July 2021 YTD Operating Statistics



- July Passengers are 62.6% greater than budget and 11.7% lower than FY2019
- YTD Passengers are 10.3% greater than budget and 44.6% lower than FY2019

# July 2021 Flight & Passenger Activity

| <u>Month</u>                       | <u>FY2021</u>    | <u>FY2020</u>    | <u>FY2019</u>    |
|------------------------------------|------------------|------------------|------------------|
| <b>Total Passengers</b>            | <b>249,163</b>   | <b>95,210</b>    | <b>282,200</b>   |
| <b>Average Load Factor</b>         | <b>84.3%</b>     | <b>48.4%</b>     | <b>84.0%</b>     |
| <b>Average Daily Departures</b>    | <b>42.2</b>      | <b>28.6</b>      | <b>47.5</b>      |
| <b>Average Daily Seat Capacity</b> | <b>4,762</b>     | <b>3,215</b>     | <b>5,322</b>     |
| <br><u>Ten Months Year-To-Date</u> |                  |                  |                  |
| <b>Total Passengers</b>            | <b>1,794,547</b> | <b>2,076,473</b> | <b>3,237,873</b> |
| <b>Average Load Factor</b>         | <b>70.9%</b>     | <b>68.2%</b>     | <b>83.8%</b>     |
| <b>Average Daily Seat Capacity</b> | <b>4,202</b>     | <b>5,004</b>     | <b>6,385</b>     |

# July 2021 Financial Results

| (\$ Millions)                  |               |               | Actual vs.    |       | Prior Year | Current vs.       |                   |
|--------------------------------|---------------|---------------|---------------|-------|------------|-------------------|-------------------|
|                                | <u>Actual</u> | <u>Budget</u> | <u>Budget</u> |       |            | <u>Prior Year</u> | <u>Prior Year</u> |
| <u>Month</u>                   |               |               |               |       |            |                   |                   |
| Operating Revenues             | 3.3           | 2.6           | 0.7           | 26.9% | 2.7        | 0.6               | 22.2%             |
| Operating Expenses             | 2.3           | 2.8           | 0.5           | 17.9% | 2.4        | 0.1               | 4.2%              |
| Operating Income (Loss)        | 1.0           | (0.2)         | 1.2           |       | 0.3        | 0.7               |                   |
| <u>Ten Months Year-To-Date</u> |               |               |               |       |            |                   |                   |
| Operating Revenues             | 29.7          | 26.0          | 3.7           | 14.2% | 33.2       | (3.5)             | -10.5%            |
| Operating Expenses             | 26.2          | 28.3          | 2.1           | 7.4%  | 26.3       | 0.1               | 0.4%              |
| Operating Income               | 3.5           | (2.3)         | 5.8           |       | 6.9        | (3.4)             |                   |

# July 2021 Revenue vs Historical

| (\$ Millions)                      | FY2021              |                     | <u>FY2020</u>       | <u>FY2019</u>       |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | <u>Actual</u>       | <u>Budget</u>       |                     |                     |
| <u>Month</u>                       |                     |                     |                     |                     |
| Revenue From Signatory Airlines    | \$ 962,591          | \$ 906,373          | \$ 1,062,059        | \$ 1,152,739        |
| Land and Space (not including SAs) | 720,580             | 693,760             | 741,594             | 781,412             |
| Concessions                        | 1,399,919           | 748,823             | 571,673             | 1,455,875           |
| Other                              | 270,446             | 227,726             | 327,650             | 343,181             |
| <b>Total</b>                       | <b>\$ 3,353,536</b> | <b>\$ 2,576,682</b> | <b>\$ 2,702,976</b> | <b>\$ 3,733,207</b> |

# July 2021 Financial Highlights

Questions?