

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting  
Wednesday, April 6, 2022 | 3:00 p.m. | Virtual Meeting**

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**THIS BOARD MEETING WAS HELD VIRTUALLY, WITH DIRECTORS ATTENDING VIA MICROSOFT TEAMS OR TELEPHONICALLY. MEMBERS OF THE PUBLIC WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.**

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

Chair Dusenberry called the meeting to order at 3:02 p.m.

**Directors Present:** Chair Bruce Dusenberry, Vice Chair Keri Silvyn, Secretary Mike Hammond, Treasurer Phil Swaim, Director Rob Draper, Director Todd Jackson, Director Sally Fernandez, and Director Vance Falbaum

**Directors Absent:** Director Judy Rich

**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 Customer Support Technician Randy Janek, and TAA Clerk Byron Jones

**2. CONSENT AGENDA**

- a. **APPROVAL OF MINUTES:** Approve the minutes of the Board of Directors regular meeting held on January 24, 2021.
- b. **APPOINTMENT OF ADVISORY COUNCILS:** Adopt Resolution No. 2022-07 approving the recommended appointments to the TAA Advisory Councils for 2022.
- c. **PSPRS PENSION FUNDING POLICY FOR FY 2022:** Adopt Resolution No. 2022-08 adopting the TAA policy on funding pension obligations under the Arizona Public Safety Personnel Retirement System for FY2022.

**MOTION BY Treasurer Swaim, SECONDED BY Director Falbaum, to APPROVE the Consent Agenda. The motion carried by the following vote:**

**Ayes 8 Chair Dusenberry, Vice Chair Silvyn, Secretary Hammond, Treasurer Swaim, Director Draper, Director Jackson, Director Fernandez, and Director Falbaum**

**Nays 0**

### **3. BOARD CHAIR REPORT**

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

Chair Dusenberry reported that the TAA, like many employers in the region, is experiencing challenges in talent acquisition and retention due to competition and retirement. He highlighted some of the recent key hires:

- ➔ Becca Cammack, Sustainability Manager
- ➔ Javier Puentes, IT Application Design/Systems Administrator
- ➔ Emin Aydin, Manager of Concessions and Ground Transportation
- ➔ Natasha Barden, Ground Transportation and Concessions Coordinator
- ➔ Burt Resimont, Compliance Audit Administrator

The TAA has 221 employees and approximately 30 vacancies in various stages of recruitment.

It was announced on March 29 that Flair Airlines will begin air service later this year to and from several destinations in Canada. Chair Dusenberry thanked the staff members who were involved in the development, and everyone who attended the event on March 29.

### **4. PRESIDENT/CEO REPORT**

President/CEO Danette Bewley reported on the following:

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

- ➔ The Transportation Security Administration (TSA) has extended the mask mandate through April 18. There is no certainty whether the mandate will be extended beyond that date, but airline CEOs are pressing the administration to end the mandate.
- ➔ Fitch reported that U.S. airports recovered 71% of pre-COVID passenger levels during 2021. TUS is slightly above the national average at 85%, which is due primarily to Tucson being a strong origin and destination market. It is difficult to forecast due to air carriers unwilling to make long-term commitments. Their uncertainty is driven by the uncertainty of

international events such as the war in Ukraine and its impact on the price of oil and supply chains. Fitch projects the nationwide recovery will remain at around 83% through 2022, with full recovery in 2024-25.

- ➔ A ribbon-cutting ceremony was held yesterday at the new fuel farm. This facility represents a \$29M investment made by the airlines at TUS. VIPs from across the country attended the event. Staff is receiving calls from other airports to ask how this project came to fruition. An article regarding the event was included in the agenda packet.

## 5. ACTION ITEMS

### a. **THREAT CONTAINMENT UNIT – BUDGET AMENDMENT:**

Executive Vice President/COO Bruce Goetz presented.

TUS has been adding to its public safety department during the past several years. Major initiatives include:

- ➔ Establishing three K-9 units, with the dogs receiving training to locate explosive devices;
- ➔ hiring a police officer who is certified in explosive ordinance detection; and
- ➔ Acquiring a robot for the technician to use in handling explosive devices.

A critical component that is missing is a containment unit to store and to quickly transport explosive devices once they are located. TUS was recently given an opportunity to purchase a demonstration unit directly from the manufacturer, resulting in significant cost savings. Staff is requesting approval of a budget amendment to purchase the unit.

There was no Board discussion.

**MOTION BY Director Fernandez, SECONDED BY Secretary Hammond, ADOPT Resolution No. 2022-09 authorizing the President/CEO or her designee(s) to purchase a Threat Containment Unit for TAA Police Department use. The motion carried by the following vote:**

**Ayes     8     Chair Dusenberry, Vice Chair Silvyn, Secretary Hammond, Treasurer Swaim, Director Draper, Director Jackson, Director Fernandez, and Director Falbaum**

**Nays     0**

**b. FEDERAL INSPECTION SERVICES – BUDGET AMENDMENT:**

Vice President/CCO John Voorhees presented.

Staff is requesting approval to expend funds to complete upgrades to the Federal Inspection Services (FIS) station and the outbound baggage system. These upgrades are necessary to prepare for an increase in international service once Flair Airlines begins operating at TUS. The costs for the projects are \$1M to upgrade the FIS station, and \$500K to upgrade the outbound baggage system. A complete breakdown of cost estimates was included in the Board memo.

BOARD DISCUSSION:

- ➔ **One of the projects was already in the CIP for next fiscal year. This is merely accelerating the process.**
- ➔ **With nationwide supply chain problems, are there any concerns about being able to complete the upgrades in time?** Vice President/P&E Mike Smejkal stated that the contractors should have all the materials necessary to complete the project, though there may not be as much of a selection of styles as is preferable. The primary materials are drywall, carpet, and paint.

President/CEO Danette Bewley stated that TUS will be the first airport in the United States to have Canadian pre-clearance. This means travelers entering Canada on a flight originating from TUS will have already been inspected and approved by Canadian customs prior to boarding. This is possible through an agreement between the United States and Canadian governments.

**MOTION BY Director Falbaum, SECONDED BY Director Jackson, to ADOPT Resolution No. 2022-10 authorizing the President/CEO or her designee(s) to adopt a budget amendment for the refresh of the Federal Inspection Station and outbound baggage system overhaul. The motion carried by the following vote:**

**Ayes     8     Chair Dusenberry, Vice Chair Silvyn, Secretary Hammond, Treasurer Swaim, Director Draper, Director Jackson, Director Fernandez, and Director Falbaum**

**Nays     0**

**c. RENTAL CAR – AGREEMENT EXTENSION:**

Vice President/CCO John Voorhees presented.

The current rental car agency agreement expires at the end of July. As a result of flux in the industry due to COVID and technology upgrades, staff is proposing to extend the current agreement one year. This will give the rental car agencies time to examine fully the effects of COVID and technology upgrades to their business models. The rental car agencies support the extension.

BOARD DISCUSSION:

- ➔ **Requested clarification on how the rental car revenues are calculated under the agreement.** Vice President/CFO Kirk Eickhoff explained that there are two variables which together determine the amount of revenue the TAA collects:

- The number of slots the agency leases; and
- A percentage of the agency's gross revenue.

Even though car volumes have decreased, revenues from rental cars are higher than they were pre-COVID due to rate increases. The revenue has the potential to decrease due to the lower volume, but this is one of the issues that will be studied during the extension.

- ➔ **As rental car companies transition their fleets towards electric vehicles, has there been any discussion as to which entities will bear the cost of upgrading the infrastructure?** Voorhees stated that he has had discussions with the rental car agencies, and that he has researched what other airports are doing. There is no uniform standard. Business and Commercial Development will work with Finance to determine the most financially feasible option that will ensure that companies which are electrifying their vehicle fleets are paying for the infrastructure to support the change.

**MOTION BY Treasurer Swaim, SECONDED BY Director Draper, to ADOPT Resolution No. 2022-11 authorizing the President/CEO or her designee(s) to execute a one-year extension of the rental car lease and concessions agreements with the Avis/Budget, Hertz/Dollar, and Enterprise/National/Alamo rental car companies. The motion carried by the following vote:**

**Ayes    8    Chair Dusenberry, Vice Chair Silvyn, Secretary Hammond, Treasurer Swaim, Director Draper, Director Jackson, Director Fernandez, and Director Falbaum**

Nays 0

**6. DIVISION UPDATES**

**a. BUSINESS AND COMMERCIAL DEVELOPMENT:**

1. Project Payload | Update

Vice President/CCO John Voorhees reported the following:

In January, the Board approved business terms to lease a TAA-owned parcel south of Aerospace Parkway to a local company for the purpose of testing rocket engines. Staff had addressed concerns raised by the Board regarding rocket noise affecting the adjacent Summit neighborhood, as well as issues related to financing. The project was submitted to the Federal Aviation Administration's (FAA's) Airport District Office (ADO) for approval. The ADO notified the TAA last month that it would oppose the use of this parcel. Their primary concern is that the TAA used monies collected through Passenger Facility Charges (PFCs) to purchase the property. PFCs are related to the development of the airport, and staff believed that this was a compatible use for developing the parcel. However, the ADO views the purchase as a non-aeronautical, non-airport related development.

The TAA has the option to sell the property to the company and reimburse the PFCs, but staff feels this would not be beneficial to the TAA.

An alternate parcel was identified that was purchased with a different funding source, and staff will seek approval from the ADO to lease this parcel to the company.

This situation illustrates the difficulties in obtaining approvals from the FAA due to staffing shortages and lack of clarity regarding their review standards. Voorhees committed to keeping the Board informed of future developments.

President/CEO Danette Bewley added that the U.S. Congress will consider legislation next year to extend the FAA's authorization. The TAA will advocate for the addition of language that protects airports and directs the FAA to complete its reviews within specified timeframes.

BOARD DISCUSSION:

- ➔ **As a workaround, could the TAA sell the land back to itself using other funds?** Vice President/CFO Kirk Eickhoff stated that staff is looking into whether this is a viable option.

Vice Chair Silvyn left the meeting at 3:41 p.m.

2. Air Service | Update

Senior Director of Air Service Development David Hatfield reported the following:

- ➔ Air service continues to be strong, with planes averaging 95% capacity.
- ➔ American will offer one daily nonstop flight to Chicago during the summer months. Southwest will offer service to Chicago Midway on Saturday only.
- ➔ American is adding an additional flight to Dallas/Ft. Worth. This route will have seven nonstop flights per day.
- ➔ The number one market in terms of load factor for the third quarter was Atlanta.
- ➔ There is a possibility that American will bring back nonstop service to Charlotte.
- ➔ The pilot shortage and fare increases are hampering efforts to increase air service.

**b. FINANCE AND REGULATORY ADMINISTRATION:**

Vice President/CFO Kirk Eickhoff reported the following:

- ➔ Landed weight and passenger volumes are running under budget due to the continuing effect of COVID-19 and the lull in post-holiday travel.
- ➔ When comparing seats per departure, the percentage decrease in average daily seat capacity is less than the decrease in average daily departures. This is due to the upsizing of some aircraft.
- ➔ The average load factor for the five months year to date was 82%; however, if the significantly low January statistics are taken out of the calculation, the load factor is closer to 87% (+3% higher than FY2020).
- ➔ Operating expenses and revenues are trending close to budget despite the decrease in passenger activity. This is due to an increase in per-passenger spending on concessions (food, beverage, news, and gifts) and receipts from rental car transactions.

**c. OPERATIONS**

Executive Vice President/COO Bruce Goetz presented the following:

TUS underwent its annual FAR (Federal Aviation Regulations) Part 139 inspection in March. This was the first completely in-person inspection conducted since 2019. There were three minor write-ups:

1. A crack in the safety area widened from two inches to three inches;
2. A sign in the safety area did not have a frangible base; and
3. One of the fueling companies—an airport tenant—was six days out of compliance with their annual training requirements.

Corrections will be completed within the next two months. The inspector was extremely complimentary of the airport and staff.

**d. PLANNING AND ENGINEERING:**

Vice President/P&E Mike Smejkal presented the following:

- ➔ The DBB1 (Design-Bid Build 1) project to construct the end-around taxiway is well underway, with completion anticipated in early 2023. The first set of pavements was opened recently.
- ➔ Staff is working with the FAA to award the next major project: CMAR (Construction Manager at Risk). This phase will involve constructing the outboard parallel taxiway.
- ➔ Escalations in building materials, supply chain issues, and higher fuel prices are adding to the construction costs. Still, staff anticipates that they will be able to complete most of CMAR during FY22, and they also anticipate completing some alternate projects using the FAA's unused grant funds left over towards the end of the fiscal year.

**7. NEXT MEETING**

Wednesday, June 1, 2022 | 3:00 p.m. | Remote participation via Microsoft Teams

**8. ADJOURN**

There being no further business to discuss, Chair Dusenberry adjourned the meeting at 4:10 p.m.

**APPROVED BY:**

*Michael S. Hammond*

Michael S. Hammond (Jun 15, 2022 11:32 PDT)

Michael S. Hammond, Secretary

Date: June, 15, 2022

**Prepared by:**

*Byron M. Jones*

Byron M. Jones (Jun 15, 2022 15:23 PDT)

Byron M. Jones, CMC, TAA Clerk

Date: June, 15, 2022