
**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, September 7, 2022 | 3:00 p.m. | Hybrid Meeting**

THIS BOARD MEETING WAS A HYBRID MEETING, WITH DIRECTORS ATTENDING IN PERSON OR VIRTUALLY VIA MICROSOFT TEAMS OR TELEPHONICALLY. MEMBERS OF THE PUBLIC WERE ABLE TO ATTEND IN PERSON. THOSE 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 3:00 p.m.

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

Vice Chair Silvyn, Director Draper, and Director Fernandez attended virtually via Microsoft Teams.

Others Present: TAA Member Carol Stewart and Consultant Jan Hill, Hill Enterprises

Staff Present: President/Chief Executive Officer Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, 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 Outlaw Ryan, IT Customer Support Technician Randy Janek, and TAA Clerk Byron Jones

2. CONSENT AGENDA

MOTION BY Treasurer Swaim, SECONDED BY Director Jackson, 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 Rich, Director Jackson, and Director Fernandez

Nays 0

3. **BOARD CHAIR REPORT**

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

Chair Dusenberry reported the following:

- ❑ The TAA continues to experience movement in talent acquisition and retention due to competition and retirement. Fortunately, the TAA continues to be an attractive employer and has recently welcomed many new employees to support multiple departments at TUS.
- ❑ The TAA has partnered with San Miguel High School to host eight students participating in the Cristo Rey Network Work Study Program. The students will work part-time at the airport throughout the school year.
- ❑ The TAA's three canine explosive detection teams recently completed and passed the Transportation Security Administration's (TSA) annual re-certification process.
- ❑ The TAA received the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association for the FY 2020 annual financial reports. This is the 27th consecutive year the TAA has earned this distinction.

4. **PRESIDENT/CEO REPORT**

a. State of the Industry | Update

President/CEO Danette Bewley reported the following:

- ❑ 8.7M passengers nationwide traveled during Labor Day weekend.
- ❑ Airlines continue to face challenges due to pilot shortages, workforce retention, aircraft availability, and other factors. Airlines are prioritizing routes based on profitability and staffing levels, which is making it difficult for airports to fully recover. TUS' passenger traffic is approximately 88% of pre-COVID levels, and full recovery will not be reached until 2024.

Director Falbaum arrived at 3:07 p.m.

b. Strategic Plan 2.0 | Quarterly Update

Executive Vice President/Chief Operating Officer Bruce Goetz presented.

- ❑ The TAA accomplished most of the goals under the "Accelerate Performance" and "Create External TAA Champions" strategic initiatives.
- ❑ Progress under the "Expand Prosperity" strategic initiative, which primarily involves generating non-aeronautical revenues from leasing TAA-owned land, has been slowed significantly by inefficiencies in the Federal Aviation

Administration's (FAA) Section 163 review process. This has resulted in the loss of several interested parties. The TAA continues to work with the FAA and believes that more progress will be made in 2023.

5. DISCUSSION/PRESENTATION

a. Strategic Plan 2.1 Overview | Discussion

Members of the Executive Team presented a high-level overview of Strategic Plan 2.1 (SP 2.1) goals for FY 2023.

☐ **Summary:**

- The Strategic Plan is a dynamic document, designed to be revised annually to adapt to changing conditions.
- SP 2.1 is the result of lessons learned during SP 2.0's implementation, new perspectives from the Executive Team and Directors, and shifting priorities as TUS continues to recover from COVID-19. There is a continued emphasis on building leaders and performance management.
- The four strategic initiatives in SP 2.0 will continue to be the core of SP 2.1.

☐ **Expand Prosperity:**

- Adopt and implement a new Airline Use Agreement (AUA) by September 2023.
- Continue to develop and market the Sonoran Commerce Center. The TAA will partner with the City of Tucson and Pima County as necessary to build new infrastructure and/or to upgrade old infrastructure to commercial grade.
- Air Service Development will work aggressively to maintain current routes and to attract new low-cost carriers to the Tucson market.

☐ **Accelerate Performance:**

- Encourage employees to further embrace the Cultural Fundamentals.
- Continue to make refinements to the compensation plan to reduce salary compression and improve employee retention.

☐ **Upgrade to First Class Systems/Efficiencies:**

- Produce a technology roadmap to ensure that the technologies the TAA adopts are compatible with one another. A technology steering committee will be formed to involve various stakeholders in the process.
- Scope an enterprise documentation strategy to begin the move towards acquiring an organization-wide document management system.
- Complete a Sustainability Master Plan.

Creating External TAA Champions:

- Identify ways to improve Member engagement.
- Identify Members who are willing to advocate on behalf of the TAA in the community.
- Conduct a community survey to develop strategies to avoid passenger leakage and passenger spillage.

b. Labor Market and TAA Attrition Outlook | Discussion

Vice President/Chief People Officer Twyla Salaiz presented.

- People Operations conducted a 24-question employee satisfaction survey in February 2022, with 69% employee participation.
 - 96% of employees responded that new employees feel welcome and included in the team.
 - 51% responded that policies for promotions and compensation were not fair.
- Overall, employees have high job satisfaction but feel benefits, the leave policy, and People Operations responsiveness should be looked at for specific changes.
- People Operations is most concerned with “regrettable” attrition—when an employee resigns for a better opportunity or without giving a reason for their leaving. In the past year, the TAA has lost 34 employees (15.6%) to “regrettable” attrition.
 - Employees are open to movement with better pay and benefits.
 - The amount of time to backfill from attrition requires significant work from People Operations and hiring managers.
- In FY 2023, People Operations will explore the causes of “regrettable” attrition and potential solutions to lower the turnover rate.

c. FY 2023 Budget Review | Discussion

Vice President/Chief Financial Officer Kirk Eickhoff presented.

FY 2022 Year-to-Date Forecast:

- Passenger traffic for FY 2022 will come in at 89% of pre-COVID levels. Despite fewer passengers, revenues and expenses are favorable to budget, driven by higher-than-expected receipts from concessions and royalties from sales of sand and gravel. Savings in operating expenses were attributable to lower personnel costs.
- The TAA will use \$6.9M in federal rescue funds to balance the airport system residual calculation in FY 2022.

FY 2023 Budget Assumptions:

- Projections are that TUS will reach 94.5% of pre-COVID passenger volume.

- Operating revenues are expected to grow \$2.9M (+7.5%) vs the FY 2022 budget and \$1.5M (+3.7%) versus the FY 2022 forecast.
- Operating expenses are budgeted to increase \$3.4M (+9.7%) compared to the FY 2022 budget and rise \$5.0M (+14.8%) over the FY 2022 forecast.
- The TAA plans to use \$7.6M in federal rescue funds to balance the airport system residual calculation. This will leave \$23.6M in FY 2024 and beyond.
- The budget and capital program were presented to the Airport Airline Affairs Committee (AAAC) and the Finance and Risk Management Council (FRMC). Both bodies were receptive and supportive of the operating plans and budgeted amounts presented. The FRMC provided a recommendation to the Board of Directors to approve the budget as presented.

6. ACTION ITEMS

a. STRATEGIC PLAN 2.1:

MOTION BY Director Falbaum, SECONDED BY Vice Chair Silvyn, to adopt Resolution No. 2022-21 APPROVING and SUPPORTING the framework for the Tucson Airport Authority Strategic Plan 2.1. The motion carried by the following vote:

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

Nays 0

Due to technical issues, Director Fernandez was unable to vote on Item 6.a.

b. RESOLUTION ON PARKING RATE ADJUSTMENTS:

Vice President/Chief Financial Officer Kirk Eickhoff presented.

- The TAA is required to be self-sustaining, and parking rates account for 20% of the TAA's operating revenues.
- Parking rates have remained the same since 2017; however, operating parking-related operating expenses have increased 20% during the same period.
- Approximately \$1.8M is budgeted in FY 2023 for improvements to the Parking Access Revenue Control (PARC) system.

- The average annual occupancy and level of demand support a rate increase.
- Staff studied the parking rates of local competitors and determined that TUS's parking rates are in line with the competition. The competitors will follow suit if TUS raises its rates.
- Additional revenues of \$1.6M are factored into the FY 2023 budget.

MOTION BY Secretary Hammond, SECONDED BY Treasurer Swaim, to adopt Resolution No. 2022-19 APPROVING adjustments to the parking rates at Tucson International Airport, to be effective on and from November 1, 2022. The motion carried by the following vote:

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

Nays 0

Due to technical issues, Director Fernandez was unable to vote on Item 6.b.

c. FY 2023 BUDGET AND CAPITAL IMPROVEMENT PROGRAM:

MOTION BY Director Jackson, SECONDED BY Secretary Hammond, to adopt Resolution No. 2022-20 APPROVING the Tucson Airport Authority's budget and capital improvement program for the fiscal year beginning October 1, 2022 and ending September 30, 2023. The motion carried by the following vote:

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

Nays 0

Due to technical issues, Director Fernandez was unable to vote on Item 6.c.

d. RESOLUTION ON DELEGATED AUTHORITY:

Vice President/General Counsel Christopher Schmaltz presented.

- The proposed resolution incorporates the Board's feedback expressed during the meeting in June 2022.

- Language has been added to Item 2.a. to clarify the President/CEO's authority to expend funds in an emergency and her obligation to report emergency-related expenditures to the Board at the next regular meeting.

MOTION BY Treasurer Swaim, SECONDED BY Director Fernandez, to adopt Resolution No. 2022-12 DELEGATING certain authority to the Tucson Airport Authority's President/CEO and CLARIFYING those items requiring action by the Board of Directors and the Executive Council. The motion carried by the following vote:

Ayes 9 Chair Dusenberry, Vice Chair Silvyn, Secretary Hammond, Treasurer Swaim, Director Draper, Director Rich, Director Jackson, Director Fernandez, and Director Falbaum

Nays 0

7. DIVISION UPDATES

a. Operations

- TUS will take delivery next week of a new rubber removal truck. It is anticipated that performing rubber removal in-house will save the TAA \$250K over the next several months, so the machine is well on its way to paying for itself.
- Two of the TAA's canine teams will participate in the Arizona Law Enforcement K-9 Trials next month in Phoenix.

b. Business and Commercial Development

- SkyWest Airlines has put the development of MRO 50 on hold while it considers how the economic downturn has affected its financial position. The airline is committed to keeping its operations in Tucson and is negotiating with the TAA to lease a 32,000 sq ft hangar in the vicinity.
- Site work on the Pima County Sheriff's Department aviation facility is underway. The project is estimated to be completed in May 2023.
- The TAA is in negotiations with Pratt & Whitney Canada to construct a permanent facility to conduct their "hot engine" tests.
- The City of Tucson recently annexed 166 acres owned by the TAA near Swan Road and south of the Los Reales landfill. This will enable construction of infrastructure required for commercial development. Four entities have already expressed interest in the property.

c. Finance and Regulatory Administration

The year-to-date financial statements and aviation activity reports were included in the Board packet.

d. Planning and Engineering

- Airfield Safety Enhancement Project - Recently finished construction of Taxiway F. Completion of this phase is required before construction begins later this year on the new parallel runway and taxiway system.
- Improvements to the Federal Inspection Service (FIS) station are underway with completion anticipated by the end of October. The project is on schedule and on budget.
- Completion of the new spec hangar (formerly intended for Aerovation) is anticipated by the end of October. The project is ahead of schedule and will come in on or slightly under budget.
- The new electronic display board system was activated last week. This is the culmination of a two-year endeavor which, although behind schedule, has come in on budget.

8. NEXT MEETING

The next regular meeting is scheduled for Wednesday, October 5, 2022 at 3:00 p.m. However, a religious holiday falls on that date. The Board's consensus was to direct the TAA Clerk to find an alternate meeting date later in the month.

9. ADJOURN

There being no further business to discuss, Chair Dusenberry adjourned the meeting at 5:17 p.m.

APPROVED BY:

Michael S. Hammond

Michael S. Hammond (Dec 8, 2022 20:37 MST)

Michael S. Hammond, Secretary

Date: December, 8, 2022

Prepared by:

Byron M. Jones

Byron M. Jones (Dec 8, 2022 16:45 MST)

Byron M. Jones, CMC, TAA Clerk

Date: December, 8, 2022