
**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, June 1, 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 3:02 p.m.

Directors Present: Board Room (In-person):
Chair Bruce Dusenberry, Treasurer Phil Swaim, and Director Judy Rich

Microsoft Teams (Virtual):
Vice Chair Keri Silvyn, Secretary Mike Hammond, Director Rob Draper, Director Todd Jackson, and Director Sally Fernandez

Directors Absent: Director Vance Falbaum

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, 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 April 6, 2022.

MOTION BY Treasurer Swaim, SECONDED BY Director Rich, 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

Chair Dusenberry reported on the following:

- a. TAA and Staff Recognition | New or Promoted Employees, Awards, and Acknowledgments
 - The TAA continues to experience movement in talent acquisition and retention due to competition and retirement. Nevertheless, the TAA continues to be an attractive employer and the airport a unique place to work. These individuals recently joined the TAA:
 - Jennifer Pegnato, Airport Emergency Manager
 - Alexander Rios, Police Officer
 - On April 29, 2022, the TAA was recognized by the Metropolitan Pima Alliance at the Common Ground Awards ceremony (as a top tier winner) for the collaborative work it performed to coordinate land transactions related to the Airfield Safety Enhancement Project.
 - On May 25, 2022, the TAA and Delta Air Lines jointly sponsored the first post-pandemic blood drive in conjunction with the American Red Cross. They collected 25 units of blood, exceeding their goal of 16 units. The American Red Cross advises that this blood has the potential to save 75 lives. We are grateful to our donors and their life-saving support of the community.

4. PRESIDENT/CEO REPORT

President/CEO Danette Bewley reported on the following:

- a. State of the Industry | Update
 - More than 12 million people flew over the Memorial Day weekend, with one U.S. airline seeing a 25% uptick in travelers compared to 2021.
 - Air service at TUS has rebounded to between 85% and 90% of pre-pandemic levels. Nationwide pilot shortages continue to hamper the recovery.

- b. Strategic Plan 2.0 | Update

A memo and report were included in the agenda packet. Bewley invited the directors to contact her with questions.

c. Working Nonstop for Tucson | Article

The TAA regularly contributes to local and national publications as part of its community outreach. An article entitled “Working Nonstop for Tucson” was recently published in the *Tucson Metro Chamber Edge*. A copy of the article was included in the agenda packet.

d. U.S. Department of Transportation Grant Award

U.S. Congressman Raul Grijalva recently announced that the TAA was awarded an \$18M grant by the Federal Aviation Administration (FAA) for the Airfield Safety Enhancement Program. A copy of the press release was included in the agenda packet.

e. Open Meeting Law Compliance

Vice President/General Counsel Christopher Schmalz reported on a recent letter sent by the Arizona Attorney General’s Office to the Pima County Community College District Governing Board. The letter was in response to a report of potential misconduct by members of the District Governing Board. A copy of the letter was included in the agenda packet. Schmalz emphasized that this is an example of Open Meetings Law compliance and why office holders must practice due diligence in how and when they communicate with each other.

5. DISCUSSION/PRESENTATION

a. AIRLINE INDUSTRY | TUS AIR SERVICE UPDATE:

Jack Penning, managing partner with Volaire Aviation, presented on the challenges facing the Tucson market as it recovers from the COVID-19 pandemic.

Current Landscape:

- Flair Airlines will begin service to and from Canada in late 2022. This will be the first time a Canadian carrier has based crews at a U.S. airport.
- Added service to Paine Field in Everett, Washington, which has been a resounding success; also added service to Houston Hobby.
- Lost service to San Jose, California; Bellingham, Washington; and Indianapolis, Indiana. Allegiant Airlines suspended service, but there is hope that they will return in the future. Despite the loss in routes, TUS is well placed heading in the peak fall/winter travel season.
- Despite high fares and a 90% load factor, TUS seat capacity will be down 12% in 2022, with a loss of 770 departing seats per day. The high demand compared to the number of seats is resulting in spillage to other airports.

Priorities and Challenges:

- Airlines are prioritizing maintaining networks over revenue and profitability. With fewer pilots, they are making tough decisions regarding which routes to keep. Furthermore, entire fleets have been retired, and they are having to re-train pilots on the new models, causing additional shortages.
- The price of fuel has increased by 73%. Fuel costs make up 40% of an airline's operating expenses. The increase has made it 17% more expensive to fly a route than it was a year ago.

Future Potential:

- Focus on adding frequency to current routes. For example, San Diego only has one flight per day, which is insufficient for the demand.
- Extend the duration of seasonal service.
- Develop a more aggressive, simplified incentive program. Priorities should include a risk mitigation strategy to help the airlines get over the starting period of service and a marketing plan which demonstrates how the demand in the Tucson market can result in profitability.

[ATTACHMENT ONE: "Post-Pandemic Tucson Market: Challenges to Recovery"](#)

b. RESOLUTION ON DELEGATED AUTHORITY:

Vice President/General Counsel Christopher Schmaltz presented.

The primary purpose of the proposed update to the Resolution on Delegated Authority (RODA) is to modernize and streamline business processes, and to clarify ambiguous language in the current resolution. The proposed update was also designed to accomplish the following:

- Remove the Board of Directors from involvement in procurement processes that could potentially result in conflicts of interest;
- Increase the level of expenditures for day-to-day operations the President/CEO is permitted to authorize without Board approval;
- Establish consistency across the board regarding the amount the President/CEO is permitted to authorize without Board approval;
- Grant the President/CEO the authority to execute the annual insurance premiums. The monies allocated to insurance are already approved by the Board as part of the annual budget; however, under the current RODA, Board approval is still required when the policies renew. The change negates the need to hold a special Board meeting dedicated primarily to insurance;

- Give the President/CEO the flexibility to respond to market trends related to employee salaries and benefits; and
- Give the President/CEO and/or the Business and Commercial Development division the authority to execute certain routine real estate transactions.

BOARD DISCUSSION:

- **The proposed resolution does not define an “emergency” or provide a cap on the amount of funds authorized during an emergency.** Schmaltz stated that airport emergencies can involve different scenarios, and it would be difficult to define this in a resolution. Although the Board may rely on the judgment of the President/CEO in consultation with the General Counsel regarding which situations constitute an emergency, it does retain the ability to question the inappropriate use of authority in a non-emergency context.
- **Suggests adding language that the President/CEO has the authority to authorize emergency expenditures if it is not practical to convene a special board meeting within 72 hours. Believes the Board should have a shared understanding of how quickly a Board meeting can be convened.**
- **Believes the revised language in Clause One of the RODA (“...the President/CEO shall have the authority to act on behalf of the Board of Directors and TAA...”) delegates all the Board’s authority to the President/CEO.** Schmaltz stated that the language mirrors what is in the Bylaws.
- **Suggested that the phrase “act on behalf of TAA” matches more closely the Board’s intent.** Schmaltz explained that from a legal standpoint, all authority resides in the Board except as is delegated via the Bylaws or the RODA. The language is appropriate in this context.

6. ACTION ITEMS

a. RESOLUTION ON DELEGATED AUTHORITY:

Chair Dusenberry deferred action on this item and directed staff to consider the concerns raised by Board members and to revisit the issue at a future meeting.

7. EXECUTIVE SESSION

The Board of Directors, upon a majority vote, may convene into executive session for the following:

Pursuant to A.R.S. § 38-431.03(A)(3) and (4): For discussion or consultation for legal advice from the Board’s attorneys and for discussion or consultation with the Board’s attorneys

in order to consider its position and instruct its attorneys regarding the Board’s position regarding contracts that are the subject of negotiations, pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation with TAA tenants and prospective tenants.

MOTION BY Director Rich, SECONDED BY Treasurer Swaim, to CONVENE into executive session. 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

The regular meeting recessed and the Board convened in executive session at 4:05 p.m.

8. RESUME THE REGULAR MEETING

The executive session adjourned and Chair Dusenberry reconvened the regular meeting at 4:38 p.m.

Secretary Hammond left the meeting during executive session and did not return to the regular meeting.

9. NEXT MEETING

Wednesday, September 7, 2022 | 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

10. ADJOURN

There being no further business to discuss, Chair Dusenberry adjourned the meeting at 4:40 p.m.

APPROVED BY:

Michael S. Hammond
Michael S. Hammond (Aug 9, 2022 16:50 PDT)
Michael S. Hammond, Secretary

Date: August, 9, 2022

Prepared by:

Byron M. Jones
Byron M. Jones (Aug 10, 2022 11:25 PDT)
Byron M. Jones, CMC, TAA Clerk

Date: August, 10, 2022

ATTACHMENT ONE

**“Post-Pandemic Tucson Market: Challenges to Recovery”
PRESENTATION**

Jack Penning, Managing Partner, Volaire Aviation Consulting

Post-Pandemic Tucson Market

Challenges to Recovery

JUNE 2022

Agenda

- **TUS in the Current Landscape**

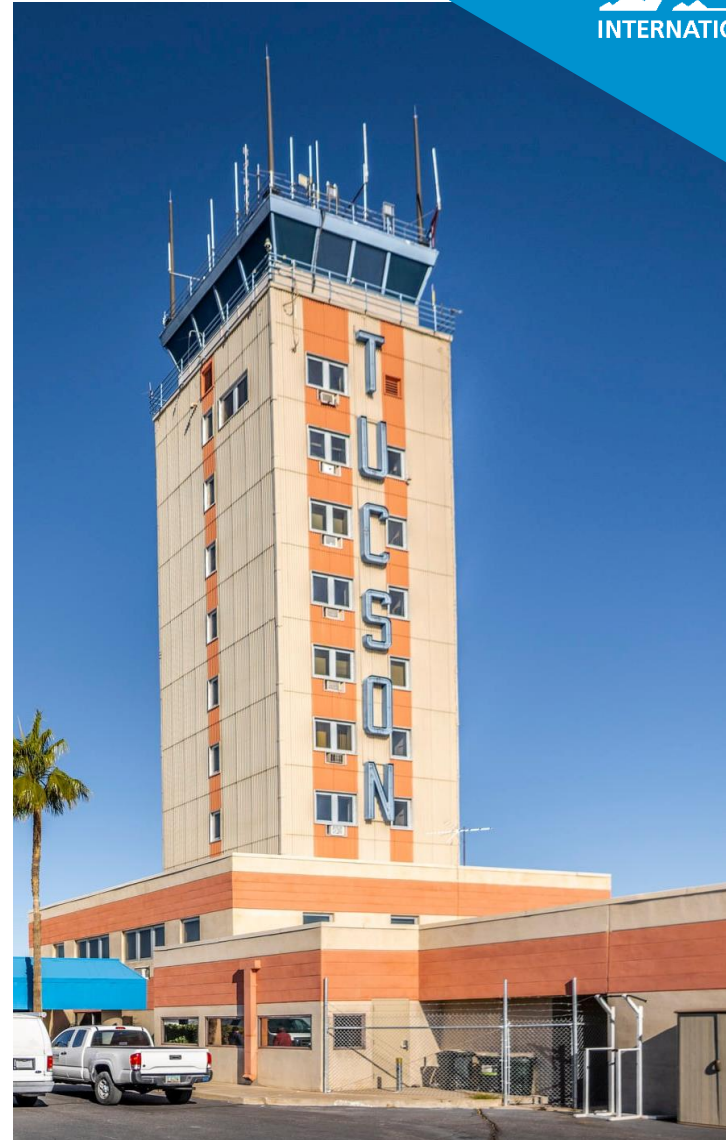
- Current Network
- Demand Recovery
- Capacity Challenges

- **Airline Priorities and Challenges**

- Network Integrity
- Pilot Shortages
- Increasing Costs

- **Future Potential**

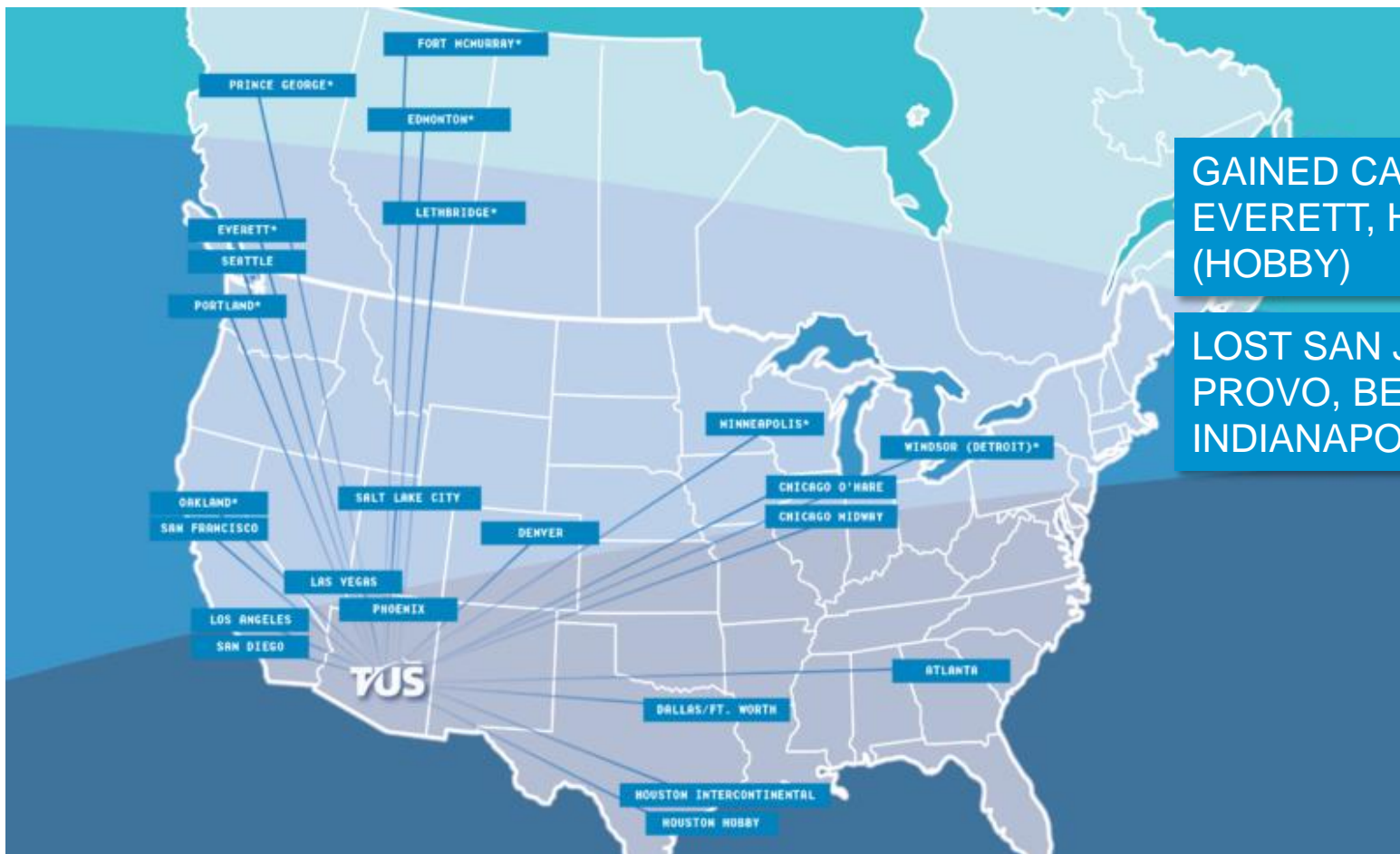
- Goals and Priorities
- Competitive Landscape



Tucson in the Current Landscape

Tucson Will Welcome Canadian Service this Winter

Map of Scheduled Airline Service at Tucson International Airport
May 2022

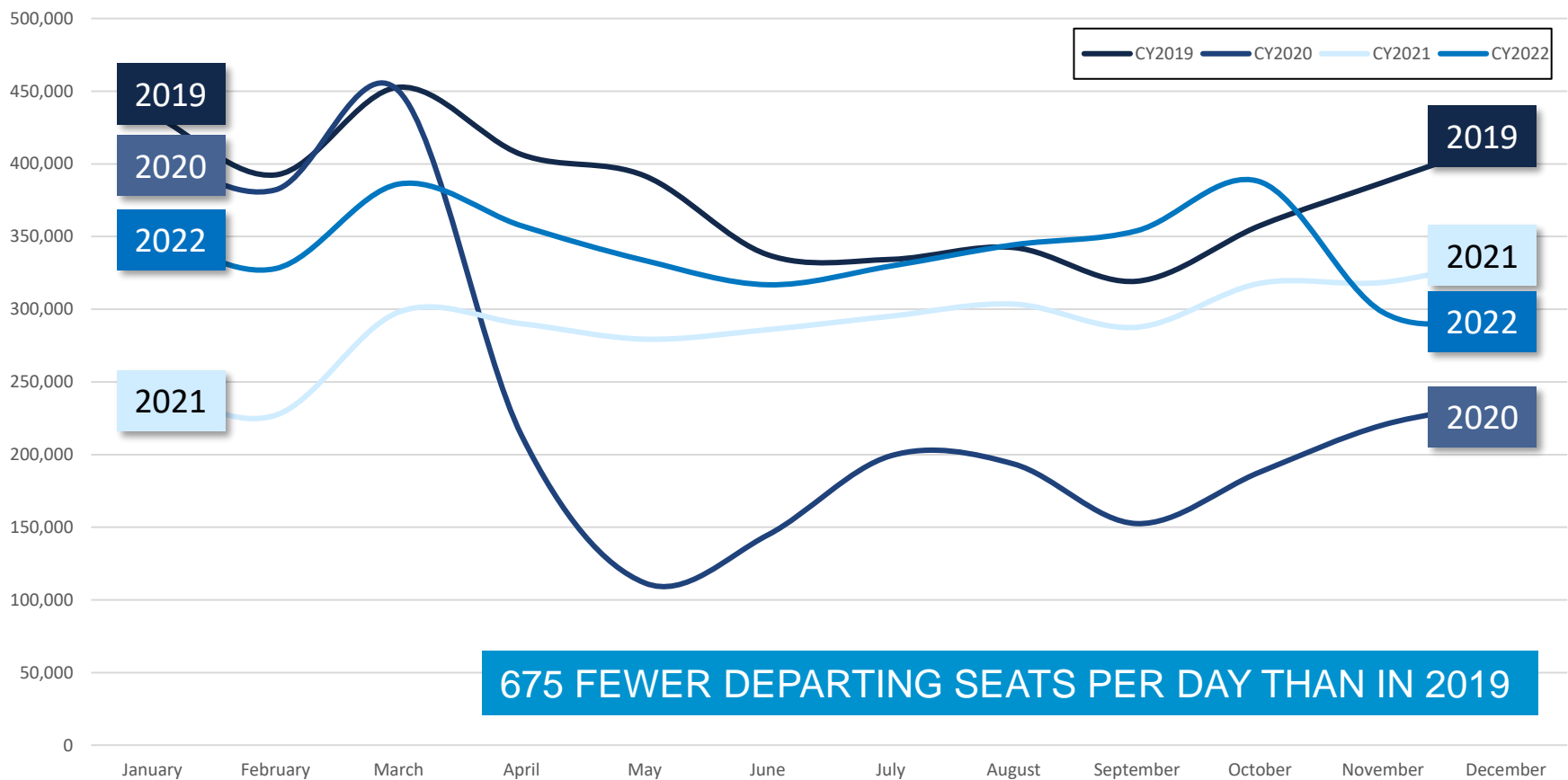


GAINED CANADA,
EVERETT, HOUSTON
(HOBBY)

LOST SAN JOSE,
PROVO, BELLINGHAM,
INDIANAPOLIS

Despite High Fares and Load Factors, Tucson Capacity Will Be Down 11% in 2022, with a Loss of 675 Departing Seats/Day

Scheduled Airline Seats at Tucson
January 2019 to December 2022

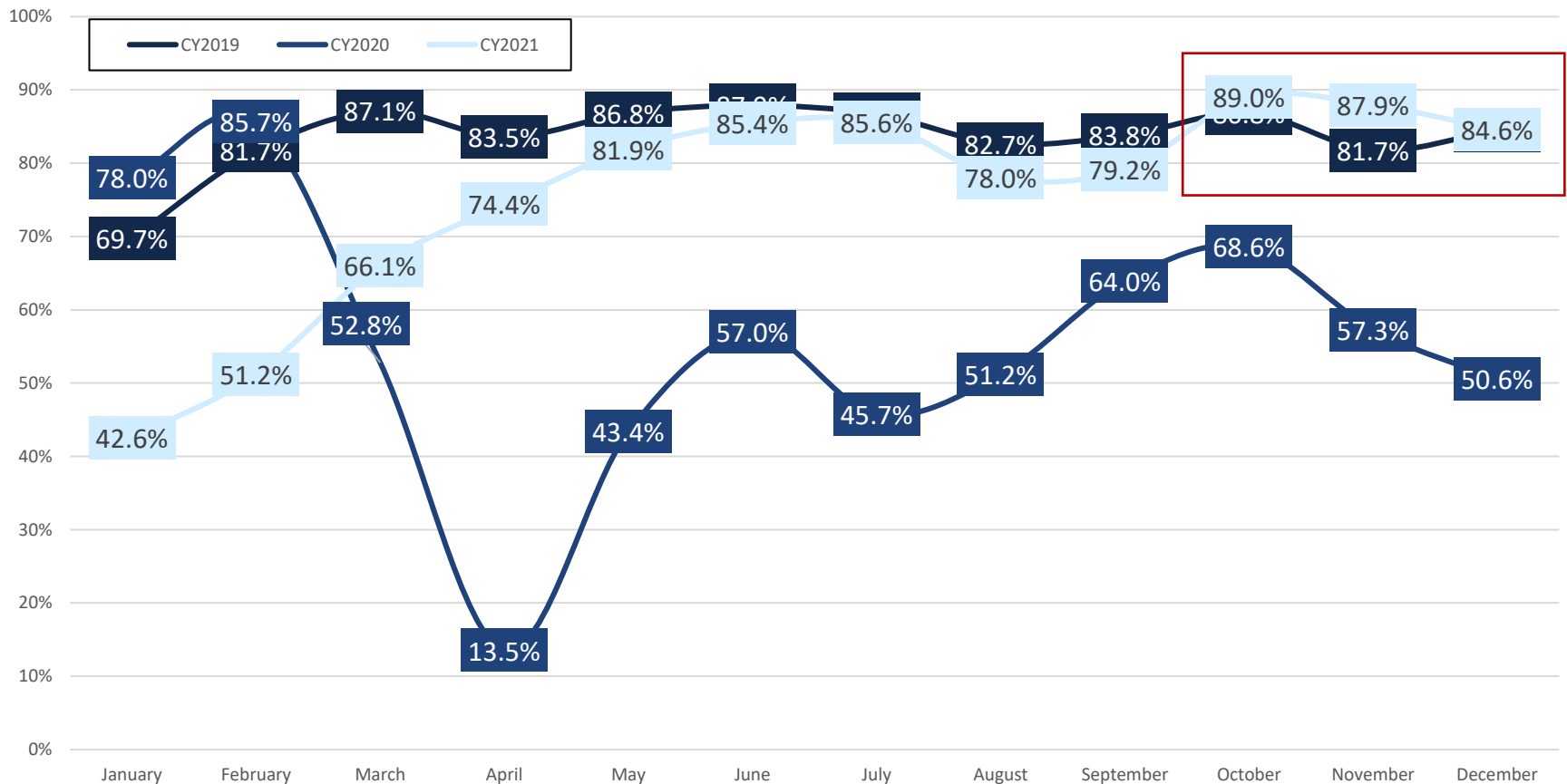


675 FEWER DEPARTING SEATS PER DAY THAN IN 2019

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

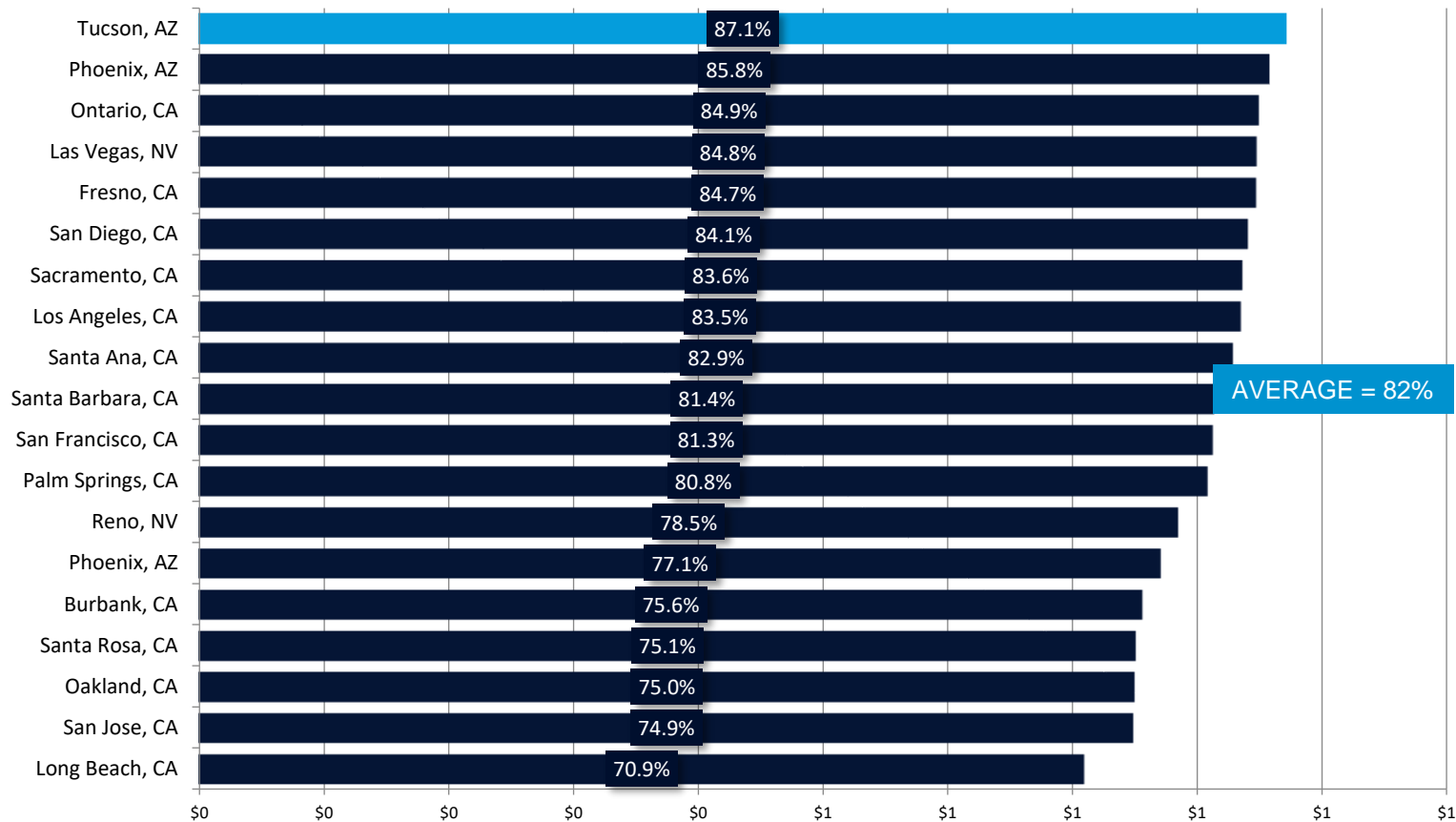
Tucson Load Factors Are Above Pre-Pandemic Levels, with Nearing 90%, and Indicating Passenger Spill

Tucson Monthly Load Factor
January 2019 – December 2021



Tucson Has the Highest Load Factor in the Southwest Region, Five Points Above the Average

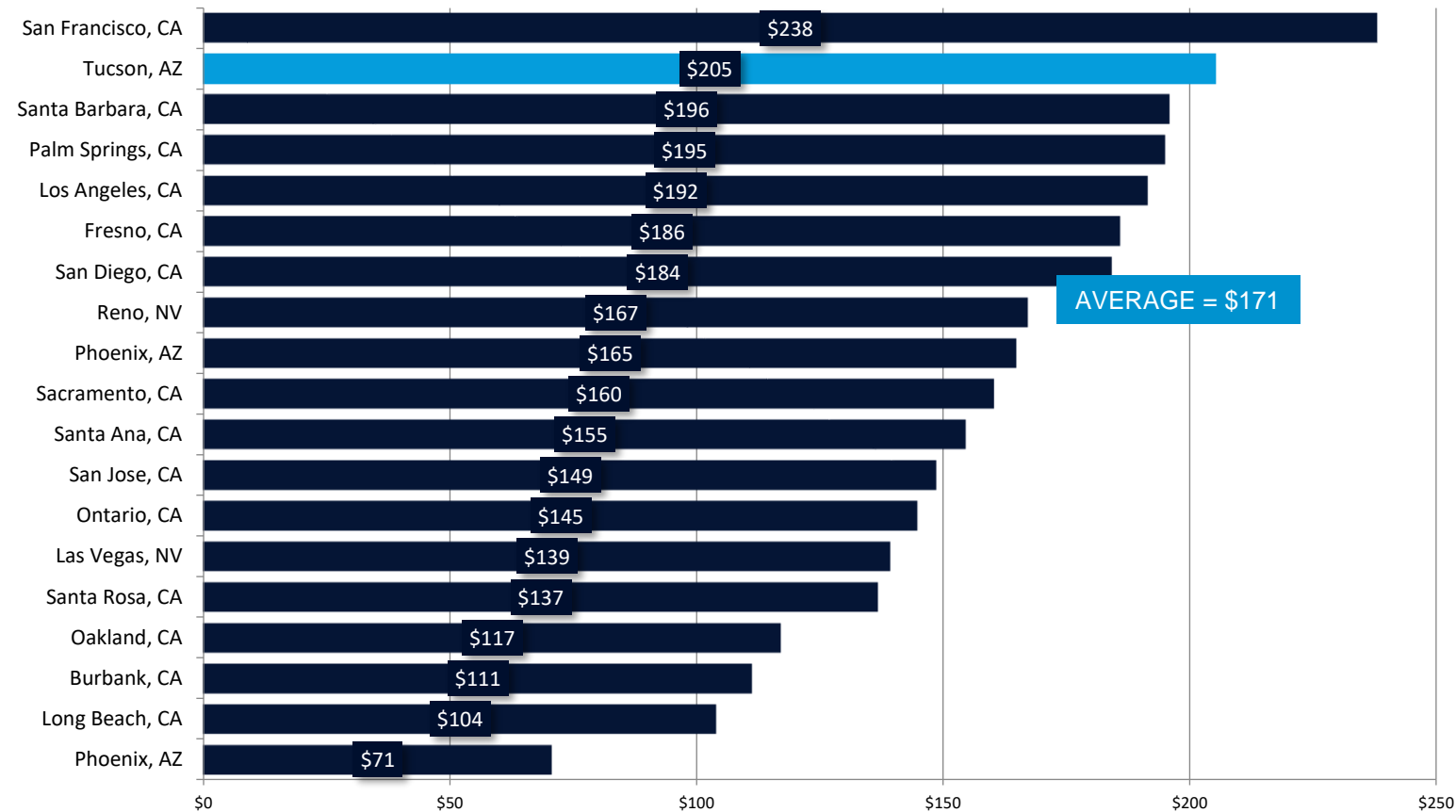
Average Load Factor at Southwest Region Airports with At Least 400,000 Annual Passengers
 Fourth Quarter 2021; Southwest Region Includes Arizona, California, and Nevada



Source: Airline Data, Inc.

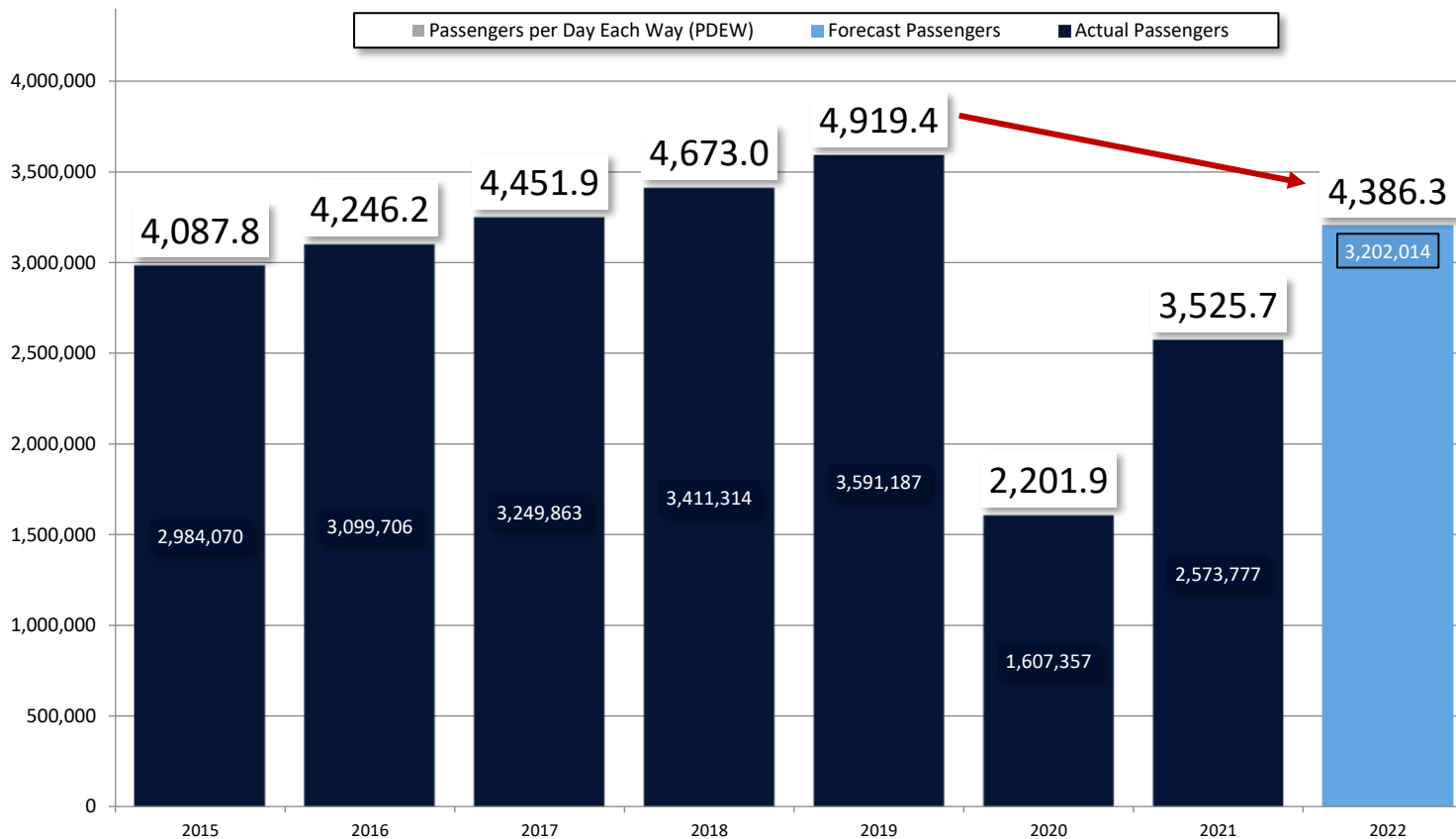
Tucson Supports the Second-Highest Fare in the Southwest, and the Highest of All Medium and Small Hub Airports

Average One Way Fare at Southwest Region Airports with At Least 400,000 Annual Passengers
 Third Quarter 2021; Southwest Region Includes Arizona, California, and Nevada



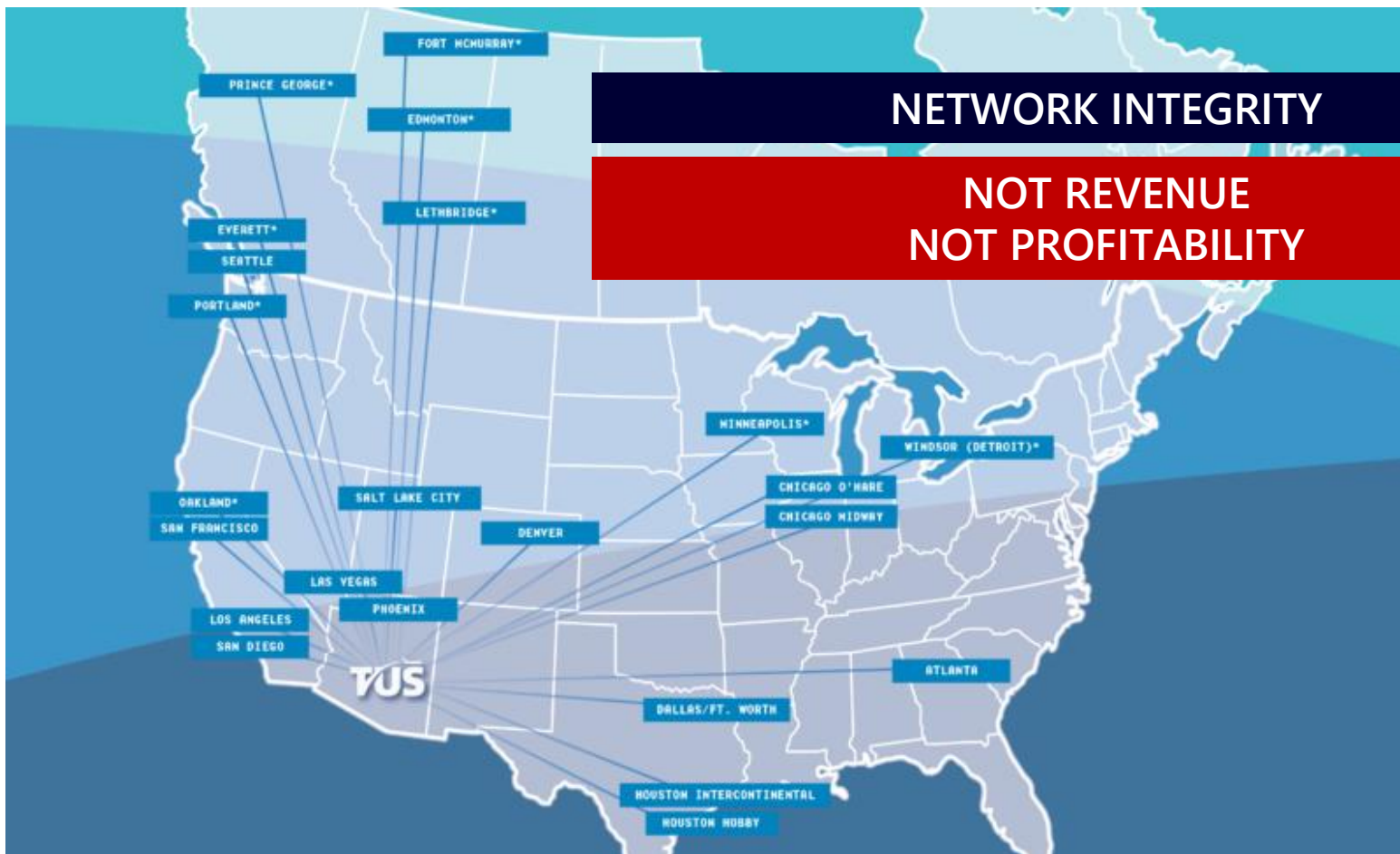
Capacity Limitations Will Keep Tucson Passengers 11% Below the 2019 Peak, and Increase Passenger Spill

O&D Passengers and Forecast Passengers at Tucson International Airport
 Calendar Year 2007 – Calendar Year 2021



Airline Priorities and Challenges

Airline Priorities Have Changed



#1 Issue:
Pilot Shortages

Regional Pilot Shortage Slows the U.S. Airline Recovery

Bloomberg

A Shortage of Pilots Looms as the Next Challenge for Airlines



United CEO warns of possible pilot shortage

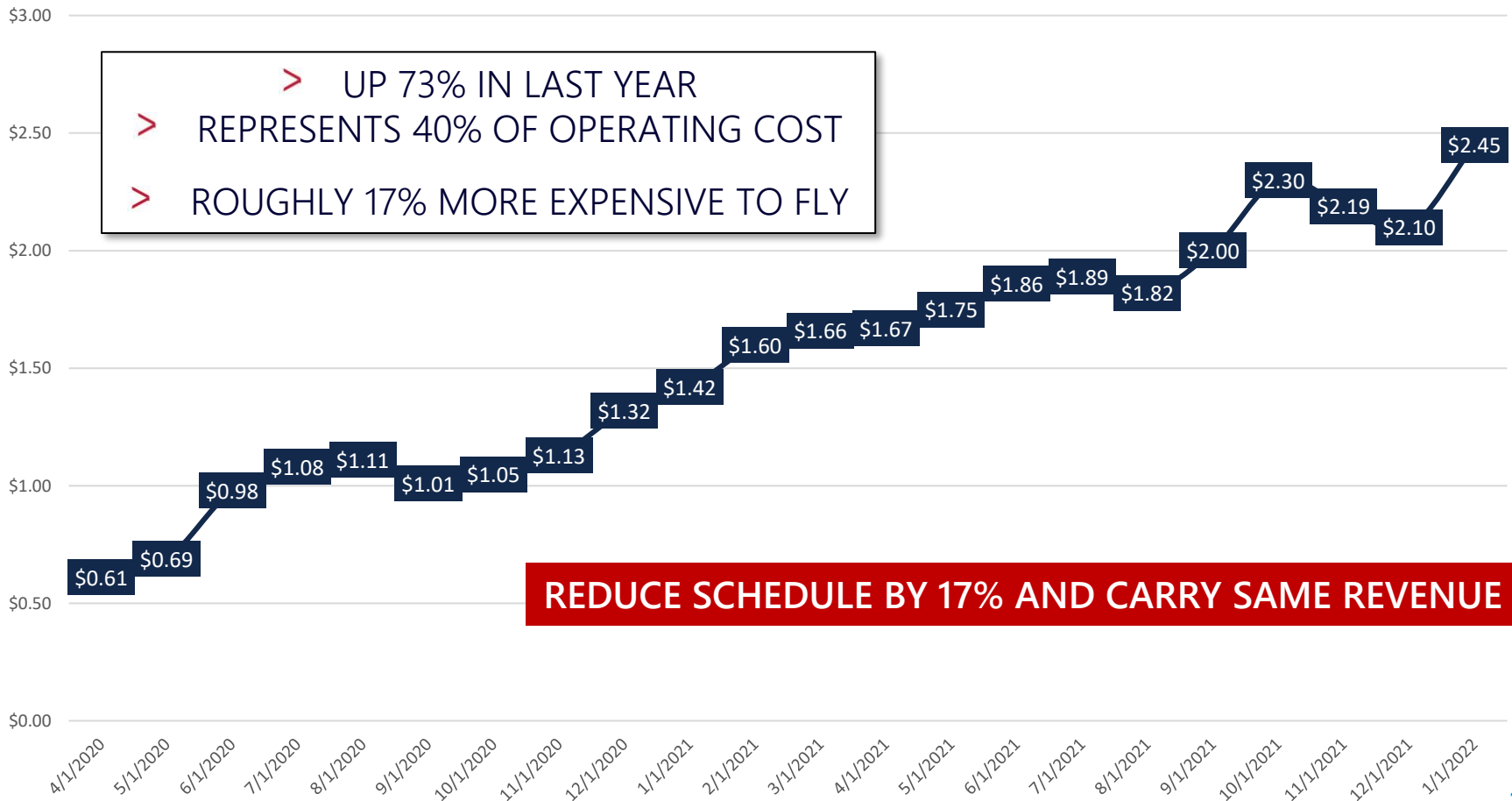


How a pilot shortage could leave travelers with higher fares and fewer options

- 8,000 PILOTS TOOK EARLY RETIREMENT BUYOUTS
 - FEWER AVAILABLE PILOTS THAN OPENINGS
 - TRAINING BACKLOG

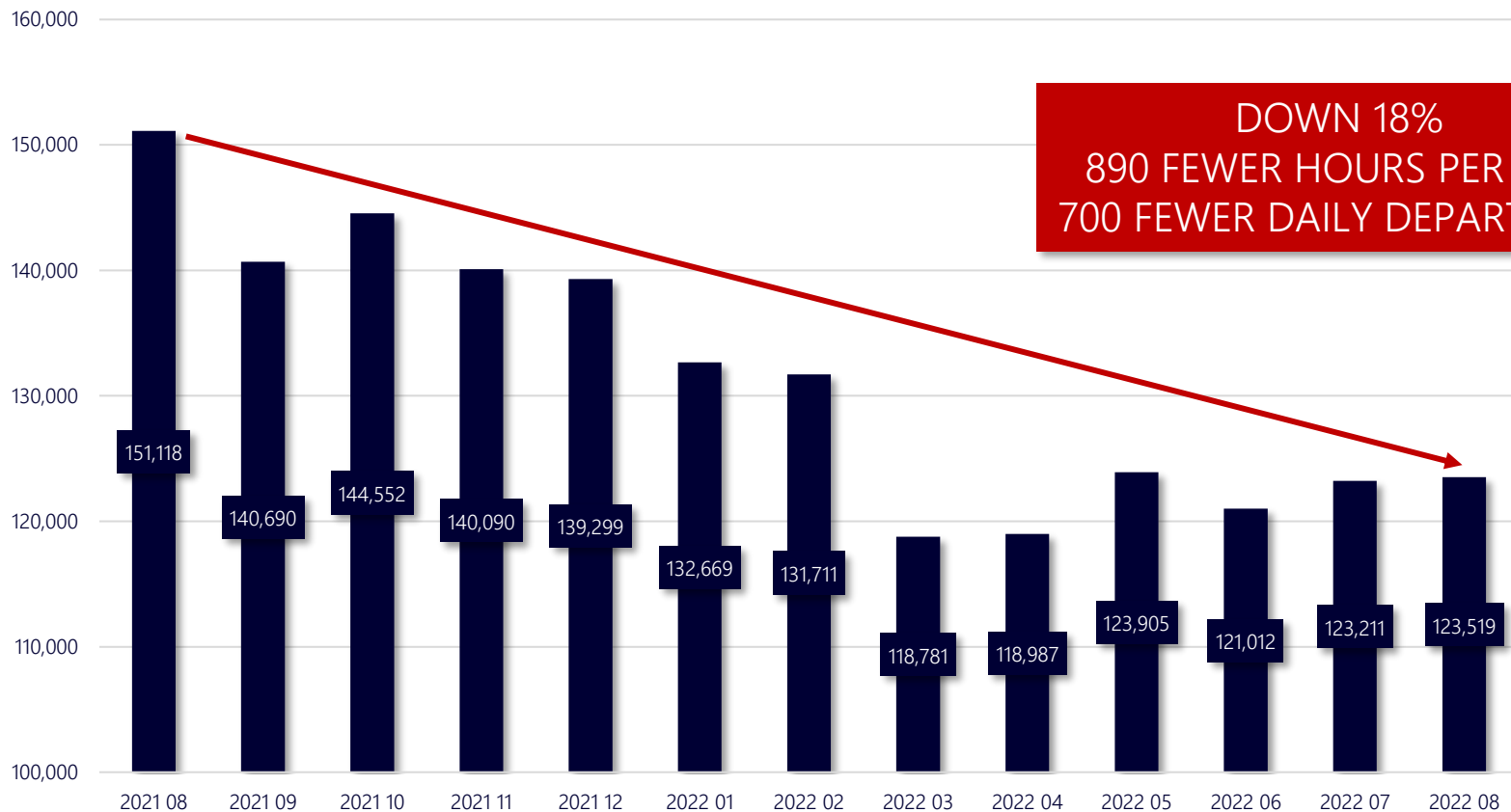
#2 Issue: The Price of Fuel

Jet Fuel Average Price per Gallon
2010 – 2022



Most Fleet Types Will Fly Less This Summer than Last, Even with Higher Demand, due to Fewer Pilots and Higher Fuel Prices

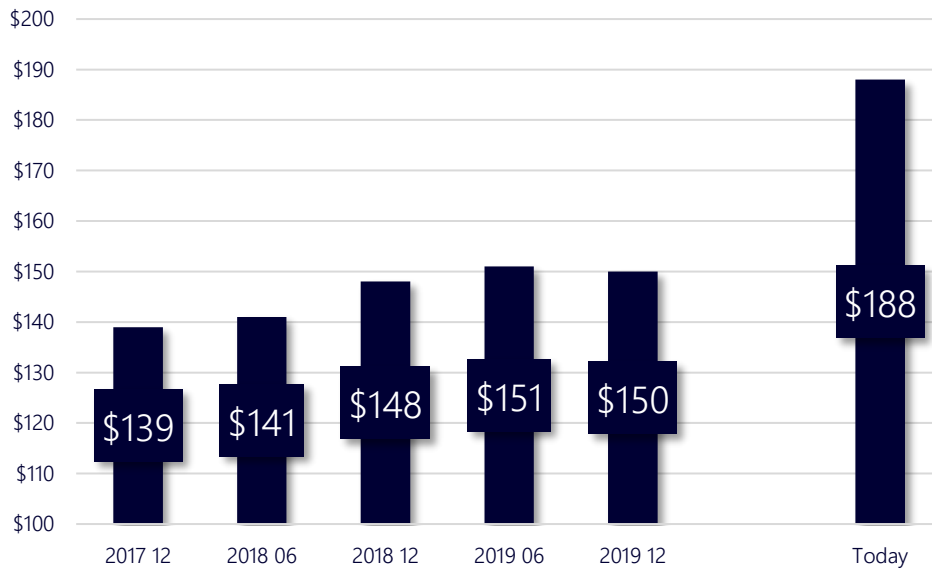
Monthly Block Hours on the ERJ175
August 2021 to December 2022



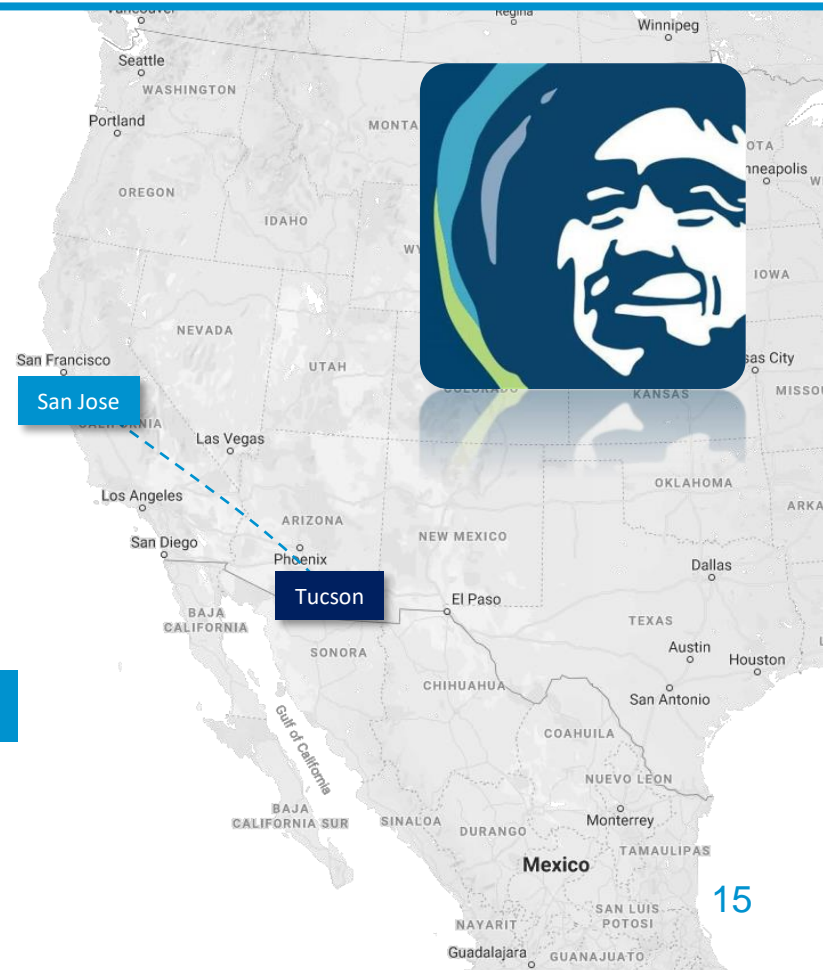
DOWN 18%
890 FEWER HOURS PER DAY
700 FEWER DAILY DEPARTURES

The Cost of Operating a Route Like TUS-San Jose Is 25% Higher Today than It Was Before the Pandemic, Making Breakeven Difficult

Breakeven One Way Fare, Alaska Airlines, Tucson – San Jose
As of May 2022



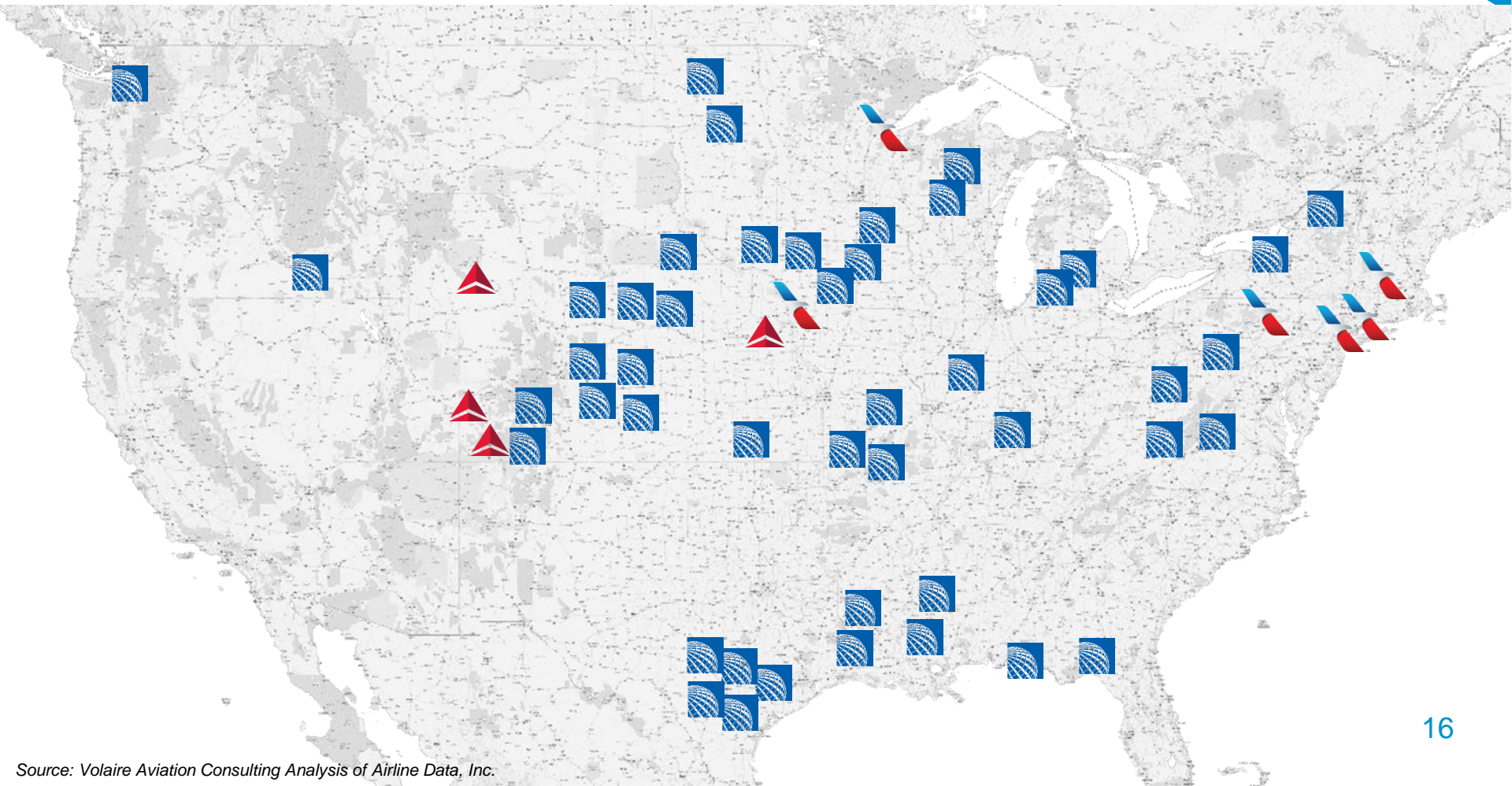
\$376 ROUNDTRIP FARE NEEDED TO BREAKEVEN



Source: Volaire Aviation Consulting Analysis and Airline Data, Inc.

58 Airports Have Lost at Least One of the Three Largest US Airlines Since the Pandemic Began

Airports that Have Lost Service from At Least One of the Three Largest US Carriers
As of May 2022



Future Potential

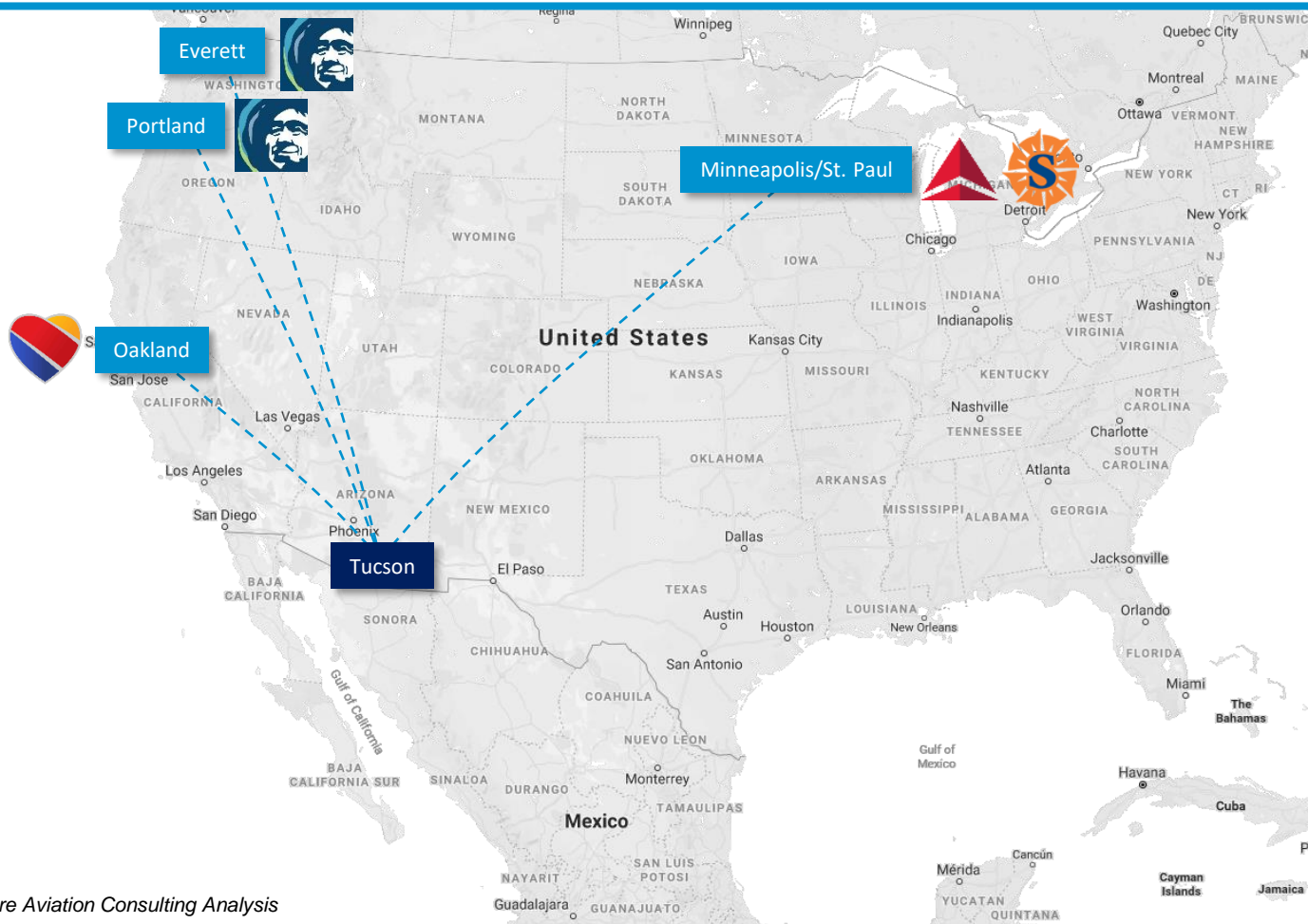
Goal #1: Restore Frequency

Reduction in Daily Flight Frequencies in Key Markets
As of May 2022, for Summer 2022



Goal #2: Extend Duration of Seasonal Service

Current Tucson Domestic Markets with Seasonal Service
As of May 2022



Goal #3: Leverage Airline Strategy for New Domestic Routes

Potential Tucson Domestic Target Markets (Based on Airline Strategy)
As of May 2022



Goal #4: Support and Continue to Grow Canadian Markets

Potential Tucson Target Markets in Canada
As of May 2022



Goal #5: Develop Service to Mexico

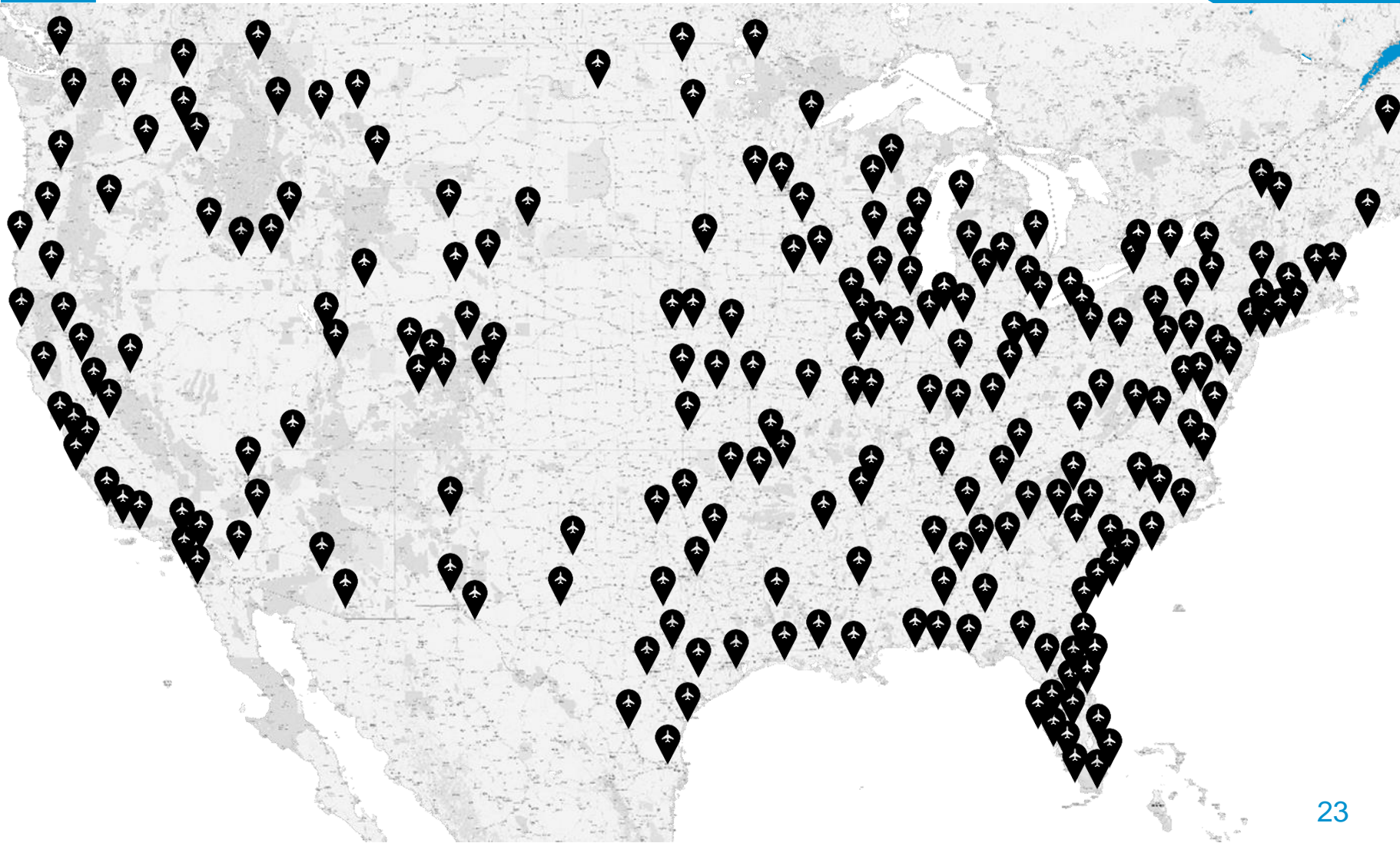
Potential Tucson Target Markets in Mexico
As of May 2022



More than 300 Airports in the US Offer \$200K+ Incentives

US Airports Offering Incentives Greater than \$200,000 for Each New Route

As of May 2022



Contact Information

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