
**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Monday, January 23, 2023 | Approximately 10:15 a.m.
Hacienda del Sol Guest Ranch Resort | Hacienda Room
5501 N. Hacienda del Sol Road, Tucson, Arizona 85718**

THIS REGULAR MEETING OF THE TUCSON AIRPORT AUTHORITY (TAA) BOARD OF DIRECTORS WAS HELD IN THE HACIENDA ROOM OF THE HACIENDA DEL SOL GUEST RANCH RESORT. THE MEETING BEGAN SHORTLY AFTER ADJOURNMENT OF THE TAA ANNUAL MEETING, WHICH WAS HELD IN THE SAME VENUE.

1. CALL TO ORDER | ROLL CALL OF 2023 BOARD OF DIRECTORS

TAA Clerk Byron Jones called the meeting to order at 10:15 a.m.

Directors Present: Director/Immediate Past Chair Bruce Dusenberry, Director Judy Rich, Director Keri Silvyn, Director Mike Hammond, Director Phil Swaim, Director Todd Jackson, Director Vance Falbaum, Director Fran Katz, and Director Rhonda Piña

Directors Absent: Director Sally Fernandez and Director Calline Sanchez

Staff Present: President/CEO Danette Bewley, Executive VP/Chief Operating Officer Bruce Goetz, VP/General Counsel Chris Schmaltz, VP/Chief Revenue Officer John Voorhees, VP/Chief People Officer Twyla Salaiz, VP of Planning and Engineering Ken Nichols, Chief Communications Officer Austin Wright, Deputy General Counsel Kim Outlaw Ryan, Director of Finance Clark Wager, and TAA Clerk Byron Jones

2. ELECTION OF OFFICERS

TAA Clerk Byron Jones reported that the Nominating Council recommended the following slate of corporate officers for 2023: Chair Keri Silvyn, Vice Chair Mike Hammond, and Secretary Phil Swaim. The Council did not make a recommendation for Treasurer. Director Falbaum self-nominated himself for the position of Treasurer.

Motion by Director Dusenberry, seconded by Director Rich, to elect as corporate officers for 2023: Director Silvyn (Chair), Director Hammond (Vice Chair), Director Swaim (Secretary), and Director Falbaum (Treasurer). The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Dusenberry, Rich, Jackson, Katz, and Piña

Nays (0)

3. BOARD TRAINING | DISCUSSION

VP/General Counsel Chris Schmaltz and Deputy General Counsel Kim Outlaw Ryan gave a training to the Board about its corporate governance role, its fiduciary responsibilities, and its obligations under the Arizona Open Meeting Law (OML) and the Arizona Public Records Law.

4. CONSENT AGENDA

Motion by Director Rich, seconded by Secretary Swaim, to approve the consent agenda. The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Dusenberry, Rich, Jackson, Katz, and Piña

Nays (0)

5. BOARD CHAIR REPORT

a. Remarks from the Board Chair

b. TAA and Staff Recognition: New or Promoted Employees, Awards, and Acknowledgments

Chair Silvyn reported the following:

- Senior Director of Air Service Development Dave Hatfield retired in December after nine years with TAA.
- The recruitment for the VP/Chief Financial Officer position is currently in the interview phase.
- TAA received official notice from the Commission on Accreditation for Law Enforcement Agencies (CALEA) that their audit determined that TAA is in full compliance with police programs and standards.

6. PRESIDENT/CEO REPORT

President/CEO Bewley reported the following:

a. State of the Industry | Update

- Major airlines are rushing to supplement their workforces because of the faster-than-expected rebound in the U.S. travel market. Airlines have had to make significant concessions to their pilots in the form of wage increases, which raises concerns about rising costs as they emerge from the COVID-19 with heavy debt loads.
- The Federal Aviation Administration's (FAA's) Notice to Air Missions (NOTAM) system experienced a systemwide failure the morning of January 11, 2023, resulting in the FAA grounding most airline flights.

Tucson International Airport (TUS) was backed up through midday, but operations began to return to normal in the afternoon. The FAA has not determined whether it was a technical failure or the result of a cyberattack.

7. DISCUSSION/PRESENTATION

a. Air Service Development | Update:

Chief Communications Officer Austin Wright gave a presentation on the status of air service at Tucson International Airport (TUS):

- Passenger traffic exceeded 2019 levels in September and October 2022. Except for service disruptions in December resulting from the Southwest Airlines system failure, this indicates that demand has fully recovered post COVID-19.
- TUS has the second highest load factor (85%) compared to other airports in the Southwest Region.
- TUS has recovered 91% of 2019 average daily seat departures.
- Other factors hampering growth within the industry include the worsening pilot shortage, fleet reduction, and the difficulty in maintaining flight crews. Airlines are switching to larger aircraft that can accommodate more passengers. Terminal improvements and expansions are required to manage the increases in traffic.
- TUS's top domestic priorities are expanding from seasonal to year 'round service to markets such as Minneapolis, Chicago, Portland, and Paine Field and establishing service to top markets which currently do not have nonstop service. Other priorities include working to reduce passenger leakage to Phoenix and establishing international service to Mexico.

b. Terminal Needs Assessment Project | Update:

Vice President of Planning and Engineering Ken Nichols gave a presentation on the recently completed Passenger Terminal Needs Assessment.

- The terminal currently meets the demand in areas such as passenger check-in, passenger circulation, and baggage claim. Other areas, such as the holdroom and Foreign Inspection Station (FIS) are not meeting the demand. Significant investment in updating and modernizing the infrastructure and expanding the terminal is required to meet the 2.3M enplanements forecasted in 2023, and the 2.8M enplanements forecasted in 2040.

- ❑ The entire project, including mid-term (2030) and long-term (2040) improvements, is divided into six project phases. The estimated cost is \$1.1B.

8. ACTION ITEMS

a. APPOINTMENTS TO THE NOMINATING COUNCIL:

There was no discussion on this item.

Motion by Vice Chair Hammond, seconded by Director Rich, to adopt Resolution No. 2023-03 approving recommended appointments to the Nominating Council. The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Dusenberry, Rich, Jackson, Katz, and Piña

Nays (0)

b. TAA CONFLICT OF INTEREST POLICY | UPDATE:

Vice President/General Counsel Christopher Schmaltz reported that the proposed revision to the Conflict-of-Interest Policy is a continuation of efforts to modernize policies which govern TAA. A key addition is a paragraph clarifying that TAA as a corporate entity maintains a commercial relationship with the airlines and various tenants. Members involved with charitable and volunteer organizations must not solicit donations (either monetary or in-kind) from TAA or its tenants. There was no discussion by the Board.

Motion by Director Katz, seconded by Director Jackson, to adopt Resolution No. 2023-04 approving a new Tucson Airport Authority member/director conflict of interest policy. The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Dusenberry, Rich, Jackson, Katz, and Piña

Nays (0)

c. TUCSON AEROPLEX (DBA MILLION AIR) LEASE:

Vice President/Chief Revenue Officer John Voorhees explained that the new ground lease was the product of discussions in early 2022 regarding a fourth amendment to the current lease. After these discussions, Million Air determined that it wanted to make capital improvements to the facility and extend the lease a further ten years. These changes would have required that

provisions contained in the third amendment be retracted. For clarity and historical purposes, it was determined that a new ground lease was the best solution. There was no discussion by the Board.

Motion by Director Katz, seconded by Treasurer Falbaum, to adopt Resolution No. 2023-05 authorizing the President/CEO (or her designee[s]) to execute a new 30-year ground lease with Tucson Aeroplex, LLC, dba Million Air, subject to key business terms. The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Dusenberry, Rich, Jackson, Katz, and Piña

Nays (0)

d. RAYTHEON FACILITY LEASE:

Vice President/Chief Revue Officer John Voorhees reported that Raytheon will replace the original tenant, A.E. Petsche, whose land lease agreement expired in December 2022. Upon execution of the lease, Raytheon will enter into sublease agreements with three long-term contractors who wish to remain in the facility. There was no discussion by the Board.

Motion by Vice Chair Hammond, seconded by Secretary Swaim, to adopt Resolution No. 2023-06 authorizing the President/CEO (or her designee[s]) to execute a new lease with Raytheon Missiles & Defense for a facility located at 1146 East Aeropark Boulevard, subject to key business terms. The motion carried by the following vote:

Ayes (9) Silvyn, Hammond, Swaim, Falbaum, Dusenberry, Rich, Jackson, Fernandez, Sanchez, Katz, and Piña

Nays (0)

9. DIVISION UPDATES

In the interests of time, Chair Silvyn chose to forego the division updates.

10. NEXT MEETING

Wednesday, April 5, 2023, 3:00 p.m. | Hybrid – TAA Board Room and/or Microsoft Teams

11. ADJOURN

Chair Silvyn congratulated the three new directors: Calline Sanchez, Francine Katz, and Rhonda Piña.

There being no further business to discuss, Chair Silvyn adjourned the meeting at 11:54 a.m.

APPROVED BY:

Phil Swaim

Phil Swaim (Apr 10, 2023 18:29 PDT)

Phil Swaim, Secretary

Date: Apr 10, 2023

Prepared by:

Byron M. Jones

Byron M. Jones (Apr 10, 2023 15:13 PDT)

Byron M. Jones, CMC, TAA Clerk

Date: Apr 10, 2023