
TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Tuesday, April 4, 2023 | 3:00 p.m. | Hybrid Meeting

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Tucson Airport Authority (TAA) and to the public that the **Board of Directors** will hold a meeting open to the public on **Wednesday, April 4, 2023, beginning at 3:00 p.m.** Directors and the public may attend in person, virtually, or telephonically. As indicated in the following agenda, the Board of Directors may vote to go into executive session, which will not be open to the public, to discuss certain matters.

In-Person: The TAA Board Room is on the departure level of the Tucson International Airport terminal and is situated between the Delta and Southwest ticket counters, and behind the Arroyo Trading Post. The address is 7250 South Tucson Boulevard, Tucson, Arizona, 85756.

Virtual/Telephonic: Members of the public interested in observing the proceedings virtually or telephonically may do so through Microsoft Teams. Click [HERE](#) to be taken to the registration form. Upon registering, you will receive an email confirmation containing the hyperlink, telephone number, and access code to join the meeting virtually or telephonically.

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

- | | |
|---|--|
| <input type="checkbox"/> Keri Silvyn, Chair | <input type="checkbox"/> Mike Hammond, Vice Chair |
| <input type="checkbox"/> Phil Swaim, Secretary | <input type="checkbox"/> Vance Falbaum, Treasurer |
| <input type="checkbox"/> Bruce Dusenberry, Immediate Past Chair | <input type="checkbox"/> Judy Rich, Director |
| <input type="checkbox"/> Todd Jackson, Director | <input type="checkbox"/> Sally Fernandez, Director |
| <input type="checkbox"/> Calline Sanchez, Director | <input type="checkbox"/> Francine Katz, Director |
| <input type="checkbox"/> Rhonda Piña, Director | |

2. CONSENT AGENDA

Matters listed under the Consent Agenda are routine and will be enacted by one motion and one vote. There will be no separate discussion of the items on the Consent Agenda unless removed from the Consent Agenda by the Board Chair after a request of a member of the Board of Directors. If removed from the Consent Agenda, the item(s) will be considered separately and individually.

- a. APPROVAL OF MINUTES:** Approve the minutes of the Board of Directors regular meeting held on January 23, 2023, and the Board of Directors special meeting held on February 28, 2023.

- b. CITY OF TUCSON | MOU ON CITY VACATED RIGHT OF WAY BEING ADDED TO LEASE PREMISES:** Adopt Resolution No. 2023-07 authorizing the President/CEO or her designee(s) to execute a Memorandum of Understanding between the City of Tucson and Tucson Airport Authority memorializing the addition of vacated City right of way to the Premises under TAA's lease with the City.

3. BOARD CHAIR REPORT

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

4. PRESIDENT/CEO REPORT

- a. State of the Industry | Update**
- b. Strategic Plan | Update**

5. DISCUSSION/PRESENTATION

- a. Member Advocacy Plan | Update**
- b. Airfield Safety Enhancement Project | Update**

6. ACTION ITEMS

a. OUTBOUND BAGGAGE SYSTEM IMPROVEMENTS | BUDGET AMENDMENT:

- i. The Board of Directors will consider and may adopt Resolution No. 2023-08 approving a budget amendment for an overhaul or replacement of the American Airlines Outbound Baggage Handling System in an amount not to exceed \$1,250,000.**
- ii. The Board of Directors will consider and may adopt Resolution No. 2023-09 approving a budget amendment for an overhaul or replacement of the Southwest Airlines Outbound Baggage Makeup Unit in an amount not to exceed \$250,000.**

7. DIVISION UPDATES

- a. Operations**
 - i. FAA FAR Part 139 Inspection**
 - ii. FAA FAR Part 139 Triennial Drill**

b. Finance and Regulatory Administration

- i. January 2023 YTD Financials: Financial Summary | Aviation Activity Report

c. Planning and Engineering

- i. Capital Improvement Program/Sustainability Plan | Update

8. EXECUTIVE SESSION

- a. Federal Aviation Administration Financial Review of TAA:** The Board may vote to discuss this matter with TAA's attorneys and representatives in executive session for the purposes provided in A.R.S. § 38-431.03(A)(3) and (4).
- b. TAA Cybersecurity Posture:** The Board may vote to discuss this matter with TAA's attorneys and representatives in executive session for the purposes provided in A.R.S. § 38-431.03(A)(2) and (3).

9. RETURN FROM EXECUTIVE SESSION

10. NEXT MEETING

Wednesday, June 7, 2023, 3:00 p.m. | Hybrid Meeting – TAA Board Room or Microsoft Teams

11. ADJOURN

**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 Treasurer 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:

Prepared by:

Phil Swaim, Secretary

Byron M. Jones, CMC, TAA Clerk

Date: _____

Date: _____

DRAFT

**TUCSON AIRPORT AUTHORITY | Board of Directors Special Meeting
Tuesday, February 28, 2023 | 3:00 p.m. | Virtual Meeting**

THIS MEETING OF THE TUCSON AIRPORT AUTHORITY (TAA) BOARD OF DIRECTORS 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 PUBLIC PORTIONS OF THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.

1. CALL TO ORDER | ROLL CALL

Chair Silvyn called the meeting to order at 3:06 p.m.

Directors Present: Chair Keri Silvyn, Vice Chair Mike Hammond, Secretary Phil Swaim, and Treasurer Vance Falbaum, Director/Immediate Past Chair Bruce Dusenberry, Director Todd Jackson, Director Sally Fernandez, Director Calline Sanchez, Director Francine Katz, and Director Rhonda Piña

Directors Absent: Director Judy Rich

Staff Present: President/CEO Officer Danette Bewley, Vice President/General Counsel Christopher Schmaltz, Deputy General Counsel Kim Outlaw Ryan, and TAA Clerk Byron Jones

2. EXECUTIVE SESSION

- a. For discussion or consultation for legal advice with the attorney or attorneys of the TAA; and discussion or consultation with the attorneys of the TAA in order to consider its position and instruct its attorneys regarding the TAA's position regarding contracts that are the subject of negotiations, relating to the recent Federal Aviation Administration's (FAA) financial review of the TAA. (Pursuant to A.R.S. §§ 38-431.03(A) (3 & 4)

Motion by Secretary Swaim, seconded by Director Sanchez, to recess the public meeting and convene in executive session. The motion carried by the following vote:

Ayes (10) Silvyn, Hammond, Swaim, Falbaum, Dusenberry, Jackson, Fernandez, Sanchez, Katz, and Piña

Nays (0)

Chair Silvyn recessed the public meeting, and the Board of Directors went into executive session at 3:13 p.m.

Director Sanchez joined the public meeting at 3:31 p.m. and joined the executive session at 3:33 p.m.

3. RETURN FROM EXECUTIVE SESSION

The executive session adjourned at 3:54 p.m. Chair Silvyn recalled the public meeting to order at 3:55 p.m.

4. NEXT MEETING

Tuesday, April 4, 2023, 3:00 p.m. | Hybrid – TAA Board Room and Microsoft Teams

5. ADJOURN

There being no further business to discuss, Chair Silvyn adjourned the meeting at 3:55 p.m.

APPROVED BY:

Prepared by:

Phil Swaim, Secretary

Byron M. Jones, CMC, TAA Clerk

Date: _____

Date: _____

Date: April 4, 2023

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: Memorandum of Understanding Between TAA and the City of Tucson

Background:

The Tucson Airport Authority (TAA) has a project to build a monument sign and improve the landscaping at the Tucson Blvd. entrance to the Tucson International Airport (TUS). This monument project has previously been approved by the TAA Board. This memo requests the Board to take further action to enable the monument signage project.

To accommodate the new TUS Airport Monument and Landscaping Project, the TAA requested that the City of Tucson vacate its right of way at the project location (Exhibit A of the Resolution). In response, the City of Tucson granted TAA's request and made the project location and surrounding areas available to be added to the existing master lease between COT and TAA.

The Memorandum of Understanding (MOU), attached as Exhibit B to the Resolution, will memorialize the addition of the Premises to Lease.

Strategic Plan | Analysis:

This action supports the strategic plan by delivering results, namely the monument sign. This action is a critical step to secure the necessary land rights for the project. The vacation of right of way will allow TAA to acquire the land needed to complete the project and provide TAA with an option to create an access road to a small TAA leasehold that's currently landlocked.

Cost Analysis:

This action will be conducted with no exchange of funds between the TAA or City of Tucson.

Recommendation:

Adopt Resolution No. 2023-07 authorizing the President/CEO or her designee(s) to execute a Memorandum of Understanding between the City of Tucson and TAA memorializing the addition of vacated city right of way to the premises under TAA's lease with the City.

Attachments:

1. Resolution No. 2023-07
 - Exhibit A – Premises
 - Exhibit B – Memorandum of Understanding

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF TUCSON AND TUCSON AIRPORT AUTHORITY MEMORIALIZING THE ADDITION OF VACATED CITY RIGHT OF WAY TO THE PREMISES UNDER TAA’S LEASE WITH THE CITY.

WHEREAS the Tucson Airport Authority (TAA) desires to make improvements to the monument sign and to the landscaping at the entrance to Tucson International Airport (TUS); and

WHEREAS to complete the improvements, TAA requested, and the City of Tucson agreed to vacate its right of way as depicted in the attached Exhibit A (“Premises”) and that the vacated right of way should be incorporated into the existing lease between the City of Tucson and TAA; and

WHEREAS the City of Tucson and TAA desire to memorialize this addition to the leased premises for the benefit of both parties.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The President/CEO or her designee is authorized to execute the Memorandum of Understanding between the City of Tucson and Tucson Airport Authority, Inc., attached to this Resolution as Exhibit B.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this fourth day of April 2023.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President
and General Counsel

EXHIBIT A: Premises

The vacation of right of way is approximately .20 AC of the intersection median (parcel I) and approximately .22 AC directly west of the intersection (parcel II) and north of Airport Wash. The vacation of right of way was completed and recorded on January 5, 2023 (SQ# 20230050371).



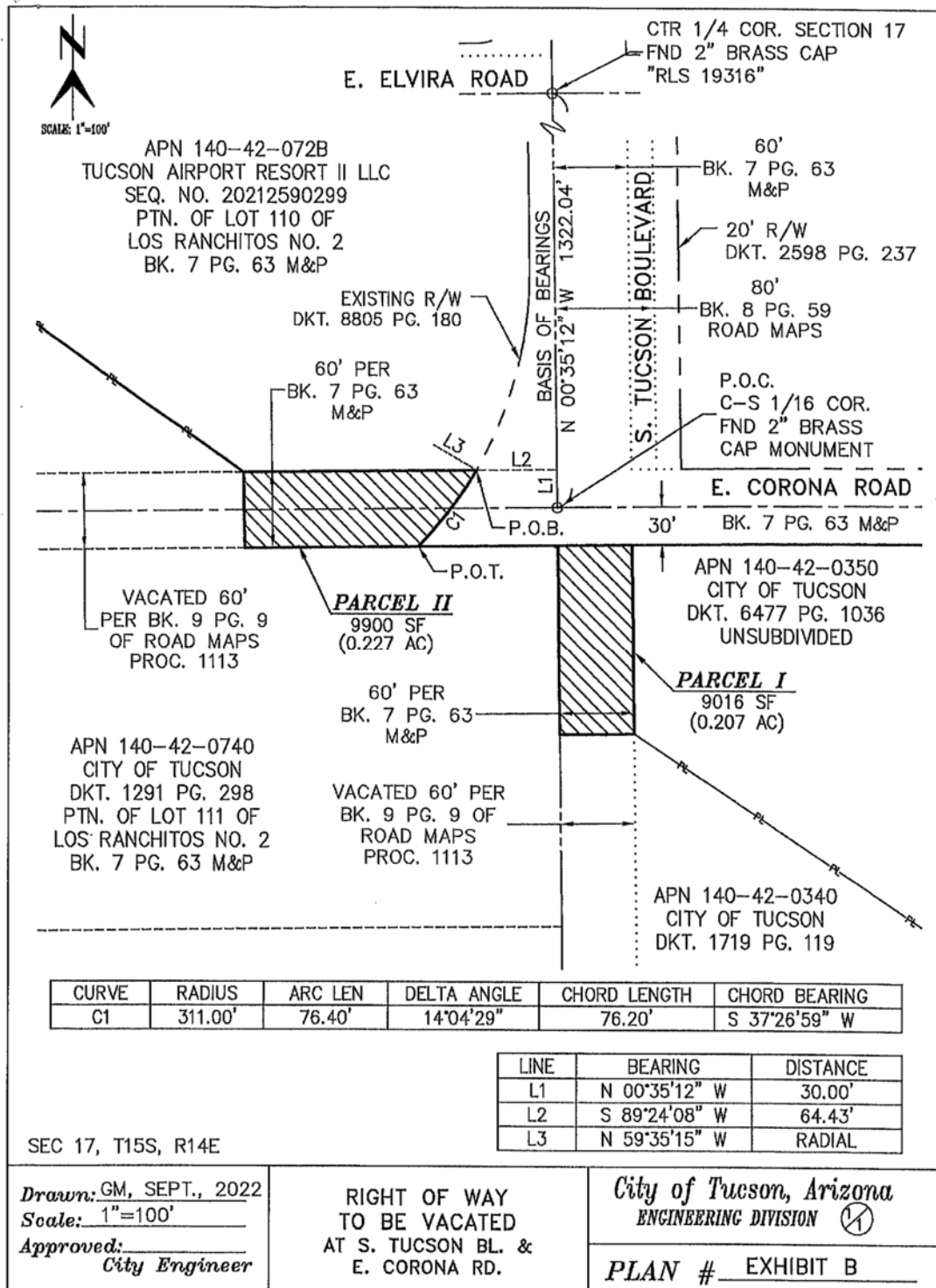


EXHIBIT B: MOU

Memorandum of Understanding Between
City of Tucson and Tucson Airport Authority For
the
Addition of property to the Lease of the
Tucson International Airport

This MOU is made and entered this ____ day of April, by and between the City of Tucson hereinafter referred to as "City" and the Tucson Airport Authority, hereinafter referred to as "TAA".

WHEREAS, the City and TAA have an existing lease, originally dated October 14th, 1948, for the property known as Tucson International Airport, hereinafter referred to as the "Initial Demised Premises"; and

WHEREAS, the parties have amended the lease to extend its term through October 14, 2098; and

WHEREAS, the lease provides for additional and after-acquired property used in connection with the operation of the airport to be added to the leased premises; and

WHEREAS, the City vacated that certain right of way recorded in sequence number 20230050371 in the office of the County Recorder of Pima County, Arizona (the "Vacated Right of Way"), for the purpose of incorporating the Vacated Right of Way into the lease.

NOW THEREFORE, the City and TAA agree as follows:

Section 1.

The above recitals are incorporated herein as if set out verbatim.

Section 2.

The parties agree that Vacated Right of Way is part of the leased premises pursuant to Section 1 (d) of the lease.

Section 3.

By entering this MOU, the parties do not intend to create any obligations express or implied other than those set out to herein. This MOU shall not create any rights in any party not a signatory hereto.

Section 4.

This MOU may be executed in counterparts, including facsimile or email counterparts, which together shall constitute one agreement.

The parties acknowledge and agree that this MOU may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same effect as an original signature. An electronic signature shall include faxed or email versions of an original signature or electronically scanned and transmitted versions of an original signature.

City of Tucson

TUCSON AIRPORT AUTHORITY

John Cahill
Real Estate Administrator

Danette Bewley, A.A.E.
President and Chief Executive Officer

Date: April 4, 2023

To: Board of Directors
From: Bruce Goetz, Executive Vice President/COO
Re: TAA Strategic Plan 2.1 | Period ending February 28, 2023

TAA staff has focused on goals associated with Strategic Plan 2.1, adopted by the TAA Board in September 2022.

The attached report provides full detail of the progress made through February; however, I want to highlight a few specific items.

1. Accelerate Performance

- a. The Cultural Fundamentals program has been rolled out airport wide and is now a focus for Supervisors, Directors, and the Executive Team to lead and champion these behaviors.
- b. The TAA embraced the Situational Leadership Program, and taught 63 Supervisors, Managers, Directors, and the ET. This new program is designed to help them become better leaders to their respective teams. A new group of 16 leaders were trained in November.
- c. The first year of the Performance Management process is complete with all leaders regularly conducting meaningful one-on-one meetings with their direct reports. Annual performance evaluations are complete. New goals and expectations have been established for CY23.

Finally, the TAA conducted a nationwide search and have hired Kim Allison as our new Vice President/CFO. Kim has extensive experience as a CPA, Auditor, and most recently was the CFO at Gulfport Biloxi Airport.

2. Expand Prosperity

The FAA review process to permit the TAA to generate revenue from TAA land assets continues to be slow, which impedes efforts to quickly respond to developers who want to lease or purchase TAA land. Even though the process remains slow, the TAA continues to work on efforts to lease/develop nonaeronautical land both at TUS and RYN. Those efforts include:

1. Commercial Development Plan and Marketing

- a. A land development group and steering committee has been formed. The mission of the group is to provide a systematic approach to accomplishing the pre-work involved with the development of all TAA land with a specific focus on the Sonora East parcel.

- b. Section 163 applications for portions of Sonora East, Sonora South, and the land east of MRO 50 will be submitted to the FAA in the coming months in support of Qualified Leads for development at the airport.
 - c. TAA plans to enter into a non-exclusive brokerage relationship with local real estate firms to advertise available TAA properties. Leveraging this relationship will increase our visibility in the industry.
2. Shovel Ready Infrastructure (both TAA land and our utility and community partners)
- TAA has been active in the community to bring shovel ready infrastructure to the Airport environment. These items include:
- a. In January, the TAA CEO submitted a letter to the Citizen's Advisory Committee of the RTA Next project advocating for road improvements to Country Club Road as it extends south to the airport.
 - b. In February, the TAA CEO submitted a letter of advocacy for Pima County's RAISE grant. This grant outlines how the County will fund a road improvement project along Valencia just to the west of the airport property.
 - c. The TAA VP/Chief Revenue Officer (John Voorhees) regularly attends the Airport Environs general planning quarterly meetings. Here municipal, county, and business planners and developers discuss projects and synchronize efforts to bolster the infrastructure around TUS and the Raytheon campus.
 - d. TAA staff are also engaged in an ongoing project to have the City of Tucson annex a portion of Sonora East. Once complete, the TAA will continue this effort to ensure commercial grade utilities serve the Sonoran Commerce Center.
 - e. The Business and Commercial Development and Planning and Engineering staff have submitted a package to the City of Tucson to rezone the northern areas of the airport. If approved by the City, this will grant the TAA favorable conditions to manage its own compatible use restrictions in accordance with FAA-regulations.
3. Negotiate Airline Use Agreement (AUA)
- Work began on a new AUA in early in 2022 and the TAA and Airlines agreed on several terms, then meetings were suspended. Late last fall, the TAA coordinated with the Airlines to establish a schedule to resume discussions. Under President/CEO oversight, the negotiations were shifted to Austin Wright, Chief Communications Officer (who started in late November 2022).

Meetings resumed in January 2023. The TAA and Airlines agreed on an 1-year amendment to the existing AUA which will restore the rates and charges that were in place prior COVID, plus CPI adjustments for the 2 years the fees were artificially held down (reminder: the TAA reduced certain airline lease rates by 25% and fixed the landing fee to \$1.15 per 1,000 lbs. maximum gross weight to maintain air carrier presence and maintain air service during COVID). If the discussions continue as expected the amendment to the AUA will take effect October 1, 2023 (FY24). The amendment to the AUA will require Board action and will be presented with the Annual Budget in September 2023.

Work on a long-term agreement will continue with a goal of completing a new AUA by September 2024 (however; this is in the control of the Airlines).

3. Upgrade to First Class Systems and Efficiencies

- a. The TAA hired the engineering and planning firm VHB to develop the Sustainability Master Plan. Two working group meetings have been held with both internal and external stakeholders to help develop the TAA's vision and priorities.
- b. An initial 5-year technology roadmap is nearly complete to meet the TAA's technology needs for both internal and external needs for the airport system.
- c. Significant efforts have been dedicated to respond to new and required Federal Security Directives for Cybersecurity. These new mandates from the Transportation Security Administration (TSA) continue to evolve to ensure we are prepared against the ever-increasing threat from hackers. (Please note that the TSA may mandate actions; however, may not provide grant funding).

4. Create TAA External Champions

- a. The "Nonstop for Tucson" marketing campaign continues to be successful. All marketing segments (tv, radio, digital, transit, billboards, etc.) will continue throughout FY23. Media impressions have increased over 10% year-over-year and social/community recognition is positive.
- b. The TAA Member Survey was completed; the data was presented to the Board in December 2022.
- c. An Advocacy Plan is in the development phase and will be shared with the TAA Membership soon.
- d. The TAA Community Survey was completed; results are being evaluated. Results will be shared with the TAA membership soon.



TAA PLAN 2023 PLAN

ACCELERATE PERFORMANCE

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
Leverage and implement the TAA Learning Strategy	Twyla Salaiz							NEW Twyla Salaiz: After the launch of Udemy our new learning platform in September, the tool has been leveraged to create targeted content for departments and all employees. The platform has allowed us to share original content and create custom learning paths for common as well as individual learning needs. For leadership development, our focus in 2023 is Director Development. The program is cohort based with a curriculum spread across 9 months culminating with a real business issue/solution presented to the executive team. The program kicked off in November with the first use of our Cultural Fundamentals 360, the Hogan assessment, and Leadership brand. We continue to sustain learning with offering core leadership development to new leaders with Recruiting, Performance Management, and Situational Leadership. 03/07/2023
Increase efficiency of People Operations talent processes	Twyla Salaiz							NEW Twyla Salaiz: The Recruiting process has stabilized with our average time to fill at 60 days or less. People Operations has assessed multiple policies and SOP's to either create, update, or retire in support of the broader organizational goals. For employee relations, forms and cases have been centralized to for consistency and historical information. Aligned with this is a consistent investigation process and out brief that can be leveraged by multiple People Operations staff. As the TAA moves to a SharePoint platform intranet, People Operations has designed multiple SharePoint pages for easy access to forms, tools, and training in support of major People Operations processes. 03/07/2023
Evaluate causes of attrition and implement retention strategies	Twyla Salaiz							NEW Twyla Salaiz: This goal was added with SP 2.1 with the first focus of understanding causes of attrition and bringing awareness to the organization. To raise awareness with senior leaders, we are sharing attrition reports and causes of attrition along with tying it to monthly workforce planning statuses. 03/07/2023
TAA is a "Great Place To Work"	Twyla Salaiz							NEW Twyla Salaiz: In October, we completed the full roll out of the Cultural Fundamentals (CF). In addition to previous work with explaining and educating teams, the Cultural Fundamentals were incorporated into new job descriptions, a 360 Leadership Assessment based on the CF, and all employee relations cases incorporate missing CF behaviors. In our second pulse survey we were able to show marked improvement regarding leadership relationships and trust with the People Operations team. 03/07/2023

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
Commercial Development Plan and Marketing	John Voorhees						On Track	<p>NEW John Voorhees: The FY 2023 budget included an allocation to invest in the research and studies required to bring TAA land (specifically Sonora East) to market. This "pre-work" is the planning effort that would precede the FAA required National Environmental Policy Act (NEPA) analysis that must be done to release the land to market. The VP/Chief Revenue Officer has convened a Land Development Working Group and Steering Committee to provide a systematic approach to accomplishing the pre-work involved with the development of all TAA land. (but with a specific focus on Sonora East).</p> <p>Section 163 applications for portions of Sonora East, Sonora South, and the land east of MRO 50 will be submitted in support of Qualified Leads for development at the airport. A section of Sonora East will be brought to market (or as close as possible) as a speculative development. Sonora South has garnered the interest of several renewable energy prospects. The MRO 50 land is in support of an ongoing project for Ascent Aviation.</p> <p>The TAA hangar located at 1920 East Aero Park Blvd (formerly known as the Aerovation hangar) is nearly complete. The Properties department has listing the commercial facility on two commercial real estate marketing platforms. There are at least 3 interested bidders after 1 week on the market. The goal is to host a commercial client that will use the facility to support an MRO operation. However, the Properties Department will close the advertisement and select the preferred tenant in the next 60 days in order to provide additional rent revenue to the airport system as soon as practical.</p> <p>03/02/2023</p>

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
Shovel Ready Infrastructure (both TAA land and our utility and community partners)	John Voorhees							<p>NEW John Voorhees: TAA staff continues to work with the local community to bolster the infrastructure around TUS and RYN.</p> <p>In January, the TAA CEO submitted a letter to the Citizen's Advisory Committee of the RTA Next project advocating for road improvements to Country Club road as it extends south to the airport. ADOT has apportioned \$144M to create an interchange at Interstate 10 and Country Club Road. That funded project should begin construction in FY 2025. The advocacy letter was to request widening and improvement to the supporting Country Club Road, south of the proposed interchange to accommodate the additional traffic that the interchange project would likely cause.</p> <p>In February, the TAA CEO submitted a letter of advocacy for Pima County's RAISE grant. This grant would fund a road improvement project along Valencia just to the west of the airport property. This would bolster access to the airport and improve mobility for the underserved residential communities near the airport environment. Pima County expressed tremendous gratitude for the act of community partnership.</p> <p>The TAA VP/CRO regularly attends the Airport Environs general planning quarterly meetings. Here municipal, county, and business planners and developers discuss projects and synchronize efforts to bolster the infrastructure around TUS and the Raytheon campus. The roundtable meetings are often the first opportunity to learn of projects from other entities. Companies and government agencies share their infrastructure needs, discuss future plans, and provide updates to ongoing projects. Tucson Water, TEP, Pima County Wastewater, and Flood Control, and the various economic development agencies of each are keenly aware of the value of TAA's land and have invested significantly to improve commercial infrastructure capacity in the area.</p> <p>TAA staff are also engaged in an ongoing project to have the City of Tucson annex a portion of Sonora East. By annexing the 165-acre parcel Tucson Water will be required to extend commercial water service to the area. This will enhance the attractiveness of the parcel for future commercial development.</p> <p>BCD and Planning and Engineering staff have submitted a package to the City of Tucson to rezone the northern areas of the airport. Currently, the area of the airport along Plumer Avenue is zoned as Multi-Use. This limits the types of business that can grow in the area. Industrial zoning would afford the most compatible use for the land. P&E and BCD are currently evaluating the option of submitting an application for a Planned Area Development for the entire airport. This would grant the airport authority favorable conditions to manage its own compatible use restrictions in accordance with FAA-regulations. This would also save some cost in the rezoning effort.</p> <p>03/03/2023</p>
							On Track	

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
Negotiate Airline Use Agreement	Austin Wright						On Track	NEW Bruce Goetz: Work began on a new AUA in early in 2022 and the TAA and Airlines agreed on several terms, then meetings were suspended due to workload issues associated with the annual budget. Late last fall, oversight of the negotiations were shifted to Austin Wright, Chief Communications Officer. Meetings resumed this past January with the airlines to create an amendment to the existing agreement and to restore the rates and charges that were in place prior to COVID. Work on a long-term agreement will continue with a goal of completing a new AUA by September 2024. <i>03/07/2023</i>
Expand Air Service Development Options	Austin Wright						On Track	NEW Austin Wright: Numerous meetings have been scheduled with the Air Carriers throughout the year to include attending several "speed dating" events where numerous airlines and route planners all attend the same event. Now that travel patterns have changed, we are working with the airlines to determine what additional data they will need to add value to their decision-making process. A new draft of the TUS Air Carrier Incentive Program has been developed in light of new FAA guidelines and we expect this item to be presented to the Board, along with the annual budget. <i>03/07/2023</i>

UPGRADE TO FIRST CLASS SYSTEMS AND EFFICIENCIES

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
Complete Sustainability Master Plan	Bruce Goetz						On Track	NEW Bruce Goetz: We contracted with VHB Associates in October 2022 to begin work on our Sustainability Master Plan (SMP). VHB is well known in the aviation industry for having completed several other SMP's across the country. Our first working group meeting was held in December. Since that time the consultant has completed their data collection efforts for the baseline study and has met with Airport Staff to begin identifying priorities. The second working group meeting took place on March 9th and in this session they discussed the tentative findings of the TAA Baseline Sustainability Study and began developing ideas for TAA's Sustainability Vision and priorities. <i>03/07/2023</i>
Scope Enterprise Documentation Strategy	Bruce Goetz						Behind	NEW Bruce Goetz: This initiative has not been started yet as the IT staff have been working full time to meet the requirements from the TSA and their new Security Directives for Cyber Security. Due to the ongoing and increasing workload associated with Cyber Security mandates, we have adjusted the start date and anticipate beginning this effort the last quarter of FY23. <i>03/07/2023</i>

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
TAA Cyber Security Plan	Bruce Goetz							NEW Bruce Goetz: Beginning last year, the Transportation Security Administration (TSA) began creating a framework to incorporate Cybersecurity requirements in the federally mandated Airport Security Program (ASP). Historically the ASP has been focused on procedural and physical security around the terminal and airfield. The TSA's shift towards a more regulated Cybersecurity posture reflects the increasing threat that the world now faces from hackers. In December the TSA issued a Security Directive (SD) for all FAR Part 1542 regulated airports to comply with. The months of December, January and February have been busy completing required Incident Action Plans, Vulnerability Assessments and other required items to fulfill the requirements of this Security Directive. New TSA Cybersecurity requirements are constantly forthcoming and we will continue to flex as necessary to combat this evolving threat. <i>03/07/2023</i>
Establish a technology roadmap to meet all stakeholder needs	Bruce Goetz							NEW Bruce Goetz: The initial version of the technology roadmap has been completed. The technology roadmap looks out five years and addresses new hardware requirements along with replacing end of life equipment, software subscriptions, a long term look at an ERP replacement and numerous additional hardware and software systems needed to address new TSA required Cyber Security initiatives. The roadmap addresses not only internal needs for TAA employees but external needs for tenants and airlines to include the possibility of common use equipment at gates to allow multiple airlines to use the same gate. <i>03/07/2023</i>

CREATE EXTERNAL TAA CHAMPIONS

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
Determine and activate a Community Value Proposition based on community survey results	Austin Wright							NEW Austin Wright: In collaboration with marketing consultants, the TAA Marketing and Strategic Communications team has developed a near-final draft of a Community Value Proposition (CVP) based on results from research done in the southern Arizona region on behalf of the TAA. Two versions of a CVP were developed based on analytical and qualitative data – one for the general community and one for passengers. Both are economic impact based, which proved to be one of the strongest points made in the data results. Upon final President/CEO approval, the final CVP will be utilized to update strategic messaging, in collaboration with our marketing/branding consultant, in TAA/TUS marketing outlets, including our social media, newsletters, website, presentations, and outlets in which we reach our community and passengers. <i>03/07/2023</i>

Goal	Owner	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Current Co...	Board Update
Continue outreach and partnerships within the tourism sector	Austin Wright						On Track	NEW Austin Wright: The TAA has continued to strategically partner with the southern Arizona tourism sector. The TAA has continued its partnership with Visit Tucson to continue promotion of the Flair Airlines service to/from Canada as well as other essential domestic service. In addition, partnerships have continued within the community to encourage tourism and support of the TAA and its airport system, including with the Tucson Jazz Festival, PACC Pets of Pima Parade, Tucson Roadrunners, OnMedia, among others. There has also been active participation in the Arizona Lodging and Tourism Association, Southern Arizona Leadership Council, and various chambers. To date, there have been more than 15 presentations given to the community. <i>03/07/2023</i>
Identify and cultivate Member Value Proposition with an accompanying advocacy plan for membership engagement opportunities	Austin Wright							NEW Austin Wright: The Marketing and Strategic Communications department continues to partner with the CCO and CEO to finalize the Member Value Proposition (MVP) based on the feedback and survey results presented to the Board in fall 2022. The MVP will assist in formulating tactics and strategies that will be implemented in the advocacy plan. The team also received input from the Board at the Board retreat in February. An update will be provided to the Board at the April Board Meeting. <i>03/07/2023</i>

Date: April 4, 2023

To: Board of Directors
From: Ken Nichols, Vice President of Planning and Engineering
Re: Mid-Year Major Maintenance Budget Amendment | Outbound Baggage System Improvements

Background:

The Tucson Airport Authority (TAA) provides the infrastructure for the outbound baggage handling system at the American Airlines and Southwest Airlines Ticket Counters at Tucson International Airport (TUS). The outbound baggage handling system is the mechanism used to transfer checked luggage from the respective ticket counter location through three distinct locations prior to an airline delivering the baggage to a departing aircraft. The three areas are 1) through the wall at the ticket counter, 2) through an assigned baggage screening area, and 3) an individual baggage makeup area, where screened bags are loaded out for the aircraft.

TAA records indicate the outbound baggage handling systems were installed in the 1980's and are at the end of their useful life. Toward that end, TAA staff have included overhaul and/or replacement projects in the six-year Capital Improvement Program. Both the American Airlines and Southwest Airlines outbound baggage handling systems are scheduled for overhaul or replacement; however, some components of the systems are failing now, and in some cases the systems have been out of service for extended periods of time, which negatively affects the air carrier operator (and possibly the customer). The majority of the outbound baggage handling system used by Southwest Airlines was overhauled in 2021. However, the outbound baggage makeup unit is an obsolete style of equipment and needs overhaul or complete replacement. For both systems, due to the age of the equipment and supply chain issues, the necessary replacement components for an overhaul can be difficult to find.

At the present time, American Airlines operates 35% of passenger activity, followed by Southwest Airlines which operates 23% of the passenger activity at TUS; combined, these airlines represent 58% of air service at TUS. American Airlines and Southwest Airlines, respectively, lease space throughout the airport complex to operate their independent commercial air carrier business (ticket counter and office space, operations space, holdroom and gate space, and pay landing fees, etc.). In FY 2022, annual rent and fees paid to the TAA by the American Airlines operation are approximately \$3,480,000, and Southwest Airlines are approximately \$2,482,000, respectively.

To remedy the issues and support our air carrier partners, TAA staff must ask the Board to consider an amendment to the FY23 Budget and authorize two mid-year projects with a rough order of magnitude as outlined below:

1. Determine if an overhaul or replacement is needed for the outbound baggage handling system used by American Airlines. Based on the analysis, proceed with proper course of action (overhaul or replacement) not to exceed \$1,250,000.
2. Determine if an overhaul or replacement is needed for the outbound baggage makeup unit used by Southwest Airlines. Based on the analysis, proceed with proper course of action (overhaul or replacement) not to exceed \$250,000.

In 2023, a typical outbound baggage handling system overhaul can cost approximately \$550,000, and a replacement outbound baggage handling system approximately \$1,250,000. TAA staff has not yet determined the course of action needed for each individual outbound baggage handling system. For comparison, an overhaul of the outbound baggage handling system used by Flair Airlines will be completed during summer 2023 at a cost of \$550,000.

Strategic Plan | Analysis:

This proposed action supports the Strategic Plan initiative to increase Air Service Development. The outbound baggage handling system is critical for sustaining passenger growth and will increase reliability, improve the flow of airport operations and in turn, create a better experience for passengers at TUS. This is just one of the investments in the infrastructure necessary to remain competitive in the coming years.

Cost Analysis:

The Airline Use Agreement is the financial tool that outlines a myriad of provisions whereby the airlines, as a collective, financially sustain the operation of the airport system through rates and charges. One of the elements included in the TUS AUA is a Maintenance Reserve Fund. The Maintenance Reserve Fund is for purposes of capital outlay and maintaining the “Airport System,” which includes all facilities at both TUS and RYN. The maximum amount allowed in the Fund is \$4,000,000 per year. Expenditures from the Maintenance Reserve Fund are exempt from Majority-in-Interest approval (by the airlines) under the 2009 amendment to the AUA.

At the present time, the Maintenance Reserve Fund has a balance of \$2,882,263.26. Although airline approval is not required, the airlines have signaled their support and acknowledged the criticality of these two projects. In this regard, TAA staff recommend the TAA use the Maintenance Reserve Fund as the source of funding for the two projects outlined in this memo.

Recommendation:

TAA management recommends the Board:

- a. Adopt Resolution No. 2023-08 approving a budget amendment for an overhaul or replacement of the American Airlines Outbound Baggage Handling System in an amount not to exceed \$1,250,000.
- b. Adopt Resolution No. 2023-09 approving a budget amendment for an overhaul or replacement of the Southwest Airlines Outbound Baggage Makeup Unit in an amount not to exceed \$250,000.

Attachments:

1. Resolution No. 2023-08
2. Resolution No. 2023-09

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING A BUDGET AMENDMENT FOR AN OVERHAUL OR REPLACEMENT OF THE AMERICAN AIRLINES OUTBOUND BAGGAGE HANDLING SYSTEM IN AN AMOUNT NOT TO EXCEED \$1,250,000.

WHEREAS an outbound baggage handling system that runs quickly, efficiently, and with minimal service disruptions is essential to the Tucson Airport Authority's (TAA) goal of maintaining and increasing air service to Tucson International Airport (TUS); and

WHEREAS the outbound baggage handling system in use by American Airlines was installed in the 1980s and, therefore, is nearing the end of its useful lifespan, with certain components beginning to fail for extended periods of time; and

WHEREAS investments in upgrading and modernizing the airport's infrastructure are necessary to remain competitive with TUS's peer airports as the industry continues to emerge from the economic downturn caused by COVID-19; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The budget amendment for an overhaul or replacement of the American Airlines Outbound Baggage Handling System in an amount not to exceed \$1,250,000 is approved.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this fourth day of April 2023.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President
and General Counsel

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING A BUDGET AMENDMENT FOR AN OVERHAUL OR REPLACEMENT OF THE SOUTHWEST AIRLINES OUTBOUND BAGGAGE MAKEUP UNIT IN AN AMOUNT NOT TO EXCEED \$250,000.

WHEREAS an outbound baggage handling system that runs quickly, efficiently, and with minimal service disruptions is essential to the Tucson Airport Authority's (TAA) goal of maintaining and increasing air service to Tucson International Airport (TUS); and

WHEREAS the outbound baggage handling system in use by Southwest Airlines was installed in the 1980s and, therefore, is nearing the end of its useful lifespan, with certain components beginning to fail for extended periods of time; and

WHEREAS investments in upgrading and modernizing the airport's infrastructure are necessary to remain competitive with TUS's peer airports as the industry continues to emerge from the economic downturn caused by COVID-19; and

WHEREAS the Board of Directors accepts the staff recommendations as detailed in the Board Memorandum.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The budget amendment for an overhaul or replacement of the Southwest Airlines Outbound Baggage Makeup Unit in an amount not to exceed \$250,000 is approved.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this fourth day of April 2023.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Vice President
and General Counsel

Date: April 4, 2023

To: Board of Directors
From: Clark Wager, Director of Finance
Re: Summary of Financial Performance for January 2023

Operating Income before Depreciation and Amortization (YTD vs budget):

- Tucson Airport Authority generated operating income before depreciation and amortization of \$260,976 for January 2023, which is \$473,259 favorable to budget due to favorable operating revenues described below.

Operating Revenues (YTD vs budget):

- In January, operating revenue of \$3,669,347 is favorable to budget by \$104,176 or 2.9% and favorable to prior year by \$435,615 or 13.5%. The increase from prior year is largely due to increased concession revenues. Operating revenues for the month were down \$245,446 (6.3%) compared to January 2020 (pre-COVID) largely due to decreased space rental revenues.
- Year-to-date operating revenues were greater than budgeted by \$642,797 or 4.7%, with favorable variances in all revenue categories, with the exception of reimbursed services.

Operating Expenses (YTD vs budget):

- In January, total operating expenses were lower than budget by \$369,084 or 9.8%. All expense categories were favorable to budget with the exception of other operating expenses. We are implementing several strategies to manage our operating expenses spend to ensure that we will not exceed the budget by the end of the fiscal year.
- Year-to-date operating expenses of \$12,971,221 are favorable to budget by \$1,057,114 or 7.5%. Contractual services expenses and materials and supplies expenses were lower than budgeted and drove the favorable variance.

FINANCIAL SUMMARY



For the four months ending January 31, 2023

**TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION**

	CURRENT MONTH - January 2023			January 2022	PRE-COVID January 2020
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
OPERATING REVENUES:					
Landing fees	196,821	255,758	58,936	205,545	\$ 243,315
Space rentals	888,093	953,570	65,476	904,286	1,257,451
Land rent	304,166	310,596	6,430	310,384	317,117
Concession revenue	1,642,495	1,668,430	25,935	1,280,375	1,542,630
Reimbursed services	266,816	212,497	(54,319)	229,032	265,464
Other operating revenues	266,779	268,496	1,717	304,110	288,816
Total Operating Revenues	3,565,171	3,669,347	104,176	3,233,732	3,914,793
OPERATING EXPENSES:					
Personnel expenses	2,354,846	2,096,237	258,610	1,832,991	1,799,750
Contractual services	1,027,322	821,112	206,210	736,035	978,081
Materials and supplies	223,569	219,684	3,886	145,375	139,683
Other operating expenses	171,716	271,338	(99,622)	63,795	86,645
Total Operating Expenses	3,777,454	3,408,371	369,084	2,778,196	3,004,159
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	(212,283)	260,976	473,259	455,536	910,634
Depreciation and Amortization	1,763,217	2,188,311	(425,094)	4,047,473	1,527,533
OPERATING INCOME (LOSS)	(1,975,500)	(1,927,334)	48,165	(3,591,937)	(616,898)
NONOPERATING INCOME (EXPENSES)					
Interest Income	43,868	118,558	74,689	37,797	256,514
Net increase/(decrease) in fair value of investments	-	570,363	570,363	(926,067)	166,272
Passenger facility charges	578,232	484,179	(94,053)	380,914	526,604
Interest expense and fiscal charges	(59,410)	(59,410)	-	(67,163)	93,783
Other nonoperating revenues (expenses)	-	(23,829)	(23,829)	573	11,250
Total nonoperating revenues (expenses)	562,691	1,089,860	527,170	(573,946)	1,054,423
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,412,809)	(837,474)	575,335	(4,165,884)	437,525
CAPITAL CONTRIBUTIONS:					
Federal	3,680,928	1,457	(3,679,471)	-	-
State	54,372	39,227	(15,145)	-	-
Total capital contributions	3,735,300	40,684	(3,694,616)	-	-
INCREASE (DECREASE) IN NET POSITION	\$ 2,322,491	(796,790)	\$ (3,119,281)	\$ (4,165,884)	\$ 437,525

TUCSON AIRPORT AUTHORITY
STATEMENT OF REVENUES , EXPENSES AND
CHANGES IN NET POSITION
For the four months ending January 31, 2023

	CURRENT YEAR TO DATE - January 2023			YTD - January 2022	PRE-COVID YTD - January 2020
	BUDGET	ACTUAL	FAV (UNFAV)	ACTUAL	ACTUAL
OPERATING REVENUES:					
Landing fees	\$ 816,016	\$ 934,617	\$ 118,601	\$ 886,708	\$ 943,671
Space rentals	3,562,196	3,743,898	181,702	3,607,055	4,993,415
Land rent	1,216,666	1,241,894	25,228	1,224,989	1,214,741
Concession revenue	6,062,647	6,470,996	408,349	5,850,383	6,215,502
Reimbursed services	1,067,262	922,460	(144,802)	905,850	1,163,385
Other operating revenues	1,069,821	1,123,540	53,719	1,131,404	1,086,256
Total operating revenues	13,794,608	14,437,405	642,797	13,606,389	15,616,970
OPERATING EXPENSES:					
Personnel expenses	8,478,730	8,540,444	(61,714)	7,314,659	7,338,299
Contractual services	3,913,540	2,979,215	934,325	2,572,999	2,450,715
Materials and supplies	976,591	748,497	228,094	580,480	583,845
Other operating expenses	659,474	703,065	(43,591)	343,856	409,303
Total Operating Expenses	14,028,335	12,971,221	1,057,114	10,811,994	10,782,162
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	(233,727)	1,466,184	1,699,911	2,794,395	4,834,808
Depreciation and Amortization	7,052,866	7,109,440	(56,574)	8,827,742	6,116,109
OPERATING INCOME (LOSS)	(7,286,593)	(5,643,256)	1,643,337	(6,033,347)	(1,281,301)
NONOPERATING REVENUES (EXPENSES):					
Interest Income	175,474	335,313	159,839	158,566	1,047,364
Net increase/(decrease) in fair value of investments	-	1,359,871	1,359,871	(1,831,401)	145,760
Passenger facility charges	2,515,258	2,307,796	(207,462)	2,080,965	2,411,678
Interest expense and fiscal charges	(237,640)	(237,640)	-	(268,654)	(152,179)
Gain/(Loss) on disposition of capital assets	-	-	-	-	402,390
Other nonoperating revenues (expenses)	-	(95,418)	(95,418)	(529)	237,573
Total nonoperating revenues (expenses)	2,453,092	3,669,921	1,216,829	138,947	4,092,586
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(4,833,501)	(1,973,335)	2,860,166	(5,894,400)	2,811,285
CAPITAL CONTRIBUTIONS:					
Federal	14,723,712	1,457	(14,722,255)	-	1,031,042
State	217,486	39,227	(178,259)	-	31,014
Total capital contributions	14,941,198	40,684	(14,900,514)	-	1,062,056
INCREASE (DECREASE) IN NET POSITION	\$ 10,107,697	\$ (1,932,651)	\$ (12,040,348)	(5,894,400)	3,873,341
TOTAL NET POSITION, (BEGINNING)		471,771,133		442,561,356	396,017,673
TOTAL NET POSITION, (ENDING)		\$ 469,838,482		\$ 436,666,956	\$ 399,891,014

TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION

ASSETS	January-23	January-22
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents	31,451,482	13,422,868
Investments	101,984,440	117,300,950
Accounts receivable, net of allowance for doubtful accounts of \$501,667 and \$257,121 for FY2023 and FY2022, respectively		
	6,488,721	2,930,528
Accrued interest receivable	133,602	119,022
Grants receivable	4,073,530	9,683,825
Inventories	405,938	394,902
Prepaid expenses and other assets	756,472	767,914
Total unrestricted current assets	<u>145,294,185</u>	<u>144,620,009</u>
Restricted assets:		
Cash and cash equivalents	5,252,783	2,296,423
Investments	22,534,498	22,500,564
Accounts receivable	654,277	930,506
Accrued interest receivable	36,795	34,715
Total restricted current assets	<u>28,478,353</u>	<u>25,762,208</u>
Total current assets	<u>173,772,538</u>	<u>170,382,217</u>
Noncurrent assets:		
Unrestricted assets:		
Accounts receivable	-	17,282
Capital assets		
Not depreciated	143,980,381	102,130,659
Depreciated, net	214,759,762	233,050,424
Net capital assets	<u>358,740,143</u>	<u>335,181,083</u>
Total unrestricted noncurrent assets	<u>358,740,143</u>	<u>335,198,365</u>
Total noncurrent assets	<u>358,740,143</u>	<u>335,198,365</u>
TOTAL ASSETS	<u>532,512,681</u>	<u>505,580,582</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	4,180,444	4,180,444
Total deferred outflows of resources	<u>4,180,444</u>	<u>4,180,444</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>536,693,125</u>	<u>509,761,026</u>

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

LIABILITIES & NET ASSETS (Con't)

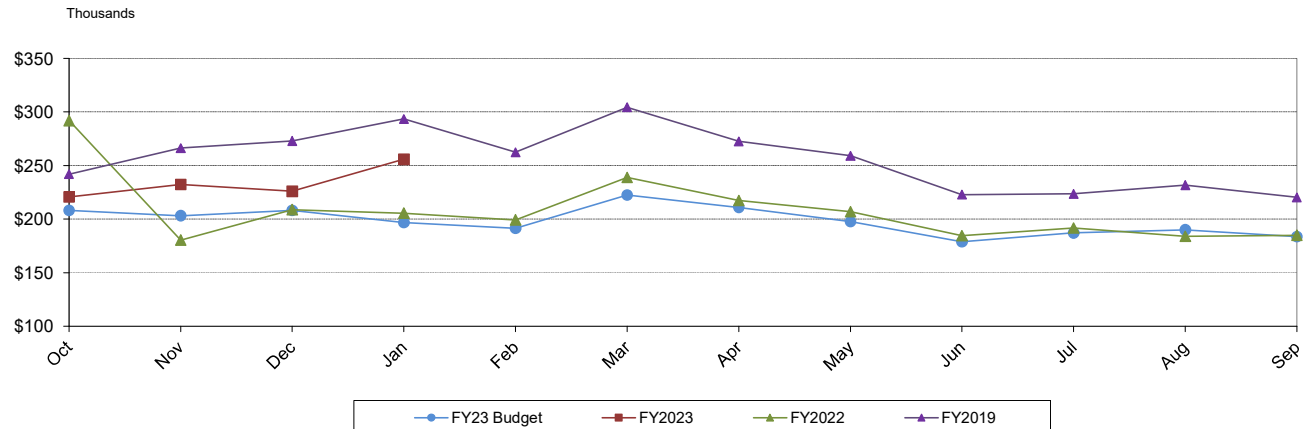
LIABILITIES	January-23	January-22
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Accounts payable	1,206,841	1,709,863
Accrued expenses	2,646,278	1,577,201
Unearned revenue	1,565,016	1,627,178
Construction contracts payable	-	1,929,956
Current portion of environmental remediation payable	2,223,567	2,634,325
Current portion of bonds payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	1,610,000	1,565,000
Total payable from unrestricted assets	9,251,702	11,043,523
 Payable from restricted assets		
Accrued interest payable:		
Airport Subordinate Lien Revenue Bonds, Series 2018	251,927	286,195
	251,927	286,195
Current portion of environmental remediation payable	572,412	392,447
Total payable from restricted assets	824,339	678,642
Total current liabilities	10,076,041	11,722,165
 NONCURRENT LIABILITIES		
Payable from unrestricted assets		
Bonds payable, net of current portion:		
Airport Subordinate Lien Revenue Bonds, Series 2018	21,780,539	25,044,908
Net pension liability	11,019,309	11,019,309
Environmental Remediation Payable, net of current portion	16,520,990	17,849,926
Total payable from unrestricted assets	49,320,838	53,914,143
 Total noncurrent liabilities	49,320,838	53,914,143
 TOTAL LIABILITIES	59,396,879	65,636,308

**TUCSON AIRPORT AUTHORITY
STATEMENT OF NET POSITION**

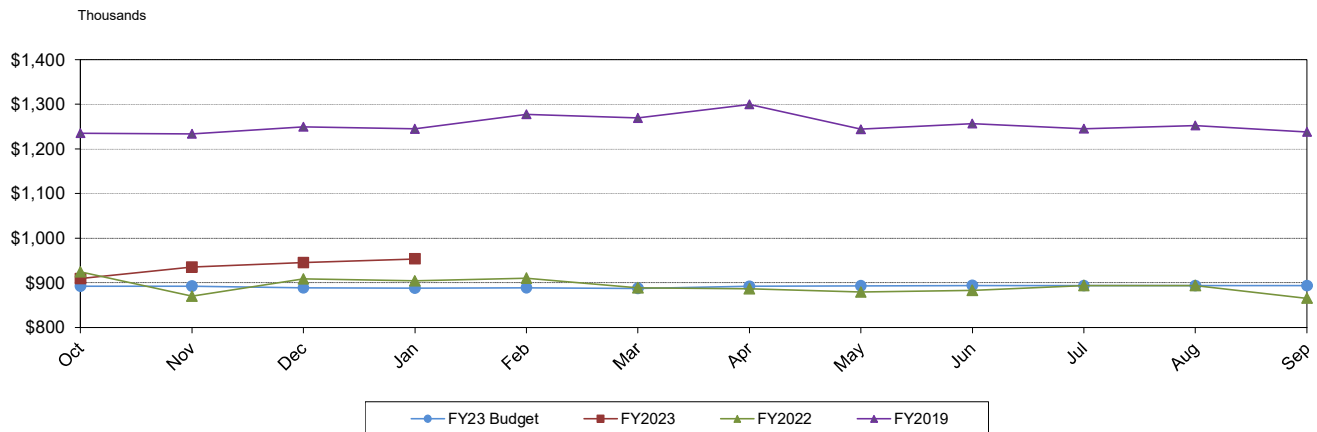
LIABILITIES & NET ASSETS (Con't)

	January-23	January-22
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	7,457,764	7,457,762
TOTAL DEFERRED INFLOWS OF RESOURCES	7,457,764	7,457,762
NET POSITION		
Net Investment in capital assets	335,349,604	308,571,175
Restricted:		
Debt service	1,073,333	1,043,333
Capital projects	27,153,093	24,432,680
	28,226,426	25,476,013
Unrestricted	106,262,452	102,619,768
TOTAL NET POSITION	469,838,482	436,666,956
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	536,693,125	509,761,026

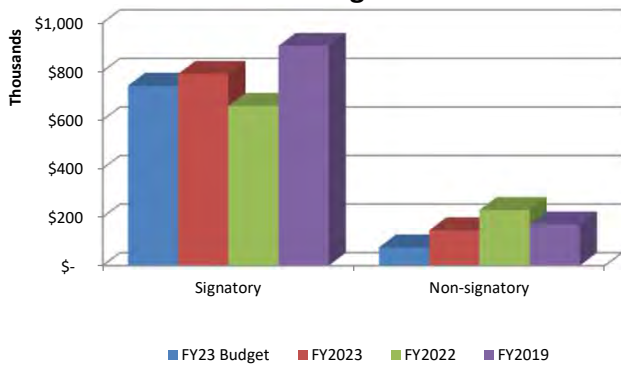
Landing Fees



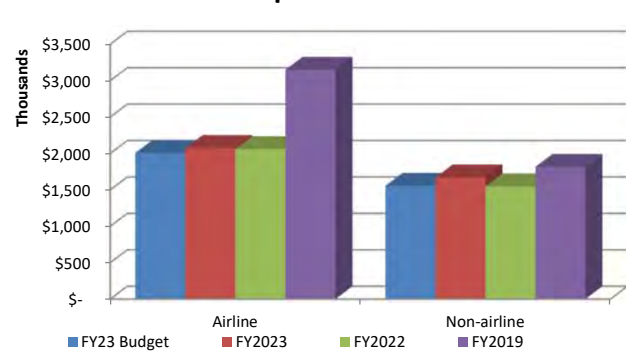
Space Rentals



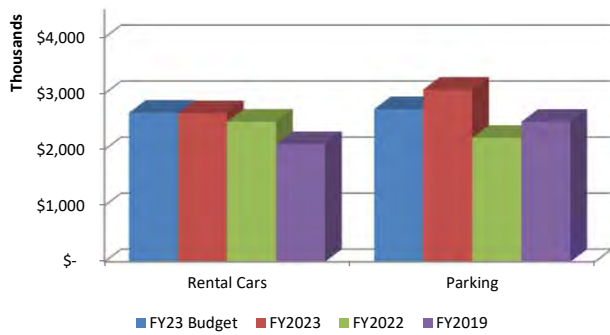
YTD Landing Fees



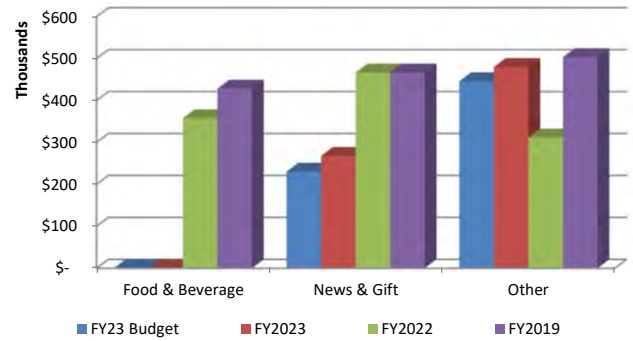
YTD Space Rentals



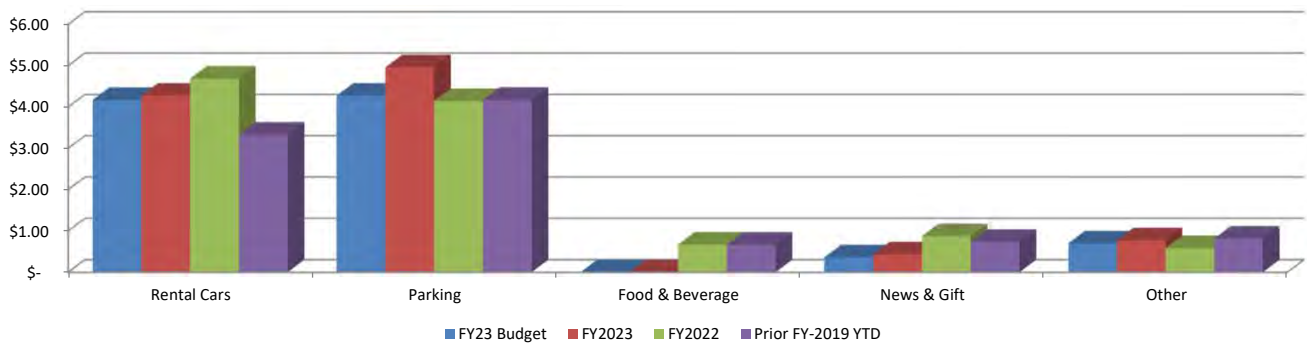
YTD Concession Revenue



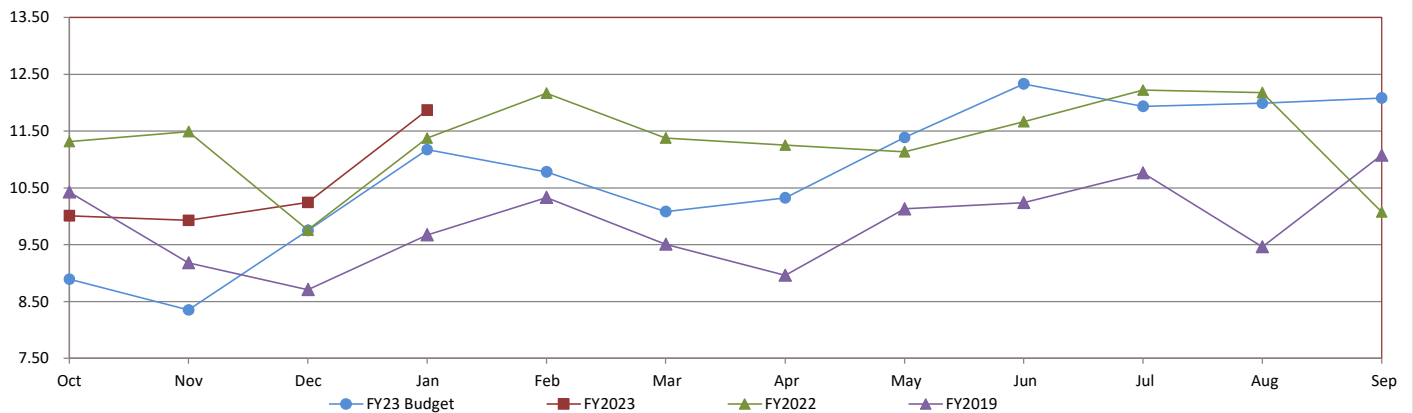
YTD Concession Revenue



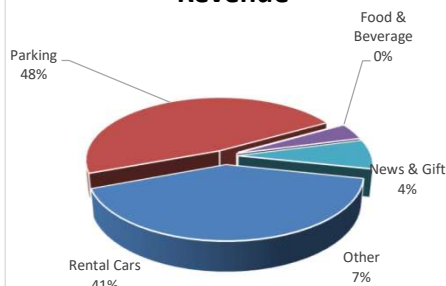
Year-to-Date Concession Revenue per Enplaned Passenger



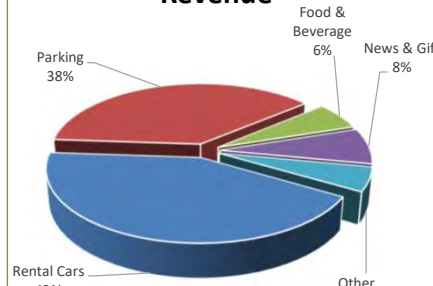
Monthly Concession Revenue per Enplaned Passenger



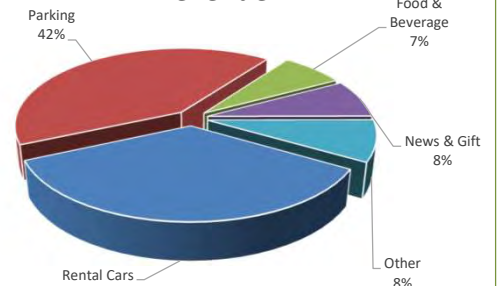
FY-2023 YTD Concession Revenue



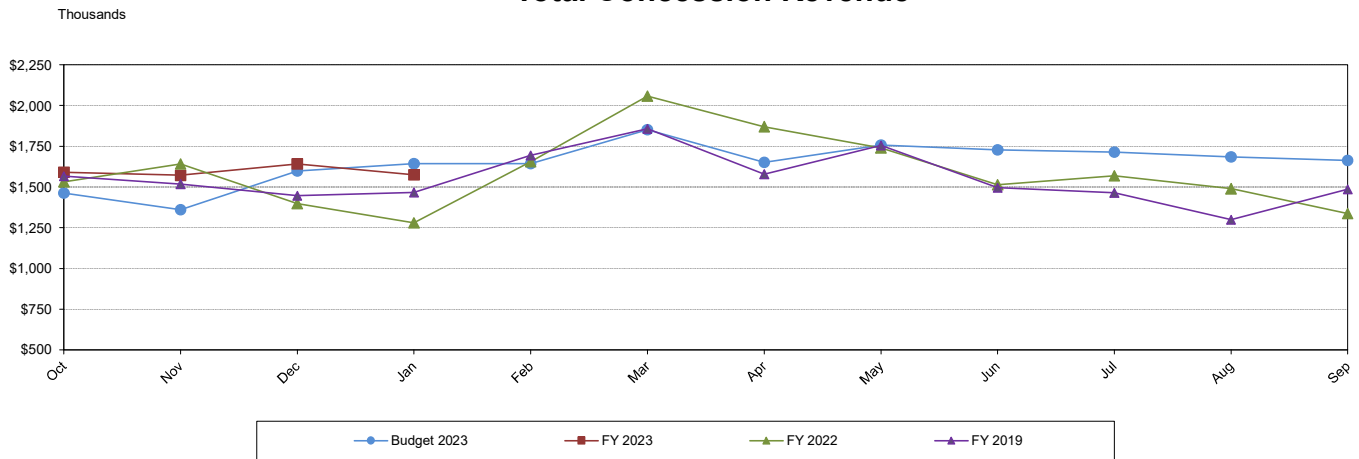
FY-2022 YTD Concession Revenue



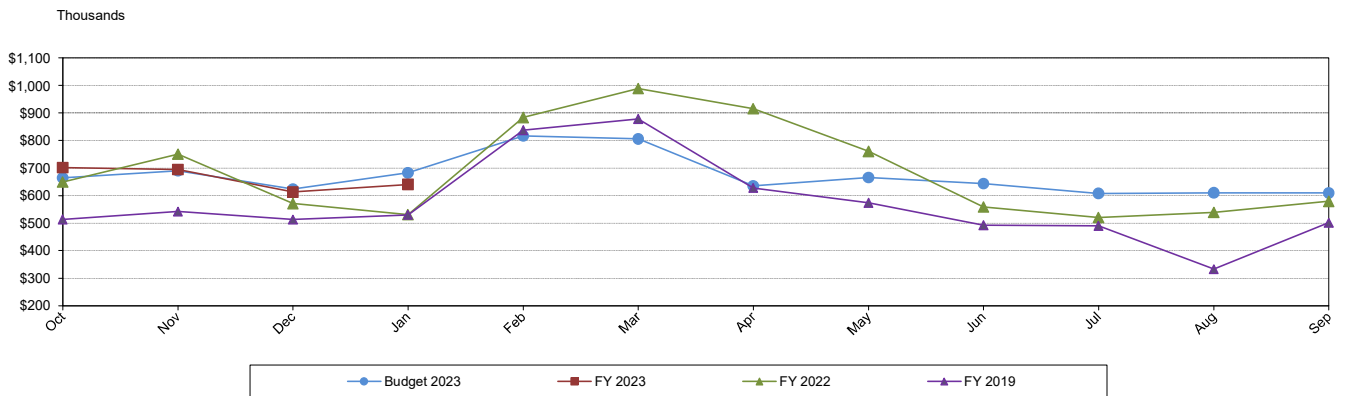
FY-2019 YTD Concession Revenue



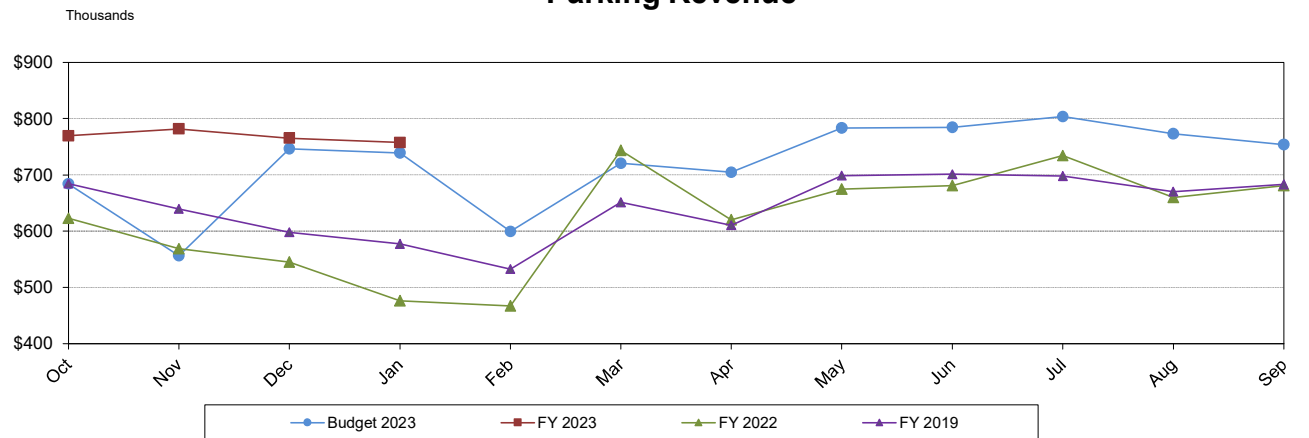
Total Concession Revenue

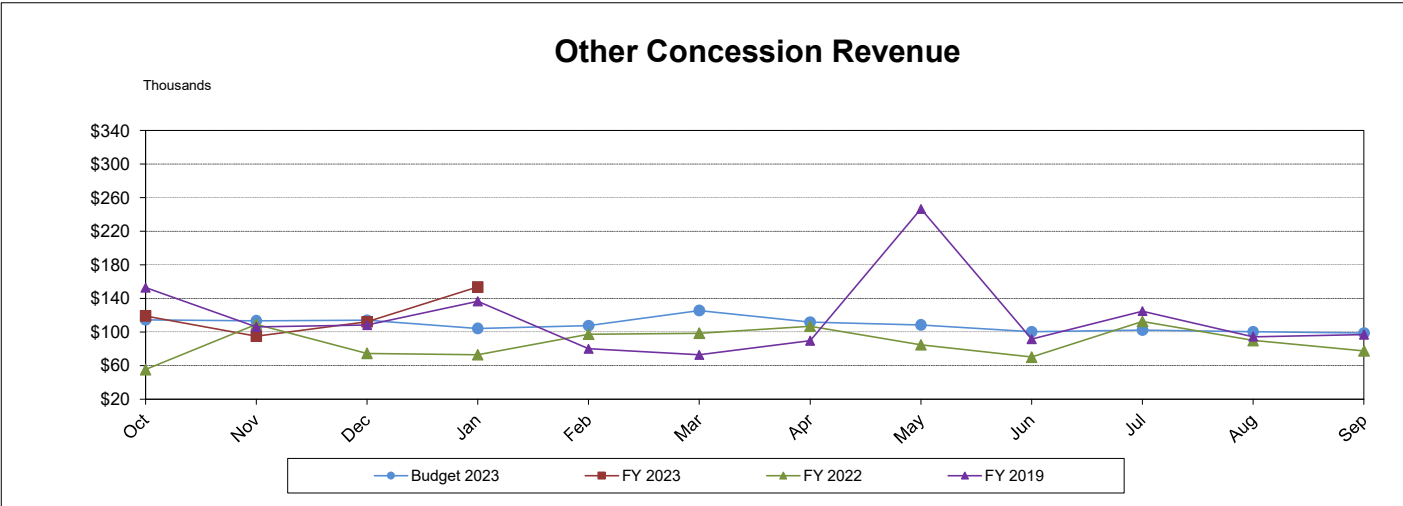
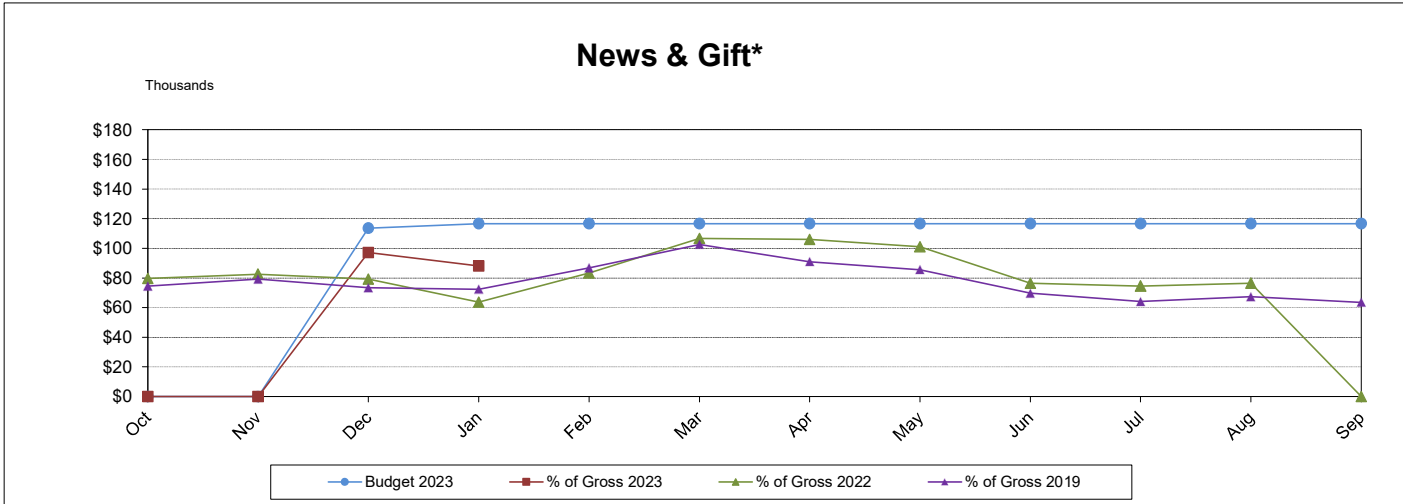
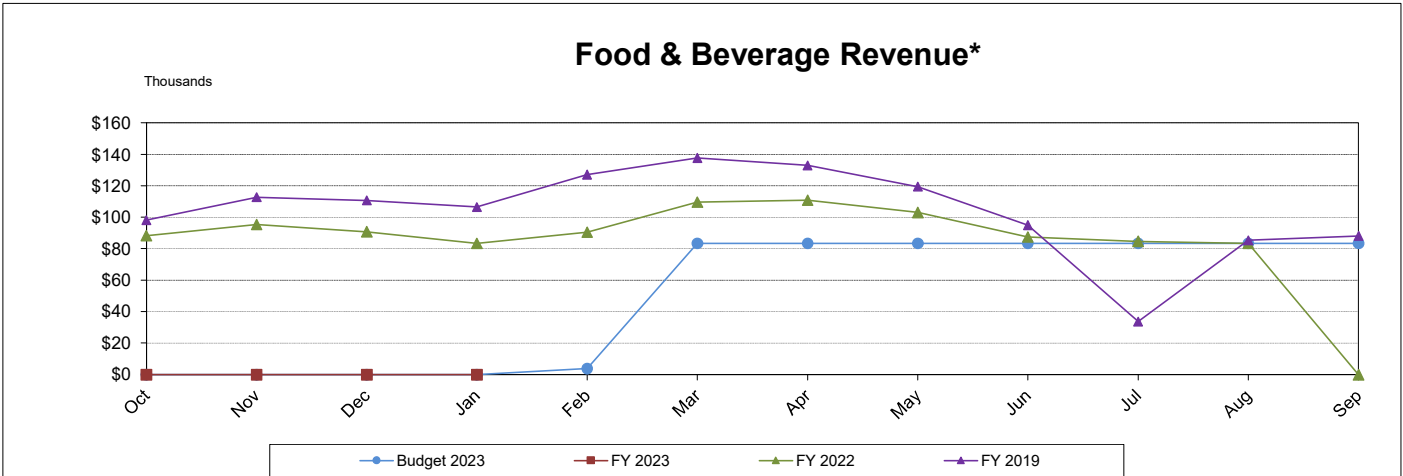


Rental Car Revenue



Parking Revenue

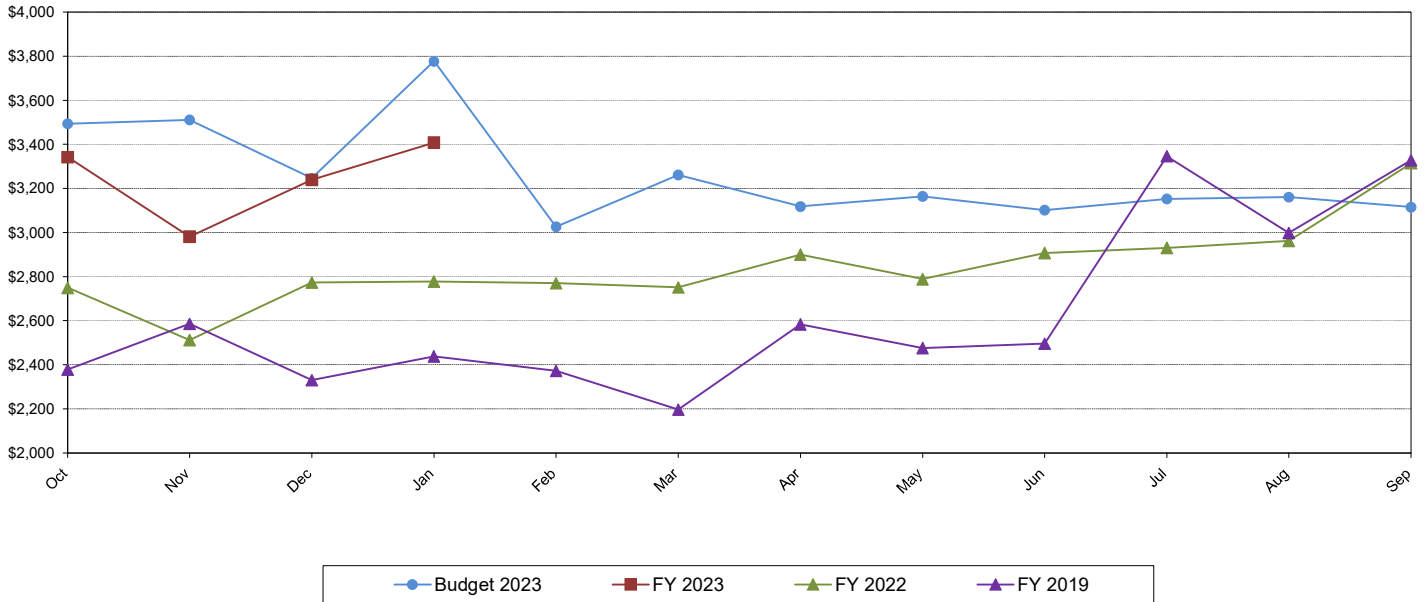




* Minimum Annual Guarantees were waived from April 2020 to September 2021. Additionally, TAA provided monthly invoice credits for concession tenants beginning in September 2022, in accordance with the ARPA concession relief plan submitted to the FAA. These credits will appear as reimbursements from the FAA in Other non-operating revenues.

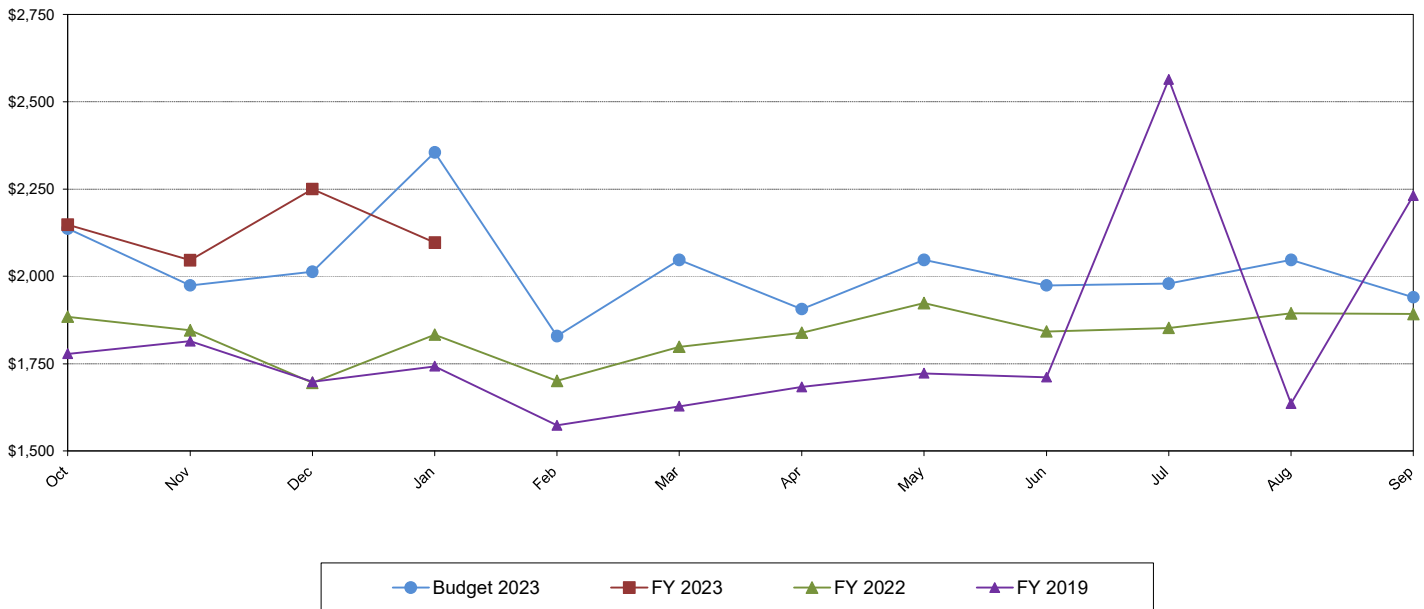
Total Operating Expenses

Thousands



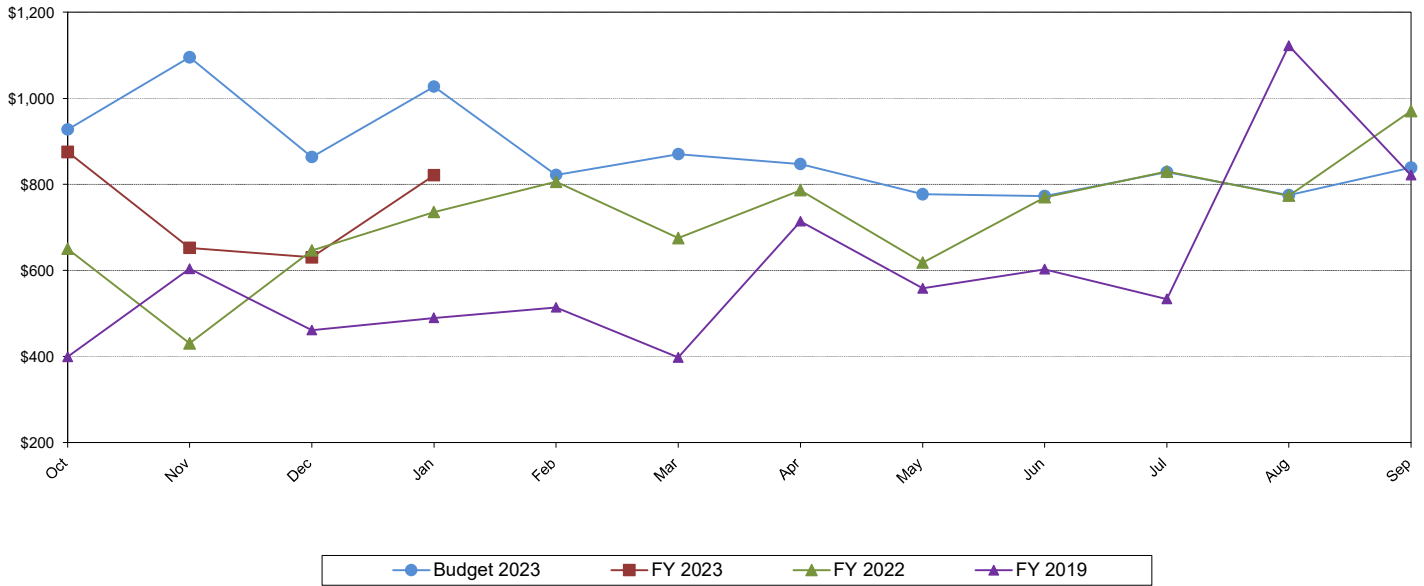
Personnel Expenses

Thousands



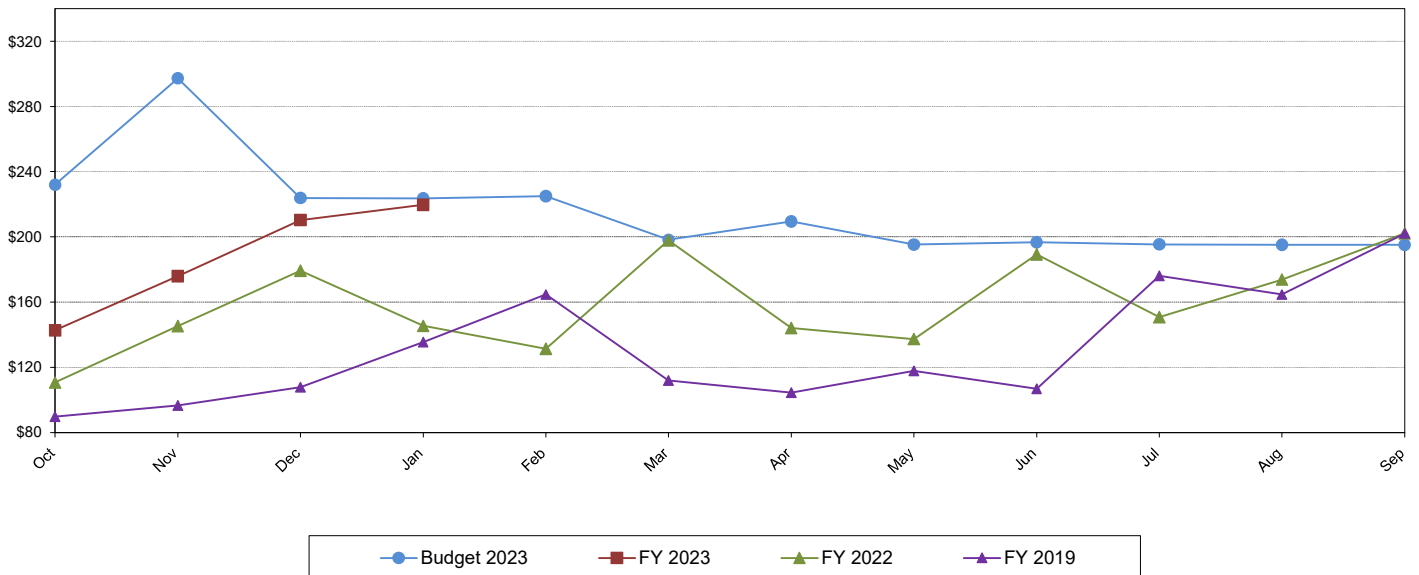
Contractual Services

Thousands



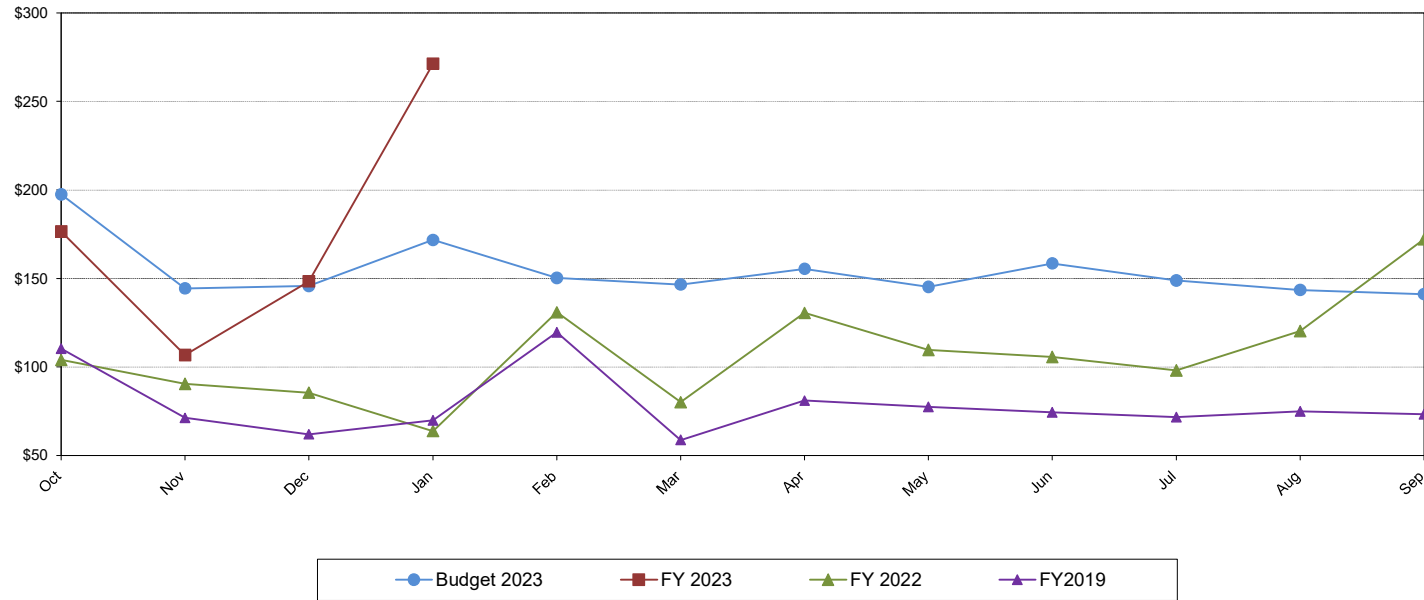
Materials and Supplies

Thousands

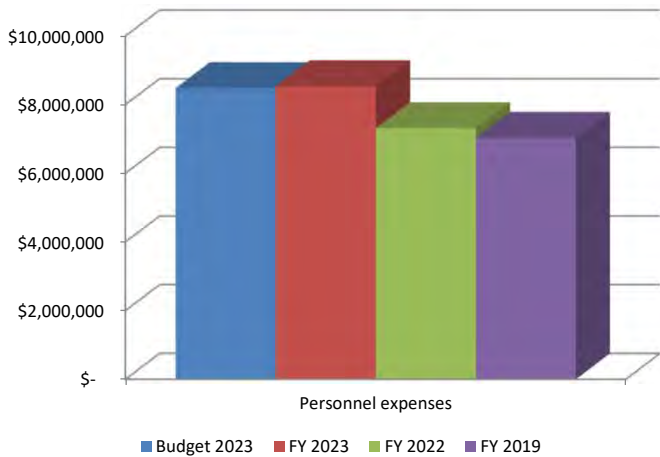


Other Operating Expenses

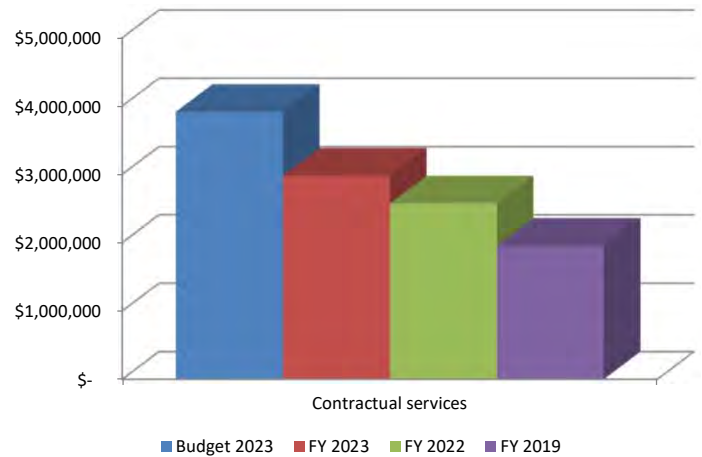
Thousands



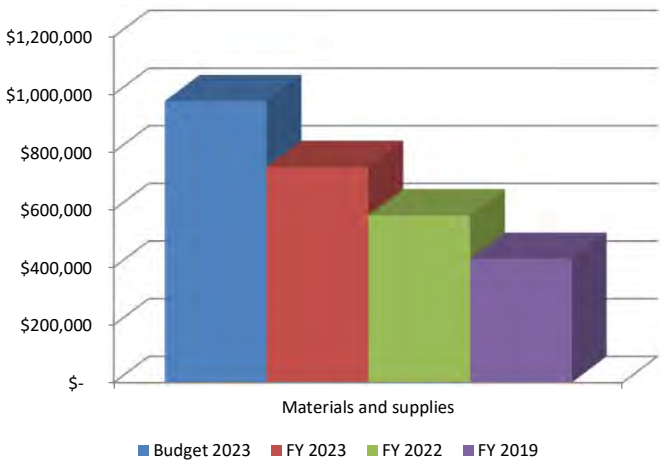
YTD Personnel Expenses



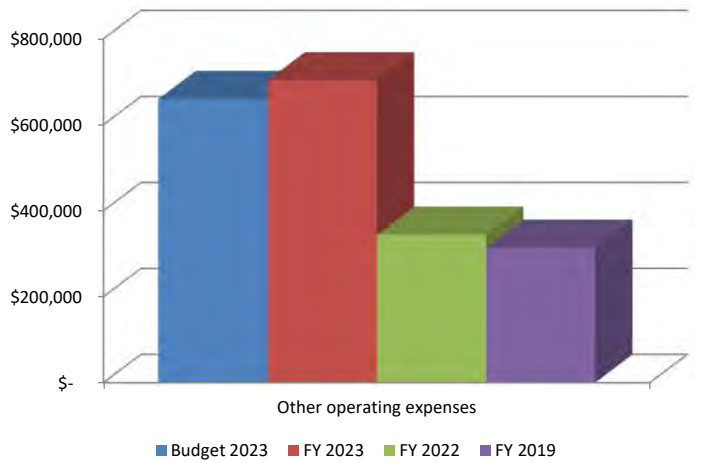
YTD Contractual Services



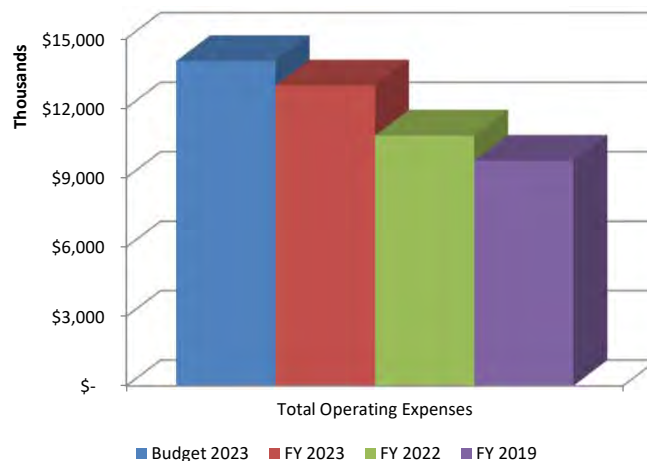
YTD Materials and Supplies



YTD Other Operating Expenses



YTD Total Operating Expenses



Date: April 4, 2023

To: Board of Directors
From: Clark Wager, Director of Finance
Re: Aviation Activity and Statistics for January 2023

Total Passengers (YTD vs prior year):

- Total passengers for the month of January 2023 were 26.4% higher than prior year and 5.5% lower than January 2019 (pre-COVID).

Average Daily Scheduled Departures (YTD vs prior year, changes by routes & carrier):

- The month of January had an average daily departure count of 49, which was 2 higher than prior year.
- Additional service to Atlanta (1), Dallas/Ft Worth (1), Las Vegas (1), Phoenix (2) and international routes to Canada (aggregate)(1) were offset by decreases in service to Denver (1), Chicago Midway (1), Oakland (1), and Seattle/Tacoma (1).
- Departure increases for American (3), Delta (1), and Flair (1) were offset by decreases in service for Alaska (2) and United (1).

Average Daily Seat capacity (YTD vs prior years):

- Seat capacity for January 2023 was 16.9% higher than January 2022 and 5.7% lower than January 2019.
- YTD, seat capacity was 17.0% higher than the same period in 2022 and 1.7% lower than the same period in 2019 (pre-COVID).

Load Factors (MTD & YTD vs prior years):

- The load factor for January was 69.64%, which is 5.4% higher than January 2022 and 0.5% higher than January 2019.
- YTD, the load factor was 80.12%, which is 0.6% lower than the same period in 2022 and 0.2% lower than the same period in 2019.

Aircraft Operations (MTD & YTD vs prior year):

- Freight, measured in pounds, is 1.8% lower in January compared to the same month last year.
- Total aircraft operations were 18.4% higher in January than the same month last year, with increases in all aircraft operations categories.
- Year-to-date operations are 15.8% higher compared to prior year, with increases in all aircraft operations categories.

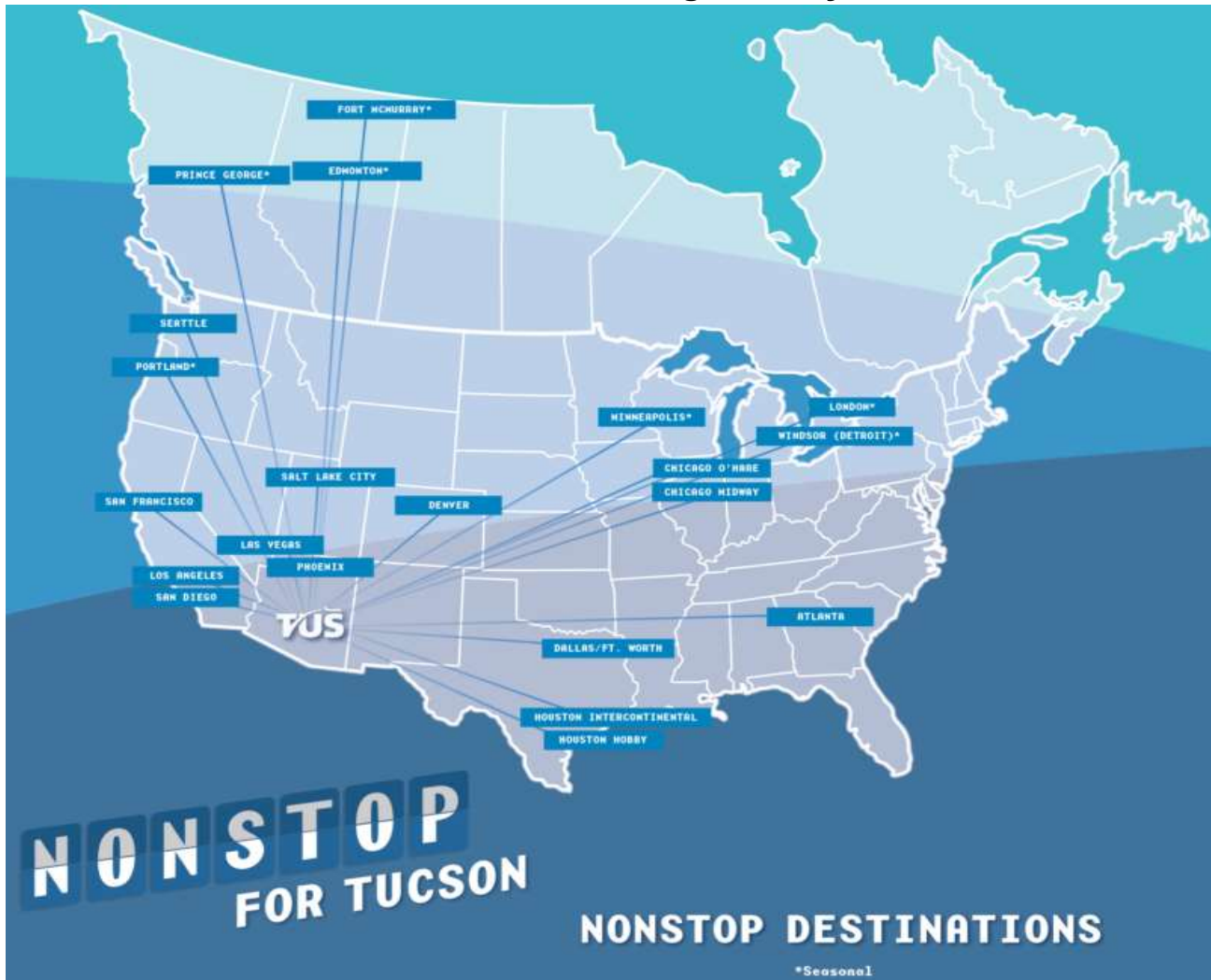
TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY



AVIATION ACTIVITY REPORTS

Tucson International Airport (TUS)

For the four months ending January 31, 2023



*Prepared by Tucson Airport Authority
Finance Department*

TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY

TUCSON AIRPORT AUTHORITY
TUS ACTIVITY OVERVIEW

PASSENGERS*	Fiscal YTD					
	Jan-23	Jan-22	% CHANGE	2023	2022	% CHANGE
ENPLANED	142,508	112,555	26.6%	619,846	533,882	16.1%
DEPLANED	152,197	120,632	26.2%	611,451	536,706	13.9%
TOTAL	294,705	233,187	26.4%	1,231,297	1,070,588	15.0%

*Passenger figures include non-revenue passengers.

LANDED WEIGHT**

AIR CARGO	12,095	12,557	-3.7%	51,741	54,107	-4.4%
AIR CARRIER	187,512	153,059	22.5%	706,275	600,242	17.7%
TOTAL	199,607	165,616	20.5%	758,016	654,349	15.8%

**In thousand pound units.

FREIGHT (in pounds)

ENPLANED	2,203,122	2,077,143	6.1%	10,249,406	9,971,528	2.8%
DEPLANED	2,464,271	2,673,816	-7.8%	11,175,756	12,377,286	-9.7%
TOTAL	4,667,393	4,750,959	-1.8%	21,425,162	22,348,814	-4.1%

MAIL (in pounds)

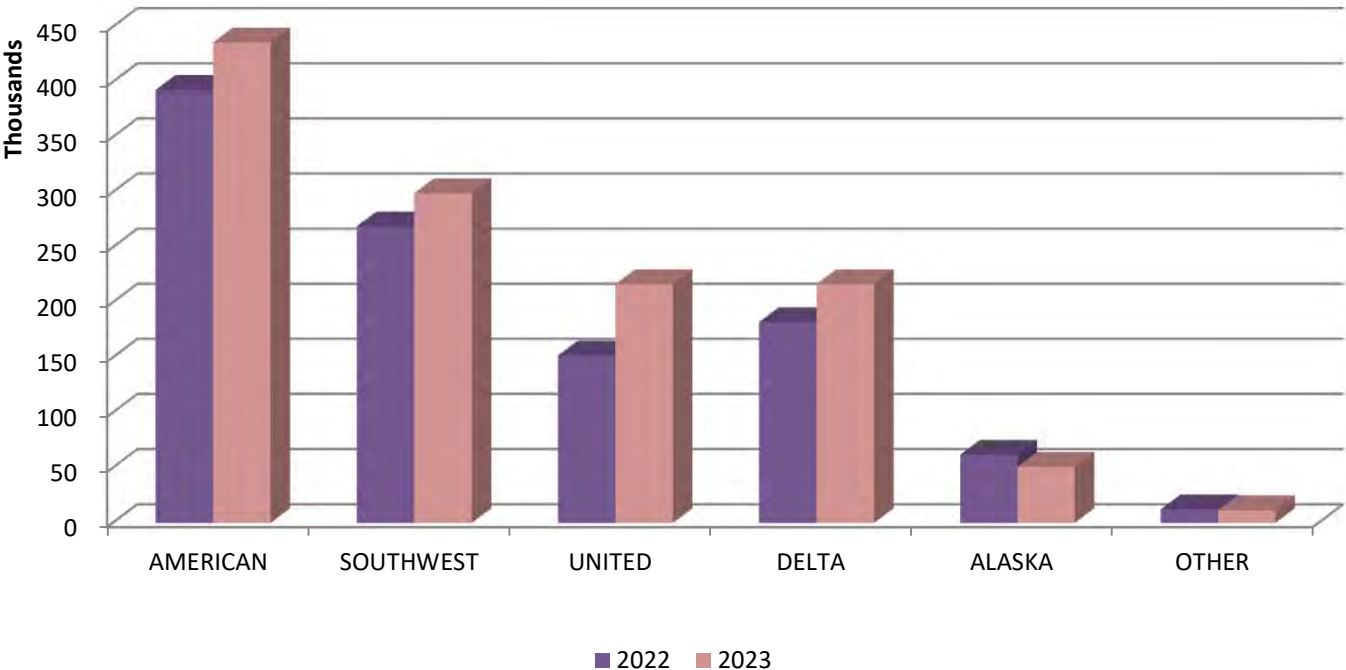
ENPLANED	162	0	100.0%	162	300	-46.0%
DEPLANED	162	0	100.0%	196	0	100.0%
TOTAL	324	0	100.0%	358	300	19.3%

AIRCRAFT OPERATIONS

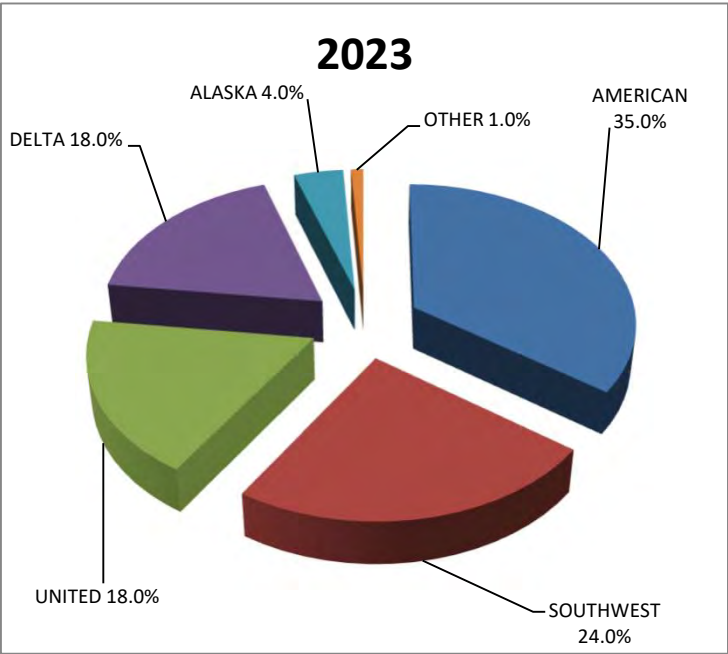
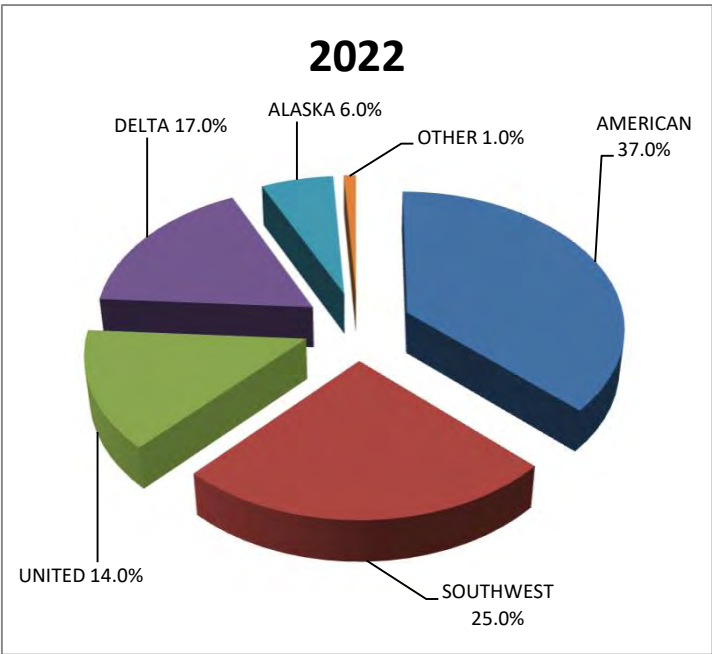
AIR CARRIER	3,068	2,677	14.6%	11,716	10,880	7.7%
AIR TAXI	1,964	1,579	24.4%	6,563	6,333	3.6%
MILITARY	2,524	1,779	41.9%	9,611	7,044	36.4%
GENERAL AVIATION	6,102	5,504	10.9%	24,433	20,931	16.7%
TOTAL	13,658	11,539	18.4%	52,323	45,188	15.8%

**TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY**

TOTAL PASSENGERS YTD BY AIR CARRIER



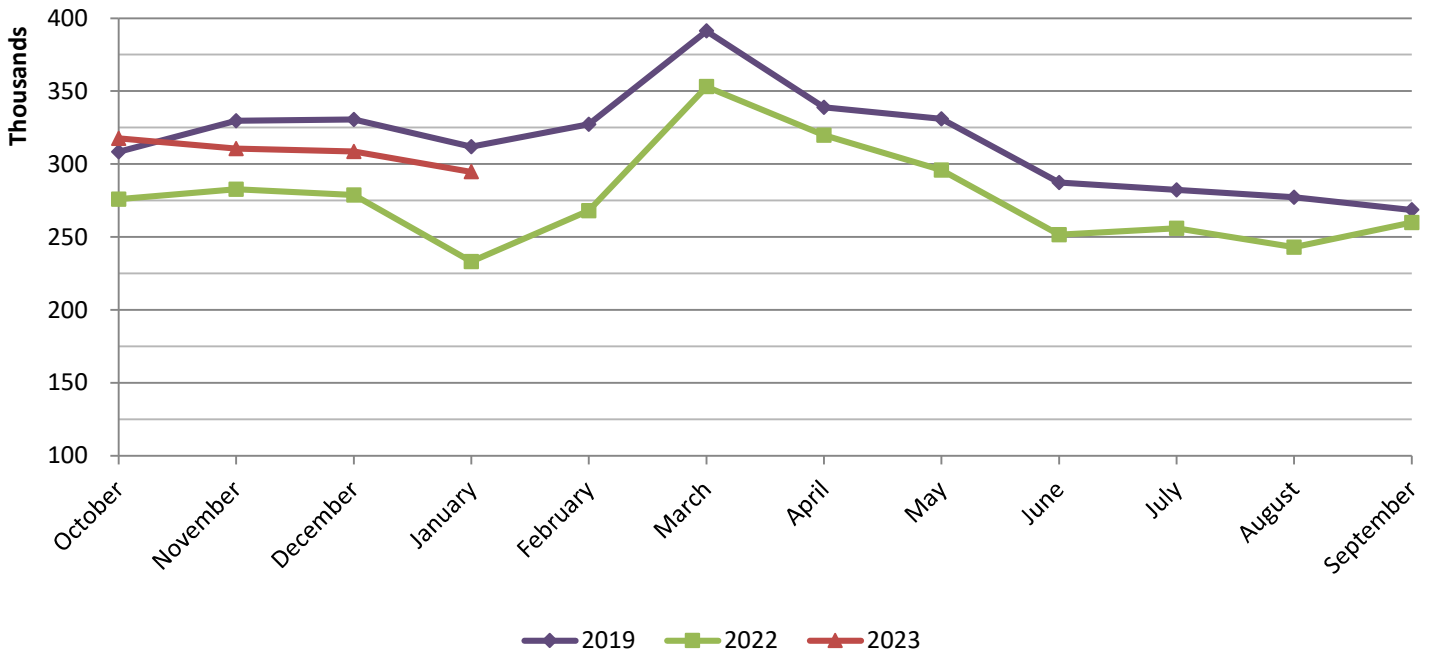
AIR CARRIER MARKET SHARE



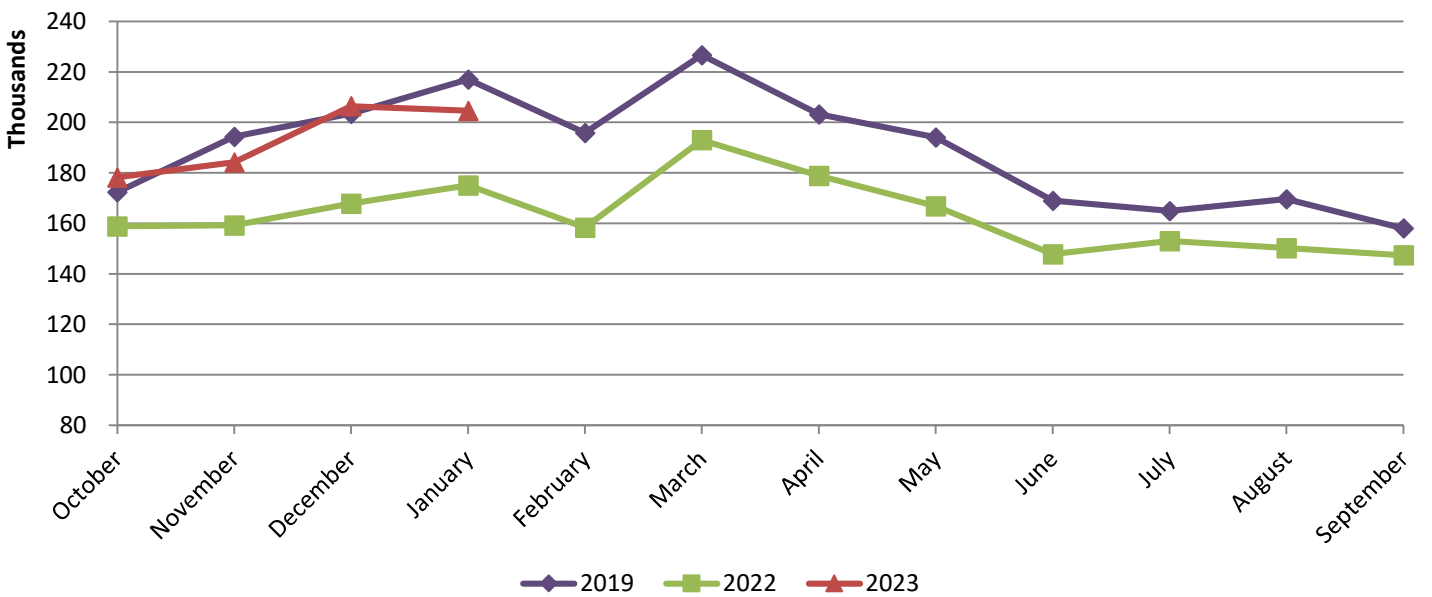
TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

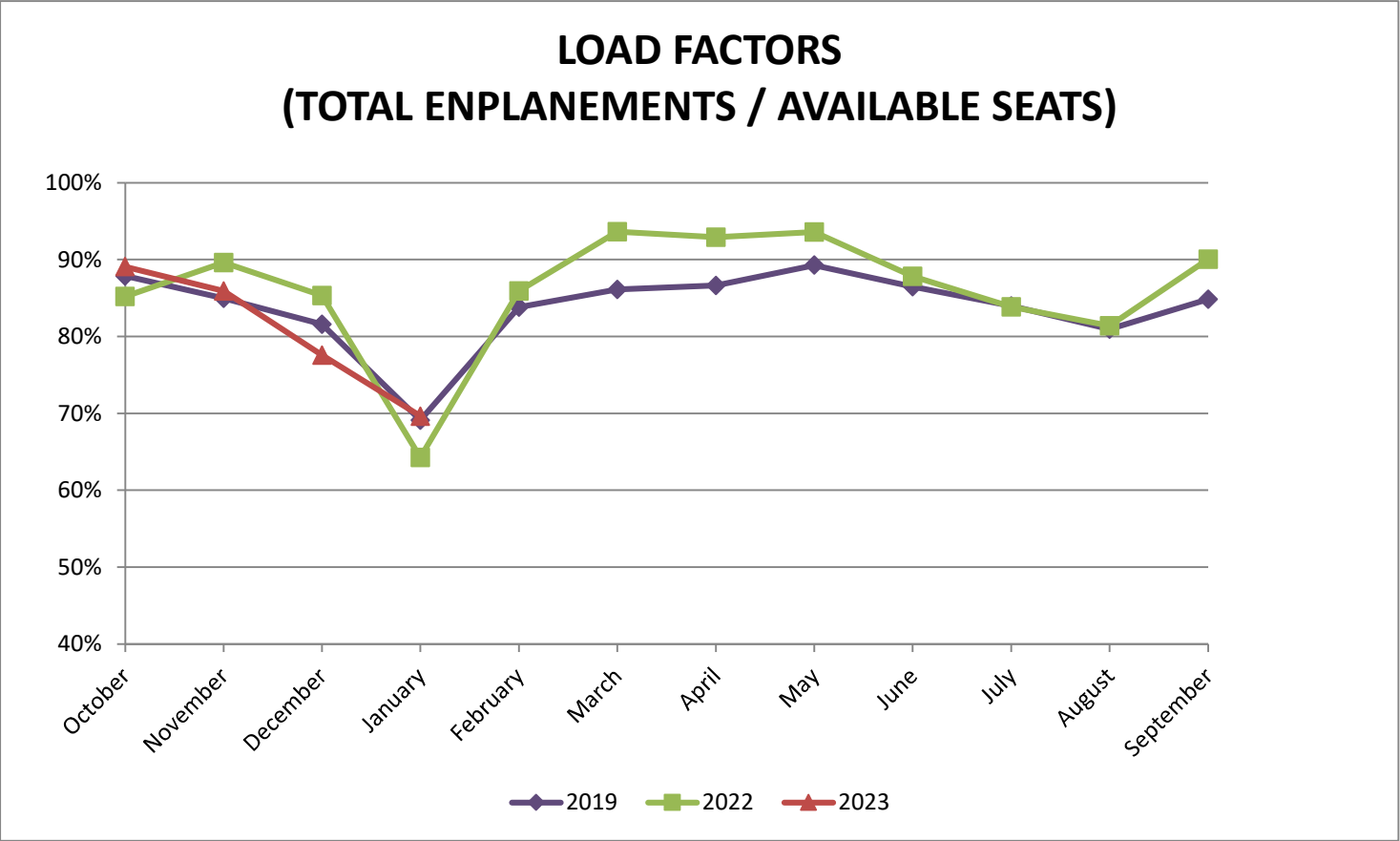
TOTAL PASSENGERS BY MONTH



AVERAGE SEAT CAPACITY PER MONTH



**TUCSON AIRPORT AUTHORITY
TUS PASSENGER ACTIVITY**



TUCSON AIRPORT AUTHORITY

TUS PASSENGER ACTIVITY

TUS MONTHLY FLIGHT SCHEDULE SUMMARY

NONSTOP DESTINATIONS and Airline	Code	Average Daily Departures			Average Daily Seats		
		Current Year	Prior Year	Difference	Current Year	Prior Year	Difference
ATLANTA <i>Delta (2.4)</i>	ATL	2.4	1.9	0.5	456	364	92
BURBANK <i>Avelo (0)</i>	BUR	0.0	0.2	(0.2)	0	43	(43)
DENVER <i>United (3), Southwest (2.9)</i>	DEN	5.9	6.5	(0.6)	843	672	171
DALLAS/FT WORTH <i>American (5.9)</i>	DFW	5.9	5.1	0.8	1,122	960	162
HOUSTON HOBBY <i>Southwest (.9)</i>	HOU	0.9	0.9	0.0	151	131	20
HOUSTON BUSH <i>United (3)</i>	IAH	3.0	2.7	0.3	360	196	164
LAS VEGAS <i>Southwest (3)</i>	LAS	3.0	2.5	0.5	492	367	125
LOS ANGELES <i>Delta (2.9), American (2) Southwest (1.7)</i>	LAX	6.6	6.4	0.2	628	614	14
CHICAGO MIDWAY <i>Southwest (.2)</i>	MDW	0.2	1.0	(0.8)	28	162	(134)
MINNEAPOLIS <i>Delta (0.8), Sun Country (.3)</i>	MSP	1.1	0.7	0.4	181	114	67
OAKLAND <i>Southwest (0)</i>	OAK	0.0	0.5	(0.5)	0	71	(71)
CHICAGO O'HARE <i>American (1.9), United (1)</i>	ORD	2.9	2.9	0.0	462	390	72
EVERETT <i>Alaska (0)</i>	PAE	0.0	0.6	(0.6)	0	44	(44)
PORTLAND <i>Alaska (1)</i>	PDX	1.0	1.0	0.0	76	157	(81)
PHOENIX <i>American (6.6)</i>	PHX	6.6	4.9	1.7	783	469	314
SAN DIEGO <i>Southwest (1)</i>	SAN	1.0	1.0	0.0	154	157	(3)
SEATTLE/TACOMA <i>Alaska (1) Delta (1)</i>	SEA	2.0	3.0	(1.0)	291	359	(68)
SAN FRANCISCO <i>United (3)</i>	SFO	3.0	3.0	0.0	192	174	18
SALT LAKE CITY <i>Delta (3)</i>	SLC	3.0	2.8	0.2	213	207	6
EDMONTON <i>Flair (.2)</i>	YEG	0.2	0.0	0.2	36	0	36
FORT McMURRAY <i>Flair (.3)</i>	YMM	0.3	0.0	0.3	54	0	54
WINDOR INTENATIONAL <i>Flair (.1)</i>	YQG	0.1	0.0	0.1	24	0	24
PRINCE GEORGE <i>Flair(.1)</i>	YXS	0.1	0.0	0.1	24	0	24
LONDON INTERNATIONAL <i>Flair (.2)</i>	YXU	0.2	0.0	0.2	30	0	30
TOTAL		49.4	47.6	1.8	6,600	5,651	949

Date: April 4, 2023

To: Board of Directors
From: Austin Wright, Chief Communications Officer
Re: April 2023 Air Service Development Update

Capacity:

Winter and spring capacity featured robust increases of 18% on a year-over-year basis for the months of November 2022 through March 2023 combined.

Spring schedules for March through May show TUS capacity up 12% over the same period in 2022, led by United Airlines with a 47% increase, as it has added many mainline aircraft to its TUS schedule.

Summer schedules are currently being finalized at each airline. Year-over-year growth rates will be lower than they have been in recent months. Summer is not our peak season, as inbound demand declines, but we still see opportunities to serve local demand that due to capacity constraints continues to use PHX instead.

Passenger Trends:

January passenger traffic was 94.5% of January 2019, several percentage points short of forecast. Seat growth was up 17% year-over-year, but TUS' overall load factor was only 71%.

February 2023 passenger totals when available should be in-line with forecast.

March began with strong demand, based on TSA throughput counts, and will likely be the busiest month at TUS since March 2019. If that benchmark is eclipsed, the next highest levels were seen at TUS fifteen years ago, in 2008.

TUS is tracking toward at least 3.6 million passengers in FY2023, a 10% increase from FY2022 and 97% of FY2019, which is ahead of the FY2023 budgeted level of 94.5% of FY2019.

Canada:

TAA, Flair, Visit Tucson, and the five Canadian airports receiving new service to Tucson have all worked together to promote these routes featuring TUS as a "sunspot" for Canadian cities with little or no affordable leisure travel options in the winter. Flair's seasonal service ends as scheduled in late March. Staff continues to work to ensure Flair's return next winter.

Airline Meetings:

TAA leaders will meet with two carriers in separate headquarters meetings in March, and met with over a dozen airports and airlines at Routes Americas 2023. TAA has specific objectives for each

airline, which can include new routes, aircraft up gauging, or added flights as warranted based on demonstrated revenue performance in this market. Two winter seasonal routes remain to be officially restored, Paine Field (Everett, WA) on Alaska and Oakland on Southwest.

Date: April 4, 2023

To: Board of Directors
From: Austin Wright, Chief Communications Officer
Re: April 2023 Marketing and Strategic Communications Update

Marketing:

The Tucson Airport Authority (TAA) continues to invest in strategic marketing placements for its “Nonstop for Tucson” campaign. Efforts by the TAA to maximize its paid media continues to be successful with quarterly planning sessions with our marketing consultant. Out-of-home delivery (billboards and transit) continue to be the strongest form of delivering our message with more than 13 million impressions per quarter. Audio (radio) will be expanded across alternative players such as Samsung Music to gain more reach.

Radio scripts and creative for digital display ads will be updated with new messaging that strategically aligns with newly proposed Community Value Propositions.

In the Media:

Proactive media outreach and relationship building with local and industry writers has resulted in increased mentions of the TAA in various outlets and publications. This spring, the TAA will have feature stories in:

- BizTucson
- Tucson Lifestyle
- Tucson Metro Chamber | Chamber’s Edge Magazine
- Tucson Hispanic Chamber | JUNTOS Magazine

Through January 2023, the TAA has earned 194 earned media mentions in Fiscal Year 2023 with an Advertising Value Equivalency (AVE) of nearly \$1.8M. Total media mentions in January 2023 were almost double year-over-year compared to 2022.

Community Involvement, Customer Experience and Recognition:

- ➔ The TAA is planning a ribbon cutting event for the International Arrivals Gallery, which is home to pieces from local artist Ray Tigerman as well as various pieces from both the Tohono O’odham Nation and Pasqua Yaqui Tribe.
- ➔ TAA Team Members participated in the Friends of PACC Pets of Pima Parade by walking in the parade, passing out branded tennis balls for pets and setting up a booth with giveaways for more than 30,000 spectators.
- ➔ The team will support a Tucson Hispanic Chamber spring mixer in May as the location sponsor and will provide a presentation to an expected 60 community members.

- ➔ Planning is nearly complete for the TAAA 75th Anniversary event. We look forward to welcoming active and emeritus members to the Pima Air and Space Museum for a night to remember. Please RSVP by April 13, 2023 for the event.